



**OFFICE *of* INSPECTOR GENERAL**  
NATIONAL RAILROAD PASSENGER CORPORATION

# **ANNUAL AUDIT PLAN FOR 2019**

**OIG-AP-2019 | February 28, 2019**

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## INSPECTOR GENERAL'S MESSAGE

I am pleased to present our audit plan for calendar year 2019. This plan provides a road map for accomplishing our mission to conduct independent and objective audits to improve the economy, efficiency, and effectiveness of the programs and operations of Amtrak (the company), while preventing and detecting fraud, waste, and abuse. We strive to provide broad and balanced coverage of the company's programs and operations that have historically been areas of interest to our internal and external stakeholders.

Throughout 2019, our audits will focus on high-risk and high-impact issues identified through our independent assessment of the key risks and management issues facing the company. The scope of the audits will also address risks related to fraud, waste, and abuse. Our planned audits are organized around seven focus areas:

- Acquisition and Procurement
- Customer Service
- Financial Performance
- Governance
- Human Capital
- Information Technology
- Safety and Security

As the year unfolds, we may adjust this plan to ensure that we direct available resources to the areas with the highest risks and impacts. This may include considering audit work on the company's processes for managing its assets and personnel costs. We welcome suggestions and comments about our planned work. Please direct any suggestions or questions to me or Stephen Lord, Assistant Inspector General for Audits, at 202-906-4600.

Sincerely,

A handwritten signature in black ink that reads "K. H. Winters". The signature is fluid and cursive, with a long, sweeping underline.

Kevin Winters  
Inspector General

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## **SUMMARY OF PLANNED AUDITS FOR 2019**

We plan to initiate up to 13 audits this year. Our ability to initiate new audits is contingent upon the number of ongoing audits and their complexity—which impacts when they will be completed—and our staffing resources. At this time, we have 12 ongoing audits in various stages of completion, and while the number of concurrent audits we can have underway also varies depending on their complexity, this number generally represents a full workload that we can undertake at current staffing levels in our Office of Audits.

The process we used to select and prioritize proposed audits was disciplined and risk based. We considered the results of our ongoing and prior audit work, our assessment of the company's top management and performance challenges,<sup>1</sup> congressional interests, and the company's own risk assessments. We then used this information to inform discussions with company executives and Federal Railroad Administration officials about proposed audits that could help the company achieve its strategic objectives and advance our statutory responsibilities. Those responsibilities include conducting independent and objective audits to improve the economy, efficiency, and effectiveness of the company's programs and operations and preventing and detecting fraud, waste, and abuse.

Table 1 lists our planned audits for 2019 in the order we expect to start them.

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<sup>1</sup>*Amtrak: Top Management and Performance Challenges—Fiscal Years 2019-2020* (OIG-SP-2018-011), September 28, 2018.

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**Table 1. Audits Planned for 2019**

Audit Title	Focus Area
1. Assessment of the Company's Police and Corporate Security Services	Safety and Security
2. Oversight of the FY 2018 Single Audit*	Governance
3. Security of Mobile Devices and Data	Information Technology
4. Oversight of the FY 2019 Consolidated Financial Statement Audit*	Governance
5. Management and Security Controls of Company Shipping Services	Safety and Security
6. Management of Materials Pricing, Discount, and Payment Terms	Financial Performance
7. Capacity to Concurrently Manage and Oversee Multiple Master Developers	Governance
8. Assessment of Physical Security at Amtrak Stations	Safety and Security
9. Survey of Customer Service Operations and Management	Customer Service
10. Management of Maintenance-of-Way Work and Track Outages	Governance
11. Management of Engineering Workforce Capacity	Human Capital
12. Procurement of Amfleet Replacement Rolling Stock (Refleeting)	Acquisition and Procurement
13. Efforts to Manage Data Governance and Oversight	Information Technology

\*This audit is required by the Inspectors General Act of 1978, as amended.

## ACQUISITION AND PROCUREMENT

The company spends more than \$2 billion a year procuring various goods and services; however, the company continues to face challenges in contract development, management, and oversight, leaving it vulnerable to increased costs, schedule delays, and poor contract performance. This year, we plan to initiate one audit in this area.

- **Procurement of Amfleet Replacement Rolling Stock (Refleeting).** The company is planning to replace 458 single-level passenger cars at a cost of about \$10 billion; however, the company has faced challenges in managing major acquisitions in the past. Our objective would be to assess the company's management and oversight of its Amfleet replacement procurement to identify risks, if any, to completing the program on time, on budget, and in accordance with performance requirements.

## CUSTOMER SERVICE

The company has several initiatives aimed at enhancing the customer experience. The success of these initiatives is dependent on the company's long-term commitment to improving its customer service culture and brand reputation. We plan to initiate one audit in this area.

- **Survey of Customer Service Operations and Management.** We plan to conduct a survey of the company's customer service operations. Our scope would include reviewing the company's customer service operations, including its goals and metrics, organization and lines of accountability, employee training, and mechanisms for obtaining and utilizing customer feedback. Our objective would be to survey the company's customer service operations and management to identify possible future audits.

## FINANCIAL PERFORMANCE

The company has taken significant steps to improve its financial performance in recent years; however, to achieve its plan to eliminate operating losses by 2021, it must continue to identify and capitalize on opportunities to reduce costs. We plan to initiate one audit in this area.

- **Management of Materials Pricing, Discount, and Payment Terms.** Our prior work indicates that the company has not always negotiated the lowest prices or most favorable discounts and payment terms from its materials vendors. Our scope

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would include about \$4.5 billion in purchases the company made from 2015 through 2018. Our objective would be to assess whether the company's procurement practices are effective in ensuring the company procures materials at the lowest reasonable cost.

## **GOVERNANCE**

The company has taken several steps to address longstanding challenges in establishing and maintaining company-wide governance processes. However, it continues to face challenges effectively and efficiently managing its programs and projects, ensuring that strategic goals drive priorities, and managing risk at all levels of the company. We plan to initiate four audits in this area.

- **Management of Maintenance-of-Way Work and Track Outages.** We plan to assess whether the company is efficiently using its maintenance-of-way equipment and engineering workforce during track outages to minimize service disruptions, which can negatively impact revenue, customer service, and partner agency relationships. Our objective would be to assess the company's efforts to use its equipment and labor efficiently to minimize track outages and service disruptions.
- **Oversight of the FY 2018 Single Audit.** We plan to audit the work of the independent public accounting firm (IPA) performing Amtrak's FY 2018 Single Audit. Our objective would be to determine whether the IPA performed the audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.
- **Oversight of the FY 2019 Consolidated Financial Statement Audit.** We plan to audit the work of the IPA performing the audit of Amtrak's FY 2019 Consolidated Financial Statements. Our objective would be to determine whether the IPA performed the audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.
- **Capacity to Concurrently Manage and Oversee Multiple Master Developers.** Over the next three years, the company plans to sign agreements with master developers to redevelop five major stations. Our prior work identified concerns with the company's capacity to manage these projects. Our objective would be to assess the company's capacity to concurrently manage and oversee these major projects.



## HUMAN CAPITAL

The company has taken several steps to streamline its human capital costs, including reducing its workforce by about 400 management employees. However, it continues to face challenges containing workforce and health care costs while ensuring it retains the capacity to deliver multiple high-risk projects simultaneously. We plan to initiate one audit in this area.

- **Management of Engineering Workforce Capacity.** Our prior work identified potential schedule risks to infrastructure projects because of Engineering's workforce capacity. The scope of this audit would include assessing the Engineering department's workforce planning efforts and the impacts, if any, of its current and planned labor capacity on the schedule of high-risk projects. Our objective would be to assess the Engineering department's efforts to ensure it has the workforce capacity to accommodate its planned workload.

## INFORMATION TECHNOLOGY

The company has centralized its information technology (IT) services as part of an effort to address longstanding weaknesses in its IT practices. However, additional opportunities exist to secure the company's IT systems and data from cyber-attacks and to enhance the reliability and quality of its data. We plan to initiate two audits in this area.

- **Security of Mobile Devices and Data.** We plan to assess the company's efforts to protect the security of its mobile devices and data. Our scope would include identifying potential vulnerabilities and security gaps in the company's mobile phones, tablets, and other IT platforms that could put the company at risk. We would use guidance from the National Institute of Standards and Technology as the basis for our assessment. Our objective would be to assess the effectiveness of company controls used to secure mobile platforms, applications, and related data.
- **Efforts to Manage Data Governance and Oversight.** Our prior work shows that the company has faced challenges managing the quality and reliability of its enterprise data—a core tool for making management decisions and identifying and responding to organizational challenges. Our scope would include reviewing the company's data governance policies, procedures, and practices compared to those of other successful public- and private-sector organizations. Our objective would be to assess

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the company's progress and any related challenges in improving data governance and oversight.

## **SAFETY AND SECURITY**

The company is taking steps to improve its safety culture and performance. However, challenges remain in funding and managing efforts to mitigate physical security vulnerabilities to protect passengers, employees, and infrastructure from terrorism and crime. We plan to initiate three audits in this area.

- **Assessment of the Company's Police and Corporate Security Services.** We plan to assess the role of the company's police and corporate security services in minimizing risks to passengers, employees, and company assets. Our objective would be to assess whether the mission, organization, and workforce of the company's police and corporate security services effectively and efficiently meet the company's security needs.
- **Management and Security Controls of Company Shipping Services.** We plan to review Amtrak Express—the company's shipping service program—including the policies, procedures, and technology used to monitor and secure these shipments. Our objective would be to assess the effectiveness of the company's management and security controls over Amtrak Express shipments.
- **Assessment of Physical Security at Amtrak Stations.** We have assessed physical security at two of the company's major stations—Philadelphia and Washington, D.C. Our objective would be to assess physical security at a third station (yet to be determined), including the policies, procedures, and technology used to limit access by passengers and other unauthorized personnel into restricted areas.

# OIG MISSION AND CONTACT INFORMATION

## Mission

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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 Reports and Testimony

Available at our website [www.amtrakoig.gov](http://www.amtrakoig.gov)

## Reporting Fraud, Waste, and Abuse

Report suspicious or illegal activities to the OIG Hotline

[www.amtrakoig.gov/hotline](http://www.amtrakoig.gov/hotline)

or

800-468-5469

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