



OFFICE *of* INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION

TRAIN OPERATIONS:

Opportunities Exist to Improve Private Railcar Management
and Business Practices

OIG-A-2019-003 | February 6, 2019

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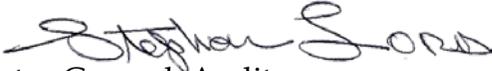


Memorandum

To: Scot Naparstek
Executive Vice President / Chief Operating Officer

Swati Sharma
Acting Executive Vice President / Chief Financial Officer

Tim Griffin
Executive Vice President / Chief Commercial & Marketing Officer

From: Stephen Lord 
Assistant Inspector General, Audits

Date: February 6, 2019

Subject: *Train Operations: Opportunities Exist to Improve Private Railcar Management and Business Practices (OIG-A-2019-003)*

Since beginning operations in 1971, Amtrak (the company) has provided the owners of private railcars the opportunity to couple and move their railcars with regularly scheduled trains for a fee. As part of these movements, the company also provides private railcar owners with ancillary services, such as short-term parking, car washes, and waste tank services. In addition to movements, the company also provides long-term parking and mechanical services. In fiscal year (FY) 2018, the company generated about \$3.7 million in revenue from private railcar services, including \$2.8 million from movements, \$462,000 from long-term parking, and \$392,000 from mechanical services.

In April 2018, the company made changes in response to concerns that these services were interfering with its core mission of providing passenger rail services as safely, punctually, and efficiently as possible. The company found that some private railcar movements were negatively affecting the on-time performance of certain regularly scheduled train routes. The company's changes included limiting:

- movements of private railcar primarily to terminals where scheduled trains originate or terminate
- the addition or removal of private railcars to locations where the company can do so efficiently

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- mechanical services to essential repairs of safety-related equipment while private railcars are in transit on company trains

Our objectives were to assess the extent to which the company is (1) identifying and billing private railcar owners for the costs associated with movement and long-term parking services and (2) effectively managing the program. Our audit focused on movement and long-term parking services provided from FY 2015 through FY 2017,¹ as well as overall management of the program through November 2018. We excluded mechanical services from our scope after the company decided in April 2018 to significantly reduce these services.

SUMMARY OF RESULTS

The company has opportunities to improve longstanding program management weaknesses in its private railcar program. Many are fundamental—such as insufficient controls to manage its costs and revenues, an absence of standard operating procedures, and limited safety and parking guidelines. For example, the company has historically not identified most of its costs for operating the private railcar program and services. Thus, the company does not know the extent to which it is capturing these costs through its pricing decisions. Additionally, weak program management practices have led to lost revenue and missed opportunities to generate additional revenues, and they also pose safety and liability risks for customers and employees.

The company has taken recent actions that begin to address some, but not all, of these issues. However, additional program management improvements are needed—such as adjusting prices to reflect fluctuating costs and demands—to better ensure the company can make business decisions that align with its mandate to minimize federal subsidies. Finally, in the absence of robust standard operating procedures and without fully implementing and enforcing recent parking guidelines and permits, the company will continue to face potential financial losses and safety and liability risks.

We recommend that the company take the following actions to improve management of the program:

- Identify its costs to provide movements and long-term parking services.

¹ We selected these years because they allowed us to use the most complete data available during our review.

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- Factor these cost data into its pricing and program decisions.
- Establish a mechanism for providing regular financial and performance reports that management can monitor.
- Finalize and implement standard operating procedures.
- Develop and implement safety guidelines tailored to each company facility that provides private railcar parking.

In commenting on a draft of this report, the Executive Vice President / Chief Operating Officer (COO) agreed with our recommendations to improve management of the private railcar program. The COO identified specific actions the company plans to complete by August 2019 to implement each of the recommendations. For management's complete response, see Appendix B.

BACKGROUND

Individuals and companies use private railcars for leisure travel and to operate businesses by renting the railcars, hosting onboard events, and selling individual seats or beds. When the company assumed responsibility for intercity passenger rail service in 1971, it also assumed responsibility for the movement of private railcars that predecessor railroads had provided. Since that time, the company has been the primary provider of private railcar services in the United States.²

The Rail Passenger Service Act of 1970 established the company as a for-profit corporation.³ The Passenger Rail Investment and Improvement Act of 2008 (PRIIA) encourages the company to make agreements with the private sector, such as those with private railcar operations, to minimize its federal operating subsidies.⁴ PRIIA also requires the company to implement modern accounting and reporting systems to track the costs of each major activity in each route and line of business.

² Some Class I railroads also offer intercity transport of private railcars although passengers do not typically occupy private railcars while in transit with these railroads.

³ The Rail Passenger Service Act of 1970, Public Law 91-518; October 30, 1970.

⁴ Section 24101(d) of Title 49 of the U.S. Code states that "Amtrak is encouraged to make agreements with the private sector and undertake initiatives...designed to maximize its revenues and minimize Government subsidies" in order to carry out its statutory goal in Section 24101(c)(12) to maximize its resources.

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The company's Charter and Special Movements office—in the Transportation division of the Operations department—manages private railcar movements and long-term parking. Offices in the Commercial & Marketing and Finance departments are responsible for pricing, billing, and collecting private railcar service charges.⁵

The company provides two types of private railcar services:

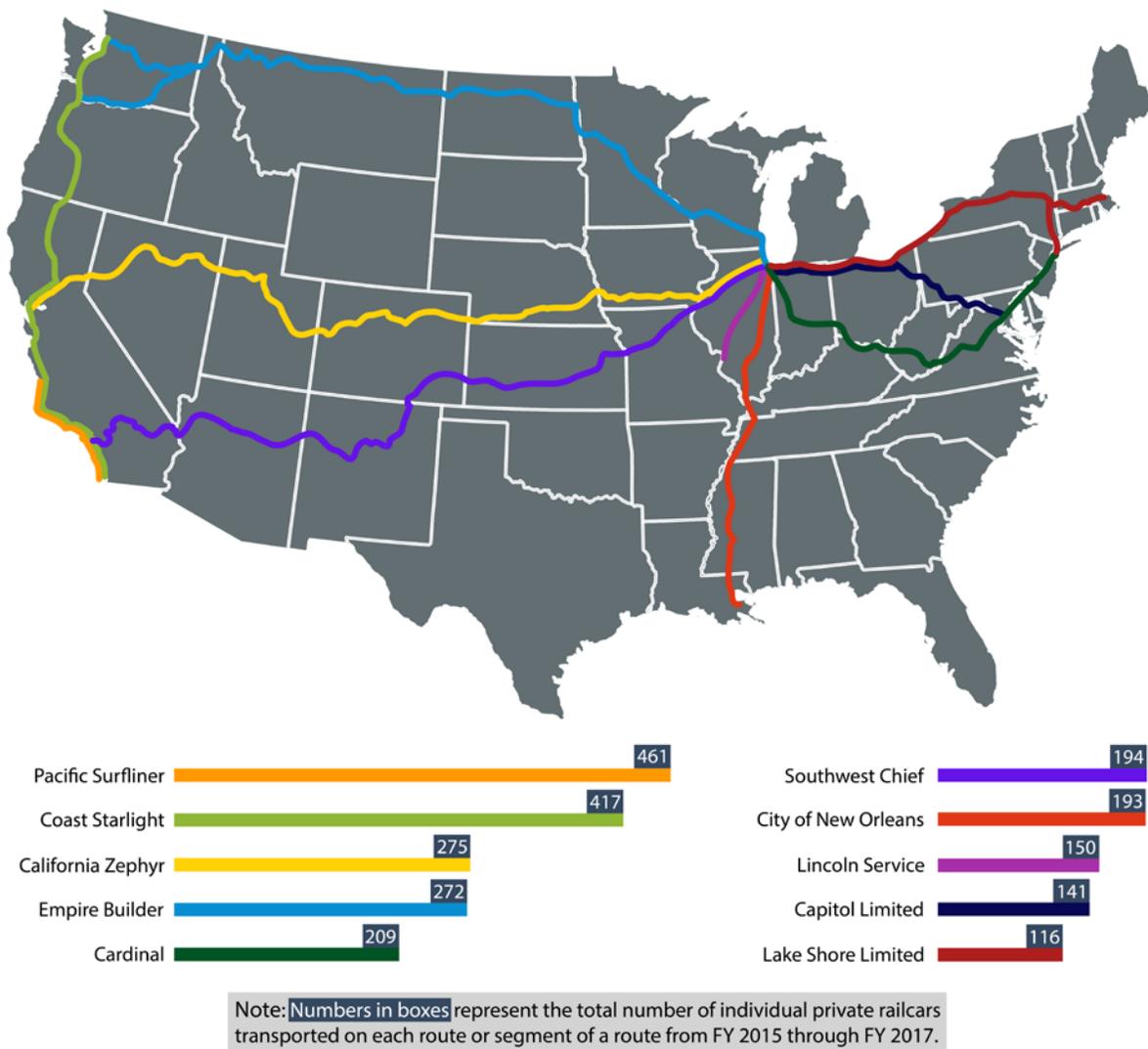
- **Movements and ancillary services.** At the company's discretion, private railcar owners can couple their railcars to regularly scheduled company trains at certain stations for transport across the company's nationwide train route system. The company also provides ancillary services, including short-term parking, switching,⁶ power, water, ice, septic, and car washing. In addition, the company provides mechanical services but recently limited these services to essential repairs of safety-related equipment while private railcars are in transit on company trains. As of November 2018, the company was charging \$3.26 per mile to transport a private railcar. From FY 2015 through FY 2017, each regularly scheduled company route carried private railcars, except the Acela, Auto Train, and several state-supported routes. Ten routes transported 71 percent of the 3,431 private railcar movements in these three fiscal years, as shown in Figure 1.

⁵ The Product Development and Customer Experience office within the Commercial & Marketing department is responsible for pricing private railcar services. The Finance department's Financial Planning & Analysis office is responsible for billing and its Controller's office is responsible for collecting private railcar service charges.

⁶ Switching services for private railcars include moving them to and from short- and long-term parking and mechanical services within a rail yard or terminal and coupling or uncoupling them to and from scheduled trains for movements.

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**Figure 1. Top 10 Amtrak Routes Transporting Private Railcars,
 FY 2015 through FY 2017**

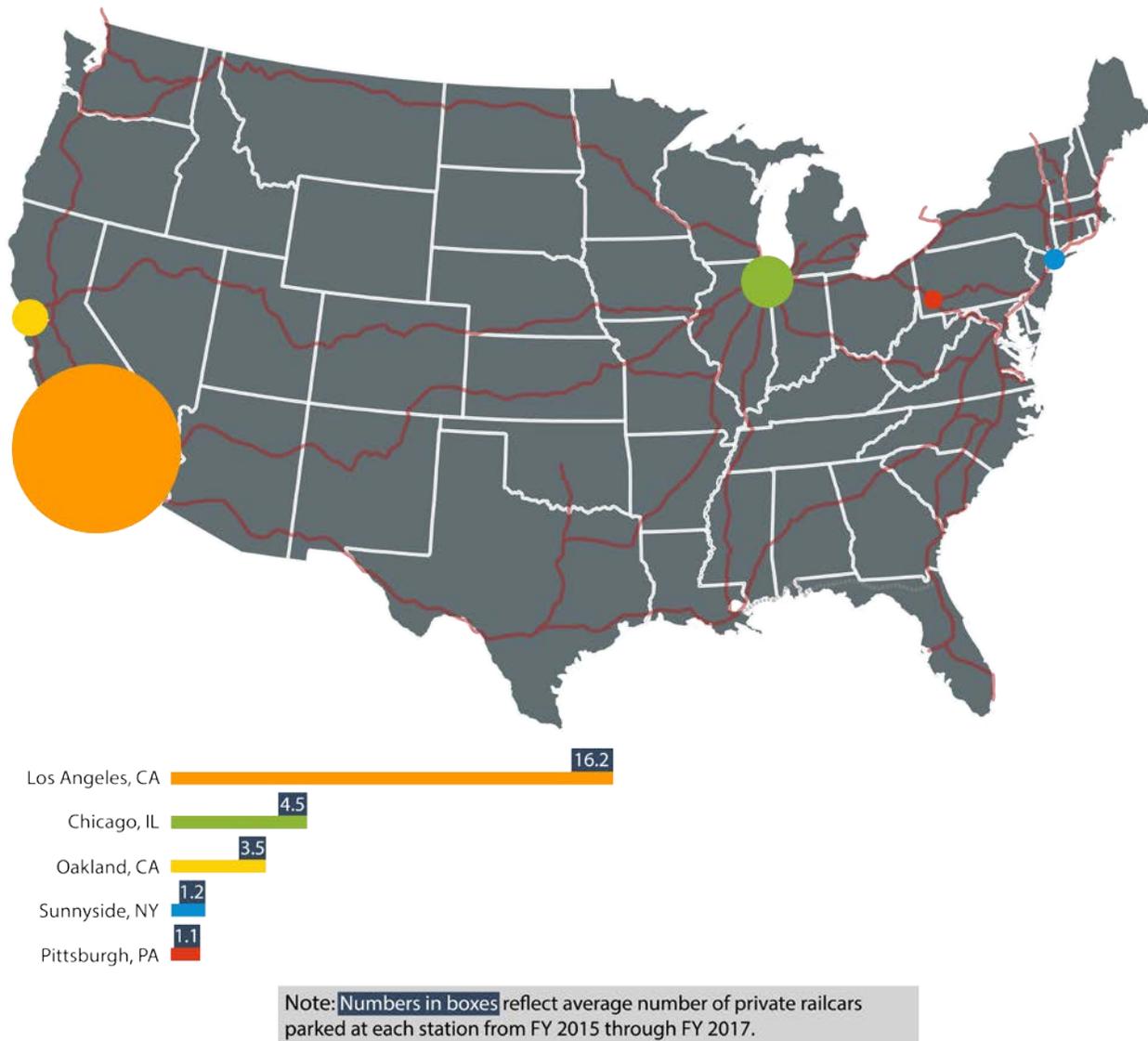


Source: OIG analysis of company data from its Systems Application and Products (SAP) financial system

- Long-term parking.** The company also provides long-term parking, including services such as power and switching, for railcars on company-owned or leased property. It charges \$1,600 per month for this service. The five stations with the highest volume of long-term parking are shown in Figure 2.

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**Figure 2. Top Five Long-term Parking Locations Used by Private Railcars,
FY 2015 through FY 2017**



Source: OIG analysis of company SAP data and transactions

From FY 2015 through FY 2017, the company generated \$13.9 million in revenues from 1,144 movement and 315 long-term parking transactions with private railcar owners, based on company data, as shown in Figure 3.

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**Figure 3. Private Railcar Services Provided and Revenues Generated,
 FY 2015 through 2017**

Fiscal Year	Movements and Ancillary		Long-term Parking		Total \$
	\$	Number	\$	Number	
2015	\$ 5,141,906	500	\$ 413,442	102	\$ 5,555,348
2016	3,650,549	330	490,623	98	4,141,172
2017	3,713,212	314	469,376	115	4,182,588
Totals	\$ 12,505,667	1,144	\$ 1,373,441	315	\$ 13,879,108

Source: OIG analysis of company SAP data

PROGRAM MANAGEMENT WEAKNESSES CONTRIBUTED TO LOST REVENUES AND SAFETY AND LIABILITY RISKS

We identified several weaknesses in the company's management of its private railcar program, including insufficient controls to manage its costs and revenues, an absence of standard operating procedures, no financial and performance reporting, and limited safety and parking guidelines. The company began taking actions to address some of these weaknesses; however, unless it sustains these actions and fully addresses the remaining weaknesses, the company will continue to miss opportunities to generate revenues and to reduce its safety and liability risks.

The Company Does Not Know the Extent to Which Its Billing and Pricing Cover Its Costs

The company has identified few costs of providing private railcar services; therefore, it does not know the extent to which it is capturing these costs through its billing of private railcar owners. In addition, unlike its regular train service, the company does not adjust its prices to reflect changes in demand for private railcar services. As a result, the company cannot assess the financial performance of the program and is missing opportunities to generate additional revenues.

Most costs not identified. Until April 2018, the company had not identified any of the costs it incurred for managing the private railcar program and providing movement and long-term parking services. This is contrary to sound business practices, which maintain that accurate, complete, and high-quality information is necessary to make

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effective management decisions.⁷ Since then, the company has identified some costs, such as direct labor for the program manager and staff, and a few movement costs. However, it has not identified other significant movement costs or any long-term parking costs:

- **Movements.** From FY 2015 through FY 2017, the company averaged about 381 private railcar movements each year, but it did not identify any of the costs of providing these services until the Chief Executive Officer (CEO) requested a detailed profit and loss statement for the private railcar program. In April 2018, the company responded to the CEO's request with data on its direct labor costs for the four employees managing and processing private railcar owners' requests for services, as well as its labor costs for switching. However, because the company lacked reliable cost data, it had to use general operational assumptions to estimate other direct and indirect costs associated with transporting and switching private railcars.

The company has resources available that it uses to calculate the costs of similar passenger services it provides, but it has not used these resources to calculate the costs of private railcar services. For example, the company developed a financial tool to calculate prices for its charters and special trains⁸ based on the actual and allocated costs of services required to operate these trains.⁹ This tool includes costs for labor, operating locomotives, switching, fuel, and other activities. The company incurs these same costs when providing private railcar services but has not used this tool to help identify these costs for the private railcar program. In addition, the company uses its cost accounting system to allocate costs and revenues for its regularly scheduled train routes and business activities, but it has not used this system to help estimate certain costs of providing private railcar services.

⁷ Committee of Sponsoring Organizations of the Treadway Commission (COSO), *Internal Control—Integrated Framework*, May 2013.

⁸ Charter and special trains are non-regularly scheduled trains operated by the company.

⁹ The company's cost accounting system—Amtrak Performance Tracking—estimates and reports fully allocated costs and revenues for company routes and other business activities. Because multiple trains may share costs such as management staff and stations operating costs, the company's cost accounting system provides the allocation of costs for all company trains and routes nationwide.

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- **Long-term parking.** The company has not identified any of the costs of providing long-term parking, which typically include power and switching.

Program officials told us that the company has not identified and accounted for the costs of providing private railcar services for two reasons. First, it has historically taken the position that it does not incur additional costs to move private railcars on scheduled trains. Second, the program is relatively small compared to other activities the company must manage. The Commercial & Marketing department official responsible for setting prices for private railcar services told us he plans to begin working with Finance to develop better cost data. However, until the company has more complete cost data, it cannot assess the program's financial performance.

Extent of billing for costs unknown. Because the company has not identified most of its costs for providing private railcar services, it also does not know the extent to which it is billing for these costs. For many years the company has been billing owners for its services based on prices included in its tariff that governs the movement of private railcars. However, the company could not identify the basis it used to originally set these prices or increase them in subsequent years. Beginning in October 2014, the company increased its prices annually by applying the Association of American Railroads (AAR)¹⁰ annual inflation index for rail operations to the existing prices. However, company costs were not a pricing factor. The company continued using this inflation index until it revised its prices in May 2018. It revised prices again in November 2018 to be effective January 1, 2019. In making these two recent price increases, the company considered the cost estimates provided to the CEO in April 2018. However, these estimates did not include some important cost components such as the costs of operating locomotives and switching.

Missed opportunities to generate additional revenue. The company does not adjust its prices based on changes in demand for private railcar services although it does adjust its prices for regular train service. As a result, the company has missed opportunities to generate additional revenue when demand for its private railcar services increases, as shown in the following examples:

- **Movements.** The company charges the same prices for mileage across every route, year-round, without adjusting its prices for shifting seasonal or regional demand, which it does for its regularly scheduled trains. Conversely, private

¹⁰ AAR indexes measure changes in railroad inflation—for example, changes in the price level of inputs to railroads operations, such as labor, fuel, and operating expenses.

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railcar owners who operate charter businesses take advantage of public interest in major events to run additional, high-priced trips for passengers that provide large revenue potential for owners. For example, the company sees a large increase in movements to New Orleans during the jazz festival in late April—51 percent more than the average monthly trips—but it does not change the prices it charges private railcar owners to reflect the increased demand. In one example, the company charged a private railcar owner its regular prices during the festival, which totaled \$17,326. In contrast, the owner charged customers prices as high as \$5,990 per bedroom—potentially grossing up to \$59,900 at full capacity.

- ***Short-term parking.*** The company charges the same prices year-round for short-term parking at most stations, without considering shifting demand for its services. For example, Washington Union Station experiences an increase in demand for short-term parking during the city’s annual Cherry Blossom Festival, and private railcar owners advertise proximity to the National Mall as a key feature of the trip. Nevertheless, the company charged owners its standard price of \$137 per night to park a railcar at Union Station. This is in contrast to several hotels near the National Mall, for example, that increased their prices on average from a standard price of \$301 per night per room to \$478 during the festival—a 59 percent increase—due to the high demand for lodging.
- ***Ancillary services.*** The company’s prices for ancillary services—such as water, power, and ice—also do not reflect demand. The company provides these ancillary services for free, even though almost all private railcar owners request them. A senior management official told us that the company does not charge for these services because of the administrative burden of tracking each time the company provides them. However, this is contrary to the business practices that the company uses for pricing its charters and special trains, which factors in charges for these ancillary services.

The Company Did Not Establish Standard Operating Procedures or Monitor Program Results

For most of the program’s history, the company did not require or ensure that staff establish standard operating procedures consistent with effective program management standards. The lack of these procedures led to revenue losses. Specifically, program staff did not charge published prices consistently and did not charge at all for some

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movements and ancillary services. For example, we reviewed a random sample of 3 percent of the company's private railcar transactions from FY 2015 through FY 2017 and found that as a result of inconsistent billing practices, the company lost \$46,100 in revenue. In addition, program officials noted that Operations field staff may not have reported any services they unilaterally provided to private railcar owners in addition to those approved in the owners' original request, such as power and switching. Furthermore, program officials did not require or ensure that staff generate or monitor regular financial and performance reports, such as profit and loss statements and summaries of private railcar activities and transactions. Without this information, program managers cannot effectively manage and oversee the financial performance and operations of the program.

Limited Guidelines Pose Safety and Liability Risks

Until April 2018, the company did not have parking guidelines or permits to help ensure safety for short- and long-term parking of private railcars at company facilities. Company officials told us that the absence of guidelines and parking permits with enforceable provisions posed safety and liability risks for the company such as the following:

- A third-party contractor was seriously injured performing electrical work without the company's permission on a private railcar while parked at a company railyard.
- Private railcar owners in Los Angeles performed unauthorized maintenance and repairs of private railcars, used company facilities for unauthorized filming purposes, and allowed private railcar passengers to cross live tracks.

In April 2018, the company developed parking guidelines for one facility and began requiring private railcar owners to acknowledge receipt of the guidelines. In addition, owners must sign parking permits requiring them to adhere to the guidelines. Company officials stated that the intent of the guidelines and permits is to help mitigate safety and liability risks by holding private railcar owners accountable for their actions.

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The Company Has Begun to Take Actions to Address Some, But Not All, Program Management Weaknesses Identified

Beginning in April 2018, during our review, the company initiated a number of actions to address some, but not all, of the program management weaknesses that we identified, including the following:

- **Standard operating procedures.** The company developed an initial set of standard operating procedures that address the responsibilities of the private railcar program staff. However, these procedures do not require the program to collect and report financial or performance data and do not include procedures for managing long-term parking. In addition, the procedures do not require Operations field staff to report any services they provide to private railcar owners in addition to those approved in the original request for services.
- **Safety manual.** The company drafted a safety manual for private railcar owners to abide by while in transit. However, as of January 28, 2019, the company had not yet finalized the manual.
- **Guidelines for parking safety.** The company established safety guidelines for private railcar owners parked at the Los Angeles railyard, which has the largest capacity for parking. The program manager stated that the company plans to establish these guidelines at other facilities; however, as of January 28, 2019, it had not done so.
- **Long-term parking permits.** The company began requiring private railcar owners to sign long-term parking permits that require owners to comply with all company rules, regulations, and directives.
- **Other program changes.** In November 2018, the company announced a number of other changes that became effective January 1, 2019, including (1) requiring a temporary permit for private railcar inspectors to enter and perform work on company property and (2) initiating a new process for disciplining private railcar owners who violate company terms and conditions for parking and movements.

In January 2018, the company appointed a new program manager for the private railcar program who initiated many of these actions. However, in October 2018, the company reassigned him and has not yet replaced him, which could compromise the company's ability to continue and sustain its efforts to improve the management of the program.

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CONCLUSIONS

The company has taken recent actions to improve the management of its private railcar program. However, the company cannot accurately assess and make informed decisions about the program's performance until it has better information on the program's costs, uses the information to inform its pricing decisions, and regularly monitors these costs. Further, in the absence of standard operating procedures and without fully implementing and enforcing safety guidelines and parking permits, the company will continue to face potential financial losses and safety and liability risks to its customers and employees.

RECOMMENDATIONS

To provide more effective governance and business practices for the program, we recommend that the company take the following actions:

1. The Executive Vice President / Chief Financial Officer direct the Vice President of Financial Planning and Analysis, in coordination with relevant Operations managers, to identify the costs of providing movement and long-term parking services, using such means as the company's financial tool for charter and special trains and its cost accounting system.
2. The Executive Vice President / Chief Commercial & Marketing Officer direct the Vice President for Product Development and Customer Experience, in coordination with relevant Operations managers, to factor these cost data into decisions on setting or adjusting prices for private railcar services.
3. The Executive Vice President / Chief Operating Officer direct the Vice President for Transportation to take the following steps:
 - a. Establish and begin to monitor regular financial and performance reporting, including a profit and loss statement and summaries of movements and long-term parking activities and transactions.
 - b. Finalize and ensure implementation of standard operating procedures for the program, including for billing and providing long-term parking, and oversee staff implementation of the procedures.
 - c. Develop and ensure implementation of guidelines and parking permits for private railcar owners for all short- and long-term parking facilities.

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MANAGEMENT COMMENTS AND OIG ANALYSIS

In commenting on a draft of this report, the company's Executive Vice President / COO agreed with our recommendations and identified actions the company is taking or plans to take to address the intent of our recommendations, as well as the planned completion dates for these actions. The company's planned actions are summarized below:

- **Recommendation 1:** Management agreed with our recommendation to identify the costs of providing movement and long-term parking services. Management stated that a team of representatives from the Finance, Operations, and Commercial & Marketing departments will catalogue company activities related to private railcar movements and parking. The team will then use the company's financial tools and cost accounting system to assign costs to each of these activities. The target completion date for these actions is March 31, 2019.
- **Recommendation 2:** Management agreed with our recommendation to factor cost data into decisions on setting or adjusting prices for private railcar services. Management stated that the company will use the results of its costing analysis to confirm that the pricing for each private railcar activity exceeds both the direct and fully allocated costs of performing that activity. The company will provide private railcar customers a minimum of 60 days' notice for any price increases. Its next planned increases are expected no later than October 1, 2019, with notice no later than August 1, 2019.
- **Recommendation 3a:** Management agreed with our recommendation to establish and monitor regular financial and performance reporting, including a profit and loss statement, movement summaries, and long-term parking activities and transactions. Management stated that the senior manager for private railcars will provide monthly movement and revenue tracker reports to the Finance, Operations, and Commercial & Marketing departments. It also stated that Finance will develop a profit and loss statement using the private railcar cost analysis. The target completion date for these actions is June 30, 2019. Although management has identified planned actions to establish regular financial and performance reporting, it has not identified any specific actions for monitoring these reports. Accordingly, we believe the company should designate a senior-level accountable official—charged with the authority to provide effective oversight—to perform this task.

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- **Recommendation 3b:** Management agreed with our recommendation to finalize and ensure implementation of standard operating procedures for the private railcar program. Management stated it will implement standard operating procedures to ensure that all activities are reported and tracked. The target completion date for these actions is June 30, 2019.
- **Recommendation 3c:** Management agreed with our recommendation to develop and ensure implementation of guidelines and parking permits for all private railcar parking facilities. Management stated that it drafted a safety manual to provide guidance to private railcar owners while on Amtrak property and will make the manual public once the Operations department has approved it. The target completion date for these actions is June 30, 2019.

For management's complete response, see Appendix B.

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APPENDIX A

Objective, Scope, and Methodology

Our objectives were to assess the extent to which the company (1) is identifying and billing private railcar owners for the costs associated with movement and long-term parking services and (2) is effectively managing the program. Our audit focused on movement and long-term parking services the company provided from FY 2015 through FY 2017,¹¹ as well as its overall management of the program through November 2018. We performed our audit work from November 2017 through November 2018 in Wilmington, Delaware; Philadelphia, Pennsylvania; Washington, D.C.; and Los Angeles, California.

To assess the extent to which the company identifies and bills private railcar owners for the costs of services it provides, we interviewed company personnel in the Operations, Commercial & Marketing, and Finance departments to understand the services the company provides to private railcar owners, the related costs, and the company's process for billing and pricing for these services. To assess the extent to which the company identifies these costs and the basis for its prices, we also reviewed available cost and price data for these services and company analyses of these data. To determine whether the company is billing for the services it provides and their costs we selected a sample of private railcar movement transactions from FY 2015 through FY 2017 (35 of 1,144 transactions, about 3 percent) and compared those to the company's eTrax database¹² and its SAP financial system.

To assess the extent to which the company is effectively managing the private railcar program, we reviewed and analyzed the company's policies and procedures governing the program, including its operating and billing procedures. We also interviewed company officials accountable for the oversight, management, and operations of the private railcar program in the Operations and Finance departments to assess their specific roles and responsibilities in implementing the policies and procedures. In addition, we visited facilities in Los Angeles, California, and Washington, D.C., to interview company personnel managing and providing private railcar services at these locations and to observe the types of private railcar movement and short- and long-term

¹¹ We selected these years because they allowed us to use the most complete data available during our review.

¹² eTrax contains financial and operational data on private railcar movement transactions.

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parking services provided. To better understand the industry in general, we conducted research of the private railcar industry and interviewed officials from private railcar associations.

We conducted this performance audit in accordance with generally accepted governmental auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Internal Controls

We reviewed the company's policies and procedures to assess whether the company had efficient and effective management controls over its movement and parking services for private railcars. Specifically, we reviewed its policies and procedures for identifying and billing for the costs of these services, managing customers' requests for services, and scheduling and providing the services. We also interviewed managers, supervisors, and staff in the Operations department's Charter and Special Movements office and the Finance department to determine how they implemented these policies and procedures. We did not review the program's overall system of controls and procedures.

Computer-Processed Data

To determine the scope, volume, and revenue of the company's private railcar services, we used data from the company's eTrax database and SAP. To assess the accuracy and reliability of these data, we interviewed company managers, performed tests and analyses, and traced the data to source documents, including the company's records of customer requests, approved requests, and bills for private railcar movements from FY 2015 through FY 2017. Based on these analyses, we determined that the data were sufficiently reliable for the purposes of our audit.

Prior Audit Reports

We identified no prior audit reports related to the company's private railcar program.

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APPENDIX B

Management Comments

NATIONAL RAILROAD PASSENGER CORPORATION

Memo



Date	January 31, 2019	From	Scot Naparstek, EVP/COO 
To	Stephen Lord, Assistant Inspector General, Audits	Department	Operations
		cc	Eleanor Acheson, EVP General Counsel Howard, Conway, Sr. Director Systems Operations Stephen Gardner, Sr. EVP CMS Tim Griffin, EVP CCMO Carol Hanna, VP Controller Kenneth Hylander, EVP CSO Dennis Newman, VP PSR Mark Richards, Sr. Director Risk & Controls Swati Sharma, Acting EVP CFO DJ, Stadler, EVP CAO Paul Vilter, AVP Amtrak Services Christian Zacariassen, EVP CIO

Subject Management Response to *TRAIN OPERATIONS: Opportunities Exist to Improve Private Railcar Management and Business Practices* (Draft Audit Report for Project No. 003-2018)

This memorandum provides Amtrak's response to the draft audit report entitled, "*TRAIN OPERATIONS: Opportunities Exist to Improve Private Railcar Management and Business Practices*". Management appreciates the opportunity to respond to the OIG recommendations. As indicated in our responses, we agree with each of the OIG recommendations to further improve our management of private railcars and will initiate actions to address each in a timely manner. A recap of actions already taken by management to improve financial results, operating impacts and overall management of private cars operating on the Amtrak network during 2018 includes:

- New Private Car Guidelines effective April 18, 2018, articulating Amtrak's policy that the needs of regularly scheduled Amtrak passenger trains and customers will take first priority over private cars; private cars must not delay Amtrak trains; maintenance performed by Amtrak on private cars is limited to FRA-required repairs of safety appliances, with such maintenance performed only as necessary on private cars in the consist of an Amtrak train during an approved private car journey; and private car activities and personnel are subject to all applicable safety, security, operational and other rules and requirements of Amtrak and its host railroads.
- New list of locations approved for adding and removing private cars from Amtrak trains, effective April 18, 2018, to ensure consistency with the issued Private Car Guidelines.
- 12.5% price increase effective May 1, 2018.
- Revised Private Rail Car Inspection Process effective June 7, 2018.
- A draft Private Car Safety Manual circulated inside and outside of Amtrak for comment in July, 2018.

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- A new private car safety policy for Los Angeles effective March 22, 2018.
- In addition, the following were announced November 1, 2018 to be effective January 1, 2019, providing 60 days' notice to private car owners. Commercial & Marketing reviewed drafts of the following changes during multiple meetings, calls, and emails with the leadership of the primary private car advocacy organizations, AAPRCO and RPCA.
 - Revised protocol for qualifying Private Car Inspectors
 - New indemnification and insurance requirements for Private Car Inspectors
 - A new Temporary Permit to Enter for Private Car Inspectors on Amtrak property
 - Another 12.5% price increase
 - New Head End Power Daily Charge and Amtrak Locomotive Daily Charge
 - A new prohibition against Private Car Owners or others giving business courtesies to Amtrak employees
 - A new escalation/disqualification process for Private Car Owners and others who violate provisions of these terms

Recommendation 1:

The Executive Vice President / Chief Financial Officer direct the Vice President of Financial Planning and Analysis, in coordination with relevant Operations and Commercial & Marketing managers, to identify the costs of providing movement and long-term parking services, using such means as the company's financial tool for charter and special trains and its cost accounting system.

Management Response/Action Plan:

A team of representatives from Finance, Operations, and Commercial & Marketing will catalogue Amtrak activities involved in moving private cars on regularly scheduled Amtrak trains, and parking private cars on Amtrak-controlled property. The team will then use tools such as the Charter Pricing Tool and the cost accounting system to assign costs to each of those activities.

Responsible Amtrak Official(s):

Finance: Nancy Miller, through Laima Bashir

Operations: Mike DeAngelo, through Howard Conway

Commercial & Marketing: Steve Robusto, through Paul Vilter

Target Completion Date:

March 31, 2019

Recommendation 2:

The Executive Vice President / Chief Commercial and Marketing Officer direct the Vice President for Planning, Strategy and Research, in coordination with relevant Operations managers, to factor these cost data into decisions on setting or adjusting prices for private railcar services.

Management Response/Action Plan:

Commercial & Marketing will use the results of the costing analysis undertaken in Recommendation 1 to confirm that the price for each private car activity exceeds both the direct and fully allocated costs of

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performing that activity. If there are cases where the price does not cover these costs, Commercial & Marketing will raise the price accordingly.

Responsible Amtrak Official:

Steve Robusto, through Paul Vilter

Target Completion Date:

We will provide private car customers with a minimum of 60 days' notice of price increases. The next increases are planned to be effective no later than October 1, 2019 with notice given no later than August 1, 2019.

Recommendation 3:

The Executive Vice President / Chief Operating Officer direct the Vice President for Transportation to take the following steps:

- a. Establish and begin to monitor regular financial and performance reporting in conjunction with Finance and Commercial & Marketing, including a profit and loss statement and summaries of movements and long-term parking activities and transactions.
- b. Finalize and ensure implementation of standard operating procedures for the program, including for billing and providing long-term parking, and oversee staff implementation of the procedures.
- c. Develop and ensure implementation of guidelines and parking permits for private railcar owners for all short- and long-term parking facilities.

Management Response/Action Plan:

Senior Manager Private Cars will continue to provide a Private Car Monthly Movement and Revenue Tracker Report to Amtrak's Finance, Operations and Commercial & Marketing departments. Operations in cooperation with Finance will implement standard operating procedures to ensure that all private car activities are reported and tracked. Once private car costing is complete, Finance in cooperation with Commercial & Marketing will develop a new profit and loss statement. Once approved by the Operating Practices Department, Amtrak's Private Car Safety Manual will be uploaded onto Amtrak.com to give guidance to the Private Car Owner on Amtrak property.

Responsible Amtrak Official(s):

Operations: Mike DeAngelo, through Howard Conway

Finance: Nancy Miller, through Laima Bashir

Commercial & Marketing: Steve Robusto, through Paul Vilter

Target Completion Date:

June 30, 2019

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APPENDIX C

Acronyms and Abbreviations

AAR	Association of American Railroads
CEO	Chief Executive Officer
COO	Chief Operating Officer
COSO	Committee of Sponsoring Organizations of the Treadway Commission
FY	fiscal year
OIG	Amtrak Office of Inspector General
PRIIA	Passenger Rail Investment and Improvement Act of 2008
SAP	Systems Applications and Products
the company	Amtrak

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APPENDIX D

OIG Team Members

Eileen Larence, Deputy Assistant Inspector General, Audits

David P. Bixler, Senior Director

Amber Keyser, Audit Manager

Andrew Mollohan, Auditor

Clare Shepherd, Auditor

Alison O'Neill, Communications Analyst

OIG MISSION AND CONTACT INFORMATION

Mission

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

Obtaining Copies of Reports and Testimony

Available at our website www.amtrakoig.gov

Reporting Fraud, Waste, and Abuse

Report suspicious or illegal activities to the OIG Hotline

www.amtrakoig.gov/hotline

or

800-468-5469

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