



OFFICE *of* INSPECTOR GENERAL  
NATIONAL RAILROAD PASSENGER CORPORATION

## **GOVERNANCE:**

Business Case for Company's New Unified Operations  
Program Needs to be Updated

*Certain information in this report has been redacted due to its sensitive nature.*

**OIG-A-2022-009| May 11, 2022**


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*Amtrak Office of Inspector General*  
**Governance: Business Case for Company's New Unified Operations  
Program Needs to be Updated**  
OIG-A-2022-009, May 11, 2022

## Memorandum

**To:** Scot Naparstek  
Executive Vice President/Service Delivery and Operations

Tracie Winbigler  
Executive Vice President and Chief Financial Officer

**From:** Jim Morrison   
Assistant Inspector General, Audits

**Date:** May 11, 2022

**Subject:** *Governance: Business Case for Company's New Unified Operations Program  
Needs to be Updated (OIG-A-2022-009)*

In December 2018, Amtrak (the company) began planning for its Unified Operations Center (UOC) program, a multi-year effort to relocate several vital customer care functions—including train-dispatching personnel responsible for the movement of trains, who are currently spread across five cities—into a “leading-edge” centralized center. The UOC program was originally part of a larger portfolio of work, the Customer-Focused Facilities Transformation<sup>1</sup> but has since been made into its own program. In its original business case,<sup>2</sup> the company stated that the UOC program would modernize its dispatching processes and improve operational efficiency and customer service delivery by collocating all positions directly involved in moving trains and customers during a normal day of operations. The company considered various cities and decided to locate the UOC program in Wilmington, Delaware. The program also includes plans to relocate a small, specialized group in the Amtrak Police Department (APD), which is already based in Wilmington, and a small group of employees responsible for social media. Part of the company's intent was to improve

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<sup>1</sup> The Customer-Focused Facilities Transformation portfolio had three workstreams: the UOC program, a national training center and an office alignment project.

<sup>2</sup> Throughout the report, we refer to this as the “original business case,” although the company later modified it by removing certain program costs before submitting it to the Federal Railroad Administration. Company officials told us the company intends to request funding at a later date for these costs.

*Amtrak Office of Inspector General*  
**Governance: Business Case for Company's New Unified Operations  
Program Needs to be Updated**  
OIG-A-2022-009, May 11, 2022

communication and collaboration among dispatching, police, and social media personnel, especially during an incident or delay.

In May 2020, the company purchased an [REDACTED] for \$41.1 million at [REDACTED] in Wilmington to house the UOC program. At that time, it planned to use the remaining space in the building to relocate other organizational units, such as Information Technology (IT) department staff housed in leased office space in Washington, D.C., and Atlanta, Georgia, to help reduce its operating costs. The company is in the early stages of design work to retrofit the building to accommodate the UOC program at an estimated cost of \$37 million.

Our objective for this audit was to assess the extent to which the company planned effectively for the UOC program, including developing a business case that demonstrated the expected financial and operational benefits compared to the estimated costs. We have previously reported that the company has had difficulty identifying requirements for major programs and has made real estate decisions in an ad hoc manner.<sup>3</sup> We made recommendations in prior reports to improve the company's program management and strategic planning for real property. The company has begun implementing some of those recommendations, and we considered its progress during our review.

To assess the company's planning, we reviewed key documents, including the business case it developed to outline the program and seek funding approval. Because several senior personnel involved in the initial program planning and building purchase are no longer with the company, we relied on these documents to establish or confirm key elements of the program's history. We also interviewed company officials involved in the initial program planning, including development of the business case, from the company's Real Estate and Finance departments to learn how the company developed its business case and the status of the program. We also interviewed personnel from the company's Enterprise Program Management Office to discuss the results of their April 2021 review of the UOC program. Additionally, we spoke with program sponsors in the company's Operations and Real Estate departments and other key stakeholders who expect to be involved in the program, such as officials from the IT department and

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<sup>3</sup> *Governance: Early Planning and Oversight Deficiencies Led to Initial Program Failures and Continued Risks to the Moynihan Train Hall Program* (OIG-A-2020-014), August 17, 2020; and *Real Property: Improving Management Processes Could Reduce Costs and Generate Additional Revenues* (OIG-A-2019-006), March 29, 2019.

*Amtrak Office of Inspector General*  
**Governance: Business Case for Company's New Unified Operations  
Program Needs to be Updated**  
OIG-A-2022-009, May 11, 2022

APD. We solicited their perspectives based on their involvement in program planning, as well as current plans for staff relocation. For additional details on our scope and methodology, see Appendix A.

## **SUMMARY OF RESULTS**

Our work found that the company experienced significant challenges in the planning phase of the UOC program. Foremost were challenges associated with its \$41.1 million purchase of [REDACTED], which have led to questions about how the company will use the building.

The purchase was largely premised on two significant yet faulty assumptions: (1) that the company could centralize and collocate its train control and dispatch personnel along with a specialized APD unit and social media staff and use the remaining space to relocate IT personnel from leased space; and (2) that the program would yield cost savings. Neither has materialized because the company did not effectively verify the feasibility of centralizing these personnel and functions—including retrofitting the building to accommodate significant IT requirements—before purchasing the building.

The company is updating its business case for the future of the UOC program, including the personnel it can realistically collocate at [REDACTED] and the associated infrastructure costs and benefits of retrofitting the building. The company cannot complete this update, however, until the design firm it engaged to determine how to modify and retrofit the building, and at what cost, finishes its work—which is expected in spring 2022. The company also stated to us that it is considering the effects the pandemic will have on its return-to-work strategy as it makes these decisions. The company plans to request approval from the Federal Railroad Administration (FRA) to use grant funding for the next phase of the program.

Partly in response to lessons learned from its early planning for the UOC program, the company established a new group in the Finance department that has issued guidance on how departments can better develop effective business cases to support their future funding requests. These actions will likely be a positive contribution to the company's aggressive capital planning goals, which are now made possible through the recent passage of the Infrastructure Investment and Jobs Act (IIJA).<sup>4</sup>

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<sup>4</sup> Pub.L. 117-58. The IIJA will provide the company at least \$22 billion via FRA to modernize its assets and rail infrastructure.

*Amtrak Office of Inspector General*  
**Governance: Business Case for Company's New Unified Operations  
Program Needs to be Updated**  
OIG-A-2022-009, May 11, 2022

Furthermore, the Finance department implemented a new, more automated process for fiscal year (FY) 2022 to support its capital planning and budgeting. This process includes a control to verify that the company has requested and obtained FRA funding approval for projects before proceeding, which was an opportunity it missed when it purchased [REDACTED]. FRA has approved the design of this control, which is intended to keep the company in compliance with the terms and conditions of its grant agreements and ensure that it will be able to use available grant funding for appropriate projects going forward.

To help the company make more informed decisions about the future of the UOC program, the building it purchased, and the best use of resources, we recommend that it verify the assumptions in its revised business case about the UOC program's functions and staff relocations, as well as develop the most accurate estimates possible of the associated costs and benefits so decisionmakers can determine whether and how to proceed. In commenting on a draft of our report, the Executive Vice President/Service Delivery & Operations agreed with our recommendation and, in response, will continue updating the business case before finalizing its plans for the UOC program. For management's complete response, see Appendix B.

## **BACKGROUND**

The company's initial vision for the UOC program was to collocate several functions, primarily train-dispatching personnel, to a central location. The company has more than 300 such personnel based in Boston, New York City, Chicago, Wilmington, and Washington, D.C. Those personnel are responsible for controlling train movement, primarily on tracks that the company owns along the Northeast Corridor.<sup>5</sup> Additionally, company dispatchers in Boston work under contract from the Massachusetts Bay Transportation Authority, and staff in New York City co-dispatch with Long Island Rail Road. FRA requires that each dispatcher is qualified on the specific route that person oversees. Company dispatchers belong to two separate unions, and both collective bargaining agreements would require that the company's Labor Relations department negotiate with the affected unions before relocating staff.

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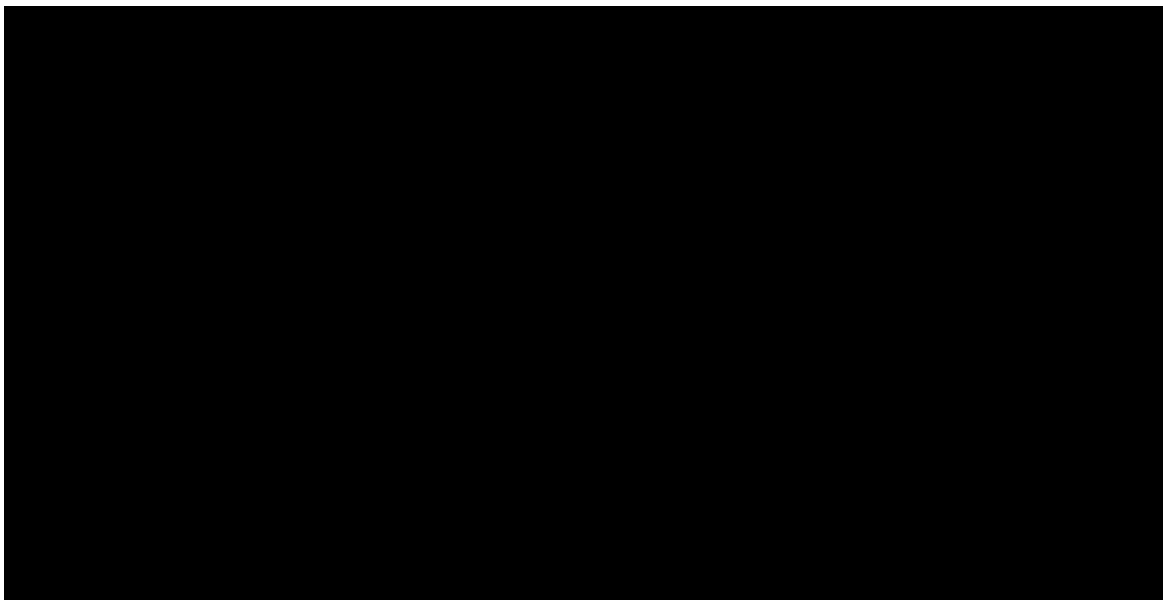
<sup>5</sup> Dispatchers in Chicago coordinate train movement along the company's Michigan routes, as well as near Chicago Union Station.

*Amtrak Office of Inspector General*  
**Governance: Business Case for Company's New Unified Operations  
Program Needs to be Updated**  
OIG-A-2022-009, May 11, 2022

## Consolidated National Operations Center

The company's Wilmington-based dispatchers and others work out of what is known as the Consolidated National Operations Center (CNOC) building, which is shown in Figure 1. Company documents describe the work at this facility as continuous—24 hours per day, 365 days per year—and essential to safe train operations.<sup>6</sup> The company has been operating out of this building since 1998. It initially leased the building but purchased it for \$1.8 million in 2018.

**Figure 1:** [REDACTED]



Source: [REDACTED]

In addition to the approximately 70 Wilmington-based dispatching staff, approximately 140 CNOC personnel coordinate operations such as staffing trains, managing railcar and locomotive maintenance, and monitoring real-time data for incidents or accidents that could impact on-time performance. APD also leases one floor of a nearby building to house its National Communications Center, which helps coordinate with dispatchers and other Operations personnel on the company's response to incidents and accidents along tracks it owns.

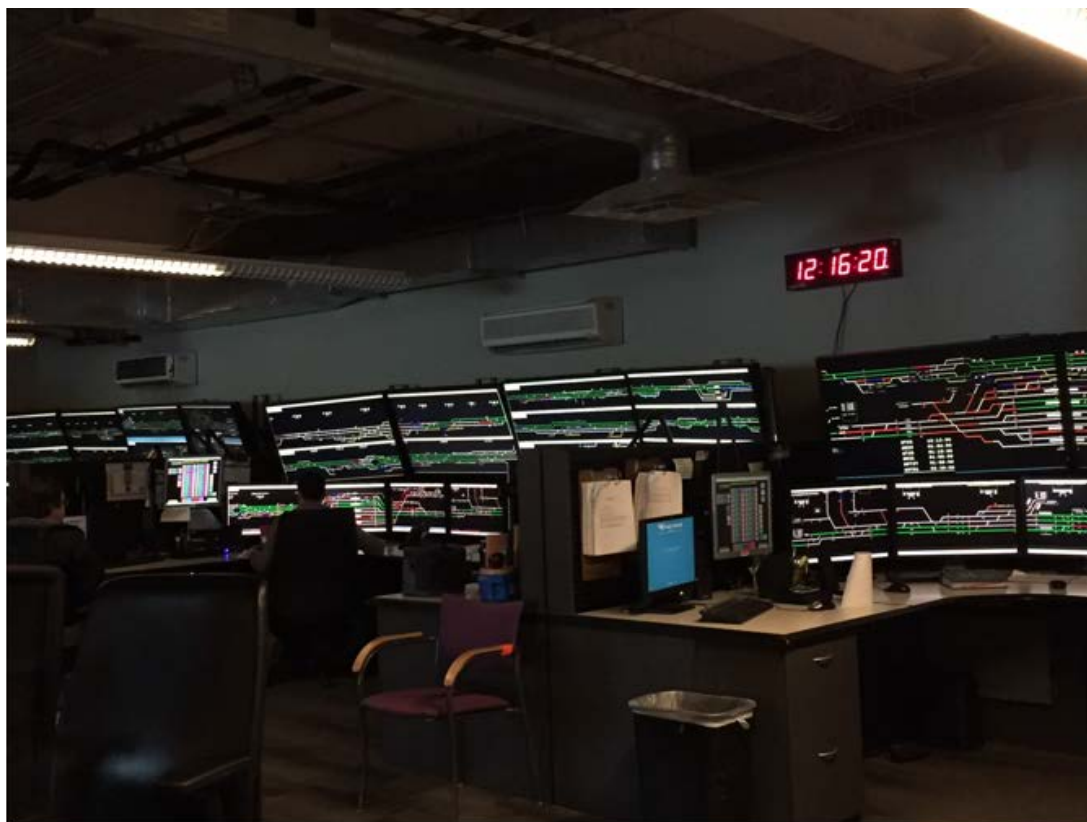
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<sup>6</sup> The company uses the term "CNOC" to refer to the physical facility at 15 South Poplar Street where both CNOC and dispatching staff currently operate.

*Amtrak Office of Inspector General*  
**Governance: Business Case for Company's New Unified Operations  
Program Needs to be Updated**  
OIG-A-2022-009, May 11, 2022

Prior to purchasing [REDACTED], the company hired a consultant to assess the adequacy of the current CNOOC building to accommodate the UOC program and found that it has limited physical space to house any additional employees. Unlike the company's dispatchers in Boston and New York City who operate in two-story "theater" spaces, the train dispatchers who work in Wilmington do so out of a one-story space, as shown in Figure 2.

**Figure 2: Dispatching at Consolidated National Operations Center**



Source: OIG photo

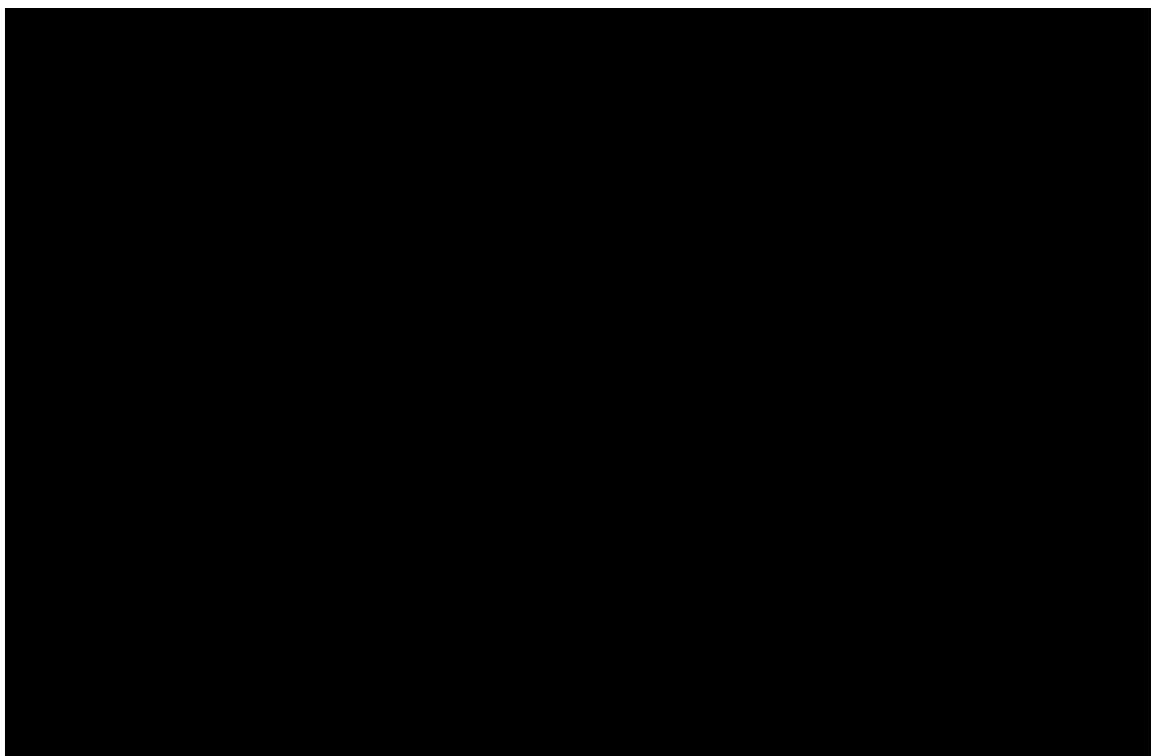
In addition, our 2019 report on cybersecurity in train control systems concluded that the CNOOC building is not ideally situated to house critical IT infrastructure given its location on a flood plain of the Christina River, as shown in Figure 3. Company officials told us that mitigating the flood plain risk was another reason they planned to move personnel from the current CNOOC location. The company acknowledged the risk



*Amtrak Office of Inspector General*  
**Governance: Business Case for Company's New Unified Operations  
Program Needs to be Updated**  
OIG-A-2022-009, May 11, 2022

associated with the building's current location when it purchased it, but ultimately moved its critical IT infrastructure to Philadelphia.<sup>7</sup>

**Figure 3:** [REDACTED]



Source: [REDACTED]

### **The Business Case for Purchasing [REDACTED]**

According to the company's program management guidance, a business case is a decision-making tool that evaluates benefits, costs, and risks of a new project and serves

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<sup>7</sup> We found that the CNOC's servers were on the ground floor. In 2012, Superstorm Sandy flooded the facility's parking lot, demonstrating the center's vulnerability to severe weather, according to Engineering and Transportation officials. These officials told us that although the flood water did not damage the servers and IT infrastructure, it rose almost to the ground floor entrance, putting the center's servers and the continuity of train operations at risk. In addition, the officials told us employees had to wade through waist-deep water to access the building, which posed a safety issue. See *Information Technology: Improving Cybersecurity and Resiliency of Train Control Systems Could Reduce Vulnerabilities* (OIG-A-2019-008), July 9, 2019.

*Amtrak Office of Inspector General*  
**Governance: Business Case for Company's New Unified Operations  
Program Needs to be Updated**  
OIG-A-2022-009, May 11, 2022

as the foundation for justifying approval or rejection of a proposed program or project. Decisionmakers can also update the business case throughout a program's lifecycle to evaluate its relative costs and benefits and to make appropriate adjustments to the program's scope, schedule, or budget.<sup>8</sup>

The UOC's original business case stated that the program would occupy [REDACTED] floors of the new building, and the company would relocate other positions that were not part of the UOC program—primarily IT personnel housed in leased space in Washington, D.C., and Atlanta—to the remaining [REDACTED] floors. The company further proposed moving the IT personnel to save money by decreasing the company's reliance on leased space. In the end, the business case estimated that over time, the company would save close to \$50 million.

In November 2019, the company presented a business case to its Board of Directors seeking approval for its plan to purchase [REDACTED] in Wilmington to house the program.<sup>9</sup> The Board of Directors instructed the company to negotiate a lower purchase price for the building. The company successfully accomplished this, and the Board approved the decision to pursue the purchase of the building, which included the company seeking approval from FRA to use capital grant funding. The company completed the purchase in May 2020. Figure 4 shows the building the company purchased.

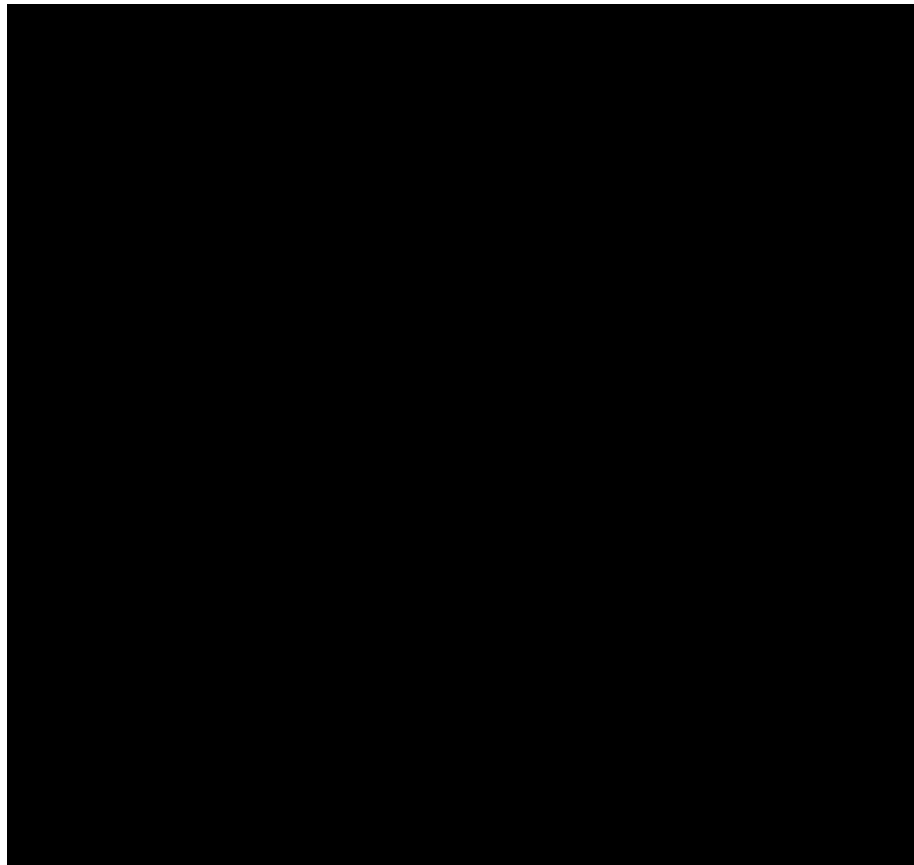
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<sup>8</sup> Developing an effective business case involves adhering to established program management planning concepts, which include verifying the feasibility of the proposed program or activity, defining its scope, and validating the assumptions about its financial and operational viability with key stakeholders in the organization. If the organization does not have the internal expertise or capacity to do this, it may hire an outside consultant such as a design firm to assist in determining business needs and technological requirements to help it complete this work. See Program Management Institute, *Project Management Book of Knowledge (PMBOK)*, 6<sup>th</sup> edition, 2017; Amtrak, Enterprise Project Management Office, *Project Management Procedure Manual*, 2018; and Harvard Business Review, *Developing a Business Case*, 2010.

<sup>9</sup> Company policy states that any program projected to cost more than \$25 million in a single fiscal year or more than \$50 million over its lifecycle requires approval from the Board of Directors. The UOC program met both thresholds.

*Amtrak Office of Inspector General*  
**Governance: Business Case for Company's New Unified Operations  
Program Needs to be Updated**  
OIG-A-2022-009, May 11, 2022

**Figure 4:** [REDACTED] *Wilmington, Delaware*



Source: [REDACTED]

**ORIGINAL BUSINESS CASE INCLUDED KEY ASSUMPTIONS THAT WERE NOT VALIDATED OR CORRECT**

According to multiple company officials involved in the early UOC planning stages, the company's then-CEO envisioned a need for a state-of-the-art UOC program as soon as possible to modernize its dispatching processes and improve operational efficiency and customer service delivery. The program was to achieve this by collocating all positions directly involved in moving trains and customers during normal operations. In response, in December 2018, the company began planning for the UOC program with the expectation that it would house these capabilities and personnel.

The company bought [REDACTED], however, before ensuring that the building could reasonably accommodate its UOC program and other business needs, which not

*Amtrak Office of Inspector General*  
**Governance: Business Case for Company's New Unified Operations  
Program Needs to be Updated**  
OIG-A-2022-009, May 11, 2022

only impacted its estimated long-term savings, but also introduced additional risks. In doing so, the company did not follow some of the key steps in its program management guidelines, which we describe below, such as validating the building's appropriateness to house the UOC's technical requirements and the overall feasibility of combining its dispatching functions and personnel into one location.<sup>10</sup>

**Company purchased the building before validating it could reasonably accommodate UOC program requirements.** Company officials told us its dispatching and police communications personnel have distinct infrastructure needs to execute their operational functions. In 2020, the Real Estate department contracted a "test fit" study to ensure that the building could accommodate a certain number of personnel and desk space, and determined the current condition of the building. The department also conducted a tabletop exercise to estimate the cost per square foot to retrofit the building although an official told us there were no similar prior projects at the company to use as a reference. It did not, however, verify that [REDACTED] could accommodate the infrastructure needs discussed below, or at what cost, prior to the purchase. These infrastructure needs include the following:

- **Dispatching and police communications theater.** In its original business case, the company stated that "all positions directly involved in moving trains at the time of operations would make up the theater, or the core of the operations center." Operations personnel described the theater as a one-and-a-half-to-two-story space for centralized dispatching and police communications to allow for tiered-seating arrangements and large overhead display screens. The company, however, did not confirm the structural feasibility of combining two floors of the building prior to purchasing the building. It will not know the feasibility and cost of retrofitting the building in this way until the design firm completes its first phase of work.
- **Emergency standby power.** Company officials told us—and operations plans state—that dispatching and police communications require an emergency standby power source to support around-the-clock operations during electrical power outages. The company did not determine, however, whether the

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<sup>10</sup> Projects generally have two types of requirements: business requirements and technical requirements. Business requirements define what the organization wants or needs to be able to do once the project is completed, as well as the changes in capabilities that will result from the project. Technical requirements define solutions for how each project need will be satisfied and are therefore directly linked to one or more business requirements.

*Amtrak Office of Inspector General*  
**Governance: Business Case for Company's New Unified Operations  
 Program Needs to be Updated**  
 OIG-A-2022-009, May 11, 2022

building's infrastructure would permit the installation of the large generator necessary to do this and, if so, at what cost.<sup>11</sup> The company will not know this until the design firm completes its work, and it will be unable to move its operations to [REDACTED] without the emergency standby power source.

**Assumptions about moving functions and personnel were mistaken.** Accordingly, the company has drastically reduced the scope of planned collocations of functions and personnel, calling into question whether the UOC program will unify operations as the company intended. Changes include the following:

- **Collocation of train dispatching functions and personnel.** When the company presented the original program business case in late 2019, there were already indications that collocating all train-dispatching functions and personnel would not materialize. Specifically, company officials had determined that they would not relocate dispatching personnel based in Boston and some personnel in New York City. In 2021, the company further reduced the UOC program scope to



*Original plans to relocate 250  
 dispatching positions have been  
 reduced to 40*

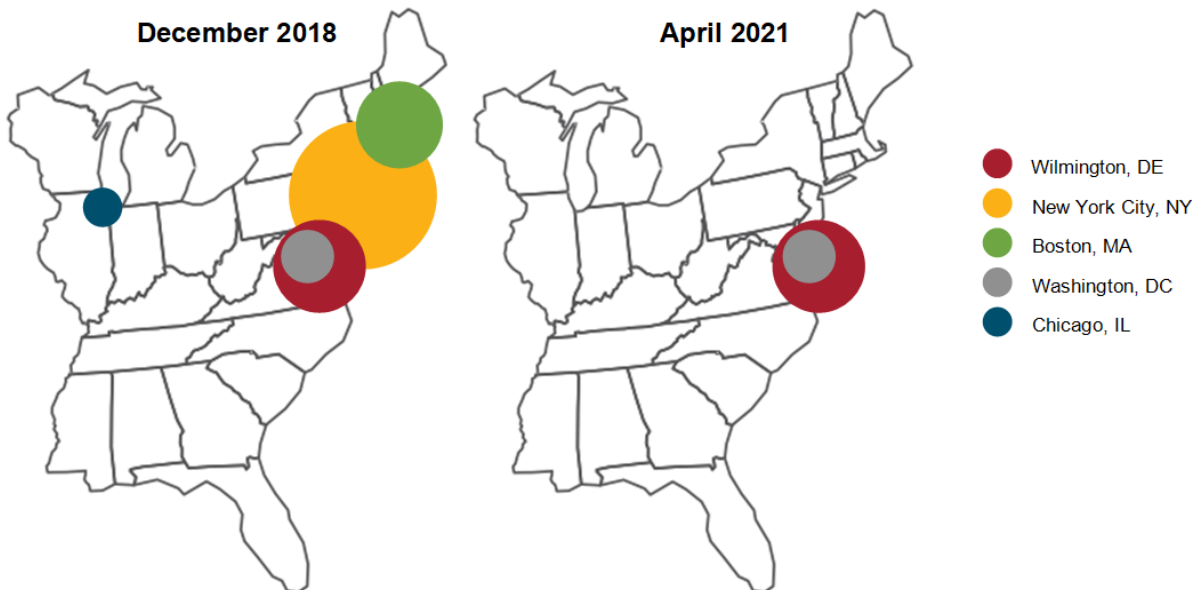
exclude dispatchers based in Chicago and the balance of those in New York City. As of May 2021, the company planned to relocate approximately 40 dispatchers from outside

Wilmington—a reduction of 83 percent from the 250 originally planned. Company officials told us they made these decisions for commercial, logistical, or labor relations reasons, such as maintaining the co-dispatching arrangement in New York City with Long Island Rail Road. Figure 5 shows the overall reduction in the company's planned consolidation of dispatching functions.

<sup>11</sup> Commercial building generators used for emergency backup power are large pieces of heavy equipment, similar in size and weight to a locomotive engine, which can be powered by diesel fuel or natural gas. They are typically installed outside, at ground level, to vent exhaust fumes into the air and to permit refueling. Local zoning codes designate whether it is permissible to install generators and their fuel tanks in downtown business districts. Local zoning codes may also permit installation of generators on rooftops if a building's infrastructure can bear the additional weight. The company stated that the size of the generator and associated battery backups will be in the full set of architectural plans and that the city could raise any concerns when these plans are submitted for permits.

*Amtrak Office of Inspector General*  
**Governance: Business Case for Company's New Unified Operations  
 Program Needs to be Updated**  
 OIG-A-2022-009, May 11, 2022


**Figure 5: Reduction in Estimated Dispatchers the Company Plans to Relocate**



Source: OIG analysis of Amtrak data

- Collocation of IT personnel.** When the company presented the original business case, it acknowledged that most of the IT personnel it planned to move would be unwilling to relocate to Wilmington or, as contractors, would be ineligible to relocate; therefore, it assumed that it would replace more than 400 of them

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*Business case included the assumption that 86 percent of relocated IT positions would be replaced with new personnel in Wilmington*

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(86 percent) at that location. Senior IT officials told us the assumption to relocate or replace these IT staff was not feasible in 2019 or now, primarily because of the significant operational disruption that would result

from losing so many people with company-specific technology knowledge. Instead, IT officials estimate they will likely relocate 25 to 35 IT positions that directly support the UOC program to [REDACTED].

As a result of the overall reduction in planned staff relocations for the UOC program and the IT staff, the company now estimates it will need only [REDACTED] of the [REDACTED] floors in [REDACTED] for the UOC program and it is in the process of determining how to utilize the remaining space.

*Amtrak Office of Inspector General*  
**Governance: Business Case for Company's New Unified Operations  
Program Needs to be Updated**  
OIG-A-2022-009, May 11, 2022

**Predicted savings were not accurate.** Company officials told us—and stated in the funding request to FRA—that the company was undertaking the UOC program for reasons other than financial gain, including broad strategic benefits, including “efficiencies and customer impact, internal and external communication and ensuring the security of operations that cannot be directly measured.” Nevertheless, the company’s original justifications for pursuing [REDACTED] centered on the belief that combining functions and personnel would yield operational benefits and long-term cost savings. The most significant anticipated cost reductions were those associated with reducing its IT-leased office space in Washington, D.C., and Atlanta, which the Real Estate department projected would save close to \$50 million.<sup>12</sup> Early in the planning process, it became clear that the projected lease savings from relocating personnel were unrealistic when the company determined that moving or replacing so many IT staff would have caused significant operational disruption.

## **COMPANY IS UPDATING THE UOC PROGRAM BUSINESS CASE WITH MORE ACCURATE INFORMATION**

In April 2021, Finance department officials told us they began updating the company’s UOC business case to reflect actual spending-to-date and will revise certain assumptions about the infrastructure costs and the personnel it expects to house in the new facility. They noted, however, that they will have to wait for more information from the design firm before completing the update. The design firm is identifying and validating the program requirements, determining how to modify and retrofit the building accordingly, and estimating what this will cost. It anticipates that the design firm’s first phase of work will be complete in spring 2022.

Ensuring that the information and assumptions in the business case accurately reflect current circumstances and are feasible will help provide the best information for decisionmakers as they assess the future of the program.<sup>13</sup> Because the company plans to seek approval to use federal grant funding for these investments, assuring a sound business case will also likely help it demonstrate that the program should receive grant funding.

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<sup>12</sup> Our previous work generally agrees with the concept of the company reducing its reliance on leased space. See *Real Property: Improving Management Processes Could Reduce Costs and Generate Additional Revenues* (OIG-A-2019-006), March 29, 2019.

<sup>13</sup> Amtrak, Enterprise Project Management Office, *The Project Management Procedure Manual*, 2018; and Program Management Institute, *Project Management Book of Knowledge* (PMBOK), 6th edition, 2017.

*Amtrak Office of Inspector General*  
**Governance: Business Case for Company's New Unified Operations  
 Program Needs to be Updated**  
 OIG-A-2022-009, May 11, 2022

## COMPANY HAS ISSUED GUIDANCE ON HOW TO DEVELOP BETTER BUSINESS CASES TO JUSTIFY FUTURE INVESTMENTS

Finance department officials told us they have issued guidance and taken other actions to ensure that the company validates future business case assumptions and vets them with relevant stakeholders. As part of this effort, Finance has established a new group



*Company has established a team of financial professionals to improve its future business cases*

to help prepare and review the business cases that departments submit to support funding requests. During our audit, this group developed written guidance on how to prepare a sound business case, including the

financial and operating assumptions the departments should consider. The guidance also requires that the head of any affected department verify and approve assumptions regarding headcount changes and staff relocation. The guidance documents the approval process for business cases, including multiple levels of approval through Finance, and a process for updating the guidance when necessary, such as when interest rates change. The senior director responsible for the guidance stated that the group is developing a plan for how to train key staff on the new guidance, both within Finance and other affected departments.

## COMPANY HAS IMPLEMENTED CONTROLS TO MAKE CERTAIN IT HAS PRIOR FRA APPROVAL TO USE GRANT FUNDS

The company planned to use part of its federal grant funding for the purchase of [REDACTED], but it bought the building before obtaining FRA's approval to use these funds. When the company purchased the building, it was not on the market, and the seller was willing to delay the sale for at least five months. This would have given the company time to secure FRA approval, but it completed the sale before receiving approval. The company requested a waiver from FRA to allow it to use federal funds, but FRA denied the request because the timing of the purchase did not comply with the terms and conditions of its FY 2020 Northeast Corridor grant agreement.

The company instead used \$41.1 million of its internal funds<sup>14</sup> to cover the purchase.

<sup>14</sup> The company derives internal funds from operating surpluses on the Northeast Corridor and ancillary services that it can use for its discretionary spending purposes. The company, however, continues to rely on federal grant funding directed through the annual appropriations process from Congress to bridge the shortfall between its internal funds and operating expenses.



*Amtrak Office of Inspector General*  
**Governance: Business Case for Company's New Unified Operations  
Program Needs to be Updated**  
OIG-A-2022-009, May 11, 2022

The company was able to proceed with the building's purchase without FRA approval because it did not have processes or controls in place to prevent expenditures prior to receiving FRA approval to expend grant funding. In its letter denying the company's request for a waiver, FRA also concluded that the company did not have effective controls. Further, FRA required the company to develop a corrective action plan that explained the improvements it planned to make to processes, communication, and internal controls to ensure that it complied with the process outlined in the annual grant agreements prior to expending federal funds. FRA officials told us that if the company had followed grant requirements and ensured that it received prior approval, FRA would have approved the request.

The company has since worked with FRA to develop and implement a corrective action plan to avoid this situation in the future. As part of this plan, the company implemented a new, more automated and standardized process for the FY 2022 FRA capital funding requests. Finance department officials told us, and FRA officials verified, that the company has established a control in its financial accounting system to confirm that FRA has approved a program before the company proceeds with a project that intends to use grant funds.

## **CONCLUSIONS**

The company faces significant decisions about the future of the UOC program and the [REDACTED] building—decisions it needs to make based on a business case that provides the most accurate information possible coupled with verified, feasible assumptions. A sound business case will allow decisionmakers to better weigh the program's costs and benefits and determine how to make the best use of resources, including federal funding, when adjusting their plans for the program's future. Other controls the company recently implemented should also help with subsequent decisions about the program with future investment decisions across the enterprise. Such steps will also better position the company to make informed decisions as it prepares to execute at least \$22 billion in money set aside for it in IIJA to modernize its assets and improve its infrastructure.

## **RECOMMENDATION**

We recommend that the Executive Vice President/Service Delivery & Operations, in coordination with the Chief Financial Officer, verify the assumptions in its updated business case about the UOC program's functions and staff relocations, as well as the

*Amtrak Office of Inspector General*  
**Governance: Business Case for Company's New Unified Operations  
Program Needs to be Updated**  
OIG-A-2022-009, May 11, 2022

accuracy of the estimates of the associated costs and benefits, so decisionmakers can determine whether and how to proceed.

## **MANAGEMENT COMMENTS AND OIG ANALYSIS**

In commenting on a draft of this report, the company's Executive Vice President/Service Delivery & Operations agreed with our recommendation and described the company's actions and plans to address it, which we summarize here.

**Recommendation 1:** Management agreed with our recommendation to update its business case before finalizing any decisions about the future of the UOC program. The company also plans to update the program scope to reflect changes to its workplace due to the pandemic and has tasked the program sponsor with ensuring the UOC program follows the latest guidance for developing a sound business case as it considers making future funding requests. The target completion date is September 30, 2022.

*Amtrak Office of Inspector General*  
**Governance: Business Case for Company's New Unified Operations  
Program Needs to be Updated**  
OIG-A-2022-009, May 11, 2022

## **APPENDIX A**

### **Objective, Scope, and Methodology**

This report provides the results of our audit of the company's UOC program. Our objective was to assess the extent to which the company planned effectively for the UOC program, including developing a business case that demonstrated the expected financial and operational benefits compared to the estimated costs. Our scope focused on the planning and execution of the UOC program, including the purchase of the office building at [REDACTED].<sup>15</sup> We performed our audit work from October 2020 to July 2021 in Washington, D.C. Certain information in this report has been redacted due to its sensitive nature.

To assess the company's planning, we reviewed key documents, including those it submitted to its Board of Directors and FRA to outline the program and seek funding approval. We also interviewed company officials involved in the initial program planning, including development of the business case, from the company's Real Estate and Finance departments. In addition, we interviewed personnel from the company's Enterprise Program Management Office, which recently completed a review of the UOC program. Furthermore, we spoke with program sponsors in the company's Operations and Real Estate departments and other key stakeholders who expect to be involved in the program as it moves forward, including officials from the IT department and APD.

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 objective.

### **Internal Controls**

We reviewed the management controls for overseeing the program, including developing business cases. We assessed the internal control components and underlying principles, and we determined that the following two components were significant to our audit objective:

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<sup>15</sup> Determining whether the purchase price was a fair market value was outside the scope of our review.

*Amtrak Office of Inspector General*  
**Governance: Business Case for Company's New Unified Operations  
Program Needs to be Updated**  
OIG-A-2022-009, May 11, 2022

**Control environment.** Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.

**Information and Communication.** The organization obtains or generates and uses relevant, quality information to support the functioning of internal control.

We developed audit work to ensure that we assessed these controls. This included reviewing documentation the company provided to the Board of Directors and FRA and interviewing officials about the company's process to request federal approval to spend grant funds. Because our review was limited to these internal controls and the two underlying principles, it may not have disclosed all of the internal control deficiencies that may have existed at the time of this audit.

## **Computer-processed Data**

Our analyses and findings did not rely on computer-generated data from any company information systems.

## **Prior Reports**

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

- *Amtrak: Top Management and Performance Challenges for Fiscal Year 2021* (OIG-SP-2021-002), October 23, 2020
- *Governance: Early Planning and Oversight Deficiencies Led to Initial Program Failures and Continued Risks to the Moynihan Train Hall Program* (OIG-A-2020-014), August 17, 2020
- *Information Technology: Improving Cybersecurity and Resiliency of Train Control Systems Could Reduce Vulnerabilities* (OIG-A-2019-008), July 9, 2019
- *Real Property: Improving Management Processes Could Reduce Costs and Generate Additional Revenues* (OIG-A-2019-006), March 29, 2019


*Amtrak Office of Inspector General*  
**Governance: Business Case for Company's New Unified Operations  
 Program Needs to be Updated**  
 OIG-A-2022-009, May 11, 2022

## APPENDIX B

### Management Comments

NATIONAL RAILROAD PASSENGER CORPORATION

## Memo

Date	May 6, 2022	From	Scot Naparstek, EVP COO 
To	Jim Morrison, Assistant Inspector General, Audits	Department	Service Delivery & Operations
		cc	Stephen Gardner, CEO & President Eleanor Acheson, EVP General Counsel Jeanne Cantu, VP California Anthony Flynn, AVP Network Support David Handera, VP Stations Properties and Accessibility Carol Hanna, VP Controller Roger Harris, EVP Marketing & Revenue Maegan Keane, AVP Financial Planning & Analysis Laura Mason, EVP Capital Delivery Dennis Newman, EVP Strategy & Planning Steven Predmore, EVP CSO Mark Richards, Sr. Director Amtrak Risk & Controls Tracie Winbigler, EVP CFO Christian Zacariassen, EVP CIO

**Subject:** Management Response to **GOVERNANCE: Business Case for Company's New Unified Operations Program Needs to be Updated (Draft Interim Audit Report for Project No. 001-2021)**

This memorandum provides Amtrak's response to the draft interim audit report titled, "*Business Case for Company's New Unified Operations Program Needs to be Updated*". Management appreciates the opportunity to respond to the OIG's recommendation.

**Recommendation #1:**

The OIG recommends that the Executive Vice President/Service Delivery & Operations, in coordination with the Chief Financial Officer, verify the assumptions in its updated business case about the UOC program's functions and staff relocations and the accuracy of the estimates of the associated costs and benefits so that decisionmakers can determine whether and how to proceed.

**Management Response/Action Plan:** Amtrak agrees with the OIG recommendation. We are currently in the process of updating the business case before finalizing decisions on how best to meet the future needs of the business. The scope of both the UOC program and Amtrak's Real-Estate Consolidation program are being reevaluated to reflect changes to the working environment in the wake of the COVID pandemic. Maintaining business continuity for critical dispatching functions by mitigating the risk presented by the current facility's location in a flood plain remains the primary objective of the program. Opportunities to improve operational efficiency and customer care are also being evaluated. The program sponsor

Page 1 | 2

*Amtrak Office of Inspector General*  
**Governance: Business Case for Company's New Unified Operations  
Program Needs to be Updated**  
OIG-A-2022-009, May 11, 2022

NATIONAL RAILROAD PASSENGER CORPORATION

(Assistant Vice President/Network Support) will coordinate with the Assistant Vice President/Financial Planning & Analysis to ensure that the UOC program follows the latest guidance in the development of a thorough business case in support of any future funding requests.

Responsible Amtrak Official(s): Anthony Flynn, AVP Network Support  
David Handera, VP Stations Properties and Accessibility  
Maegan Keane, AVP Financial Planning & Analysis

Target Completion Date: September 30, 2022

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**Governance: Business Case for Company's New Unified Operations  
Program Needs to be Updated**  
OIG-A-2022-009, May 11, 2022

## **APPENDIX C**

### **Abbreviations**

APD	Amtrak Police Department
CNOC	Consolidated National Operations Center
FRA	Federal Railroad Administration
FY	fiscal year
IT	Information Technology
the company	Amtrak
UOC	Unified Operations Center

*Amtrak Office of Inspector General*  
**Governance: Business Case for Company's New Unified Operations  
Program Needs to be Updated**  
OIG-A-2022-009, May 11, 2022

## **APPENDIX D**

### **OIG Team Members**

Eileen Larence, Deputy Assistant Inspector General, Audits

J.J. Marzullo, Senior Director

Melissa Hermes, Director

Heather Brockett, Audit Manager

Cindi Anderson, Senior Auditor, Lead

Walter Beckman, Senior Auditor, Lead

Clare Shepherd, Senior Auditor

Alison O'Neill, Communications Analyst

Frank Mazurek, Legal Counsel

Nadine Bennett, Associate Legal Counsel



## Mission

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

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or

800-468-5469

### Contact Information

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