AMTRAK OFFICE of INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION

BUDGET ESTIMATE:
Fiscal Year 2018

SUBMITTED TO THE COMMITTEES ON APPROPRIATIONS, U.S. SENATE, AND U.S. HOUSE OF REPRESENTATIVES

May 23, 2017

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TABLE OF CONTENTS

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INSPECTOR GENERAL'S OVERVIEW

We are committed to carrying out our mission under the Inspector General Act of 1978, as amended as a high-performing Office of Inspector General (OIG)—delivering timely, high-quality, and value-added work to improve the economy, efficiency, and effectiveness of Amtrak's (the company's) programs and operations. We exercise independent oversight to provide the company, its customers, the public, and Congress with unbiased assessments—conducting audits and investigations.

Our Fiscal Year (FY) 2018 budget request of $23.274 million is level with our FY 2017 appropriation and reflects an overall decrease of $1.225 million from our FY 2016 appropriation. This funding level will allow us to continue our current level of oversight of the company's programs and operations. This includes our commitment to staff and equip the organization with highly qualified personnel and cutting-edge technology such as data analytics and computer forensics tools, which have proven particularly effective in identifying fraud, waste, and abuse. Moreover, this funding will support our ability to identify opportunities to help the company achieve its strategic goals of safety, financial excellence, and customer service.

We are committed to the highest standards of excellence in achieving our mission and vision. We continue taking steps to increase our skills and capabilities and focus our attention on high-risk/high-impact issues that can have the largest positive impact on the company's programs and operations. Our efforts to date have led to significant improvements in the company's economy, efficiency, and effectiveness—and will continue to do so.

STRATEGIC PLAN

We are using the "Balanced Scorecard" framework to manage our strategic planning and execution. The Balanced Scorecard framework is a multidimensional approach to strategic planning and execution that focuses on defining and assessing how four performance perspectives—stakeholder expectations; internal processes; people; learning and development; and use of resources—contribute to the accomplishment of strategic objectives/goals. The framework's strategy management system provides a structured way for continually assessing where we are, where we need to get to, and whether our objectives/goals and supporting initiatives are the right ones to help us achieve our mission and vision.

To help us achieve our vision of operating as a model OIG, we are pursuing five strategic goals:

- Add value by producing objective, accurate, relevant, and timely products that address high-risk/high-impact issues.
- Consistently follow efficient, disciplined processes for audits and investigations that meet the standards of the accountability community.
- Employ a highly qualified, motivated, and diverse workforce.
- Communicate openly and work professionally with, but independently from company management.
- Create and maintain effective mission-support systems.

We remain strongly committed to maintaining standards of excellence in pursuit of our strategic goals and focusing our efforts toward the accomplishment of our mission.

SIGNIFICANT ACCOMPLISHMENTS

Since the beginning of FY 2015, we have issued 30 audit reports, identifying approximately $186 million in questioned costs and funds to be put to better use. The reports included numerous recommendations to improve the efficiency and effectiveness of the company's operations and programs.

During the same period, our investigations resulted in 28 indictments, 29 convictions, and over $3.908 million in cost savings and recoveries. We opened 122 investigative cases, closed 94 cases, processed 1031 OIG Hotline contacts and referrals, and issued 43 investigative reports identifying opportunities to improve the efficiency and effectiveness of the company's operations and programs.

Following is a selection of audit and investigation issues we have reported since the beginning of FY 2016.

OFFICE OF AUDITS

We seek to ensure that the company spends its funds wisely and receives appropriate value for its expenditures. To do this, our audits are centered on seven focus areas:

- Governance;
- Acquisition and Procurement;
- Information Technology;
- Train Operations and Business Management;
- Human Capital Management;
- Safety and Security; and
- Asset Management.

A summary of some of our recent audits follow:

GOVERNANCE: ADDRESSING REMAINING SHORTCOMINGS WOULD LEAD TO A BUDGET DEVELOPMENT PROCESS MORE FULLY ALIGNED WITH LEADING PRACTICES

Since its creation in 1970, Amtrak (the company) has had to rely on federal assistance—$46 billion to date—because passenger revenue and other funding sources do not cover the company's costs. In recent years, the company has made some improvements to its capital budgeting process, but the amount of reprogramming that occurs throughout the year is still significant. In addition, over the past two years, the company has not generated the revenue it expected and has had to reduce its planned operating budget through a series of spending cuts. Given that the company's needs have exceeded the level of funding available each year, it is particularly important to optimize the value of the company's capital and operating expenditures through a sound budget development process.

The company is not consistently using strategic goals, long-term plans, and priorities to drive budget decisions. Company departments are not fully committed to strategic and long-range planning efforts and do not always use them to drive decisions about how best to use each available dollar. Executive leadership sets spending priorities for only a small portion of capital funding targeted for new strategic initiatives—not for most of the company's capital budget. These shortcomings hinder efforts to use the budget to help the company achieve its strategic goals.

Conflicts about who makes budget decisions have also impeded the budget process—especially across-the-board budget cuts. These conflicts waste time and resources, and divert management's attention to reactive—rather than strategic—budget decisions. In addition, limitations in three information systems that feed budget development impede the company's ability to provide accurate and reliable budgets. The company is addressing some of these limitations; however, it recognizes that these efforts will not address all of the systems' current shortcomings.

Successfully addressing these shortcomings will help the company improve its budget development process and optimize the value of its capital and operating expenditures. We recommended that the company take actions to incorporate additional leading practices in its budget development process by ensuring that it (1) is based on achieving strategic goals, long-term plans, and priorities; (2) clearly delineates roles and accountability for results; and (3) is supported by information systems that provide reliable estimates.

The company's Executive Vice President/Chief Financial Officer (CFO) agreed with one of our recommendations, partially agreed with the other four, and provided information on the proposed actions the company plans to take to implement these recommendations. The actions are positive steps that will help improve the budget development process. However, we questioned whether the actions proposed in response to three of the recommendations will fully resolve the shortcomings in the budget process. Accordingly, we requested that as the company implements the recently announced new organizational structure, it consider how the changes offer opportunities for additional actions to more fully address those three recommendations.

ACQUISITION AND PROCUREMENT: ADOPTING ADDITIONAL LEADING PRACTICES TO MANAGE THE BALTIMORE PENN STATION REDEVELOPMENT COULD HELP MITIGATE PROJECT RISKS

The Baltimore Penn Station redevelopment effort is a critical, high-risk project with the potential to generate significant new revenue streams for the company. While the company has taken, and plans to take, a number of steps toward selecting a master developer as part of this effort, there are opportunities to improve the project's chances for success as it moves forward. In November 2016, the company selected a short-list of three qualified master developers, and plans to select a master developer by August 2017 and finalize a master development agreement by January 2018. The agreement will identify the project's scope, estimated cost, and anticipated schedule for the project, which will likely take years to complete.

Our audit objective was to provide an update on the Baltimore Penn Station redevelopment project and assess the extent to which the company is following leading practices in selecting a master developer and managing and overseeing the project.

Two of the leading practices that the company has not yet adopted are management weaknesses we identified in prior reviews of company programs and projects—(1) establishing transparent governance and project management frameworks and (2) developing a plan for managing and overseeing project implementation. Adopting these practices as it proceeds through the remaining steps could help the company avoid past mistakes, which resulted in significant cost overruns and missed milestones.

To enhance the company's management and oversight of the Baltimore Penn Station redevelopment project and mitigate project risks, we recommend that the company establish a transparent governance and project management framework, develop a strong legal agreement with the master developer, and develop a plan and dedicate resources to manage and oversee the master developer. In commenting on a draft of this report, the company's Executive Vice President/Chief Northeast Corridor Business Development agreed with our recommendations and outlined planned actions that, if fully implemented, will address the intent of these recommendations.

SAFETY AND SECURITY: PROGRESS MADE IN IMPLEMENTING POSITIVE TRAIN CONTROL, BUT ADDITIONAL ACTIONS NEEDED TO ENSURE TIMELY COMPLETION OF REMAINING TASKS

The Positive Train Control Enforcement and Implementation Act of 2015 requires the company to implement an approved Positive Train Control (PTC) safety system by December 31, 2018. PTC systems can help prevent some types of train accidents resulting from excessive speeds, including the tragic Train 188 accident that occurred in Philadelphia on May 12, 2015. PTC systems can also alert engineers to a misaligned track switch and can protect roadway workers by automatically slowing or stopping trains from entering work zones.

This is our third report on the company's progress implementing PTC. In this report, we discussed the progress made in implementing PTC and whether additional opportunities exist to improve PTC program management. The company has made significant progress implementing PTC. However, it still must complete a significant number of remaining tasks, including completing system installations on tracks it owns and operates, and installing onboard systems on the 303 locomotives that travel over its long-distance and state-supported routes.

Opportunities exist to ensure the timeliness of PTC implementation by addressing the program management weaknesses we identified in our 2012 and 2015 reports. Specifically, the full cost of all implementation tasks has not been fully estimated and may cost the company hundreds of millions more than is currently budgeted. In addition, program management responsibilities are still divided across several departments, and project schedules do not follow leading practices or company requirements.

To address these program management weaknesses, and to help ensure successful PTC implementation by the legislative deadline of December 31, 2018, we are updating and reissuing three recommendations from our 2015 report that the company agreed to but has not implemented. We recommended that the company use leading practices to update cost estimates and enhance project schedules. We also recommended that the company clarify the roles of managers responsible for PTC implementation to ensure that a senior official has clear authority and accountability for the completion of the remaining tasks. The company agreed with all three recommendations and identified actions that would meet the intent of these recommendations once implemented.

INFORMATION TECHNOLOGY: PROGRESS MADE INSTALLING VIDEO SURVEILLANCE SYSTEMS, BUT COVERAGE AND PERFORMANCE COULD BE IMPROVED

Since 2005, the company has invested about $91 million to install video surveillance systems (VSS) to enhance its anti-terrorism capabilities and to help ensure the safety and security of passengers, employees, and property. Recent terrorist attacks on transit systems around the world have illustrated the importance of VSS in identifying and investigating terrorist activity. These systems typically include surveillance cameras, video recorders, display monitors, video management software, and networking hardware.

We found that the company has made some progress installing and implementing VSS at key locations, but it has not yet taken a comprehensive strategic planning approach to guide the design and implementation of the VSS network. This has resulted in an incomplete national network that is limited by technical, operational, and security issues, which company officials primarily attributed to a lack of dedicated funding that limited its ability to fully develop the national network.

Our audit recommended that the company update their December 2015 strategic plan to address a number of key issues. For example, the plan does not address critical issues such as gaps in coverage and the lack of remote viewing capabilities of key sites. It also does not address opportunities to integrate video systems installed by other company departments and business partners into the VSS network or whether continuous monitoring of cameras would be cost-effective. Additionally, the plan does not identify actions needed to update the company's VSS policy or when new security standards will be adopted. Further, the plan does not discuss estimates of the funds needed and the source of these funds to implement the plan, and it does not include outcome-based performance metrics to measure progress. Taking additional actions to address these issues as a management priority will enhance the company's national VSS network and its ability to detect and respond to a significant security event. The company agreed to implement our recommendations.

GOVERNANCE: CONTROLS TO AVOID DUPLICATE MEDICAL PAYMENTS OF AGREEMENT EMPLOYEES APPEAR GENERALLY EFFECTIVE, BUT SOME PAYMENT ERRORS STILL OCCUR

The company's group medical plan is self-insured and pays its healthcare costs directly from their operating budget. During calendar years (CY) 2011 through 2014, the company paid an estimated $1.1 billion in claims filed by medical service providers such as doctors, hospitals, and medical laboratories. About $911 million of these claims—83 percent of the total—were submitted on behalf of about 58,000 employees, retirees, and dependents covered under union agreements (agreement employees).

The company outsources the process for paying these claims to third-party claim administrators. These administrators provide employees with access to a network of medical service providers and process medical service claims submitted by these and other providers. Claim administrators sometimes make errors in paying medical claims, such as making overpayments for services provided or making payments for services not provided. Other errors include a vulnerability known as "duplicate" payments, which can occur when a medical service provider is paid two or more times for the same medical service.

The company has established a management control process to help identify potentially duplicate claims submitted by medical service providers for about 58,000 agreement employees, retirees, and dependents that appears generally effective. However, we identified additional opportunities for recovering $4.3 million in potentially duplicate payments using a different testing methodology than the one used by the third-party claim administrators charged with detecting questionable payments. Also, our audit found that the Human Capital department could take additional actions to enhance its monitoring of this process rather than relying exclusively on third-party claim administrators' controls for assurances about the adequacy of these controls by reinstituting the use of an independent assessment. Any additional cost savings gleaned from these efforts will contribute to current company-wide efforts to achieve greater operating efficiencies and cost reductions. The company concurred with our recommendations and their proposed actions meet the intent of the recommendations.

ACQUISITION AND PROCUREMENT: ADEQUATE COMPETITION FOR MOST CONTRACTS AWARDED UNDER AMERICANS WITH DISABILITIES ACT PROGRAM BUT PROCUREMENT POLICIES COULD BE IMPROVED

The Fixing America's Surface Transportation Act or the FAST Act included a requirement that we determine whether current expenditures or procurements involving Amtrak's fulfillment of the Americans with Disabilities Act (ADA) of 1990 use competitive, market-driven provisions that are applicable throughout the entire term of such related expenditures or procurements. To accomplish this, we reviewed all ADA-related contracts awarded from October 1, 2012, to March 31, 2016. This represented 45 contracts valued at about $78 million. Our review determined that there were two or more independent, qualified bidders for 42 contracts (93 percent) valued at about $76.8 million—98.3 percent of the value of all ADA contracts.

We concluded that the company used competitive, market-driven processes for ADA procurements. In the small number of contracts where competition was not adequate, appropriate action was taken to ensure that the bid price was fair and reasonable. We found however, that the extent of competition on task orders issued under Master Service Agreements (MSAs) varies because the Amtrak Procurement Manual does not define MSAs, and the company does not have a clear policy stipulating the extent to which competition should occur with these types of agreements. Formally defining MSAs, and clarifying the extent to which competition should occur when using these agreements will help ensure that competition occurs on a more consistent basis when using these agreements. Additionally, we could not assess the extent of competition on all Passenger Information Display Systems design and commissioning task orders because of the lack of documentation. Taking additional steps to clarify the requirements for task order documentation will help provide more effective project monitoring and oversight. The company agreed to implement our recommendations.

ASSET MANAGEMENT: OBSERVATIONS ON NEW JERSEY HIGH-SPEED RAIL IMPROVEMENT PROGRAM (NJ HSRIP) VEHICLE MANAGEMENT

In October 2015, we issued a Management Advisory Report on Amtrak's management of its vehicle fleet. This Management Advisory Report provides supplemental observations on the company's management of vehicles assigned to the New Jersey

High-Speed Rail Improvement Program (NJ HSRIP) that we developed in response to questions raised by Amtrak's board members about the information in our October report.

Our review of vehicle management practices on the NJ HSRIP identified a number of opportunities for vehicle management improvements that could also inform the company's ongoing evaluation of company-wide vehicle management controls:

- Opportunities may still exist for the company to save as much as $212,000 per year on the NJ HSRIP by leasing common vehicles such as pick-up and utility trucks from the General Services Administration (GSA). Of 38 vehicles that the company is commercially leasing for the NJ HSRIP, 26 are available through GSA's federal fleet program at significantly lower costs than the commercial leases. The potential savings are dependent upon the terms of the existing leases and availability of GSA vehicles.

- The company could have saved an estimated $127,240 by purchasing—rather than leasing—some vehicles on the NJ HSRIP. For example, the company is leasing 8 utility trucks for 44 months with an extended per-vehicle lease cost of $52,800. By comparison, the company could have purchased the same vehicles new at a per-vehicle purchase price of $36,895. In November 2015, when the leases were extended, the company performed a lease-vs-buy analysis, which indicated that it was no longer cost-effective to purchase the vehicles.

- The company is paying $9,500 per month to commercially lease a vehicle to support overhead electrical work because it was not able to borrow an idle company-owned vehicle from another Engineering unit.

- For 24 vehicles leased at higher costs to support the NJ HSRIP, the company's written justification includes the statement that the project is "reimbursable," meaning that the lease costs would be covered by the NJ HSRIP grant, not by the company's operating budget.

Our prior work on oversight of the NJ HSRIP and our current observations on the management of vehicles assigned to this project indicate that the company could have exercised more effective fiscal stewardship of federal grant funds. Planning weaknesses and a lack of effective vehicle management controls have resulted in costly commercial leases and missed opportunities to conserve funds by obtaining vehicles from more economical sources, purchasing new vehicles, and more effectively utilizing existing company vehicles. All three alternatives would likely have resulted in cost-savings over the life of the NJ HSRIP, freeing up funds to meet other project needs. The company agreed with our observations and indicated it would address the observations through an action plan developed in response to our previous report (Observations on Vehicle Fleet Management, OIG-MAR-2016-001) and by continuing to work with other end users.

ASSET MANAGEMENT: ADDITIONAL ACTIONS CAN HELP REDUCE SIGNIFICANT RISKS ASSOCIATED WITH LONG-DISTANCE PASSENGER CAR PROCUREMENT

The company contracted with CAF USA in 2010 to acquire 130 new single-level long-distance passenger cars, with a scheduled completion date of November 2014. These cars are intended to be used on its long-distance routes to replace aging baggage and diner cars and to augment its sleeper car capacity. The company allocated $343 million to this capital project, primarily from federal grant funds. With a renegotiated due date, the company had spent about $195 million on the project as of December 31, 2015. As of the time of our review, 70 baggage cars—the easiest car type to build—had been delivered.

The company faced significant challenges in managing this project, and has taken actions to address CAF's poor performance. In April 2015, the company formally notified CAF of its poor performance, detailing specific contract requirements, including delivery delays that had not been met.

Through December 2015, the delays resulted in an estimated $7 million increase in overall project costs and a deferral of about $3.7 million in benefits the company expected to accrue from having the cars in revenue service. Our analysis indicated that cost increases and benefit deferrals would continue as the project falls further behind its original schedule.

While actions taken by the Mechanical department and Procurement office led to improvements in the daily management of the project, other opportunities exist to improve project management and further mitigate risk by clarifying project accountability, enforcing contract terms, and developing a risk mitigation plan. To address the risks associated with this project, we recommended several actions to continue to improve project management and address project challenges in a timely manner. The company agreed to implement our recommendations.

GOVERNANCE: ALIGNMENT WITH BEST PRACTICES COULD IMPROVE PROJECT MANAGEMENT OFFICE IMPLEMENTATION

In FY 2015, the company spent nearly $1.3 billion for capital projects intended to improve infrastructure and equipment. In July 2014 we reported that the company's management controls for capital projects were weak from project inception through completion. We recommended that management develop company-wide policies and procedures for project management and to flow them down to the department level. Management agreed and noted it was in the process of developing a Project Management Office (PMO) to better manage capital projects.

Since our July 2014 report on capital project management, we found the company has made limited progress in establishing a company-wide PMO and significant opportunities still exist to improve the company's project management practices and procedures. Our audit concluded that until a company-wide PMO is established and policies and procedures are developed and implemented, the company will continue to face a high-risk environment for the effective stewardship over capital project resources. Further, the company is at risk of wasting resources because a company-wide process does not exist to coordinate ongoing and planned PMO-related initiatives. We recommended that the Executive Vice President and Chief Operations Officer incorporate best practices into the company-wide PMO policies and procedures, and ensure department-level PMO initiatives are consistent with company-wide initiatives, to avoid waste while company-wide PMO policies are being developed. The Executive Vice President concurred with our recommendations and his proposed actions meet the intent of our recommendations.

OFFICE OF INVESTIGATIONS

Detecting and Deterring Fraud - We have continued to work with Amtrak management and federal, state, and local prosecutors to address potentially fraudulent activities through our investigative operations. We handle a wide variety of cases which may involve company employees, contractors, or members of the general public engaging in activities involving fraud, waste, and abuse. The following case summaries are examples of some of our recent cases.

FALSIFICATION OF SAFETY-RELATED DOCUMENTS, OBSTRUCTION AND RETALIATION

On March 14, 2017, an Amtrak Assistant Division Engineer retired from his position following the release of our investigative report, which concluded that he improperly directed two subordinate supervisors to instruct their employees to falsify, sign, and backdate multiple safety-related job briefing forms. By doing so, it created the illusion that the briefings were documented on the dates indicated. In addition, we found that the Assistant Division Engineer gave false statements during our investigation and made threatening, retaliatory, and unprofessional comments against employees he believed were cooperating with the investigation.

CONFLICT OF INTEREST

In March 2017, our investigation revealed that, from 2012 through 2016, a company manager had an undisclosed personal relationship with a contractor and engaged in a pattern of behavior to ensure that work was awarded to the contractor without the company's full knowledge of their relationship. Our investigation found that the manager approved $445,000 in purchase requisitions for the contractor and improperly obligated approximately $80,000 of company funds to the contractor without authority or proper approval.

We also determined that the manager misrepresented her professional credentials on her employment application, misused several company-issued electronic devices for excessive personal use, and routinely violated the company's telework policy. On February 1, 2017, Amtrak ended the manager's employment with the company.

TWO EMPLOYEES TERMINATED AND EIGHT OTHERS SUSPENDED FOR VIOLATIONS OF AMTRAK POLICIES

In January 2017, we concluded an investigation which resulted in two employees being terminated and eight others being suspended for violation of Amtrak policies. We initiated an investigation into allegations that an Amtrak supervisor may have been involved with improprieties related to his position. Our investigation found that two Amtrak foremen performed work at the residence of the supervisor during company time while using company equipment, and that they provided false, incomplete, or misleading information to Amtrak OIG Special Agents. On December 13, 2016, the two foremen were terminated by the company. The supervisor was terminated on September 12, 2016 for violating company policies.

In addition, our investigation found that eight other employees engaged in activities that violated company policy, including performing work at the supervisor's residence, helping another company employee move to a new residence on company time, and misusing company equipment and resources. As a result of our investigation, the company suspended one employee for 20 days and the other seven employees for 10 days.

VIOLATION OF AMTRAK STANDARDS OF EXCELLENCE

On November 22, 2016, an Amtrak baggage handler was terminated from the company for stealing an Amtrak freight shipment. Our investigation revealed that the employee helped someone, who was not an Amtrak employee, gain access to an Amtrak freight claim area and take a box awaiting pickup. The former employee acknowledged the box contained 3 to 4 kilograms of cocaine, which he and his associate sold. The former employee is under Federal indictment on charges related to possession with intent to distribute a controlled substance and for stealing and unlawfully taking the package. Further judicial proceedings are pending.

VIOLATION OF AMTRAK OPERATING RULES

On July 22, 2016, an Amtrak track inspector's employment was terminated as a result of a third safety operating rules violation that occurred on October 2, 2015. Our investigation revealed the employee and another Amtrak employee entered an area of protected track near Ann Arbor, Michigan, without authorization. The employee acknowledged that his actions constituted a safety operating rules violation.

FUEL CARD MISUSE

We initiated an investigation into allegations that an Amtrak Engineering and Traction Lineman was misusing a government fleet fuel card assigned to an Amtrak-leased vehicle to purchase fuel for his personal vehicles. The investigation disclosed that between April 29, 2015 and November 3, 2015, the employee used the fuel card to purchase fuel for two of his personal vehicles. The approximate loss associated with alleged misuse of the fleet card is $5,776. On November 3, 2015, the employee retired and is ineligible for rehire.

CONSPIRACY TO COMMIT MAIL AND WIRE FRAUD

A part owner of Bayway Lumber pleaded guilty in February 2016 to defrauding customers out of $708,386 by engaging in fraudulent business practices, including overbilling, charging for more expensive items or larger quantities of items, and providing free items to employees of customers in return for their business. The part owner was charged with one count of conspiracy to commit mail and wire fraud. He was sentenced to 48 months in prison, three years of supervised release and was ordered to pay restitution of $708,386 and a $2,000 fine.

The investigation disclosed that from 2007 to November 2015, a part owner of Bayway Lumber conspired with others to defraud certain customers by engaging in fraudulent business practices and then recouping the cost of the items (and additional profits) by overbilling and fraudulent billing. Employees of some of Bayway Lumber's customers, including Amtrak, were given a variety of items, including electronics, tickets to sporting events, merchandise and gift cards. Bayway Lumber then overbilled and fraudulently billed those customers to recoup the cost of the gifts, plus additional profits. The part owner kept a running tally of how much Bayway Lumber overbilled and fraudulently billed those customers to ensure that Bayway Lumber recovered the full cost of the free items.

ALLEGATIONS OF OVERCHARGES ON NIANTIC RIVER BRIDGE CONTRACT

URS Corporation (URS) entered into a civil settlement agreement with the federal government in which URS agreed to pay $580,000 to resolve allegations that the construction company violated the federal False Claims Act and the common law in overbilling the federal government on a bridge reconstruction project in Niantic that was funded by Amtrak.

In 2007, Amtrak awarded a contract to Washington Group, International, Inc. to provide construction management services for the replacement of the Niantic River rail bridge. Washington Group was acquired by URS in 2008, and URS assumed responsibility for the contract. The contract provided that the construction management company would be compensated for its services according to a specific pricing schedule that was incorporated into the contract. The pricing schedule stated that labor efforts pursuant to the contract would be paid at the fixed labor rates listed in an attachment to the pricing schedule. The attachment, in turn, provided that the labor rates were maximum rates per hour for each employee work classification and that the contractor should bill the appropriate rate for each employee up to the maximum rate contained in the attachment. During the time that URS provided construction management services for the bridge reconstruction project, the company charged the maximum labor rates, rather than the actual labor rates, for the employee positions listed on the attachment to the pricing schedule and, as a result, the federal government was overbilled.

VIOLATION OF CORPORATE POLICY BY AMTRAK YARD ENGINEER

This investigation involved allegations that an Amtrak Yard Engineer in New York, violated Amtrak policy by operating Amtrak trains while having a suspended driver's license resulting from, among others, a driving while intoxicated (DWI) adjudication and a conviction for evading the police. Our investigation confirmed these allegations.

However, our review also highlighted other aspects of the yard engineer's activities in the context of current company policy and federal regulations relating to safety.

In this regard, our report raised questions about certain rules affecting passenger railroad engineers—and ultimately the safety of the travelling public. Specifically, this case underscored three issues with safety implications: 1) whether existing rules result in untimely notifications to management of DWI-related events; 2) whether the company's policies for responding to that information sufficiently protects the public; and 3) whether existing limitations on information the company may consider in assessing a railroad engineer's driving record are reasonable when making decisions to certify and recertify railroad engineers.

RELOCATION EXPENSE FRAUD

In March 2015, we received an allegation that an Assistant Superintendent received a double payment for relocation expenses by using the Corporate Lodging Consultants (CLC) credit card for his hotel expenses (which was billed directly to Amtrak) and also accepting the company's "lump sum" relocation payment for the same expenses. Our review determined that contrary to company policy, the Assistant Superintendent received double-reimbursement for temporary living expenses on three company-funded relocations that occurred in 2011, 2012, and 2014.

On each relocation, the employee improperly used the company's CLC card to pay for his temporary living expenses after receiving lump-sum payments to cover his temporary living expenses. The employee received a total of $20,000 in advance lump sum payments for all three locations, while he also used the company's CLC card to stay in corporate lodging during all 3 relocations, totaling over $13,000. We also determined that the employee's supervisor, the Superintendent of the Region, failed to properly address the double payment issue when it was brought to his attention. The local United States Attorney's Office declined criminal prosecution of the Assistant Superintendent. Our report of investigation was provided to management and we were informed that on May 11, 2016, both employees were dismissed for failure to follow company policy.

FAILURE TO DISCLOSE VIOLENT CRIMINAL HISTORY

In August 2015, Amtrak OIG received information that a Coach Cleaner had a violent criminal history, including arrests and convictions for assault and murder. We interviewed him in January 2016, and he admitted to having a violent criminal history and failing to disclose this to the company on his employment application. After the interview concluded, he voluntarily resigned, surrendered his employment identification badge, and was escorted off company property by a member of the Amtrak Police Department.

STAGED CAR COLLISION IN TRAIN ACCIDENT

In April 2015, the United States Attorney for the District of South Carolina announced the indictment and arrest of two men for conspiracy to commit mail and wire fraud, causing a train wreck, and unlawful interference with a train operator. The indictment and arrest resulted from an investigation which determined that in the early morning hours of September 6, 2013, the two men parked a car in the path of an oncoming Amtrak train, got out of the car prior to the collision, and then returned to the car after the collision, feigning injury, all for the purposes of submitting bogus claims for personal injuries and other losses. On June 17, 2015, one man pled guilty to count 1 of an indictment and on November 2, 2015, the second man pled guilty to the same charge. In pleading guilty, both individuals accepted responsibility for causing the train accident. On January 27, 2016, the first man was sentenced to 46 months incarceration, with 3 years' of probation and assessed a $200 fine. On March 3, 2016, the second man was sentenced to serve 21 months in prison with 3 years' probation and a special assessment of $580. Additionally, both men were ordered jointly to pay $46,690.27 in restitution to Amtrak. We investigated this case with the Federal Bureau of Investigation, the Bureau of Alcohol, Tobacco and Firearms, the Allendale County Sheriff's Department and the Fairfax Police Department of South Carolina.

SUMMARY OF FY 2018 BUDGET REQUEST

For FY 2018, we are requesting $23.274 million which is the same level of funding appropriated for FY 2017. This level of funding will allow us to continue our current operations and will also ensure that we have adequate resources for travel, training, and other critical mission-support activities.

Budget Requests, FY 2016 to FY 2018
National Railroad Passenger Corporation (Amtrak)
Office of Inspector General
(dollars in millions)

	FY 2016	FY 2017	FY 2018
President's Request	$24.499	$23.274	$23.274
Appropriation	24.499	23.274	TBD

During FY 2017, we have continued our efforts to reach our desired staffing level and adjusted our use of contractors to accomplish our mission. The FY 2018 funding request will enable us sustain the improvements we made to operate as a model OIG and to continue delivering high-quality, high-impact work that identifies cost savings and improves the company's operations and programs.

In particular, our funding request will allow us to sustain a very successful forensic auditing effort using data analytics tools. We are using, and plan to continue to use, our data analytics capabilities to audit and monitor internal control effectiveness of critical business processes. We have used data analytics techniques to assess controls and data in procurement card, travel card, employee injury claims, health care claims, time and attendance programs, the safety testing program, and incentive awards. We have also used data analytics to help support a number of other audit reports such as our review of the Americans with Disabilities Act program and both proactive and reactive investigations of potentially fraudulent activities. In addition, we have ongoing and planned data analytics efforts that will support FY 2017 and FY 2018 audit and investigative work in the areas of health care claims and payments, employee injury claims and payments, safety violations, drug and alcohol use, utility payments, corporate lodging and relocation payments, and passenger train on time performance reporting.

The FY 2018 funding request will also help us maintain and expand our use of cutting edge technology, particularly for investigations. During FY 2015 we completed the development of a basic computer forensics lab and worked to enhance the lab's capabilities during FY 2016 and FY 2017. Subject to available resources we plan to further enhance our utilization, capabilities, and capacity of the lab during FY 2018, consistent with our vision of operating as a model OIG.

Our FY 2018 budget request is broken down as follows:

- $17.035 million for personnel and related costs.
- $3.215 million for operational and equipment expenses, including funding for office space, special equipment for criminal investigators, staff training, and information technology equipment and support services.
- $3.024 million for consultants and contracted services.

The request includes $451,000 for staff training requirements, and $47,000 to support the Council of Inspectors General on Integrity and Efficiency. The Inspector General certifies that the $451,000 for staff training satisfies all known training requirements for FY 2018, in accordance with Public Law 110-409, the Inspector General Reform Act of 2008.

KEY FOCUS AREAS FOR FY 2018

During FY 2018 we will continue to focus our audit and investigation efforts in the areas of Governance, Acquisition and Procurement, Information Technology, Train Operations and Business Management, Safety and Security, Human Capital Management, and Asset Management, subject to available resources. Our audit work will be guided by audit plans for FY 2017 and FY 2018. Our overall goal will be to identify ways to improve the economy, efficiency, and effectiveness of the company's programs and operations, while continuing to detect and prevent fraud, waste, and abuse.

Our investigative work will continue to emphasize and leverage cutting-edge investigative tools such as digital forensics, data analytics, and surveillance technology. We will continue our education program through customized fraud awareness briefings to help educate company executives, staff, and outside stakeholders regarding our mission and operations. In addition, we will continue to publicly post press releases and investigative summaries regarding our investigative casework as a deterrent to fraud, waste, and abuse within the company.

BUDGET TABLES

BUDGET REQUEST BY SOURCE OF FUNDS
NATIONAL RAILROAD PASSENGER CORPORATION
OFFICE OF INSPECTOR GENERAL

APPROPRIATION
(dollars in millions)

	FY 2016	FY 2017	FY 2018
ACCOUNT NAME	**ACTUAL**	**ACTUAL**	**REQUEST**
Salaries and Expenses	**$24.499**	**$23.274**	**$23.274**

OBJECT CLASSIFICATION - FY 2016 TO FY 2018
NATIONAL RAILROAD PASSENGER CORPORATION
OFFICE OF INSPECTOR GENERAL
SALARIES & EXPENSES
($000)

	OMB ACCOUNT ID: 575-00-2996	FY 2016 ACTUAL	FY 2017 APPROPRIATION	FY 2018 REQUEST
	Personnel Compensation:			
11.1	Full-time permanent	11.942	12.335	13.967
11.5	Other personnel compensation	0.000	0.000	0.000
11.9	***Total Personnel Compensation***	**11.942**	**12.335**	**13.967**
12.1	Personnel benefits *	2.334	6.090	3.068
21.0	Travel and transportation (persons)	0.455	0.385	0.468
22.0	Transportation (things)	0.005	0.006	0.006
23.2	Rental payments to others	0.739	0.817	0.806
23.3	Communications, utilities, and miscellaneous charges	0.310	0.195	0.399
24.0	Printing and reproduction	0.006	0.004	0.006
25.1	Advisory and assistance services	2.789	2.498	3.024
25.3	Other purchases of goods and services from government accounts	0.513	0.544	0.587
26.0	Supplies and materials	0.338	0.230	0.441
31.0	Equipment	0.703	0.170	0.502
99.0	***Subtotal, direct obligations***	**20.134**	**23.274**	**23.274**
99.9	***Total obligations***	**20.134**	**23.274**	**23.274**

** Several years ago, the benefit rate for management employees grew to 80% of the salary rate. Amtrak took actions to reduce the cost of benefits that included adjustments to the health care programs and freezing participation in the defined benefit retirement program. Amtrak projected that the actions would reduce the benefit rate to 45% and result in significant estimated savings by reducing future liabilities for benefits. For accounting purposes, Amtrak is recording the estimated savings as an offset to benefit costs over the 3 year period of FY 2016 to FY 2018. As result, the annual benefit rate was reduced to an average rate of 20% for the three year period. However, in FY 2019, after the estimated savings have been recovered, the benefit rate is expected to stabilize at 45% of the employee salary rate.*

AUTHORIZED PERSONNEL RESOURCES - SUMMARY NATIONAL RAILROAD PASSENGER CORPORATION OFFICE OF INSPECTOR GENERAL

ACCOUNT NAME	FY 2016 Actual	FY 2017 Estimate	FY 2018 Request
Full-Time Equivalents	96	99	101