



OFFICE of INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION

GOVERNANCE:

Early Planning and Oversight Deficiencies Led to Initial Program Failures and Continued Risks to the Moynihan Train Hall Program

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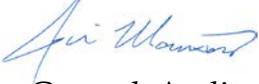
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Memorandum

To: Dennis Newman
Executive Vice President / Strategy and Planning

From: Jim Morrison 
Assistant Inspector General, Audits

Date: August 17, 2020

Subject: *Governance: Early Planning and Oversight Deficiencies Led to Initial Program Failures and Continued Risks to the Moynihan Train Hall Program*
(OIG-A-2020-014)

New York Penn Station—the busiest rail station in the country—has been operating well above its intended capacity, with pre-pandemic daily ridership at about 650,000 passengers, which is three times more than it was designed to handle.¹ To help alleviate the crowded conditions and improve passenger comfort and security, Amtrak (the company), in partnership with the State of New York, undertook a project to transform the James A. Farley Post Office building west of New York Penn Station into the Moynihan Train Hall, which will be the company’s flagship location in New York City. In 2017, the company began to design its spaces in the train hall; the new hall is scheduled to open by the end of 2020. The new facility will host various tenants and is expected to cost about \$1.6 billion, of which the company initially provided \$106 million.

We have previously reported on the company’s challenges delivering large, complex programs on time and within budget and recommended that the company incorporate best practices into its company-wide program management oversight policies and procedures. In response to our recommendations, the company established an Enterprise Program Management Office (EPMO) in 2016 to develop and implement critical company-wide standards for successful program management. Our work has shown, however, that the company has not consistently followed or implemented these standards. For example, our July 2018 report on upgrades to Washington Union Station found that managers of the station’s improvement projects had not consistently adhered to standards, resulting in incomplete schedules and outdated or poorly supported cost

¹ In May 2020, the company reported a 95 percent or more decrease in ridership year-over-year since the COVID-19 pandemic began.

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estimates, putting the projects at risk of delay and cost overruns.² More recently, in January 2020, we reported on the Acela 21 program, which will upgrade the company's high-speed train service along the Northeast Corridor, and we identified program management deficiencies that posed significant risks to launching the program on time.³ On Moynihan, several company executives requested that we review the program, noting program management concerns.

Given this history and requests from the company's Executive Leadership Team for our review, our objective was to assess the effectiveness of the company's management and oversight of the program, including the extent to which it has identified and mitigated schedule and budget risks. To do this work, we reviewed the company's policies and standards on program management, as well as program management guidance from other public and private sources. We also reviewed company documents and interviewed officials from the program team who are charged with managing the design, construction, and activation of the company's services and operations in Moynihan. For additional details on our scope and methodology, see Appendix A.

SUMMARY OF RESULTS

The company has taken significant steps to remedy early program management deficiencies on the Moynihan program. It did not, however, take these actions soon enough to avoid cost increases and ensure that it can complete its entire station relocation by the scheduled opening date at the end of 2020. These ongoing cost and schedule risks are the result of ineffective executive oversight coupled with inexperienced staff during the program's first two years, and a failure to follow the company's program management standards. In December 2019, the company changed the program's leadership and team, assigning trained program and construction managers who significantly improved the program structure, management, and oversight. Nevertheless, the new team has not been able to fully recover from these earlier program management deficiencies, which have had the following impacts:

- **Costs have increased.** Since the program began, the company has requested an additional \$72.8 million (nearly 69 percent) from the Board of Directors to

² *Asset Management: Better Schedules, Cost Estimates, and Project Management Could Help Mitigate Risks to Washington Union Station Projects* (OIG-A-2018-008), July 24, 2018.

³ *Train Operations: Acela 21 Program continues to Face Significant Risk of Delays, Warranting More Contingency Planning* (OIG-A-2020-004), January 21, 2020.

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complete the program. This is largely because the company did not initially budget for basic costs that a major construction program would typically include, such as program and construction management and information technology. In addition, the company did not require executive oversight of additional cost commitments to ensure that they were justified. The company has since taken a series of steps to improve cost management of the program and may complete the program within the current, approved budget, but some financial exposure remains from unresolved change orders.

- **Some parts of the program needed for opening day may be at risk of delays.** The current program schedule has no slack; therefore, the program team is prioritizing the completion of customer-facing spaces, but some “must have” functions—including passenger information displays—have schedule risks that could impact the planned opening date at the end of 2020. In addition, the company is unlikely to deliver other spaces used for station operations and employees until March 2021. The program team is tracking these risks, but they could have cost and reputation impacts, if realized. A key contributor to the lack of schedule cushion is that, until June 2020—with only six months remaining on the program—the program team did not have a reliable schedule for planning and management.

Because of the limited time remaining on the Moynihan program, we did not identify any additional actions that the company could take to better mitigate the risk of delays. Continued active program management and ongoing executive oversight will help the company meet its planned schedule for opening the station.

More broadly, the early problems with the Moynihan program are another example of a longstanding pattern of program management challenges that we have reported on extensively. Specifically, from May 2014 to July 2020, we have issued 16 reports identifying program and project management weaknesses as listed in Appendix B. Although the company has largely addressed the initial, costly program management deficiencies on Moynihan, the lessons learned from this program could help it avoid similar problems going forward. Correcting these deficiencies will have a meaningful impact on the company’s plans to spend billions of dollars to upgrade its trains, stations, and infrastructure.

In commenting on a draft of this report, the Executive Vice President for Planning and Strategy elaborated on recent actions the company took to address program

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management deficiencies on the Moynihan program. Management did not fully agree that these deficiencies are part of a longstanding pattern. Management noted that the actions it has taken on Moynihan since the end of 2019 show that executive leadership takes project and program management seriously. We agree that the company's recent program management actions have had a very positive impact on Moynihan, but only time will tell whether the company has successfully institutionalized these program management practices enterprise-wide. We will continue to monitor and assess the company's ability to manage major projects and programs, especially given the significant infrastructure investments it plans to make over the next decade.

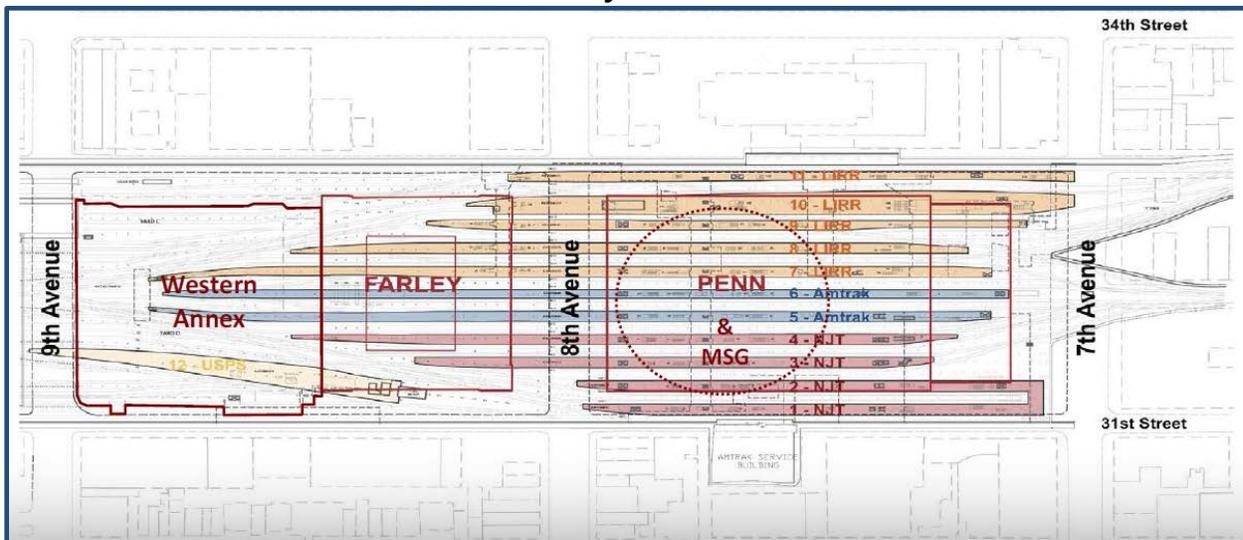
For management's complete response, see Appendix C.

BACKGROUND

Program scope and history. The Moynihan Train Hall will transform the James A. Farley Post Office Building into a state-of-the-art transportation hub in New York City. Built in 1913, the building is located directly across 8th Avenue west of New York Penn Station. When it was built, trains were the primary mode of transportation for the U.S. mail; 12 tracks from under Penn Station extend under the building, as shown in Figure 1.

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Figure 1. Track and Platform Locations under Penn Station and Future Moynihan Train Hall

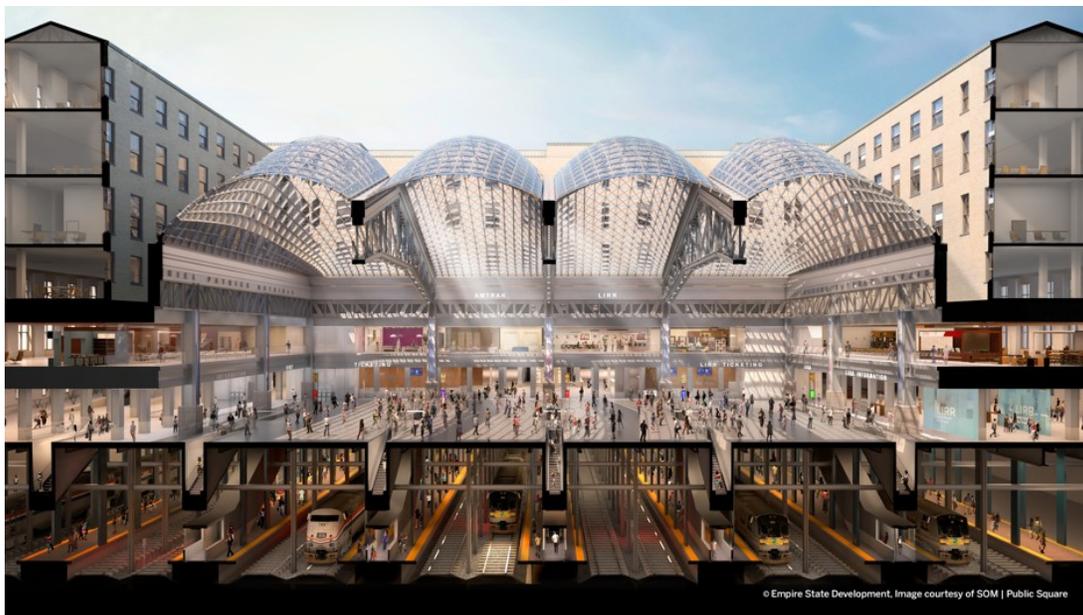


Source: Public presentation by Empire State Development at a 2016 Federal Railroad Administration Rail Program Delivery Meeting

Moynihan Train Hall will be the company’s New York City flagship—larger than Grand Central Terminal’s main concourse at 255,000 square feet. All Amtrak and Long Island Railroad trains will use the 6 platforms and 12 tracks accessible from the main train hall. Figures 2 and 3 show the future Moynihan Train Hall, as well as the tracks and platforms.

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Figure 2. View of Future Moynihan Train Hall



Source: Empire State Development

Figure 3. Aerial view of planned Moynihan Train Hall



Source: Empire State Development

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Funding and external stakeholders. In August 2016, the company received a federally subsidized loan to finance the Acela 21 program. The loan also allocated \$106 million for Moynihan—\$75 million for a required platform ventilation system and \$31 million for construction and development of the company’s passenger-facing and back-of-house operations (the “fit-out.”) The company’s assets within the station will include the following:

- a passenger train hall with a waiting area for ticketed Amtrak passengers
- the company’s back-of-house operations, such as ticketing, baggage, and security
- an expansion of the train shed’s emergency platform ventilation system
- office space for the company

The Moynihan Train Hall program involves several stakeholders:

- New York State Urban Development Corporation, doing business as Empire State Development (ESD),⁴ owns the Farley building.
- Developing and constructing the main train hall is a joint venture of Vornado Realty Trust;⁵ The Related Companies;⁶ and Skanska,⁷ the contractor, under an agreement with ESD.

Portions of the Moynihan Train Hall construction have been underway for more than three years with the joint venture. In December 2016, Skanska began construction of the main train hall. In June 2017, the company entered into an agreement with ESD initiating its portions of the program. The main train hall and the company’s fit-out were initially scheduled to be completed by March 2021, but at the request of the State of New York—and with the company’s verbal agreement—stakeholders advanced

⁴ ESD is the umbrella organization for New York’s two principal development financing entities:

The New York State Urban Development Corporation and the Department of Economic Development.

⁵ Vornado Realty Trust is a real estate investment trust that owns, manages, and leases office properties in New York City, Chicago, and San Francisco.

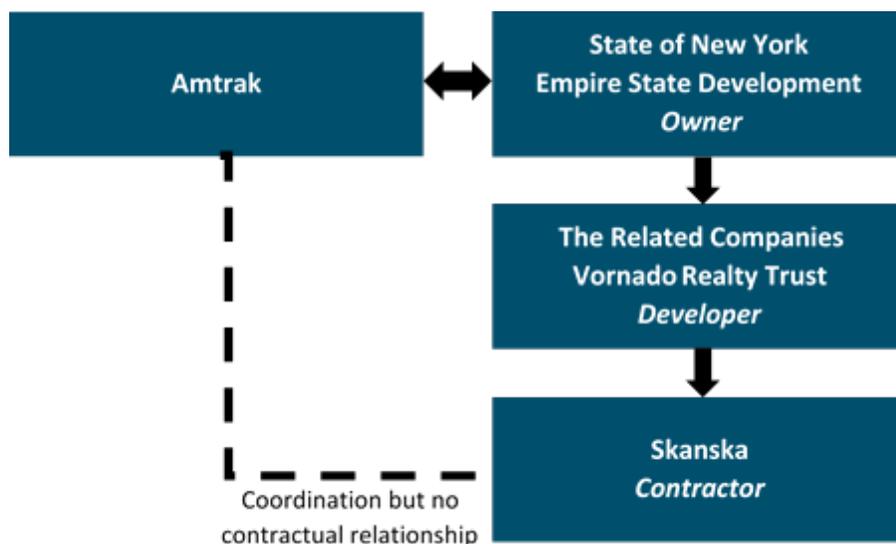
⁶ The Related Companies is a global real estate developer headquartered in New York City.

⁷ Skanska is a leading construction and development company specializing in building construction and civil infrastructure, as well as developing commercial properties.

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the opening date to the end of 2020. The company does not have a direct contractual relationship with Skanska.⁸ Figure 4 shows the relationships among these parties.

Figure 4. Relationships Between Major Stakeholders



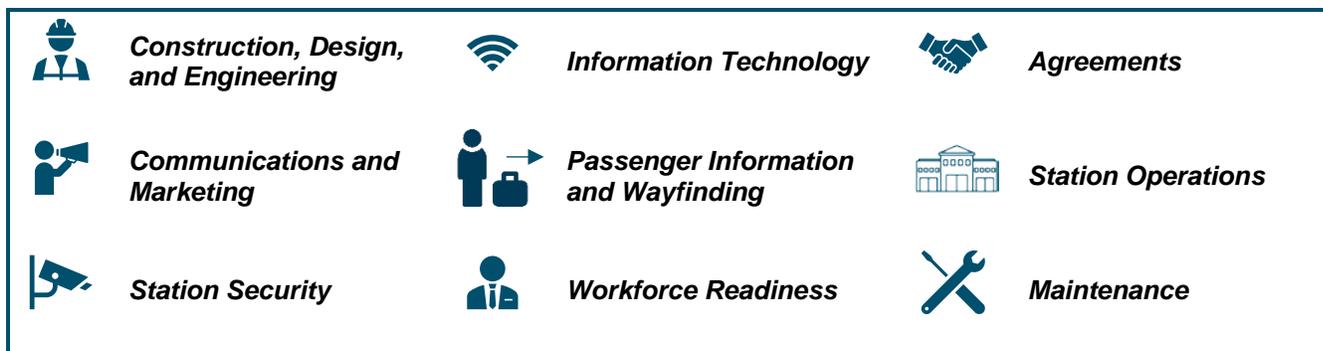
Source: OIG analysis of contract documents

Internal stakeholders and program oversight. Within Amtrak, the Northeast Corridor Infrastructure and Investment Development department managed the program through early 2018. In March 2018, the Vice President of the Northeast Corridor Service Line took over management as the executive sponsor. In December 2019, the company moved the program to the Stations, Facilities, Properties and Accessibility department under its Vice President and changed the program team. Numerous other company departments are also involved in executing the Moynihan program. These departments are involved in the following lines of activities—commonly called program workstreams—as shown in Figure 5.

⁸ The company's agreement with ESD stipulated that ESD would coordinate the company's fit-out work through a change order to the developer's team, specifically Skanska, for construction of the company's fit-out work. The company issued ESD a notice to proceed in August 2019, authorizing it to issue Skanska this change order to begin construction of the company's fit-out work.

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Figure 5. Moynihan Program Workstreams



Source: OIG analysis of company documentation

On completion of the company's fit-out, the company plans to relocate its operations from New York Penn Station to Moynihan. The station will ultimately operate as a commercial condominium, and the company will own a unit comprised of its assets. As a member of the condominium, the company will pay common station charges to the condominium corporation for the operation and maintenance of the station.

COST MANAGEMENT SIGNIFICANTLY IMPROVED, BUT SOME FINANCIAL EXPOSURE REMAINS

In the early stages of the Moynihan program, the company did not effectively manage costs, which resulted in it requesting an additional \$72.8 million (nearly 69 percent) from the Board of Directors. With the assistance of trained program management personnel, the company has significantly improved the program's cost management by, for example, identifying costs it omitted from the initial budget, accounting for change orders the initial program team agreed to, and regularly monitoring and updating the budget. These changes have better positioned the program team to track and contain its costs through program completion. The company faces potential financial exposure from unresolved disputes over known change orders, [REDACTED].

During the company's first two years on the program, it did not devote staff with the requisite experience or establish the processes necessary to plan and manage costs. As a result, the initial program team did not budget for some fundamental costs and committed the company to contract changes that increased costs without executive approval. The company's EPMO standards—which align with generally accepted cost-estimating and control guidance—state that cost estimates should include all key

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program elements, account for uncertainties, and be refined as the program scope and schedule mature. The company's initial budget for the Moynihan program included estimates for some key program elements, such as construction of the platform ventilation system and fit-out. It did not, however, include major elements that a large station construction program of this type would typically include, such as costs for internal and external design, construction and program management, information technology, contingency for unforeseen events, or for furniture, fixtures, and equipment. Moreover, the original team failed to budget for costs the company contractually agreed to pay at contract signing, such as the contractor's reviews to ensure that the work requirements were clear and the construction drawings were feasible.

Subsequently, the company anticipated needing additional funds on the program in 2018, according to internal company documents. In March 2019—21 months after the company signed its agreement with ESD—it requested \$34.6 million in additional funding from the company's Board of Directors for some of the unbudgeted costs. The Board granted the additional funds, but this request had gaps. Specifically, the original program team still had not included labor costs for program-, design-, or construction-management. In addition, the team estimated the amount of additional funds to request before the company received the contractor's final pricing for the fit-out work and did not include funds to cover any potential deviation between its initial estimate and the contractor's final price.

During summer 2019, the original program team learned that (1) construction prices for the fit-out were higher than what it had budgeted and (2) some program team members had been unilaterally approving contract changes that committed the company to additional spending without executive approval. At that point, the team, with the assistance of trained program management personnel, further refined the program's costs to capture the unapproved contract changes and fill the budget gaps. In January 2020, the current program team requested an additional \$38.2 million from the Board of Directors and stated that this would be its last request for additional funds.

In total, the company has requested and received an additional \$72.8 million to execute the program—\$44.3 million for items omitted from the initial budget and \$28.5 million from other unexpected cost increases, such as change orders and [REDACTED]. Table 1 compares the original 2017 budget with the revised budget.

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Table 1. Moynihan Program Cost Escalation

Cost Element	Original Budget	Revised Budget	Budget Increase
Platform Ventilation System	\$75,000,000		
Fit-out Construction	\$31,000,000		
Sub-Total Unexpected Increases			\$28,500,000
Program Management	Not budgeted		
	Not budgeted		
Agreement Obligations ^a	Not budgeted		
Base Building Costs ^b	Not budgeted		
Information Technology	Not budgeted		
Furniture, Fixtures, & Equipment	Not budgeted		
Station Activation ^c	Not budgeted		
Sub-Total Omitted Items			\$44,300,000
TOTAL	\$106,000,000	\$178,800,000	\$72,800,000

Source: OIG analysis of company program budget

Notes:

^a Agreement Obligations are costs the company contractually agreed to pay for at contract signing.

^b Base Building Costs include updates to the main train hall to comply with the company's security, lighting, and other design and construction requirements.

^c Station Activation includes costs for operational readiness, testing, preparedness exercises, employee training, and expenses to relocate the company's operations.

The company faced these initial cost management issues for several reasons:

- **Executives assigned inexperienced staff.** The company did not account for some costs because executives initially assigned inexperienced program managers who were not familiar with managing programs of this size, type, and complexity and therefore missed key program elements. We discuss this in more detail in the section below on overall program management issues.
- **No change control process.** The initial program team did not ensure that controls were in place to prevent unauthorized funding commitments. Typically, these controls would include a maximum spending amount that an employee at a given level can authorize. Without these controls, the company accumulated \$19.3 million in change orders, and early program team members were able to commit the company to at least \$3.6 million of this without senior leadership's review and approval.

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- **No dedicated finance manager.** The initial program team did not assign a dedicated financial manager responsible for monitoring and updating the budget or reviewing and paying invoices—a common commercial business practice. As a result, from 2017 to March 2019, the initial program team did not continually update the budget as it refined the program scope to ensure that it had an accurate financial picture as required by company standards. Further, the company did not pay its architect for seven months, causing the company to be in arrears by as much as \$1 million and the architect stating it was about to stop work.

In mid-2019, the original program team, augmented with trained program management personnel, began taking steps to correct these problems—steps that the current program team continued. These steps include working with company officials responsible for each workstream to identify all program costs, accounting for the change orders the company previously agreed to, establishing [REDACTED], monitoring and regularly updating the budget, and establishing a “change control board” to approve or deny potential contract changes and ascertain where funds to support the change are coming from. In addition, the Chief Financial Officer began reviewing and providing final approval for every change request submitted by the change control board. These changes align with company standards, leaving the program team better positioned to track and contain its costs through program completion.

Nonetheless, the company faces potential financial exposure from unresolved change orders. Specifically, stakeholders are in discussions about who should pay for more than 90 contract changes related to security, power, information technology, and the platform ventilation system, valued at about \$25.5 million. Most of the work related to these changes is complete, and ESD has paid some of the contractors. ESD, however, contends that the company is ultimately responsible for paying for many of these changes. As of July 2020, the company has about [REDACTED] remaining [REDACTED] to cover [REDACTED] of these changes that are still unbudgeted. However, the program sponsor stated that the company is trending [REDACTED] in other areas and will [REDACTED], as it has done successfully in the past. As such, the program sponsor stated that the company [REDACTED]

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SOME PROGRAM ELEMENTS ARE AT RISK OF DELAYS

Company officials estimate that the program has little or no schedule cushion left, and the company faces the risk of delays in relocating some areas or functions to Moynihan. To minimize these risks, the program team is tracking them and giving priority to completing customer-facing operations that must be in place for the planned opening day. The team expects to complete other remaining activities after the opening. If the company does not make the opening or takes longer than currently estimated to complete the other remaining activities, it could face additional costs.

More specifically, we identified the following issues.

Some parts of the program needed for opening day may be at risk of delays. To help passengers navigate the new station, the company is installing passenger information displays, which must be ready before the company can initiate operations. These displays must also comply with the Americans with Disabilities Act. Company officials stated, however, that the contractor's vendor supplying these displays does not have relevant experience and may not meet the company's specifications and timeline for completion. The program team is currently tracking these risks, but if the company is unable to relocate its services and operations according to its contract with ESD, it could be exposed to additional cost increases.

The program team also told us that the company's office space and some back-of-house areas used for station operations and employees may not be ready until March 2021. Although these delays will not affect the opening date, they could have other negative impacts. For example, employees slated to occupy the Moynihan office spaces currently work in another building whose lease expires in March 2021 with an option to lease by the day thereafter. If the company does not complete the Moynihan office space and move its employees, office equipment, and physical files by the time this lease expires, it may need to pay to temporarily lease office or storage space. These delays could also result in additional costs if, for example, the company has to allocate staff to manage the program longer or remobilize the contractor workforce.

The company also faces a challenge from potential staff constraints, which will be an important consideration in planning and executing the remaining work. In May 2020, the company announced it would reduce its workforce by 20 percent through voluntary separations in July 2020 and potential layoffs in October 2020 because of the negative impacts of the COVID-19 on revenue. If these personnel actions affect any of the

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officials working on the program—including company officials responsible for each workstream, known as workstream leads—this could increase the risk of delays.

Absence of a reliable schedule contributed to delays. A key contributor to the lack of schedule cushion is that, until June 2020—with only six months remaining on the program—the program team was not certain that its schedule included all of the remaining activities needed to complete the program or accounted for the interdependencies between these activities. This occurred because the initial program team did not involve workstream leads in its development. Some leads did not see the schedule until spring 2020, were not aware of some of the activities they were responsible for completing, and had activities assigned to them that belonged to other workstreams.

As a result, the program team was unable to identify a reliable “critical path”—the longest sequence of activities through the program in which a delay in one activity would delay program completion—as company standards require. A more reliable schedule would have allowed the team to better measure progress, establish who is accountable for the work, identify where it is vulnerable to delays, and resolve potential problems as they arise. Further, complicating the company’s efforts to obtain a reliable schedule, the contractor has been as much as six weeks late in providing data about its progress, which is critical for the program team to determine when it can access the construction site to complete station activation work. Because the contract is through ESD, company officials have had little leverage to ensure that the contractor provides the required information on time.

In February 2020, the program team engaged its station activation consultant to help establish critical schedule milestones and communicate with workstream leads to identify their required activities, the duration of these activities, and the interdependencies between them. This process is largely complete, and the program team told us in June 2020 that they now have visibility on all program activities, which will allow them to better identify schedule risks. In addition, program officials stated that the contractor is providing more timely data now.

The pandemic has caused minor delays, and further delays could impact tight timelines. Due to COVID-19, construction at Moynihan was suspended from March 18 to March 30, 2020, and the construction crews and management staff at the site now must comply with social distancing requirements. In addition, some suppliers have been shut down, delaying delivery of some materials such as stone arriving from Italy.

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Despite these challenges, ESD and Skanska are maintaining a targeted station opening date by the end of 2020 and they are on schedule according to company officials. Given the tight timeframes to complete the program, however, any additional impacts related to COVID-19 could further delay the program.

PROGRAM MANAGEMENT IMPROVED, BUT CHANGES OCCURRED TOO LATE TO FULLY RECOVER FROM EARLY DEFICIENCIES

The Moynihan program's cost increases and schedule risks are the result of two years of poor program management. Although the company has recently taken a series of steps that significantly improved its oversight of the program, the early management of Moynihan has been another example of the company's longstanding pattern of inconsistent performance in program management.

The following factors contributed to the poor early management of the Moynihan program.

Skill and resource gaps. Executives did not ensure that the initial program team had the necessary knowledge, skills, and abilities to execute such a complex program. As a result, neither the team nor the executives identified and filled gaps in their resources for effectively managing and controlling the program for two years. More broadly, the company underestimated the level of effort involved in managing and executing the program. For example, the company did not have a daily on-site construction management representative to oversee construction until September 2019 when the main train hall was approximately 60 percent complete. As a result, the company did not monitor the work to ensure that the construction in the main train hall did not interfere with the planned construction of the fit-out space. In one instance, the contractor ran piping at a height that conflicted with the company's planned ceiling heights, and the company's design team had to redesign the ceiling to a lower height.

As another example, starting in 2018, the company used a rail consultant with expertise in constructing and activating large stations to help develop a plan for station operations. In fall 2019, however, executives stopped the consultant's work to save money. In March 2020, the current program team—recognizing the company's limited institutional knowledge of managing a station transition of this magnitude—reversed that decision and rehired the consultant to assist the company in organizing and implementing its station activation work.

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Inadequate use of program management tools and processes. Executives and early team leaders did not ensure that the program had key program management tools and processes in place to ensure successful execution that was consistent with company standards. These are important for large programs such as Moynihan, which the company designated as a “mega project.”⁹ Some examples include the following:

- *Unclear roles and responsibilities for program staff.* This led to confusion regarding who was accountable for program decisions and deliverables. For example, no one was assigned responsibility for reviewing and approving invoices, which led the company to be in arrears with its vendors by more than \$1 million.
- *Incomplete program charter and program management plan.* The original program team did not clearly identify the program’s scope and requirements in the program charter or finalize a program management plan. As a result, the team did not plan for critical, required elements. For example, by not establishing a change control board to review and approve contract changes, the original program team committed the company to change orders that were not approved by senior leadership.
- *No communications plan to update executives.* The original program team did not consistently meet with or update executive leadership, leaving the program without regular executive oversight. For example, the original program team knew the program had budget shortfalls in summer 2019, but they did not fully communicate these risks to executives until November 2019, which delayed the company from informing the Board of Directors.
- *No program logs or document repository.* The program team did not consistently document meeting minutes, issues, decisions, or lessons learned, and they did not establish a centralized storage location for program documents. As a result, the team could not [REDACTED]. For example, because of its limited historical program documentation, the company had to ask ESD for copies of its own letters to determine whether it had approved certain changes.
- *Inadequate program requirements.* The original program team did not coordinate with workstream leaders to identify each business function’s requirements, such as equipment needs and other technical factors. As a result, the current team

⁹ A mega project is defined in company standards as a project valued at more than \$100 million.

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is identifying these requirements in real time, which has consumed time they need to spend managing final construction and station activation. Program requirements that the current team had to identify, add to the schedule, and manage in the final stages of the program included IT infrastructure needs, health inspections and liquor licenses, and shipping equipment.

In fall 2018, the program's original executive sponsor recognized the need for more robust program management and began taking actions to put it into place. At that time, the EPMO assessed the program and identified nine opportunities to improve the program, including recommending a new governance structure with the EPMO managing the program. Company executives, however, did not implement the recommended governance structure, impairing the team's ability to fully implement the other improvement areas.

In late 2019, with only one year remaining on the program, the company made significant changes that further improved program oversight. The company changed the executive sponsor to one with construction management expertise, and executives formally staffed the program with trained program management personnel who fully implemented the EPMO's previous recommendations, bringing the program's structures and processes into better alignment with company standards. For example, the team implemented program management tools to track risks, issues, and lessons learned; a logic-based schedule; and a matrix to clearly delineate roles and responsibilities. The company also added construction management support, which has helped the team keep pace with construction. Despite this progress, the current team is still working to rectify and mitigate past mistakes because the program deviated so significantly from the company's program management standards at the beginning.

Historically, when the company has assigned trained program management staff to its programs, it has had greater success. Similarly, on the Moynihan program, when the company involved experienced construction management and program management staff, this made a material difference in the quality and capabilities of the program's structure, management, and oversight. Company executives told us they recognize the need for improved program management. In July 2020, the company announced updates to its executive leadership structure. As part of this reorganization, the EPMO will now report to the Chief Financial Officer. In addition, the company announced that it will establish a new Major Projects Implementation Organization. It is too early to fully assess the impact of these changes, but we will continue to monitor the company's program management efforts.

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CONCLUSIONS

The problems we identified with the Moynihan program are another example of program management challenges that we have reported on for years. Although the company has largely addressed the program management deficiencies on Moynihan, the history of this program offers a series of lessons that could help it avoid similar problems in the future. This will be crucial as the company develops and executes its plan to spend billions of dollars to upgrade its trains, stations, and infrastructure in the coming years.

Because of the limited time remaining on the Moynihan program, we did not identify any additional actions that the company could take to better mitigate the risk of delays. The current program team now has taken a series of steps to improve program oversight, including developing a reliable schedule, which it can use to track progress and identify delays that might impact the program so it can take mitigating actions. The team is also prioritizing completing the program elements most needed to begin passenger operations. Nevertheless, there is no schedule cushion left; if delays materialize, the company may not have some needed functions in place by opening day and could face additional costs, which we did not estimate. Continued active program management and executive oversight will help the company minimize risks to its planned schedule for opening the station.

MANAGEMENT COMMENTS AND OIG ANALYSIS

In commenting on our draft report, the company's Executive Vice President for Planning and Strategy elaborated on actions we identified that the company took to address previous deficiencies on the Moynihan program and made other observations on our work, which we summarize below.

- Management noted that the company took several actions to successfully complete the program and that the program team has firm control over spending and budget. Management stated that we did not clearly mention the change controls the company now requires. We agree that the company has significantly improved the program's cost management, as noted in our report, and we made a technical addition to the report based on this comment.
- Management acknowledged that some parts of the program may be at risk for delay but stated that this is because ESD advanced the projected opening date.

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We do not agree with this assessment. The absence of a reliable “critical path” schedule for most of the program was the key reason the company faces the risk of delays, as we noted in our report. Moreover, the signed agreements between the company, ESD, and the developer always contemplated the possibility of the company relocating to Moynihan by the end of 2020.

- Management did not fully agree that the deficiencies we identified are part of a longstanding pattern. Instead, management stated that the actions it has taken from the end of 2019 demonstrate that executive leadership takes project and program management seriously. We agree that the company’s recent actions had a significant positive impact on Moynihan; however, these changes occurred on an individual program and are not evidence that the company institutionalized improved program management practices enterprise-wide. Time will tell, as we have issued 16 reports identifying program and project management weaknesses since 2014, as noted in our report. We will continue to monitor and assess the company’s management of major projects and programs, especially because of the significant infrastructure investments it plans to make over the next decade.

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APPENDIX A

Objective, Scope, and Methodology

This report provides the results of our audit of the Moynihan Train Hall program. Our objective was to assess the effectiveness of the company's management and oversight of the program, as well as the extent to which it has identified and mitigated schedule and budget risks. Our scope included the company's efforts to manage and oversee the construction of critical elements of the train hall, as well as its efforts to manage and execute the relocation and activation of its services and operations in the new station. We conducted our work from December 2019 through July 2020 in Washington, D.C.; Philadelphia, Pennsylvania; and New York City. Certain information in this report has been redacted due to its sensitive nature.

To assess the effectiveness of the company's management and oversight of the program, we reviewed the company's policies and standards on program management, as well as program management guidance from other public and private sources. We also reviewed company documents, such as contracts, program budgets and schedules, and change order logs. In addition, we interviewed the program's current and former executive sponsors and officials from the program team charged with managing the design, construction, and activation of the company's services and operations in Moynihan. This included senior company officials responsible for the program in the following departments: Stations, Facilities, Properties and Accessibility; Capital Construction; Northeast Corridor Service Line; EPMO; Law; and Information Technology. We also interviewed the company's outside counsel, who is providing legal support on the program, and the company's station activation consultant. We conducted site tours of the Moynihan Train Hall in December 2019 and March 2020, and we attended a quarterly meeting the company held to update Federal Railroad Administration officials on the status of the program.

To assess the extent to which the company has identified and mitigated schedule risks, we reviewed program schedules and interviewed officials in the EPMO, as well as the Capital Construction and Information Technology departments. To assess the extent to which the company has identified and mitigated budget risks, we reviewed the program budget and interviewed company officials responsible for overseeing it. We also reviewed other company documents related to cost management.

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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 objective.

Internal Controls

We reviewed management controls for overseeing the program and mitigating associated risks. Specifically, we assessed the internal control components and underlying principles and determined that all five internal control areas were significant to our audit objectives:

- **Control Environment.** Management should oversee the entity's internal control system, establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives. Management should demonstrate a commitment to recruit, develop, and retain competent individuals, and should evaluate performance and hold individuals accountable for their internal control responsibilities.
- **Risk Assessment.** Management should identify risks and define risk tolerances and should analyze and respond to risks related to achieving the defined objectives.
- **Control Activities.** Management should design control activities to achieve objectives and respond to risks.
- **Information and Communication.** Management should use quality information and communicate this information internally and externally to achieve the entity's objectives.
- **Monitoring.** Management should establish and operate monitoring activities to monitor the internal control system, evaluate the results, and remediate identified internal control deficiencies on a timely basis.

We developed audit work to ensure that we assessed each of these controls. This included reviewing the extent to which the company followed internal program management standards—such as assigning clear roles and responsibilities, identifying and responding to risks, developing management procedures to monitor and control spending, and establishing communication and information tracking protocols. Because

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our review was limited to the major strategic components of the program, it may not have disclosed all of the internal control deficiencies that may have existed at the time of this audit.

Computer-Processed Data

To achieve our objective, we relied on computer-processed data from the company's Primavera P6 Enterprise Project Portfolio Management scheduling system. We discussed these data with officials from the EPMO and the Capital Construction department.

Prior Reports

In conducting our analysis, we reviewed and used information from the following Amtrak OIG reports:

- *Top Management and Performance Challenges—Fiscal Years 2019 and 2020* (OIG-SP-2018-011), September 28, 2018
- *Governance: Alignment with Best Practices Could Improve Project Management Office Implementation* (OIG-A-2016-002), December 16, 2015

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APPENDIX B

Related Audit Reports

From May 2014 until July 2020, we issued 16 reports identifying program and project management weaknesses, as follows.

- *Observations on Risks to the Acela 21 Information Technology Program Element (OIG-MAR-2020-009), April 22, 2020*
- *Train Operations: Acela 21 Program Continues to Face Significant Risk of Delays, Warranting More Contingency Planning (OIG-A-2020-004), January 21, 2020*
- *Governance: Better Management of Reimbursable Projects Could Help the Company Consider Benefits and Recover its Costs (OIG-A-2020-002), October 23, 2019*
- *Asset Management: Better Schedules, Cost Estimates, and Program Management Could Help Mitigate Risks to Washington Union Station Projects (OIG-A-2018-008), July 24, 2018*
- *Train Operations: The Acela Express 2021 Program Faces Oversight Weaknesses and Schedule Risks (OIG-A-2018-002), November 16, 2017*
- *Information Technology: Operations Foundation Program—Restructuring Could Help Control Costs and Limit Risks (OIG-A-2017-011), June 19, 2017*
- *Acquisition and Procurement: Adopting Additional Leading Practices to Manage the Baltimore Penn Station Redevelopment Could Help Mitigate Project Risks (OIG-A-2017-002), December 14, 2016*
- *Safety and Security: Progress Made in Implementing Positive Train Control, but Additional Actions Needed to Ensure Timely Completion of Remaining Tasks, (OIG-A-2017-001), October 6, 2016*
- *Asset Management: Additional Actions Can Help Reduce Significant Risks Associated with Long-Distance Passenger Car Procurement (OIG-A-2016-003), February 1, 2016*
- *Governance: Alignment with Best Practices Could Improve Project Management Office Implementation (OIG-A-2016-002), December 16, 2015*
- *Acquisition and Procurement: New Jersey High-Speed Rail Improvement Program Has Cost and Schedule Risks (OIG-A-2015-012), June 17, 2015*
- *Information Technology: Reservation System Infrastructure Updated, but Future System Sustainability Remains an Issue (OIG-A-2015-010), May 19, 2015*

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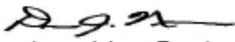
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- *Acquisition and Procurement: Improved Management Will Lead to Acela Parts Contract Cost Savings* (OIG-A-2015-008), March 10, 2015
- *Train Operations and Business Management: Addressing Management Weaknesses is Key to Enhancing the Americans with Disabilities Program* (OIG-A-2014-010), August 4, 2014
- *Governance: Improved Policies, Practices, and Training Can Enhance Capital Project Management* (OIG-A-2014-009), July 15, 2014
- *Acquisition and Procurement: Closer Alignment with Best Practices Can Improve Effectiveness* (OIG-A-2014-006), May 7, 2014

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APPENDIX C

Management Comments

NATIONAL RAILROAD PASSENGER CORPORATION			
Memo			
Date	August 4, 2020	From	Dennis Newman, EVP 
To	James Morrison, Assistant Inspector General, Audits	Departments	Planning and Asset Development
		cc	Stephen Gardner, Sr. EVP Eleanor D. Acheson, EVP General Counsel Tracie Winbigler, EVP CFO Qiana Spain, EVP CHRO Roger Harris, EVP Scot Naparstek, EVP Steven Predmore, EVP Christian Zacariassen, EVP DJ Stadtler, EVP Sr. Advisor David Handera, VP Carol Hanna, VP Controller Mark Richards, Sr Director Amtrak Risk & Controls
Subject	Management Response to <i>GOVERNANCE: Early Planning and Oversight Deficiencies Led to Initial Program Failures and Continued Risks to the Moynihan Train Hall Program</i>		
<p>This memorandum provides Amtrak's response to the draft audit report titled, "<i>GOVERNANCE: Early Planning and Oversight Deficiencies Led to Initial Program Failures and Continued Risks to the Moynihan Train Hall Program</i>". Amtrak appreciates the opportunity to respond to the OIG's report. While there are no recommendations contained in the report, and the conclusion indicates that Amtrak "has largely addressed the program management deficiencies on Moynihan," the report does provide insight into the many actions Amtrak took to address previous deficiencies. Regarding some of the issues raised in the report, Amtrak offers the additional information.</p> <p>Specifically, Amtrak notes the following:</p> <ul style="list-style-type: none"> • The team has firm control over spend and the current budget. The most recent edition of the budget incorporated detailed analysis and included appropriate allowances. This provides Amtrak the ability to appropriately manage the project and overall program with a high degree of confidence that it will not exceed the budget. The team instituted a change control board (CCB) that continually reviews all change orders. If CCB grants approval, the change is then submitted for further review and approval by the CFO. This requires the CCB to ascertain where funds to support the change are coming from. This is not mentioned clearly in the report and should be noted. 			
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- The team is fully engaged in reviewing all potential change orders while verifying responsibility and the impact to the overall budget. With the detailed review process taken on all change orders, the team believes there is minimal financial exposure that would cause Amtrak to go over budget.
- [REDACTED]
- Executive oversight provides the governance needed to ensure the project scope, schedule and budget remain on track. There are weekly touchpoints with the CFO and the CAO; and monthly detailed reviews with Stephen Gardner, Sr. EVP and COCO; Tracie Winbigler, EVP and CFO; DJ Stadler, EVP and Sr. Advisor; Dennis Newman, EVP Planning and Strategy; Roger Harris, EVP Marketing; and Christian Zacariassen, EVP and CIO where the project schedule, scope, budget, risks and any risk mitigation plans are discussed.
- While it is accurate that some parts of the program may be at risk for the ESD's current target opening day, the projected opening of the project was accelerated by ESD and at the direction of ESD, which required Amtrak to develop the minimum viable product in order to meet the accelerated opening date and provide appropriate level of services to our customers. It is important to note that at the direction of ESD the opening date continues to change.
- Amtrak agrees that continued active program management and ongoing executive oversight is necessary, which is why Amtrak has put in place a sponsor and key individuals with construction experience who are managing the various contracts and deliverables and challenging all changes before they occur or become a potential cost to Amtrak. It is this level of detailed oversight that can and will make this program successful.
- Amtrak will continue to provide the executive oversight, which includes scheduled updates and reports, program management oversight and construction management oversight in managing the scope, schedules and budget of the various spaces.
- Amtrak would like to qualify the broad statement pertaining to this being a long-standing pattern. The steps Amtrak took at the end of 2019 to today show that Amtrak executive leadership takes project and program management seriously by assembling the right team (individuals with the appropriate skill set and experience) and processes in place and it can be mirrored in many other mega projects leveraging the lessons learned and the successful processes that have helped turn this project around.

Notwithstanding the foregoing, Amtrak welcomes the OIG's feedback, as there is always opportunity for further improvement, and as noted in this report Amtrak has instituted processes to address past deficiencies.

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Abbreviations

EPMO	Enterprise Program Management Office
ESD	Empire State Development
fit-out	construction and development of the passenger-facing and back-of-house operations
OIG	Amtrak Office of Inspector General
the company	Amtrak

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APPENDIX E

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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.

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