



OFFICE *of* INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION

ANNUAL AUDIT PLAN FOR 2021

OIG-AP-2021 | February 2, 2021

This page intentionally left blank.



INSPECTOR GENERAL'S MESSAGE

I am pleased to present our audit plan for calendar year 2021. This plan provides a roadmap for accomplishing our mission to conduct independent, objective audits to improve Amtrak's (the company) economy, efficiency, and effectiveness, while preventing and detecting fraud, waste, and abuse.

The company continues to face unprecedented challenges due to the COVID-19 pandemic, including steep declines in ridership and revenue. We have significant ongoing work addressing these challenges, including assessing the company's downsizing of its workforce in response to these declines and identifying lessons learned from the crisis that can inform the company's future planning. We expect to conduct several additional audits this year as we oversee the company's recovery efforts.

Throughout 2021, we will continue to focus on other high-risk and high-impact issues. These include assessments of once-in-a generation infrastructure improvements, such as the Gateway program to double rail capacity between New York and New Jersey. They also include equipment acquisitions, such as the replacement of the company's single-level passenger cars, which will reshape how it operates on the Northeast Corridor. Moreover, we plan to assess and monitor the company's use of any additional federal appropriations for pandemic relief, as we did with the funding provided under the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020.¹

Our process to select and prioritize our planned work included assessing the company's top management and performance challenges,² congressional interests, the results of our prior work, and key risks that company and Federal Railroad Administration officials identified. We then used this information to inform discussions with company executives about audits that could help the company achieve its mission and advance our statutory responsibilities. Table 1 on page 4 lists our planned 2021 audits in priority order. In addition, the company plans to embark on an aggressive package of major acquisitions and infrastructure projects that could extend over the next decade. To provide effective oversight, we often monitor such efforts to identify any emerging

¹ Coronavirus Aid, Relief, and Economic Security (CARES) Act, Pub. L. No. 116-136, div. B, title XII, 134 Stat. 281 (2020).

² *Amtrak: Top Management and Performance Challenges for Fiscal Year 2021* (OIG-SP-2021-002), October 23, 2020.

Amtrak Office of Inspector General
Annual Audit Plan 2021
OIG-AP-2021, February 2, 2021

risks that might merit a full audit. Table 2, also on page 4, lists our ongoing monitoring work.

As the year unfolds, we may adjust this plan to ensure that we continue to focus our resources to the highest risks and impacts. We welcome input on our planned work. Please direct any questions or comments to me or Jim Morrison, Assistant Inspector General for Audits, at 202-906-4600.

Sincerely,



Kevin H. Winters
Inspector General

Amtrak Office of Inspector General
Annual Audit Plan 2021
OIG-AP-2021, February 2, 2021

TABLE OF CONTENTS

SAFETY AND SECURITY	5
ACQUISITION AND PROCUREMENT	5
FINANCIAL PERFORMANCE	6
GOVERNANCE	7
HUMAN RESOURCES	9
INFORMATION TECHNOLOGY.....	9
ONGOING MONITORING WORK.....	9
ADDITIONAL AREAS TO CONSIDER.....	11

Amtrak Office of Inspector General
Annual Audit Plan 2021
 OIG-AP-2021, February 2, 2021

Table 1. Audits Planned for 2021

Title	Issue Area
1. Assessing the Effectiveness of Cybersecurity Controls	Information Technology
2. Assessing Management of the Procurement to Replace Single-Level Passenger Cars (Amfleet Equipment)	Acquisition and Procurement
3. Reviewing Program Management and Oversight of the Gateway Program	Governance
4. Assessing the Use of Special Pandemic Relief Funding	Governance
5. Assessing the Capital Project Planning Process	Financial Performance
6. Assessing the Systems and Processes to Track and Report Company Costs	Financial Performance
7. Assessing Engineering's Efforts to Optimize its Workforce	Human Resources
8. Assessing the Processes to Forecast and Plan for Future Business Demand	Financial Performance
9. Assessing Oversight of Major Contracts	Acquisition and Procurement
10. Assessing Compliance with the Americans with Disabilities Act (ADA)	Governance
11. Assessing the Effectiveness of Controls over Major Inventory	Governance
12. Oversight of the Fiscal Year (FY) 2021 Single Audit*	Governance
13. Oversight of the FY 2021 Consolidated Financial Statement Audit*	Governance

*The monitoring of this audit is required by the Inspectors General Act of 1978, as amended.

Table 2. Ongoing Monitoring Efforts for 2021

Title	Issue Area
1. Monitoring the Deployment of the Safety Management System (SMS)	Safety and Security
2. Monitoring the Implementation of Positive Train Control (PTC)	Safety and Security
3. Monitoring the Testing and Delivery of the Acela 21 Program	Acquisition and Procurement
4. Monitoring Efforts to Redevelop Major Stations	Governance

Amtrak Office of Inspector General
Annual Audit Plan 2021
OIG-AP-2021, February 2, 2021

SAFETY AND SECURITY

The company has made improving its safety culture and performance a top priority. To achieve this goal, the company is implementing a new Safety Management System (SMS) and has completed installation of Positive Train Control (PTC) on tracks it owns or controls. The company continues to face challenges, however, in ensuring employee and customer safety. From fiscal years 2015 through 2019, safety incidents resulted in 26 passenger and employee fatalities, numerous injuries, and more than \$267 million in actual and estimated liability payments and other associated costs.

During calendar year 2020, our office issued five audit reports focused on improving safety and security. These reports focused on identifying security weaknesses in the company's shipping program, optimizing management and use of its police department, evaluating its safety culture, reducing risks from employees' misuse of opioids, and assessing interoperability of PTC with other railroads. We are also currently assessing the company's progress in implementing its SMS. We will continue monitoring the company's SMS implementation to identify any developing risks and plan to reevaluate the program once it has matured. We discuss this later in our section titled "Additional Areas to Consider."

ACQUISITION AND PROCUREMENT

The company typically spends more than \$2 billion a year on various goods and services, and despite the ongoing financial impacts of the pandemic, is proceeding with some of the largest procurements in its history. It is also in the process of rolling out a system to more efficiently store and track the data it needs to effectively execute these procurements. The company continues to face challenges, however, in effective contract development, management, and oversight, leaving it vulnerable to increased costs, schedule delays, and poor performance. We plan to initiate two audits in this area:

- **Assessing Management of the Procurement to Replace Single-Level Passenger Cars (Amfleet Equipment).** In 2021, the company plans to begin replacing more than 450 single-level Amfleet I passenger cars—over 30 percent of its fleet—at a cost of about \$3.3 billion. The company has had challenges managing major acquisitions in the past, however, and given the critical importance of this equipment to its future operations, it will be crucial for the company to effectively manage this acquisition. Our objective would be to assess the company's management and oversight of this procurement and identify risks,

Amtrak Office of Inspector General
Annual Audit Plan 2021
OIG-AP-2021, February 2, 2021

if any, to completing it on time, within budget, and in accordance with performance requirements.

- **Assessing Oversight of Major Contracts.** Our prior work has identified challenges with the company's contract oversight that could pose financial, operational, and legal risks. For example, we found that the company incurred excess costs on some spare parts and maintenance contracts due to oversight weaknesses. Our objective would be to select at least one of the company's major vendor contracts and evaluate the effectiveness of its oversight and the reasonableness of billed costs. We would select from ongoing contracts based on their costs and impacts on company operations.

FINANCIAL PERFORMANCE

In February 2020, the company was on track to have the first break-even year in its history. As the pandemic took hold, however, revenues and ridership fell to record lows, and the company's financial picture deteriorated dramatically. The company took aggressive actions to preserve cash and minimize the negative impact on employees and service, and Congress has provided the company a total of \$2.018 billion in funding to help it address the pandemic. With a disappointing revenue outlook in the near future, however, and additional supplemental federal funding requests likely in FY 2021, the company must continue to identify and capitalize on opportunities to carefully manage its limited financial resources. We plan to initiate four audits in this area:

- **Assessing the Capital Project Planning Process.** The company recently revised and automated its capital project planning process to better oversee and prioritize its capital spending. As the company plans to spend billions of dollars to upgrade its trains, stations, and infrastructure, it will be critical that it develops sound business cases for each project, reliably estimates costs, thoughtfully assesses its management capacity, and makes rational trade-off decisions for which projects to prioritize and fund. Our objective would be to compare the company's practices for capital project planning with common or leading industry practices to identify any possible improvements.
- **Assessing the Systems and Processes to Track and Report Company Costs.** Our prior work has identified challenges in the company's cost accounting processes that limit its ability to accurately track, manage, and report expenses to its executives and the congressional and Federal Railroad Administration

Amtrak Office of Inspector General
Annual Audit Plan 2021
OIG-AP-2021, February 2, 2021

stakeholders that make decisions about its federal funding. Our objective would be to compare the company's practices for tracking and reporting costs with common or leading industry practices to identify possible improvements.

- **Assessing the Processes to Forecast and Plan for Future Business Demand.**
The company is facing extraordinary challenges given the recent steep declines in ridership and revenue. It also faces challenges predicting when riders will return and in what numbers because it can no longer rely on historical trends to make business decisions. The company, however, has begun taking actions to address these challenges. As a result, our objective would be to identify these key actions, with the goal of publishing an alternative product to help inform key stakeholders. If in the course of this work we identify deficiencies, we may shift to assessing the robustness of the company's processes for forecasting revenue and ridership, planning for various demand scenarios, and coordinating those efforts with key internal stakeholders who depend on these forecasts, such as the Operations department.

GOVERNANCE

The company has taken several steps to address longstanding challenges in establishing and maintaining company-wide governance processes, including updating policies, procedures, and practices for managing its major programs and projects. Our recent work shows, however, that the company still has work to do to effectively and efficiently manage these programs and projects, ensure that strategic goals drive funding priorities, and manage risk at all levels of the company. We plan to initiate six audits in this area:

- **Reviewing Program Management and Oversight of the Gateway Program.**
The company with its external partners, which include the states of New York and New Jersey, intend to increase rail capacity and improve resiliency on the company's Northeast Corridor. The program includes multiple major long-term projects, some of which are already in various phases of design and construction. For years, we have been monitoring the company's intersection and activities associated with these projects and determined that they now are at a phase where it is appropriate to audit these activities at a strategic level. Accordingly, our objectives are to assess planning, governance structure, and capacity for the company to effectively manage and oversee its commitments to the program.

Amtrak Office of Inspector General
Annual Audit Plan 2021
OIG-AP-2021, February 2, 2021

- **Assessing the Use of Special Pandemic Relief Funding.** In March 2020, to offset losses resulting from the pandemic, the company received \$1.018 billion in supplemental federal funding, which we monitored and assessed. In December 2020, the company received \$1.0 billion in additional federal assistance to mitigate the continuing impacts of the pandemic. Our objective will be to monitor and assess how the company uses, accounts for, and reports on these funds to ensure it is being fiscally responsible and transparent.
- **Assessing Compliance with the Americans with Disabilities Act (ADA).** Our prior work has identified weak management in the company's ADA program that led to cost overruns and delays in achieving statutorily required goals to making its facilities accessible for passengers with disabilities, and we have ongoing work in this area. Several recent high-profile incidents, however, indicate that weaknesses may persist in the company's policies and procedures for serving passengers with disabilities. Our objective for an additional audit would be to assess the company's policies and procedures to ensure its services for passengers with disabilities comply with ADA requirements.
- **Assessing the Effectiveness of Controls over Major Inventory.** Our prior work has identified weaknesses in the company's inventory controls over tools, parts, and materials. These weaknesses create opportunities for fraud, waste, and abuse and can lead to significant financial losses. Our objective would be to assess the adequacy of the company's controls to ensure that it safeguards and accurately tracks its inventories of tools, parts, and materials.
- **Oversight of the Fiscal Year (FY) 2021 Single Audit.** We will monitor the work of the independent public accounting firm (IPA) performing Amtrak's FY 2021 Single Audit. Our objective is to determine whether the IPA performed the audit in accordance with generally accepted government auditing standards.
- **Oversight of the FY 2021 Consolidated Financial Statement Audit.** We will monitor the work of the IPA performing the audit of Amtrak's FY 2021 Consolidated Financial Statements. Our objective is to determine whether the IPA performed the audit in accordance with generally accepted government auditing standards.

Amtrak Office of Inspector General
Annual Audit Plan 2021
OIG-AP-2021, February 2, 2021

HUMAN RESOURCES

The company has taken several steps to streamline its human resource costs, most notably by significantly reducing the number of management employees. The company continues to face challenges, however, in ensuring it uses consistent, efficient human capital processes and retains the workforce capacity to deliver on its stated goals.

We plan to initiate one audit in this area:

- **Assessing Engineering's Efforts to Optimize its Workforce.** Our prior work has identified potential scope, schedule, and budget risks to infrastructure projects because the Engineering department faced challenges in effectively managing its workforce to ensure it could provide needed expertise to these projects on time. Our objective would be to assess how the Engineering department configures its agreement workforce to identify opportunities to increase efficiency.

INFORMATION TECHNOLOGY

A common concern across all companies is the ever-evolving threat of cyber-attacks on core business systems and data. Our prior work has identified additional opportunities for the company to protect its information technology (IT) systems and data from such attacks and to enhance the reliability and quality of its data. We plan to initiate one audit in this area:

- **Assessing the Effectiveness of Cybersecurity Controls.** The company is in the process of upgrading key IT systems. The objective of this audit would be to assess the extent to which the company adheres to common industry cybersecurity standards designed to ensure effective controls over these IT systems.

ONGOING MONITORING WORK

Several years ago, we began regularly monitoring the company's progress on major long-term acquisitions and infrastructure projects to determine whether they posed risks that merited a full audit. We selected three programs: the rollout of the new Acela trainsets, the Major Station Stations Redevelopment program, and the Gateway program. We have since issued three reports on the Acela program, and a report on the redevelopment efforts at Washington Union Station. In addition to the review of

Amtrak Office of Inspector General
Annual Audit Plan 2021
OIG-AP-2021, February 2, 2021

the Gateway program that we plan to initiate this year, we will continue to regularly monitor these four major programs:

- **Monitoring the Deployment of the Safety Management System (SMS).** The company is developing and deploying a federally mandated safety program to address weaknesses in its safety culture and improve safety outcomes. We will stay apprised of the company's progress implementing its SMS to identify any developing risks.
- **Monitoring the Implementation of Positive Train Control (PTC).** PTC is the company's key safety system to prevent train accidents. The company reported that it has completed PTC installation on its tracks and has achieved system interoperability with its hosts and tenants. Our recent work, however, identified areas that will require significant company focus in the coming year, including restructuring its program management team to ensure effective PTC operations and addressing challenges we identified to more fully measure performance and assess safety risks. Accordingly, we will stay apprised of the company's efforts to operate PTC, measure its performance, and assess safety risks, in keeping with the recommendations we made in our recent report.
- **Monitoring the Testing and Delivery of the Acela 21 Program.** This program is the largest single investment in the company's history. The vendor and the company are currently testing the new Acela trainsets, and the company plans to launch them for revenue service in 2021. We will stay apprised of the company's oversight of the program to identify any developing risks in its early operations.
- **Monitoring Efforts to Redevelop Major Stations.** The company is undertaking five major station redevelopment projects using private partners—commonly called master developers—who will design and implement them. Our prior work identified concerns with the company's capacity to manage individual redevelopment projects. We will stay apprised of all five projects and the company's capacity to concurrently manage and oversee them to identify any developing risks.

Amtrak Office of Inspector General
Annual Audit Plan 2021
OIG-AP-2021, February 2, 2021

ADDITIONAL AREAS TO CONSIDER

Below are five areas that we consider to be important for the company to address to ensure it is a good steward of taxpayer resources, but that we did not have the resources to audit at this time.

- **Reviewing Major Capital Projects.** The company recently started, or would like to start, a suite of major infrastructure projects totaling nearly \$4 billion. This includes the replacement or rehabilitation of critical infrastructure such as the Baltimore and Potomac tunnel and the Susquehanna Bridge. We would assess the effectiveness of the company's management of selected major capital projects and the extent to which it is identifying and mitigating project risks.
- **Assessing Management of Infrastructure Assets.** We have previously reported on weaknesses in the data the company uses to manage and maintain assets such as its real estate, locomotives, maintenance of way equipment, and rolling stock. Other railroads are using advanced technology to supplement their asset management process and assist in capital planning and ensuring an adequate state-of-good repair. We would assess the company's policies and procedures for asset management and compare them with industry leading practices to identify any possible improvements.
- **Assessing the Company's Sustainability Plan.** The company has made a commitment to be the leader in the passenger rail industry through innovation, technology, and responsible resource use, and to consider sustainability in all planning, development, operations, maintenance, and capital improvements. We would assess the extent to which the company has taken climate change and other environmental considerations into account as it plans its future routes and infrastructure footprint.
- **Virginia Extension Program.** Over the next 10 years, the company plans to spend at least \$944 million to support the effort to greatly increase passenger rail traffic between Washington, D.C. and Richmond, Virginia. We would assess the effectiveness of the company's development and management of this Virginia Extension Program.
- **Assessing Management of Leave Programs.** Our Office of Investigations has identified significant fraud in employees' use of leave—including paid sick leave and leave taken under the Family Medical Leave Act (FMLA). We would assess the company's management of its paid time off, FMLA leave, and other leave

Amtrak Office of Inspector General
Annual Audit Plan 2021
OIG-AP-2021, February 2, 2021

programs, the effectiveness of its controls to mitigate fraud and abuse, and the impacts of the misuse of leave on company operations, including the need to pay overtime wages to cover shifts when employees are absent.

OIG MISSION AND CONTACT INFORMATION

Mission

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

Obtaining Copies of Reports and Testimony

Available at our website www.amtrakoig.gov

Reporting Fraud, Waste, and Abuse

Report suspicious or illegal activities to the OIG Hotline

www.amtrakoig.gov/hotline

or

800-468-5469

Contact Information

Kevin H. Winters

Inspector General

Mail: Amtrak OIG

10 G Street NE, 3W-300

Washington, D.C. 20002

Phone: 202-906-4600

Email: Kevin.Winters@amtrakoig.gov