



AMTRAK | Office of
Inspector General
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SEMIANNUAL REPORT to the United States Congress

October 1, 2012–March 31, 2013
Report # 47





Westerly, RI

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From the Inspector General



National Railroad Passenger Corporation Office of Inspector General

Pursuant to the Inspector General Act of 1978, as amended, I am pleased to provide the Amtrak Office of Inspector General *Semiannual Report to the United States Congress* for the six months ending March 31, 2013. This report highlights our significant audit, evaluation, and investigative accomplishments that help Amtrak accomplish its strategic goals and support congressional oversight. It also describes actions we have taken to continue improving our operational performance.

Significant Events

The last reporting period proved to be a highly eventful period for Amtrak, its Board of Directors, and our office. Before highlighting our work I want to address some of those events. First, I want to acknowledge the service of Tom Carper, who in March 2013 completed his service as Chairman of Amtrak's Board of Directors. During Chairman Carper's tenure, Amtrak made important strides forward, such as setting revenue and ridership records. Chairman Carper also oversaw Amtrak's development of a new strategic plan to guide the corporation's efforts to improve, among other things, its financial and operational performance. On a personal note, I sincerely thank the Chairman for his support of our office and the direct support he gave to me as a new Inspector General. His door was always open and his advice was valued.

My thanks also go to Nancy Naples, who also completed her service on the Board in March 2013. Her contributions were many. Most noteworthy was her role as chair of the Personnel Committee that oversaw the development of Amtrak's newly announced (March 2013) compensation program—Total Rewards. My personal thanks to her as well for freely sharing her time and insights in helping me fulfill my responsibilities.

Further, I look forward to a strong working relationship with the new Chairman Tony Cosia, new Vice Chairman Jeff Moreland, and the other Board members to include the

two newest members, Christopher Beall and Yvonne Burke, who joined the Board in January 2013.

Turning to our office specifically, I am proud to report that our offices of Audits and Investigations successfully underwent external peer reviews. All Offices of Inspector General receive peer reviews every three years by other Offices of Inspector General in order to obtain an independent assessment of the quality of operations and compliance with federal audit and investigative standards. Congratulations to all Office of Inspector General staff on these significant accomplishments.

Our Office of Audits was the subject of a Council of the Inspectors General on Integrity and Efficiency peer review during this reporting period by the Tennessee Valley Authority Office of Inspector General. The review team 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, we received a “pass” rating, and no recommendations for improvement were made.

Our Office of Investigations was also the subject of a peer review during this reporting period by the Nuclear Regulatory Commission Office of Inspector General. The team concluded that the system of internal safeguards and management procedures for our investigative function in effect for the year ending February 28, 2013, was in compliance with the quality standards established by the Council of the Inspectors General on Integrity and Efficiency and the Attorney General’s Guidelines. These safeguards and our procedures provide reasonable assurance of conforming to professional standards in the conduct of our investigations.

Significant Accomplishments

Over the last six months, our audit and evaluation offices continued to be productive. We issued 10 reports with a total of 23 recommendations, including financial recommendations totaling \$8.3 million. Our investigative work resulted in one indictment, three convictions, and \$884,862 in fines, restitutions, recoveries, and cost avoidance. Some examples are discussed below.

- One of our key areas of focus is identifying ways to improve Amtrak’s governance activities. Our audit, evaluation, and investigative work identified a

From the Inspector General

number of opportunities to improve those activities. For example, I testified before the Committee on Transportation and Infrastructure, House of Representatives, on November 28, 2012, on our work related to Amtrak improvement initiatives. My central message was that Amtrak's initiatives hold great potential for making improvements to its operations and financial performance. However Amtrak's overall management control environment is weak and the initiatives' ultimate success will depend on sustained attention and effective implementation.

- Our investigative work in the governance area identified various violations of corporate policies and made recommendations to strengthen controls in these areas. Of particular note was our investigation of a questionable claim that helped Amtrak to reduce a settlement by \$875,000.
- In the area of train operations, we brought to a close a body of work reviewing incentive and service payments to host railroads. The cumulative effect of this work has yielded significant benefits. Over time, we have identified over \$91.3 million in overpayments to host railroads. As a result, Amtrak has realized more than \$38.4 million in savings from settlements with host railroads. This amount includes over \$19 million in cash or credits and more than \$19.4 million from a release of claims for on-time-performance incentives. Additionally, Amtrak has the opportunity to potentially recover another \$23.8 million in overpayments. Lastly Amtrak has made improvements to its invoice review and payment processes that should help to reduce overpayments.
- In the human capital management area, our investigative office reported on issues such as, employee embezzlement and grand theft, illegal drug use, false statements on employment applications, improper reporting of time and attendance, and ethics violations. These reports led to employee criminal convictions, terminations, suspensions and improved management controls. We also issued an audit report that identified best practices to assist Amtrak in developing needed policies and procedures over the approval and use of overtime.
- In the safety and security focus area our inspections and evaluations office reported that Amtrak had made progress in implementing positive train control,

but significant challenges remain. Amtrak is attempting to mitigate the risks posed by current challenges to positive train control implementation in various ways, but overcoming some of these challenges by the end of 2015 will require increased attention and emphasis.

Actions Taken to Continually Improve OIG Operations

Key efforts to continuously improve our operations included revising our strategic plan.¹ We also summarized in a special report, the achievement of our effort to transform our office to function as a mainstream Office of Inspector General and position us to ultimately achieve the goal of being a model office. This complex effort began in fiscal year 2010 when I was appointed and included engaging the National Academy of Public Administration to conduct an organizational assessment.²

We and Amtrak continue to face an increasingly constrained federal budget environment. Our office's and the corporation's effective and efficient stewardship over resources remain paramount. We will continue to identify ways to operate more economically and efficiently. At the same time, we will work to help Amtrak meet its stewardship responsibilities and support Congress in its oversight responsibilities. As Amtrak Inspector General, this is my commitment to you.



Ted Alves
Inspector General

¹ See the complete Strategic Plan at (http://www.amtrakoig.gov/sites/default/files/reports/strategic_plan2.pdf).

² The report can be found at (http://www.amtrakoig.gov/sites/default/files/reports/napa_report_oig-sp-2013-005.pdf)



Lafayette, LA

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 existing 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, inspections, evaluations, 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

The 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).

Focus Areas

We concentrate our audits, inspections and evaluations, and investigations work on eight focus areas. Depending on the work completed during a semiannual period, we may report on issues in one or more of these focus areas listed below.³

The focus areas are:

Governance. Corporate governance and risk management processes include a system of management control encompassing 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.

Acquisition and Procurement. Acquisition and procurement activities for goods and services encompass procurement policies, procedures, and practices across acquisition and procurement phases of planning, project selection, and contract award, implementation, and closeout.

Information Technology. Information technology management encompasses processes, policies, and procedures acquiring and using information technology tools to improve labor and asset productivity and deliver safe and reliable customer service.

Train Operations and Business Management. Train operations and business management encompasses all activities associated with operating Amtrak's passenger service to include delivering customers safe and cost-effective service.

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

Safety and Security. Safety and security encompasses all programs and activities related to the safety and security of employees and the train riding public.

American Recovery and Reinvestment Act of 2009. Oversight of American Recovery and Reinvestment Act funds encompasses all activities that benefited from the

³ See *Annual Audit and Inspections and Evaluations Plan FY 2013* for complete definitions of these focus areas http://www.amtrakoig.gov/sites/default/files/reports/aie_plan_final_oct22.pdf.

\$1.3 billion grant from the Federal Railroad Administration. We are providing Congress with information on Amtrak's use of these funds. We will complete our work in this focus area during the next semiannual period.

Asset Management. Asset management encompasses all activities related to the utilization and maintenance of Amtrak's assets to include train sets, support equipment, inventory and real property.



Westport, NY

Significant Activities: Audits, Inspections and Evaluations, and Investigations

During this reporting period, we issued one testimony statement, nine audit reports, one evaluation, and provided 15 investigative summaries to management. During the next six months, the Offices of Audits and Inspections and Evaluations expect to complete work in a number of our work focus areas. (Access the full audit and evaluation reports and testimony statements through our website.)

Governance

**AMTRAK IMPROVEMENT INITIATIVES:
Sustained Attention and Effective
Implementation Keys to Success**
(OIG-T-2013-001, November 28, 2012)

On November 28, 2012, the Inspector General testified on our reports and recommendations related to improving Amtrak's operational and financial performance and the actions Amtrak has taken in response to them. The reports contribute to one of Amtrak's strategic goals — achieving financial and organizational excellence.



Significant Activities

The Inspector General noted that over the last couple of years, the Board of Directors and Amtrak management have taken several steps to improve Amtrak's operational, financial, and customer-service performance. The Board of Directors plays a key role in ensuring that the corporation accomplishes the goals established in the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) in an efficient and effective manner. The Amtrak Board of Directors has also now been able to reconstitute two important Board committees: the Audit and Finance Committee and the Personnel Committee. The two reconstituted committees have provided the process and structure to help the Board conduct oversight and ensure that management is held accountable for instituting disciplined processes and achieving financial and operational goals. With this structure, the Board now has greater capacity to fulfill its governance responsibilities over Amtrak programs and operations.

Similarly, examples of key actions by management include Amtrak's development of the 2011-2015 *Strategic Plan* that was issued in November 2011. Amtrak notes that the plan provides a comprehensive roadmap for evolving Amtrak into a company more focused on the bottom line, and whose employees' roles and efforts are in sync with common goals. The plan sets forth (1) Amtrak's vision, values, and leadership philosophy; (2) factors that could affect goal achievement; (3) corporate strategies; and (4) business line strategic plans. The organizational realignment initiative that is the focus of this hearing is directly linked to the implementation of Amtrak's strategic plan. Other key management actions include hiring senior executives to lead improvements in human capital management and information technology.

The corporation is in the early stages of implementing many of these initiatives. Our recent work shows that sustaining and effectively implementing these initiatives has the potential to significantly reduce Amtrak's reliance on federal support. Because Amtrak's overall management control environment is weak, using a risk management approach to improve management controls is also needed to help Amtrak focus on improving financial results.

Disclosing Fraudulent Activities Related To Purchasing Train Tickets

November 2012 (Investigations)

Our investigative work disclosed that two individuals used numerous stolen credit cards to purchase Amtrak train tickets in Greensboro, NC. The scheme involved using Amtrak's Reservation Call Center to make reservations, retrieving the tickets at a Quicktrak machine, and then quickly canceling the reservations after boarding the train. The individuals relocated to New York where they were arrested. Court proceedings are pending.

Quality Control Review: Amtrak's Independent Public Accountant Met Applicable Auditing Standards for the Fiscal Year 2012 Audit of the Consolidated Financial Statements *(Audit Report No. OIG-A-2013-004, February 1, 2013)*

On July 17, 2012, the corporation contracted with the independent certified public accounting firm of, Ernst & Young, LLP to audit Amtrak's consolidated financial statements for the year ended September 30, 2012. In accordance with Inspector General Act of 1978, as amended, 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. However, we did not perform sufficient procedures to express assurance on Ernst & Young's audit work over Amtrak's information systems.

In its audit of Amtrak's consolidated financial statement, Ernst & Young concluded that the consolidated financial statements fairly presented, in all material respects, the consolidated financial position of Amtrak and its subsidiaries at September 30, 2012, and the consolidated results of their operations, and cash flows for the year then ended in conformity with generally accepted accounting principles. While Ernst & Young found two significant deficiencies related to the documentation and analysis of capital leases and the calculation of deferred tax, it did not find the weaknesses to be material. Additionally, Ernst & Young found that the deficiencies identified by another certified public accounting firm in the fiscal year 2011 audit had been remediated during fiscal year 2012.

Significant Activities

Our involvement in the fiscal year 2012 audit process consisted of reviewing Ernst & Young's report and related documentation, monitoring audit activities, reviewing auditor independence and qualifications, attending meetings, and reviewing audit planning, testing, and summary workpapers and reports, except for Ernst & Young's audit work over Amtrak's information systems. In that case, we limited our involvement to reviewing planning and summary documents and verifying that audit workpapers were reviewed and approved. Our monitoring activities, as differentiated from an audit in accordance with generally accepted government auditing standards, were not intended to enable us to express an audit opinion.

Need to Clarify Policies Related to the Employee Acceptance of Gratuities

February 2013 (Investigations)

We reported to management the results of our investigation of alleged abuse of gratuities related to professional sports teams' charter train contracts. We found no wrongdoing, but did identify a need to clarify and emphasize corporate policy on gratuities to employees and to consider referencing these policies in future contracts. Management agreed with our recommendations.

Failure to Obtain Required Permits in a Timely Manner

February 2013 (Investigations)

We reported on the actions of two managers in the Environmental Department related to the acquisition of environmental permits. The investigation focused on the deliberate failure of these managers to obtain required state and federal permits before proceeding with a large demolition project at the Penn Coach Yard in Philadelphia, and their subsequent attempts at a cover up of their actions. The failure to obtain necessary permits potentially exposed Amtrak to substantial criminal and civil penalties for possible violations of the Federal Clean Water Act and related state statutes and regulations. The Pennsylvania Department of Environmental Protection ultimately issued the permits, but this occurred twenty-one months after the demolition began. We found that the two managers manipulated data in order to improperly circumvent the permit requirement. They also tried to cover up their actions by attempting to influence a subordinate who was auditing the project. The two officials also attempted to mislead our investigators and to influence a subordinate's cooperation with the investigation.

The company took administrative personnel actions and agreed to make changes to policy and procedures.

Misuse of General Services Administration Fuel Cards

March 2013, (Investigations)

Our joint investigation with the General Services Administration OIG disclosed that an Engineering Department employee misused credit cards assigned to Amtrak vehicles. Although the matter was declined for prosecution, management agreed with our observations and recommendations for improving internal controls over the use of fuel cards.

Employee's Injury Claim Was Fraudulent

(Investigations)

In 2008, an Amtrak employee filed a court complaint that she had been injured in an on-duty incident that occurred in 2005. The complainant maintained that Amtrak was negligent under the Federal Employers Liability Act. Subsequently, the complainant, through her attorney, made a settlement demand of \$1.6 million. Early settlement negotiations resulted in the employee reducing that demand to \$1.2 million. In March 2012 we initiated an investigation into allegations that the employee's injury claim was fraudulent. Our investigation determined that during the time the employee was receiving benefit payments because of her alleged injuries and inability to work, she was actually employed by another company doing a variety of physically demanding jobs. After being presented with the results of our investigation, Amtrak saved \$875,000 from the amount of \$1.2 million the employee was demanding before our investigation.

Audit of Grant Agreement: Next Generation Equipment Committee Materially Complied with Terms of the Grant Agreement *(Audit Report No. OIG-A-2013-012, March 27, 2013)*

The Next Generation Equipment Committee (the Committee) materially complied with the criteria governing grant expenditures, met the deliverables contained in the grant provisions, and has a generally sound system of internal controls to govern its activities. However, we did identify a few relatively minor instances, totaling \$11,345, in unsupported or questioned costs for services billed by one contractor. We also identified some opportunities to strengthen internal controls to help reduce

Significant Activities

vulnerabilities to waste or abuse. These opportunities are in the areas of support service agreement approval, timely review and payment of invoices, and processing of grant reimbursement requests.

We recommended that the Committee seek reimbursement for the questioned costs, obtain documentation for the unsupported costs, and take action to improve certain internal controls. The Amtrak Acting Chief Financial Officer and the Committee's Finance Subcommittee Chairman concurred with our recommendations.

Letter to Chairman Issa On OIG's High-Priority Recommendations for Improving Efficiency at Amtrak (Requested by Representative Darrell Issa, Chairman of the Committee on Oversight and Government Reform, House of Representatives)

We were asked to identify our office's five highest-priority short-term recommendations to improve agency efficiency and reduce waste. We identified recommendations associated with our reports on Amtrak's fiscal year 2010 Fleet Strategy, multiple audits of host railroad invoices submitted to Amtrak for costs and on-time performance incentives, and the use of funds from the American Recovery and Reinvestment Act (ARRA) of 2009.

We were also asked to identify our five highest-priority long-term recommendations to improve agency efficiency and reduce waste. We identified recommendations associated with our reports on mechanical maintenance, human capital management, training and employee development practices, and the implementation of an enterprise risk management process for the entire organization.⁴

On-going Work—Governance

Business Case Development and Capital Planning – Our objective is to evaluate Amtrak's capital and key investment planning process. Specifically, we will (1) determine the extent to which Amtrak uses best practices for business case development, and (2) evaluate Amtrak's process for selecting, approving, and funding capital projects and key investments.

⁴ See the complete response at http://www.amtrakoig.gov/sites/default/files/reports/issa_cummings_response_12_19_12.pdf

Data Analytics Purchase to Payment – Our objectives, as they relate to the purchasing and payment processes, are to (1) assess the effectiveness of management controls in the corporation’s business processes, (2) identify opportunities to control risks and improve efficiency and effectiveness of business operations; and (3) prevent, detect, and deter instances of fraud, waste and abuse.

Capital Program Management – Our objectives are to determine the adequacy of Amtrak’s capital program management practices to include policies and procedures for managing its capital programs in the areas of estimating, scheduling, oversight, and project close-out.

Top Management and Performance Challenges – Our objectives are to (1) identify Amtrak’s top management and performance challenges, and (2) assess the ongoing and planned management initiatives to address those challenges.

Acquisition and Procurement

Acela Car Purchase: Questioned Costs Identified in Price Proposal

(Audit Report No. OIG-A-2013-002, December 4, 2012)

A potential contractor’s price proposal contained amounts that, in some cases, were not based on well-supported and/or reasonable cost data. As a result, we questioned those costs.

The price proposal also included *Comments to the General Provisions and to the Supplementary General Provisions* in the request for proposal. We did not analyze these comments to determine their impact upon pricing, but observed that the comments suggested modifications to significant terms and conditions in the request for proposal, including the audit provision.

We made two recommendations aimed at helping lower the negotiated contract price and retaining the audit provision in the terms and conditions of the final contract. Management agreed with our recommendations and, considering our work and other factors, decided to forgo purchasing the additional Acela cars. Based on this information, a portion of the cost avoidance is attributable to our report.

Significant Activities

Controls Can Be Improved to Detect Overbilling by Contractors

January 2013 (Investigations)

In January 2013 we reported to management the results of our investigation into overbilling and other contract irregularities by a contractor which provides Auto Train loading and unloading services. A diligent employee disallowed more than \$400,000 in inflated billings made by the contractor over an eight-year period. We found no criminal wrongdoing, but did make five specific policy and procedure recommendations which are currently under review by Amtrak management.

Information Technology

On-going Work

Information Technology (IT) Infrastructure Initiative – Our objectives are to determine whether the IT Department has (1) developed an adequate strategic plan and contract design for acquiring IT services, (2) established adequate processes and controls to accomplish contract administration and oversee performance of service providers, and (3) received services that meet the contract terms and conditions.

Train Operations and Business Management

Amtrak Invoice Review: Undetected Inaccuracies Resulted in Overpayments (BNSF)

(Audit Report No. OIG-A-2013-006, February 15, 2013)

BNSF invoices to Amtrak for on-time-performance payments from July through December 2006 were not consistently accurate. The invoices were not accurately calculated in accordance with the operating agreement between Amtrak and BNSF. The invoice inaccuracies went undetected and Amtrak overpaid BNSF over \$2.1 million for the 6-month period. The corporation has recently completed actions that were responsive to our recommendations to improve the review process. This should help identify invoice errors, reduce overpayments and eliminate the need to use resources to seek overpayment recoveries. We recommended that Amtrak's Acting Chief Financial Officer take action to recover the \$2,115,440 in overpayments.

In commenting on a draft of the report, management stated that the report provides useful information on which Amtrak management can take action. Management also indicated its intent to enter into appropriate conversations with BNSF and will pursue any amounts that are recoverable under the law and within the terms of the applicable operating agreement between Amtrak and BNSF. Additionally, management stated that it remains committed to making valuable improvements to the host railroad invoice-administration review process, and has progressively improved the invoice-review process.

Amtrak Invoice Review: Internal Control Weaknesses Lead to Overpayments (Southern Pacific) *(Audit Report No. OIG-A-2013-007, March 13, 2013)*

Southern Pacific's invoices to Amtrak for services from January 1997 through December 1999 were inaccurate in seven of the 19 service categories reviewed. The inaccuracies included charges that were not adequately supported, amounts that were not specifically allowed by the amendment agreement, and duplicated services. As a result, Amtrak overpaid the host railroad \$1,205,626 for services for the 36-month period. These overpayments are in addition to about \$107,000 in errors detected by Amtrak's invoice-review process.

The billing inaccuracies went undetected because, as previously reported, Amtrak did not have in place an adequate invoice-review process during that period. We recommended improvements to the process, including new invoice-review policies and procedures. Earlier this year, we reported that Amtrak completed implementing those recommendations. We believe that the actions Amtrak has taken, if sustained, should improve the review process and help ensure that invoice errors are detected before payments are made. We recommended and Amtrak's Acting Chief Financial Officer agreed to take action to recover the \$1,205,626.

Significant Activities

Amtrak Invoice Review: Internal Control Weaknesses Lead to Overpayments (BNSF) (Audit Report No. OIG-A-2013-008, March 26, 2013)

BNSF invoice charges generally complied with those allowed in the operating agreement for use of tracks, facilities, and services provided to Amtrak. However, the amounts invoiced by BNSF were not always accurate and contained errors that were not detected by Amtrak. We identified approximately \$97,000 in overpayments for six service categories audited. For those service categories, invoice errors went undetected because Amtrak's host railroad invoice administration group did not have an adequate invoice-review process in place during the audit period.

Additionally, for a seventh service category—station utility—Amtrak continued to pay BNSF for utility costs at as many as 16 stations while it was also directly paying the utility service providers for the same services. This occurred because Amtrak's host railroad contract management group did not have a timely process for identifying that Amtrak took over direct payment of utilities and revising the operating agreement to reflect the change. Because the operating agreements were not revised, Amtrak did not have an accurate basis on which to review the invoices. We identified overpayments of more than \$1.3 million for station utilities costs.

We recommended that Amtrak's Acting Chief Financial Officer take action to recover over \$1.4 million in overpayments identified in this report and that Amtrak's Chief Transportation Officer direct the development and implementation of procedures to improve its controls over monitoring station utility operational changes.

In commenting on a draft of this report, management stated that the report provides useful information on which Amtrak management can take action. Management also indicated its intent to enter into appropriate conversations with BNSF to pursue any amounts that are recoverable under the law and within the terms of the applicable operating agreement between Amtrak and BNSF. Additionally, Amtrak will work to implement improved procedures that provide better internal communications for changes affecting host railroads' station utilities.

Amtrak Invoice Review: Internal Control Weaknesses Lead to Overpayments (Metro North) *(Audit Report No. OIG-A-2013-010, March 27, 2013)*

Metro North invoice amounts were not consistently accurate. The inaccuracies were found in invoices that were not calculated in accordance with the operating agreements between Amtrak and Metro North. The operating agreements serve as the basis for determining incentive payments to host railroads. Our review of six Metro North invoices from the 72-month period (January 2005 through December 2010) disclosed invoice inaccuracies of almost 19 percent or more than \$150,900 of the more than \$804,000 of invoices reviewed. Metro North agreed with the methodology of applying the 19 percent error rate to all invoices for the audit period, because the types of errors found were consistent over the selected months reviewed. Doing so resulted in estimated invoice inaccuracies totaling about \$1,223,000 for the period. Amtrak's invoice-review process did not detect any errors prior to making the on-time-performance payments for this period.

In commenting on a draft of this report, management stated that the report provides useful information on which Amtrak management can take action. Management also indicated its intent to enter into appropriate conversations with Metro North to pursue any amounts that are recoverable under the law and within the terms of the applicable operating agreement between Amtrak and Metro North.

Amtrak Invoice Review: Internal Control Weaknesses Lead to Overpayments (Union Pacific) *(Audit Report No. OIG-A-2013-011, March 28, 2013)*

Union Pacific's invoices to Amtrak for on-time-performance incentives and service payments from June 1995 through December 1999 were not always accurate or adequately supported. The invoice inaccuracies went undetected, and Amtrak overpaid Union Pacific by \$3.2 million for on-time-performance incentives for the 55-month period.

We also identified inaccurate invoices for services amounting to \$79,069, and an invoice credit due Amtrak for \$46,389 that has not been collected. These amounts are in addition to about \$41,000 in on-time-performance incentives and services errors detected by Amtrak's invoice-review process.

Significant Activities

Amtrak management agreed with our recommendations to recover the \$3.2 million and stated that the Managing Deputy General Counsel, on behalf of Amtrak's Transportation and Finance departments, will pursue any amounts that are recoverable under the law and within the terms of the applicable operating agreement between Amtrak and Union Pacific.



On-going Work

Food and Beverage Best Practices – Our objective is to make a comparative analysis between Amtrak's business process for providing food and beverage service and best practices used by others to deliver the same or similar service. Using that analysis, we will assess the effects of Amtrak using different food and beverage service business processes from a cost, revenue, operations, and service perspective.

Human Capital Management

Employee Charged with Embezzlement and Grand Theft

October 2012 (Investigations)

Our investigation disclosed that an Assistant Conductor failed to remit cash and credit card payments for 414 tickets valued at \$24,908. The employee resigned when presented with notice of a formal administrative hearing. In October 2012 an arrest warrant was issued for the employee on charges of embezzlement and grand theft. The former employee is presently a fugitive.

Employee Dismissed for Theft and Illegal Drug Use at Work

November 2012 (Investigations)

We investigated allegations that an Amtrak machinist stole company property and smoked marijuana at work. A small amount of Amtrak property was recovered during a search of the employee's home. The employee initially agreed, but later declined, to take a drug test. The employee was dismissed after a formal administrative hearing.

Two Employees Terminated for False Statements

November 2012 (Investigations)

Our investigation of two employees, both of whom worked in positions of significant trust disclosed that one employee afforded preferential treatment to the other employee, his subordinate, by approving excessive amounts of overtime. The two employees also signed false affidavits related to their joint purchase of a residence, representing that they both would reside in the home and that they were first time home buyers. The false statements enabled the employees to fraudulently benefit financially. Both employees made repeated false statements and representations to our investigators. Both employees were terminated and the matter is currently under consideration by prosecution authorities.

Significant Activities

Former Employee Sentenced for Embezzlement

December 2012 (Investigations)

Our prior semiannual report noted that our investigation showed an employee had embezzled funds by falsifying travel vouchers and manipulating Amtrak travel card and purchase cards. The investigation resulted in an arrest warrant and a criminal felony charge in Superior Court of the District of Columbia. The employee was fired. She pled guilty and in December 2012 was sentenced to five years supervised probation, ordered to make restitution of \$9,862 to Amtrak and to perform 50 hours of community service.

Employee Resigned as a Result of Undisclosed Prior Criminal Convictions

January 2013 (Investigations)

Allegations that an employee frequently left his job site led to our discovery that the employee had numerous convictions for burglary and other crimes with associated periods of incarceration in county and state correctional facilities. The employee had not reported this information to the company. The employee voluntarily resigned as a result of the investigation.

Customer Service Representative Violated Ethics Policy

January 2013 (Investigations)

We investigated allegations about a Customer Service Representative who allowed his girlfriend to ride the Amtrak train for free. The girlfriend provided us with a photograph and text messages showing that the employee was engaged in sexually explicit actions while at his Amtrak work station. The employee was terminated.

Former Ticket Clerk Charged with Insurance Fraud

January 2013 (Investigations)

Investigation of a former Amtrak ticket clerk led to her being charged with extensive disability insurance fraud in San Diego Superior Court. The former employee submitted claims to several insurance companies totaling \$777,768 and she received \$19,094 in sickness benefits from the Railroad Retirement Board. The former employee was found guilty on 29 criminal counts including insurance fraud, tax evasion and false claims

submitted to the Railroad Retirement Board. She failed to appear for sentencing and the court issued a bench warrant for her arrest. She is presently a fugitive.

Employee Violates Standards of Excellence Policy

February 2013 (Investigations)

Our investigation disclosed that an individual used a false social security number to obtain employment as an Assistant Conductor. We also determined that the employee falsely represented herself as a United States citizen and that the social security number she used for her employment application was not valid. The employee voluntarily resigned after being formally charged with violating Amtrak's Standards of Excellence Policy

Employee Terminated for Not Disclosing Federal Criminal Conviction

March 2013 (Investigation)

An Amtrak trackman, who was previously employed by the U.S. Department of State, was under investigation by the Department Bureau of Diplomatic Security for stealing personal identification information from a passport database and providing the information to a credit card fraud ring. The employee pled guilty to the charges and was sentenced to 30 months confinement and ordered to pay restitution of \$71,774. In the process of cooperating with a State Department investigation, we determined that an individual, subsequently employed by Amtrak, did not disclose on his employment application his federal criminal conviction or several other unrelated state court convictions. He is currently incarcerated. The trackman's employment was terminated with a notation that he is not eligible for rehire.

Administrative Charges Pending for Assistant Conductor for Drug Use

March 2013 (Investigations)

We investigated allegations that an Assistant Conductor was using illegal drugs while on duty and that he stole Amtrak property to support his drug addiction. Our preliminary investigation disclosed that the individual had several other convictions on drug and theft charges that occurred prior to and during his Amtrak tenure. The individual never disclosed these convictions on his employment application as required. We provided that information to management. The individual was taken out of service and administrative charges are pending.

Significant Activities

Management of Overtime: Best Practice Controls Can Help in Developing Needed Policies and Procedures (Audit Report No. OIG-A-2013-009, March 26, 2013)

Amtrak has started to focus management attention on improving controls over the approval and use of overtime. However, much work remains to be done, and current management controls over the approval and oversight of overtime are inadequate. This situation leaves the company highly vulnerable to overtime fraud and abuse.

Key results of our work show:

- Overtime paid in calendar year 2012 compared with calendar year 2011 decreased from about \$201 million to \$163 million. Overtime control procedures are ad hoc in nature and vary among departments.
- According to a senior Amtrak official, an executive oversight group was established to develop procedures for employees who annually were paid more than \$35,000 in overtime and for overtime controls in general.
- In March 2013, Amtrak reported to Congress that 703 employees received waivers to the legislative cap in calendar year 2012. However, procedures have not been developed for documenting and supporting these waivers.
- In September 2012, we reported on a significant case of overtime fraud and abuse within the Engineering Department that likely involved losses of over \$100,000. The case also showed a breakdown in supervisory management controls.

Addressing this long-standing issue requires new approaches to policies and procedures and our report identified selected best practice time and attendance controls and risk mitigation approaches. We recommended that these practices and approaches be incorporated into the policies and procedures that are being developed for supporting the legislative cap overtime waiver and management of overtime in general. Amtrak's Vice President, Operations, and Acting Chief Financial Officer provided comments on a draft of this report and concurred with our recommendations.

On-going Work—Human Capital Management

Employee Illegally Initiated Inappropriate Social Media Contact

March 2013 (Investigations)

We reported to Amtrak management on an investigation into the activities of an Amtrak employee who initiated an inappropriate social media contact with a fourteen-year old Amtrak passenger. The Amtrak employee was taken out of service and administrative actions are pending. The investigation is ongoing.

Safety and Security

Railroad Safety: Amtrak Has Made Progress in Implementing Positive Train Control, but Significant Challenges Remain *(Evaluation Report No. OIG-E-2013-003, December 20, 2012)*

Amtrak is attempting to mitigate the risks posed by current challenges to positive train control implementation in various ways, but overcoming some of these challenges by the end of 2015 will require increased attention and emphasis. The four most significant challenges are (1) acquiring radio frequency spectrum along the northeast corridor in a timely, cost-effective, and technically adequate manner; (2) developing complete and reliable cost estimates and budgeting for those estimated costs to attempt to ensure the availability of adequate funding; (3) obtaining timely Federal Railroad Administration approval of planned upgrades to Amtrak's Advanced Civil Speed Enforcement System on the northeast corridor; and (4) mitigating the potential effect on Amtrak's implementation of positive train control due to delays in the freight railroads' development of Interoperable-Electronic Train Management System.

While formidable in and of themselves, these four challenges are interrelated; successfully addressing them will require a well-coordinated and integrated effort across several Amtrak departments in order to implement positive train control by the deadline and achieve the safety benefits derived from positive train control systems envisioned in Rail Safety Improvement Act of 2008. We made eight specific recommendations to improve the management of positive train control implementation. Amtrak's Vice President, Operations, provided us with comments on a draft of this report wherein he concurred with all of our recommendations.

Significant Activities

Mishandling of Personnel Actions Information

January 2013 (Investigations)

We reported to management the results of our investigation of mishandling of confidential personnel disciplinary actions and employee personal identity information. We made two specific policy recommendations that are currently under consideration by Amtrak management.

Abuse of Vehicle Privileges and Time and Attendance

February 2013 (Investigations)

Our investigation disclosed that an employee, who worked in a prominent leadership position of significant trust, was found to have abused his Amtrak vehicle privileges and engaged in substantial time and attendance abuse. Our investigation found that the employee left work early on many days to attend football practice or games while he was on supposed to be on duty. He also often used an Amtrak vehicle to drive to his coaching activities for which he received other compensation. The employee was often unavailable to his Amtrak subordinates who attempted to contact him for operational direction. He voluntarily resigned when confronted with the results of our investigation. Management is reviewing its policy on telework and the use of company vehicles.

American Recovery and Reinvestment Act of 2009

On-going Work

Change Orders on ARRA Projects – Our objective is to assess the adequacy of the process to review and approve change orders. Specifically we will determine whether the amounts paid to accomplish change order work were adequately supported.

The Use of ARRA Funds for Positive Train Control – Our objective is to identify whether ARRA funds used for positive train control implementation were properly reported to Congress.

Controls Over the Disposition of Equipment Purchased With ARRA Funds – The objective of this audit is to assess the adequacy of controls over the disposition of equipment such as computers, furniture, and tools purchased with ARRA funds.

Asset Management

Employee Pled Guilty to Charges of Theft

November 2012 (Investigations)

OIG investigation confirmed an Amtrak employee assigned to the Penn Coach Yard stole multiple power tools for use in a personal business. Various items of Amtrak property were recovered during a search warrant executed at the employee's home. He was dismissed from employment with Amtrak and pled guilty to charges of theft and receipt of stolen property.

On-going Work

Amtrak's Fleet Strategy, Version 3 – Evaluate the extent to which Amtrak has (1) adequately determined what equipment it needs, (2) determined a cost-effective approach to meeting its equipment needs, and (3) integrated its equipment procurement plans with its financial plans.

Real Property Management – Our objectives are to determine (1) the effectiveness of policies and procedures for ensuring complete and accurate real property inventories, and (2) whether opportunities existed to reduce costs and/or increase revenues from the use of such properties.

Fleet Utilization – The objective is to determine the extent to which Amtrak effectively and efficiently utilizes its fleet of locomotives and passenger equipment.



Marshall, TX

Actions to Continuously Improve OIG Operations

We are continually striving to improve our operations in ways that will benefit the Congress, the Board of Directors and the Corporation. Key actions taken include: (1) revising our Strategic Plan, (2) passing audit and investigations external peer reviews, and (3) completing transformational efforts.

Revised Strategic Plan for Fiscal Years 2013–2017

This plan represents a revision to our *Strategic Plan for Fiscal Years (FY) 2010–2014*, issued in early 2010. Our intent in revising the plan was to articulate our vision in the context of our overarching goal to operate as a model Office of Inspector General and to establish goals, strategies, and performance indicators to achieve our vision and assess our progress. The plan supports *Amtrak's Strategic Plan (FY2011–FY2015)*, particularly its goal of attaining a standard of organizational excellence.

The five strategic goals that we have established to help us achieve our vision of operating as a model OIG are:

- Add value by producing objective, accurate, relevant, timely, substantive, sophisticated products that have impact.
- Consistently follow efficient, disciplined processes for audits, inspections and evaluations, and investigations that meet the standards of the accountability community and are periodically refined and improved.



Actions to Continuously Improve OIG Operations

- Employ a highly qualified, motivated, and diverse workforce.
- Communicate openly and work professionally with, but independently from, Amtrak management.
- Create and maintain effective mission-support systems.

Peer Reviews for Offices of Audits and Investigations

OIG's Office of Audits was the subject of a Council of the Inspectors General on Integrity and Efficiency (CIGIE) peer review during this reporting period by the Tennessee Valley Authority (TVA) OIG. TVA OIG determined 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 no recommendations were made. The report was released on February 14, 2013.

OIG's Office of Investigations was also the subject of a peer review during this reporting period 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, is in compliance with the quality standards established by the CIGIE and the Attorney General's Guidelines. These safeguards and our procedures provide reasonable assurance of conforming with professional standards in the conduct of its investigations.

National Academy of Public Administration Assessment Contributed to OIG Transformation

We completed a comprehensive transformation effort that has positioned our office to function as a mainstream OIG and ultimately achieve our goal of being a model OIG. Prior to the appointment of the current Inspector General in November 2009, the Amtrak OIG was not functioning as a mainstream OIG.

Actions to Continuously Improve OIG Operations

For example, audits were not always performed in accordance with generally accepted government auditing standards, investigative operations had never been peer reviewed, and the results of OIG work were not always publicly available. In many instances, OIG inappropriately performed Amtrak management functions and failed to conduct activities traditionally performed by other OIGs such as overseeing the audit of Amtrak's financial statements. In addition, Amtrak officials inappropriately controlled OIG hiring decisions and had unfettered access to all OIG email accounts.

The current Inspector General initiated a transformation effort during FY 2010, with a goal of taking actions that would ultimately establish the office as a model OIG. That effort was a complex and challenging undertaking as it required a change to an organizational culture that had developed over 20 years. In May, 2010, the Inspector General engaged the National Academy of Public Administration (NAPA) to assist in the transformation by making an independent assessment of the OIG's organization. NAPA had previously conducted similar OIG organizational assessments. Those engagements made NAPA uniquely qualified to assess the Amtrak OIG's operations and identify business process improvements to help it become first a mainstream and ultimately a model OIG.

NAPA used an expert panel of fellows and a project team to conduct the assessment. The fellows and team worked closely with the Inspector General to help advance the strategic goal of becoming a model OIG by identifying the Amtrak OIG's core organizational strengths and weaknesses. NAPA's methodology included soliciting information from: OIG senior leadership and staff; Amtrak's Board of Directors and senior executives; and, congressional staff. The team also obtained information from other OIGs on best practices used by their organizations to enhance operations. NAPA provided a written report of its assessment on August 31, 2010.

The report contained observations and recommendations focused on the following eight areas where the Amtrak OIG could enhance its operations:

- Internal Communications;
- External Communications;
- Work Planning and Prioritization;
- Quality and Timely Work Processes;

Actions to Continuously Improve OIG Operations

- Independence;
- Policy Management and Updates;
- Human Capital Management; and
- Performance Measures.

For each area, NAPA defined a desired future state. The report then summarized Amtrak OIG's strengths and weaknesses in relation to the future state, and recommended immediate next steps, as well as longer term recommendations, to achieve that future state. Many of the report's individual recommendations addressed the need to revise and improve policies and work processes to make them consistent with standards and best practices within the OIG community. The report clearly stated that becoming a model OIG would require a change in organizational culture and that multiple interim steps would have to occur to achieve the desired state.

The report provided the OIG a basis for developing specific prioritized action plans to improve its processes, policies, and management practices. In developing actions plans, OIG senior leadership also considered the results of other transformation related reviews, including:

- internal Quality Assurance Reviews of the Offices of Investigations and Audits;
- internal reviews of the structure and staffing of all OIG component offices (Investigations, Inspections and Evaluations, Audits, and Administrative Services—now Mission Support); and
- external reviews of OIG independence mandated by the Consolidated Appropriations Act of 2010.

These reviews identified issues and recommendations related to the eight areas discussed by NAPA. A consistent theme among the reviews was that the skill sets of many OIG employees did not match those required of a high-performing OIG. Therefore, considering the results collectively helped ensure that the plans for enhancing operations were comprehensive.

The plans, completed in April 2011, were developed by teams composed of volunteers from the OIG's senior leadership and staff representing a diverse cross-section of function, location, and tenure. The team's multi-level and cross functional

Actions to Continuously Improve OIG Operations

representation helped foster a common understanding of the rationale for enhancing operations and ensured that the plans considered a wide range of perspectives in addressing the issues. NAPA staff assisted some of the teams in developing the plans and this in turn helped OIG staff strengthen their team building and communication skills.

The OIG formally started implementing the plans in May 2011. However, when practical, the OIG took many actions to improve communications, develop policies and processes, and ensure independent operations even as the plans were being developed. Some actions, such as addressing issues with software tools, were implemented relatively quickly by relevant process owners. Others, such as improving the work planning process and developing performance measures, required a concerted effort by leaders and staff from across the organization and thus took more time to develop and implement.

The action plans have now been implemented and the Amtrak OIG has achieved the desired future state for each of the eight areas identified in the NAPA assessment. The Amtrak OIG is committed to achieving its goal of operating as a model OIG and fostering a culture of continuous operational improvement.⁵

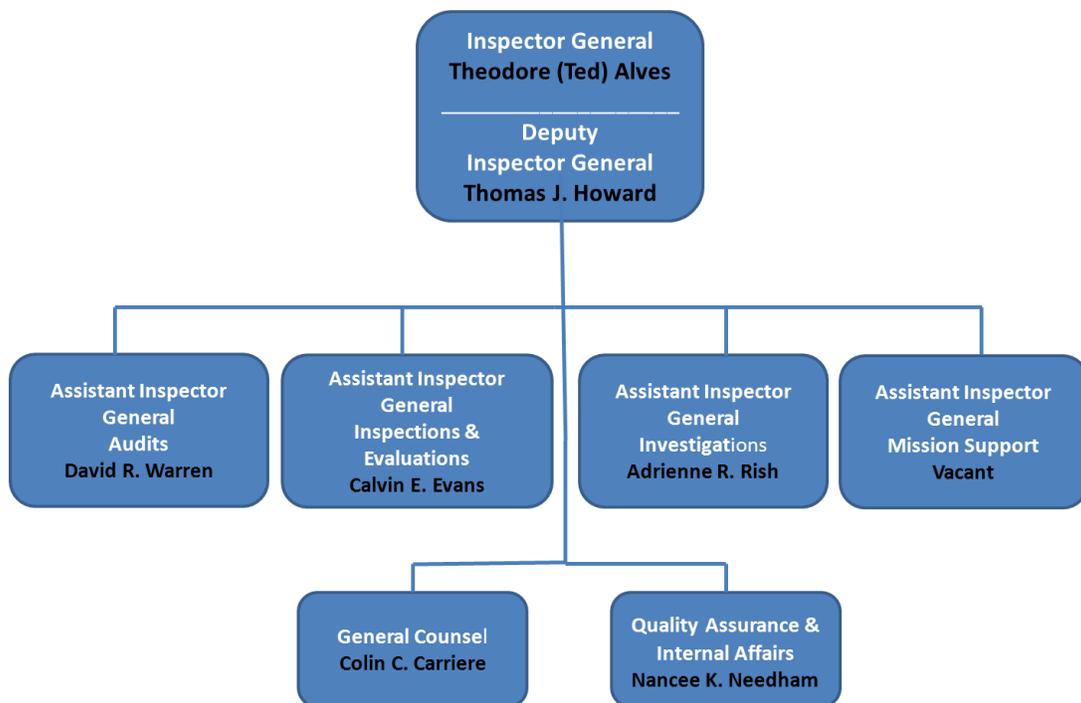
⁵ See the complete NAPA report at http://www.amtrakoig.gov/sites/default/files/reports/napa_report_oig-sp-2013-005.pdf



Williamsburg, VA

OIG Organization

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



The Inspector General provides policy direction and leadership for Amtrak’s OIG and serves as an independent voice to the Board of Directors and the Congress by identifying opportunities and promoting solutions for improving the company’s programs and operations, while preventing and detecting fraud, waste, and abuse. The Deputy Inspector General assists the Inspector General in developing and implementing the OIG’s diverse audit, inspection, evaluation, investigative, legal, and mission support operations.

OIG Organization

Audits. The Office of Audits conducts independent and objective performance and financial audits across the spectrum of Amtrak’s 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.

Inspections and Evaluations. The Office of Inspections and Evaluations conducts independent and objective evaluations of Amtrak programs and operations to identify opportunities to improve cost efficiency and effectiveness, and the overall quality of service delivery throughout Amtrak.

Investigations. The Office of Investigations pursues allegations of fraud, waste, abuse, and misconduct that could affect Amtrak’s programs, operations, assets, and other resources. Investigative findings are referred to the Department of Justice for criminal prosecution or civil litigation, or to Amtrak management for administrative action. The office develops recommendations to reduce Amtrak’s vulnerability to criminal activity.

General Counsel. The General Counsel provides legal assistance and advice to OIG senior management and supports audits, evaluations, special reviews, and investigations. Counsel coordinates with outside attorneys, including local and federal agencies and law enforcement attorneys, and appears in court on behalf of the OIG and its employees.

Mission Support. The Office of Mission Support provides financial management, procurement, human capital management, administrative, information technology, and communications expertise to support OIG operations.

Quality Assurance and Internal Affairs. The Office of Quality Assurance and Internal Affairs provides guidance, monitors the system of quality control, and conducts inquiries into allegations of misconduct by or involving OIG employees.



San Luis Obispo, CA

Appendix 1

Appendix 1 Fiscal Year 2013 Performance Measures (10/1/2012 – 3/31/2013)

Audit/Evaluation Results	
Reports/Evaluations Issued	10
Costs Questioned/Unsupported/Funds to Be Put to Better Use	\$8,331,610 ^a
Management Decisions to Seek Recoveries	\$8,331,610
Recoveries (Audits)	\$—

Advisory Functions	
FOIA ^b Requests Received	8
FOIA Requests Processed	3
Referred to Amtrak	5
Response Pending	1
FOIA Appeals Received	—
FOIA Appeals Processed	—
Legislation Reviewed	2
Regulations Reviewed	—

Investigative Results	
Financial Impact	
Recoveries/Restitution	\$9,862
Cost Avoidance	\$875,000
Cases Opened	
Major Misconduct and General Crimes	29
Claims Fraud	7
Healthcare Fraud	2
Contract and Procurement Fraud	7
Judicial and Administrative Actions	
Arrests	3
Indictments	1
Convictions	3
Criminal Referrals Accepted	19
Criminal Referral Declined	7
Administrative Actions	12
Investigative Workload	
Cases Open on 10/1/2012	66
Investigations Opened	45
Investigations Closed	20
Cases Open on 3/31/2013	91
Hotline Contacts/Referrals	
Sent to Amtrak Management	109
Requests for Assistance from Law Enforcement Agencies	2
Preliminary Investigation Opened	8
Customer Complaint	17
No Action Warranted	17

^a Not included in the total amount is the questioned costs identified in Report No. OIG-A-2013-002, *Acela Car Purchase: Questioned Costs Identified in Price Proposal* (12/4/2012). While significant questioned costs were identified in this report, the amount is proprietary.

^b Freedom of Information Act.

Appendix 2 Questioned Costs (Audits)

(10/1/2012 – 3/31/2013)

Audit Reports Issued with Questioned Costs			
Category	Number	Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period	—	\$—	\$—
B. Reports issued during the reporting period	7	8,322,363 ^a	9,247
Subtotals (A+B)	7	8,322,363	9,247
Less			
C. For which a management decision was made during the reporting period			
(i) dollar value of recommendations that were agreed to by management	7	8,322,363	9,247
(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	—	—	—

¹ Report No. OIG-A-2013-002, *Acela Car Purchase: Questioned Costs Identified in Price Proposal*, (12/4/2012), identified significant questioned costs, however, the amount is proprietary.

Appendix 3

Appendix 3 Funds Put To Better Use (Audits) (10/1/2012 – 3/31/2013)

Audit 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	—	—
Subtotals (A+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	—	—
(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	—	—

Appendix 4 Audit and Evaluation Reports and Testimony (10/1/2012 – 3/31/2013)

Listing of Issued Audit/Evaluation Reports and Testimony

Date Issued	Report Number	Report Title	Focus Area	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
11/28/2012	OIG-T-2013-001	Amtrak Improvement Initiatives: Sustained Attention and Effective Implementation Keys to Success	Governance	\$—	\$—	\$—
12/4/2012	OIG-A-2013-002	Acela Car Purchase: Questioned Costs Identified in Price Proposal	Acquisition and Procurement	— ^a	—	—
12/20/2012	OIG-E-2013-003	Railroad Safety: Amtrak Has Made Progress in Implementing Positive Train Control, but Significant Challenges Remain	Safety and Security	—	—	—
2/1/2013	OIG-A-2013-004	Quality Control Review: Amtrak's Independent Public Accountant Met Applicable Auditing Standards for the Fiscal Year 2012 Audit of the Consolidated Financial Statements	Governance	—	—	—
2/15/2013	OIG-A-2013-006	Amtrak Invoice Review: Undetected Inaccuracies Resulted in Overpayments (BNSF)	Train Operations and Business Management	2,115,440	—	—
3/13/2013	OIG-A-2013-007	Amtrak Invoice Review: Internal Control Weaknesses Lead to Overpayments (Southern Pacific)	Train Operations and Business Management	1,205,626	—	—
3/26/2013	OIG-A-2013-008	Amtrak Invoice Review: Internal Control Weaknesses Lead to Overpayments (BNSF)	Train Operations and Business Management	1,437,311	—	—
3/26/2013	OIG-A-2013-009	Management of Overtime: Best Practice Controls Can Help in Developing Needed Policies and Procedures	Human Capital Management	—	—	—

Appendix 4

Listing of Issued Audit/Evaluation Reports and Testimony

Date Issued	Report Number	Report Title	Focus Area	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
3/27/2013	OIG-A-2013-010	Amtrak Invoice Review: Internal Control Weaknesses Lead to Overpayments (Metro North)	Train Operations and Business Management	1,223,028	—	—
3/27/2013	OIG-A-2013-012	Audit of Grant Agreement: Next Generation Equipment Committee Materially Complied with Terms of the Grant Agreement	Governance	2,098	9,247	—
3/28/2013	OIG-A-2013-011	Amtrak Invoice Review: Internal Control Weaknesses Lead to Overpayments (Union Pacific)	Train Operations and Business Management	2,338,860	—	—
Total				\$8,322,363	\$9,247	\$—

^a Significant questioned costs were identified in this report, however, the amount is proprietary.

Ongoing Audit and Evaluation Projects

Project Status	Number of Projects
Audit and Evaluation Projects In-process, as of 10/1/2012	17
Projects Postponed or Canceled	1
Audit and Evaluation Projects Started Since 10/1/2012	8
Audit and Evaluation Reports Issued Since 10/1/2012	10
Audit and Evaluation Projects In-process, as of 3/31/2013	14

Appendix 5 Recommendations for Which Corrective Action Not Complete (Audits)

Previous Audit Report Recommendations for Which Corrective Action Has Not Been Completed				
Audit Report	Report Number/Date	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
Railroad Invoice Review: SPCSL Report 1 of 4	506-2001/ August 3, 2001	\$125,957	\$—	\$—
Railroad Invoice Review: SPCSL Report 2 of 4	507-2001/ August 31, 2001	153,766	—	—
Railroad Invoice Review: SPCSL Report 3 of 4	508-2001/ September 12, 2001	140,377	—	—
Railroad Invoice Review: SPCSL Report 4 of 4	509-2001/ September 21, 2001	282,957	—	—
Host RRCA and Operations Management Controls	401-2008/ August 21, 2008	—	—	—
Strategic Asset Management Program Controls Design Is Generally Sound, But Improvements Can Be Made	105-2010/ January 14, 2011	—	—	—
On-Time-Performance Incentives: Inaccurate Invoices Were Paid Due to Long-standing Weaknesses in Amtrak's Invoice-Review Process	403-2010/ April 21, 2011	519,932	—	—
American Recovery and Reinvestment Act: Infrastructure Improvements Achieved but Less than Planned	908-2010/ June 22, 2011	—	—	1,400,000
Americans with Disabilities Act: Leadership Needed to Help Ensure That Stations Served By Amtrak Are Compliant	109-2010/ September 29, 2011	—	—	—

Appendix 5

Previous Audit Report Recommendations for Which Corrective Action Has Not Been Completed				
Audit Report	Report Number/Date	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
Wireless Network Security: Internal Controls Can Be Improved	OIG-A-2012-003/ December 7, 2011	—	—	—
On-Time-Performance Incentives: Inaccurate Invoices Were Paid Due to Weaknesses in Amtrak's Invoice-Review Process	OIG-A-2012-004/ February 15, 2012	9,151,451	—	—
Amtrak Corporate Governance: Implementing a Risk Management Framework is Essential to Achieving Amtrak's Strategic Goals	OIG-A-2012-007/ March 30, 2012	—	—	—
On-Time-Performance Incentives: Inaccurate Invoices Were Paid	OIG-A-2012-013 June 29, 2012	1,430,113	—	—
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	—	—	—
Amtrak Invoice Review: Undetected Errors Resulted in Overpayments	OIG-A-2012-019 September 5, 2012	3,473,737	—	—
Food and Beverage Service: Initiatives to Help Reduce Direct Operating Losses Can Be Enhanced by Overall Plan	OIG-A-2012-020 September 7, 2012	—	—	—
American Recovery and Reinvestment Act: Some Questioned Invoice Charges and Minimal Benefit from Duplicative Invoice-Review Process	OIG-A-2012-021 September 21, 2012	1,200,000	—	—

Previous Audit Report Recommendations for Which Corrective Action Has Not Been Completed				
Audit Report	Report Number/Date	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
Annual Financial Statement Audits: Observations for Improving Oversight of the Independent Public Accountant	OIG-A-2012-017 September 27, 2012	—	—	—
TOTAL		\$16,478,290	\$—	\$1,400,000

Appendix 6

Appendix 6 Recommendations for Which Corrective Action Not Complete (Evaluations)

Previous Evaluation Reports' Recommendations for Which Corrective Action Has Not Been Completed			
Evaluation Report	Report Number/ Date	Estimated Annual Savings ^a	Estimated Annual Savings Already Achieved
Amtrak Mechanical Maintenance Operations	E-05-04/ September 6, 2005	\$100 million+	\$38 million
Amtrak Fleet Planning Process	E-06-02/ April 6, 2006	28 million+	4 million
Facility Maintenance Program	E-06-04/ August 24, 2006	—	—
Human Capital Management	E-09-03/ May 15, 2009	23 million+	—
Amtrak's Infrastructure Maintenance Program	E-09-05/ September 29, 2009	50 million+	—
Training and Employee Development	E-09-06/ October 26, 2009	8 million	—
Operation RedBlock: Actions Needed to Improve Program Effectiveness	E-11-01/ March 15, 2011	—	—
Evaluation of Amtrak's FY 2010 Fleet Strategy: A Commendable High-Level Plan That Needs Deeper Analysis and Planning Integration ^b	E-11-02/ March 31, 2011	—	—
Food and Beverage Service: Further Actions Needed to Address Revenue Losses Due to Control Weaknesses and Gaps	E-11-03/ June 23, 2011	—	—
Human Capital Management: Controls Over the Use of Temporary Management Assignment Need Improvement	OIG-E-2012-009/ March 28, 2012	—	—

Previous Evaluation Reports' Recommendations for Which Corrective Action Has Not Been Completed

Evaluation Report	Report Number/ Date	Estimated Annual Savings ^a	Estimated Annual Savings Already Achieved
Mechanical Maintenance: Improved Practices Have Significantly Enhanced Acela Equipment Performance and Could Benefit Performance of Equipment Company-wide ^c	OIG-E-2012-008/ May 21, 2012	—	—
Strategic Asset Management Program: Opportunities to Improve Implementation and Lessons Learned	OIG-E-2012-012/ May 31, 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	—	—
TOTAL		\$209 million+	\$42 million+

^a Estimated savings based on benchmarking against other organizations

^b Not included in the total amount are the funds to be put to better use identified in Report E-11-02 (March 31, 2011). Implementing the recommendations in this report would allow Amtrak to reduce its fleet requirements by 53 cars and 25 locomotives over the 30-year planning period in Amtrak's Fleet Strategy, resulting in a potential reduction of over \$520 million in procurement and overhaul costs over the lives of these additional pieces of equipment. Additionally, implementing the report recommendation to replace its single-level cars with multi-level cars would result in the additional reduction of \$174 million to \$679 million in procurement and overhaul costs over the lives of the equipment.

^c Not included in the total amount are the funds to be put to better use identified in Report No. OIG-E-2012-008 (May 21, 2012). Implementing the recommendations in this report could allow Amtrak to reduce its fleet requirements by 120 cars and 45 locomotives, resulting in a potential savings of almost \$600 million in fleet procurement costs over the next 15 years. However, these savings do not account for any additional costs potentially required to achieve this improved level of equipment availability.

Appendix 7 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 to 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.

In addition, we continued to work with Congress to ensure that taxpayer funds provided to Amtrak are protected by law from fraud, waste, and abuse. In 2011, as part of our efforts to enhance our investigative and operational tools, we began discussions with Congress and submitted proposed legislation related to our operations. However, the OIG's proposed legislative provisions which were added to the text of the House and Senate versions of the surface transportation bill (H.R. 7, S. 1813), were not included in the final version that was signed into law on July 6, 2012.

As a result, we will continue to work with Congress to enact these important legislative provisions into law. These provisions would,

- Apply certain provisions of Title 18 to Amtrak and our office to ensure that the federal funding Amtrak receives is protected from fraud, waste, and abuse;
- Clarify that claims and statements made to Amtrak are considered claims and statements under the False Claims Act to ensure that our office has the necessary tools to protect the government and taxpayer dollars from fraud;
- Extend qualified immunity to our office personnel to ensure that performance of their statutory duties is not hindered by the threat of litigation and liability; and
- Authorize our office to take advantage of the General Services Administration's programs designed to conserve federal resources, reduce expenses, and increase efficient operations.

These proposed provisions remain essential to protecting Amtrak from fraud, waste, and abuse and improving our operations.

Appendix 8

Appendix 8 Peer Review Results

The *Dodd–Frank Wall Street Reform and Consumer Protection Act* (P. L. 111–203, July 21, 2010) requires each Office of Inspector General (OIG) to 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.

OIG’s Office of Audits was the subject of a Council of the Inspectors General on Integrity and Efficiency (CIGIE) peer review during this reporting period by the Tennessee Valley Authority (TVA) OIG. TVA OIG determined 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 no recommendations were made. The report was released on February 14, 2013.

OIG’s Office of Investigations was also the subject of a peer review during this reporting period 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, is in compliance with the quality standards established by the CIGIE and the Attorney General’s Guidelines. These safeguards and our procedures provide reasonable assurance of conforming to professional standards in the conduct of its investigations.

OIG is currently scheduled to conduct a CIGIE peer review of the Department of Interior OIG’s audit organization for the year ending September 30, 2013.

Appendix 9 Glossary of Terms, Acronyms, and Abbreviations⁶

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 Office of Inspector General (OIG) because of (1) 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.

⁶ All definitions are from the Inspector General Act of 1978, as amended.

Appendix 9

Acronyms and Abbreviations

ARRA	American Recovery and Reinvestment Act of 2009
CIGIE	Counsel of Inspectors General on Integrity and Efficiency
FY	Fiscal Year
NAPA	National Academy of Public Administration
NRC	Nuclear Regulatory Commission
OIG	Office of Inspector General
TVA	Tennessee Valley Authority

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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, inspections, evaluations, 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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