



OFFICE *of* INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION

*Before the Subcommittee on Transportation, Housing and Urban Development,
and Related Agencies
Committee on Appropriations
U.S. House of Representatives*

**“Oversight Hearing: Inspectors General of the Department of Housing and Urban
Development, Department of Transportation, and the National Railroad Passenger
Corporation.”**

Testimony of Kevin H. Winters
Inspector General
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Chairman Womack, Ranking Member Quigley, and Members of the Subcommittee:

Thank you for inviting me here today to discuss the Office of Inspector General's (OIG) oversight of Amtrak (the company) programs and operations. Although the Amtrak OIG is relatively small, I am proud of our extensive oversight record made through our audits, investigations, and other activities.

The company finds itself in a position unprecedented since it began operations in 1971. Not only is it charged with providing safe, efficient, and effective transportation to its customers, but it is now advancing the largest capital portfolio in its history. With access to as much as \$66 billion from the Infrastructure Investment and Jobs Act (IIJA),¹ the company is in varying stages of modernizing its fleet, tunnels, bridges, stations, and technology systems. At the same time, the company is pursuing ambitious goals of doubling pre-pandemic ridership to 66 million by fiscal year (FY) 2040 and expanding service to as many as 160 new communities, all while adapting to changes in customer demand in the wake of the pandemic.

The volume of federal funds, the creation of a capital delivery function, and the massive hiring of workers to execute its plans present significant implementation risks and oversight challenges. That said, while the company is pursuing this once-in-lifetime effort, it must still meet obligations that are difficult under the best of circumstances: running a safe, efficient passenger railroad, pursuing financial stability, and providing excellent service to its customers. Our work demonstrates that Amtrak recognizes the complexity of this moment and is taking steps to proceed responsibly. Nevertheless, the scope of this undertaking is daunting and, in my opinion, requires robust, coordinated oversight by the OIG, Federal Railroad Administration (FRA), Amtrak's Board of Directors, and Congress.

As I reported in the last three semi-annual reports to Congress, Amtrak's Board of Directors is an important element in ensuring the company fulfills its mission effectively and efficiently. The Senate's recent confirmation of three Board members is encouraging and will help give Amtrak, the Administration, Congress, and the American taxpayers additional assurance that Amtrak has the necessary oversight as it

¹ Infrastructure Investment and Jobs Act, Pub. L. No. 117-58, 135 Stat. 429 (2021).

implements historic federal investments. Notwithstanding this progress, the three other Board members are serving far beyond the five-year terms of their Senate-confirmed appointments, and we continue to emphasize the urgency to identify, nominate, and confirm additional qualified candidates to help oversee the company during this unprecedented era in passenger rail.

Finally, we trust that our work helps inform congressional oversight, as we provide additional information and insights regarding Amtrak's stewardship of taxpayers' funds. Among other duties, our office independently and objectively identifies risks and vulnerabilities that affect Amtrak's mission and its responsibilities to its partners and the travelling public. With about 100 employees, we strategically align our resources to identify and address Amtrak's most serious management and program challenges and develop recommendations for improved performance. The remainder of my written testimony focuses on the areas where we currently see the greatest challenges facing the company. These are: (1) running a safe and secure railroad, (2) responsibly executing its historic capital improvement plans, (3) maintaining efficient, reliable, and financially sound operations, and (4) reducing the ever-present risk of fraud. I will also describe the issues our office has already addressed and the areas it plans to assess in the near future to help Amtrak meet these challenges.

RUNNING A SAFE AND SECURE PASSENGER RAILROAD

Providing a safe and secure travel environment is the cornerstone of the company's viability. The company reported that Amtrak's Chief Executive Officer and Board of Directors have challenged Amtrak to become the safest passenger railroad in the country,² with the safety of its passengers and employees as its primary focus. Operating a passenger railroad has inherent risks, however, given the speed and complexity of modern rail operations as well as human factors affecting myriad decisions made by Amtrak employees, host railroad personnel, the travelling public, and those in proximity to the tracks. Not surprisingly, human factors accounted for the company's most serious accidents over the past nine years. Since the National Transportation Safety Board (NTSB) characterized Amtrak as having a "weak safety culture" in 2017,³ the company has re-examined its approach to safety through various initiatives. Our work reflects the status of these improvements as well as the continued risks associated with train accidents, employee safety, station and facility security, and cybersecurity, as follows.

² Amtrak, *System Safety Program Plan*, September 2023.

³ *Amtrak Train Collision with Maintenance-of-Way Equipment Chester, Pennsylvania April 3, 2016*. Adopted November 14, 2017. <https://www.nts.gov/investigations/AccidentReports/Reports/RAR1702.pdf>

Reducing the risk of train derailments and strikes. Amtrak is a 24/7 passenger railroad with more than 300 trains running daily across approximately 21,000 miles of track—most of which are shared with freight railroads. In FY 2023, the company transported about 28.5 million passengers. Since the inception of train travel, passengers and crews have faced the risk of derailments and collisions, and experienced tragic consequences when they occur. Amtrak is no exception to these incidents, experiencing a series of derailments from 2015 through 2016 which served as the basis for NTSB’s criticisms in 2017.⁴

Since that time, the company has undertaken various initiatives to improve safety, which include elevating its Safety and Security department to an executive function that reports directly to the company’s President and developing its System Safety Program Plan—commonly known as a Safety Management System—in advance of the March 2021 regulatory deadline.⁵ Our audit work in this area has also noted the importance of the company’s installation of Positive Train Control—its automated safety system for slowing or stopping trains to prevent accidents.⁶ Notably, since September 2021, the company has not experienced a derailment that resulted in an NTSB investigation, and its September 2021 derailment was attributable to a host railroad’s track conditions.⁷

Train strikes are a significant source of rail fatalities across the country.⁸ Almost all of the train strike fatalities involving Amtrak trains occur at highway grade crossings or on host railroad tracks—property that the company does not own. This limits the company’s ability to improve crossings or install fencing to deter trespassers. Thus, any meaningful risk-mitigation efforts will necessarily involve coordination with host

⁴ *Safety and Security: The Company Can Take Steps to Evaluate Its Current Safety Culture* (Interim Audit Report OIG-A-2021-001), October 2, 2020.

⁵ The company submitted a draft in November 2018 and regularly submits updates. See *Safety and Security: The Company Has Made Significant Progress Implementing New Safety Program* (OIG-A-2021-008), April 8, 2021; and *Safety and Security: The Company Can Take Steps to Evaluate Its Current Safety Culture* (Interim Audit Report OIG-A-2021-001), October 2, 2020.

⁶ *Safety and Security: Amtrak Expects Positive Train Control will be Interoperable with Other Railroads but Could Better Measure System Reliability* (OIG-A-2021-004), December 11, 2020; *Progress Made Implementing Positive Train Control, but Additional Actions Needed to Ensure Timely Completion of Remaining Tasks* (OIG-A-2017-001), October 6, 2016; and *Safety and Security: Progress Made in Implementing Positive Train Control, but Significant Challenges Remain* (OIG-A-2015-013), June 19, 2015.

⁷ NTSB determined that this derailment occurred because of a combination of conditions that affected the host railroad track. It published its final report on this derailment in July 2023. See NTSB, *Derailment of Amtrak Passenger Train 7 on BNSF Railway Track, Joplin, Montana September 25, 2021* (Railroad Investigation Report RIR-23-08), July 5, 2021.

⁸ For the purposes of this testimony, we are defining grade crossing collisions and trespasser strikes as train strikes.

railroads, state and local governments and police, and non-governmental organizations. Because of the critical importance of these issues, our office is currently conducting work to analyze the company's efforts to assess its trespasser and vehicle strike risks and identify opportunities for improvement.⁹

Reducing employee accidents and injuries. No less important than the safety of passengers is the safety of Amtrak's approximately 22,000 employees.¹⁰ Our April 2021 work found that the company's implementation of its Safety Management System was consistent with federal requirements that called for the company to develop a safety policy and risk management strategy.¹¹ The longer-term success of the company's efforts to improve safety, however, depends on transforming its culture. Accordingly, we recommended that the company conduct a survey of its safety culture and use the results to assess its progress. The company agreed with these recommendations and has implemented them. As of December 2023, the company had conducted two employee surveys of its safety culture and used the results to develop a plan to address some of the challenges the surveys identified and create a roadmap for further improvement. These are positive and significant steps towards developing sustainable safety improvements. Nevertheless, the company continues to face challenges in this area. For example, our investigators recently uncovered instances of employees putting themselves at risk of an accident by walking or driving next to live tracks without requesting the required pause in operations to ensure safety.¹²

Improving security at Amtrak stations and facilities. Amtrak operates at more than 500 stations in 46 states, the District of Columbia, and three Canadian provinces. The company has varying degrees of ownership of these stations, however, with sole responsibility for fewer than one-third of them. This complicates its ability to provide adequate security. Regardless of ownership, passengers need assurance that their travel is indeed safe. In 2020, we found that rail organizations across the world place a premium on customer perceptions of safety because if customers do not feel safe, the organization's reputation suffers, and customers could switch to a different mode of

⁹ Engagement Memo—Trespasser and Vehicle Strikes (Project Code 004-2024), October 27, 2023.

¹⁰ Amtrak reported on its 2023 year-end employee numbers in March 2024. Amtrak, *General and Legislative Annual Report & FY 2025 Grant Request*, March 14, 2024.

¹¹ *Safety and Security: The Company Has Made Significant Progress Implementing New Safety Program* (OIG-A-2021-008, April 8, 2021; and *Safety and Security: The Company Can Take Steps to Evaluate Its Current Safety Culture* (Interim Audit Report OIG-A-2021-001), October 2, 2020.

¹² *Opportunities to Reduce the Risks of Track Safety Violations* (OIG-WS-2024-320), February 28, 2024.

transportation, subsequently impacting ridership and revenue.¹³ Amtrak is no different, and it needs to continue to assess passenger safety and security.

Company officials have told us about crimes against passengers and employees at stations and facilities, as well as difficulties managing the vulnerable populations that frequent these stations. For example, we identified security risks to employees at one facility we visited on a routine audit. The risks were so significant that onsite managers felt compelled to regularly approach and detain dangerous or even armed trespassers until first responders arrived.¹⁴ Most recently, we identified security vulnerabilities at 9 of the 10 inventory storage facilities we visited, exposing company inventory to greater risk of loss or theft.¹⁵ In response to our work, the company is implementing additional processes and safeguards to better protect passengers, employees, and company assets, including consolidating control over its private security contractors.¹⁶ Recognizing the importance of these issues, we plan to conduct additional assessments of physical security at the company's major stations and yards.¹⁷

Our investigators also help promote safety and security by coordinating with the Amtrak Police Department and the company's critical incident response team following significant incidents such as derailments, shootings, or crimes committed on Amtrak trains or property. Continued company focus—and robust oversight by the OIG, FRA, the Board of Directors, and Congress—will be integral to reducing the tragic loss of life associated with such incidents.

Reducing cybersecurity risks. Like many organizations, the company faces significant threats from malicious cyber actors—both internal and external—to its technology systems. Cybersecurity breaches against our nation's infrastructure have increased, such as a breach in 2021 that affected one of the largest refined petroleum pipelines in the United States.¹⁸ For Amtrak, such risks are complicated by the fact that in FY 2023,

¹³ *Safety and Security: Management of the Police Department Has Recently Improved, but Foundational Decisions Are Needed on its Role and Priorities* (OIG-A-2020-012), July 1, 2020.

¹⁴ *Safety and Security: Observations on Security at the *REDACTED* Facility*, (OIG-MAR-2023-006), May 9, 2023.

¹⁵ *Asset Management: Company Has Opportunities to More Effectively Manage and Safeguard Maintenance-of-Equipment Inventory*, (OIG-A-2024-004), February 22, 2024.

¹⁶ *Safety and Security: Company Faces Impediments Identifying and Managing Private Security Contractors*, (OIG-MAR-2023-009), June 23, 2023.

¹⁷ *Annual Audit Plan 2024* (OIG-AP-2024), February 7, 2024.

¹⁸ *Information Technology: Better Identifying and Tracking Operational Technology Assets Across the Company Would Improve Cybersecurity* (OIG-A-2023-002), November 7, 2022.

the company had more than 340 different information technology systems that process its business data or operational technology systems that support its train operations.¹⁹

We have previously reported on the challenges related to the company's efforts to identify and track technology assets for its critical train control systems, increasing the risk of cyberattacks that could disrupt train operations. More recently, we assessed how the company protects information systems and data from insider threats and made recommendations to better protect these systems.²⁰ Our investigators have also uncovered instances when employees or contractors misused or took advantage of their system access and either deliberately or inadvertently exposed sensitive company information.²¹ To keep pace with the ever-evolving cybersecurity landscape, our office plans to assess the company's efforts to mitigate cybersecurity risks related to vendors and suppliers hosting, supporting, or otherwise connecting to the company's systems and networks.²²

RESPONSIBLY EXECUTING HISTORIC CAPITAL PLANS

IIJA funds the largest capital investment in the company's history. The Act provides \$22 billion exclusively to the company to bring its capital assets into a state of good repair and acquire new rolling stock, among other uses. It also provides \$44 billion for competitive grants to the company, state and local governments, and other rail carriers to advance safe, clean, and efficient passenger and freight rail. Accordingly, IIJA could triple Amtrak's annual capital spending over the coming years and will significantly expand its traditional passenger rail mission to include a major capital delivery mission.

In September 2023, our office reported that Amtrak was actively positioning itself to comply with IIJA's operations, policy, and funding requirements, including the company's use, accounting, and reporting of the \$22 billion in direct funding.²³ The company's steps included developing a spending plan for using IIJA funds and a plan for meeting accounting and reporting requirements. These were positive early

¹⁹ *Amtrak: Insights on Fraud Risks as the Company Expands Its Mission* (OIG-SP-2023-007), May 15, 2023.

²⁰ *Technology: Results of Audit Assessing Company Controls to Protect Information Systems and Data from Insider Threats* (OIG-A-2024-001), December 11, 2023.

²¹ *System Engineer Counseled for Installing Unauthorized Software* (OIG-WS-2023-322), March 31, 2023; *Employee Counseled for Improperly Sharing Access to Company Files* (OIG-WS-2023-326), March 3, 2023; and *Former Contractor Violated Policy by Wrongfully Uploading Sensitive and Proprietary Company Data* (OIG-WS-2020-328), June 2, 2020.

²² *Audit Plan 2024* (OIG-AP-2024), February 7, 2024

²³ *Financial Management: The Company Has Proactively Taken Steps to Comply with the Infrastructure Investment and Jobs Act* (OIG-A-2023-011), September 1, 2023.

steps, but our office will continue to monitor and report as appropriate on any developing issues in this important area.

To date, the company has multiple infrastructure programs and rolling stock procurements in design or execution, each with estimated costs in the billions. The infrastructure programs include the \$40 billion Gateway program,²⁴ which will double rail capacity between New York and New Jersey, and the \$6 billion Frederick Douglass Tunnel program to replace a 1.4-mile Civil War-era tunnel under the city of Baltimore. At the same time, the company is making its three largest rolling stock purchases in history—the \$2.3 billion New Acela program to replace its aging, legacy high-speed fleet, the \$4.1 billion Airo equipment acquisition to replace its intercity trainsets,²⁵ and the multi-billion-dollar replacement of its long-distance fleet. Any one of these would be a generational endeavor by itself, but the company is engaged in all of them simultaneously—along with a host of other construction work—making its current portfolio of capital projects truly historic.

We have reported extensively on longstanding challenges in the company's management of major programs, projects, and procurements. This work helped catalyze the company to make noteworthy changes. For example, in 2022, the company created a new Capital Delivery department to manage the planning and implementation of major programs and projects. It also created an enterprise-wide project management office, issued management standards,²⁶ developed trainings and certifications to build managers' skills, and took other actions in line with our findings and recommendations. Nevertheless, given the enormity of the company's commitments over the next decade, it must remain keenly focused on addressing three fundamental challenges that could impact its success, as follows.

Improving program and project management. To ensure responsible stewardship of taxpayer dollars and deliver major capital projects on time and on budget, the company must have a strong foundation in program management—an area where it has

²⁴ The Gateway program is a \$40 billion portfolio of projects to upgrade and replace rail infrastructure between Newark, New Jersey, and New York City—the most heavily used passenger rail corridor in the United States. The company has varying responsibilities across the Gateway program, from leading the construction and delivery on some projects to supporting its partners as they lead other projects.

²⁵ At the time of our report in December 2022, the total cost of the program was approximately \$7.3 billion, which included the trainset acquisition, maintenance contract, and facilities upgrades. The company transferred the facilities upgrades into a broader National Facilities Program and in April 2024, estimated the trainset acquisition alone would be about \$4.1 billion.

²⁶ Amtrak Enterprise Program Management Office (EPMO), *Enterprise Project Management Standards*, October 1, 2019; and Amtrak EPMO, *Project Management Procedure Manual*, October 1, 2018. The company updated the standards in December 2021.

struggled. In particular, the company has faced challenges conducting adequate program planning, leading to cost overruns and delays. For example, we reported that on the Moynihan Train Hall program—which converted the James A. Farley Post Office into Amtrak’s flagship New York City station—the company increased its initial cost estimate by \$72.8 million (nearly 69 percent) because it did not initially budget for basic costs that a major project would typically include, such as construction management.²⁷ In addition, we reported that the company’s New Acela program is at least three years behind schedule, and additional delays are likely.²⁸ Similarly, we identified that the Portal North Bridge project faces cost and schedule risks if Amtrak cannot fully support the project leader, New Jersey Transit, with track outages and labor—risks that Amtrak could have mitigated during planning.²⁹ Some of the challenges we have identified extend company-wide and require system-level fixes. For example, our prior work identified gaps in the company’s systems that hindered project teams from accessing detailed and standardized cost data, which impeded their ability to identify emerging problems that might lead to cost overruns.³⁰

We have also reported on the company’s longstanding pattern of insufficient project management processes, tools, and staff to oversee the capital investment work. For example, we found that on the Gateway Program, the company had not fully developed a thorough framework that described the processes its departments would follow and the tools they would use to manage the program even though major projects in support of this program were already underway when we issued our report.³¹ Similarly, we previously identified that the company had not developed foundational program management tools for the New Acela program, such as a master schedule and a risk register.³² To successfully deliver its growing capital commitments on time and budget and to maximize the benefits of federal investments, the company must have disciplined processes and sufficient staff to effectively plan its work, mitigate risks, and proactively address emerging issues. The relatively new Capital Delivery department

²⁷ *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.

²⁸ *Major Programs: Company Improved Management of New Acela Program, but Additional Delays and Cost Increases are Likely* (OIG-A-2023-013), September 29, 2023.

²⁹ *Major Programs: Portal North Bridge Project is Progressing, but Opportunities Exist to Improve Company Oversight and Reduce Risk* (OIG-A-2024-007), May 2, 2024.

³⁰ *Governance: Company Is Strengthening Project Cost Management but Can Better Organize Costs and Improve Guidance* (OIG-A-2023-010), July 17, 2023.

³¹ *Governance: Company Needs a Comprehensive Framework to Successfully Manage its Commitments to the Gateway Program* (OIG-A-2022-006), February 4, 2022.

³² *Train Operations: The Acela Express 2021 Program Faces Oversight Weaknesses and Schedule Risks* (OIG-A-2018-002), November 16, 2017.

appears to be making progress in that direction; however, our work has shown signs that additional focus may be needed.

Enhancing stakeholder coordination. The company's success in executing its capital program will also depend on cooperation, coordination, and support from an array of external partners, such as state governments, commuter rail agencies, local governments, regional working groups, freight rail companies, FRA, and Congress. The ability to collaborate effectively with its external partners will be a necessary precursor to successfully accessing the \$36 billion in funds IIJA provided for the Federal State Partnership for Intercity Passenger Rail program. As we reported in 2022, however, the company has not been successful in resolving issues with some of its state partners on how to share capital expenses.³³ Similarly, the company has struggled to meet its target completion date to bring stations into compliance with the Americans with Disabilities Act (ADA), largely due to challenges coordinating with third parties such as other station owners and host railroads.³⁴

The company must also effectively coordinate engagement among its internal stakeholders to ensure that the requirements it develops for its programs and projects are complete, feasible, and meet its business needs. Here too, the company's program management practices have had mixed results, which has sometimes resulted in cost increases and schedule delays. For example, on the Airo program, we found that the company did not engage all stakeholders when it developed its requirements, leading to a \$42.5 million company-initiated change order and a schedule delay of five and a half months.³⁵ Similarly, in 2022, we found that the company was not fully identifying requirements for technology projects, in part because it did not include all relevant staff to ensure that requirements were complete, leading to schedule slippages and cost overruns.³⁶ Finally, in 2022, we reported that the company's purchase of a building for its Unified Operations Center was premised on two significant—yet faulty—assumptions: (1) that the company could centralize and co-locate its train control and dispatch personnel, social media staff, and a specialized Amtrak Police Department unit and use the remaining space to relocate technology personnel from leased space; and

³³ *Governance: Amtrak Has Begun to Address State Partners' Concerns About Shared Costs But Has More Work to Do to Improve Relationships* (OIG-A-2022-005), January 31, 2022.

³⁴ 49 C.F.R. § 37.49 assigns ADA responsibility based on ownership. See: *Major Programs: Americans with Disabilities Act Program Progressing, but Faces Some Challenges to Meeting Completion Goals* (OIG-A-2023-012), September 13, 2023.

³⁵ *Train Operations: Company Has Improved Management of Intercity Trainset Acquisition and Can Improve Stakeholder Engagement on Major Capital Programs* (OIG-A-2023-005), December 22, 2022.

³⁶ *Information Technology: Better Requirements Could Help the Company Implement Technology Projects More Effectively* (OIG-A-2022-007), March 11, 2022.

(2) that the program would yield cost savings.³⁷ This occurred because the company did not effectively verify the feasibility of centralizing these personnel and functions before purchasing the building, including the need to retrofit the building to accommodate significant technology requirements. The company has since implemented our recommendation and updated its business case with more current assumptions.

Ensuring strong contract development and oversight. In FY 2022, before IJA funding was available, the company spent a little more than \$2 billion annually on capital projects. IJA funds could triple the company's annual capital spending—a significant portion of which will go to contractors. During the last year alone, the company entered into \$3.5 billion in contract commitments for capital projects. The company does not, however, have a centralized repository for storing contracts. Instead, contract storage efforts are decentralized and manually driven, which impacts records retention, increases legal risk, and reduces the company's ability—and our office's ability—to oversee key procurement metrics companywide.³⁸ To help provide more effective oversight, the company has, to its credit, taken steps such as reorganizing its Construction Procurement group to create a mega-construction team with dedicated contracting officers for projects over \$100 million. Nonetheless, the company must employ strong procurement practices to further ensure that goods and services meet contract terms, that invoices reflect the goods and services provided, and that the company achieves its desired outcomes. These include writing good contracts, effectively staffing teams to oversee contractors, developing a centralized contract repository, and ensuring continuous oversight by its procurement staff.

Given these issues and the sheer number and scale of construction projects and equipment acquisitions the company has planned or underway, our office has made capital oversight a priority. Our ongoing and planned audit work covers programs estimated to total more than \$50 billion. Examples of work we currently have underway include an audit of the long-distance fleet acquisition, which could become the largest rolling stock acquisition in the company's history, an audit of the Frederick Douglass Tunnel program, which is one of the largest transportation infrastructure investments on the East Coast,³⁹ and an audit of the company's role in the \$16 billion Hudson Tunnel project.⁴⁰

³⁷ *Governance: Business Case for Company's New Unified Operations Program Needs to be Updated* (OIG-A-2022-009), May 11, 2022.

³⁸ *Acquisition and Procurement: Company's Electronic Procurement System Limits Effective Contract Oversight* (OIG-MAR-2022-013) August 16, 2022.

³⁹ Amtrak is the lead sponsor of this project.

⁴⁰ Engagement Memo—Hudson Tunnel Project (Project Code #013-2024), June 18, 2024

MAINTAINING EFFICIENT, RELIABLE, AND FINANCIALLY SOUND OPERATIONS

Even as Amtrak faces new demands associated with building its capital construction capacity, it must also sustain focus on the existing demands inherent to operating an efficient, reliable, modern, and financially sound railroad. As our audit reports and investigations highlight, the company continues to face a number of longstanding operating challenges and will likely face new ones as it seeks to expand its footprint, as follows.

Building a workforce to execute growth plans. As the company works to restore its infrastructure and build a network for the future, it will need to hire and train thousands of new managers and skilled workers. The company reports hiring more than 4,800 new employees in FY 2023 and plans to hire thousands more, largely to support IJJA-funded projects. This level of hiring will require a significant investment in recruiting, onboarding, and training. We have reported on the Human Resources department's capacity, capabilities, and technology challenges three times in the past five years⁴¹ and identified opportunities for the company to improve and streamline its hiring processes. Addressing these issues will be key to the company's ability to efficiently build the workforce it needs to support core operations and execute its network growth plans.

Adequately staffing projects has also been a challenge for Amtrak and will become more of a risk as the quantity of work increases and the company competes for workers with other transportation sectors also receiving IJJA funds. For example, our work on the Gateway program found that the core program team was overtasked with multiple, competing priorities, hindering the company's ability to complete early project planning efforts.⁴² Our work on the company's efforts to build its management workforce and our review of its New Acela program similarly identified challenges with understaffing.⁴³ The company responded positively to our findings in each of these reports and began the process of filling needed positions. Guarding against

⁴¹ *Human Resources: Company is Meeting Hiring Goals but Has Opportunities to Improve Hiring Efficiency*, (OIG-A-2024-002), December 14, 2023; *Human Resources: The Company is Addressing Engineering Management Workforce Challenges, but Additional Work Remains*, (OIG-A-2022-012), July 12, 2022; and *Human Resources: Department Will Face Challenges Supporting Workforce Growth Plans (Interim Audit Report)*, (OIG-A-2022-003), December 7, 2021.

⁴² *Governance: Company Needs a Comprehensive Framework to Successfully Manage its Commitments to the Gateway Program* (OIG-A-2022-006), February 4, 2022.

⁴³ *Human Resources: The Company is Addressing Engineering Management Workforce Challenges, but Additional Work Remains*, (OIG-A-2022-012), July 12, 2022; and *Train Operations: Acela 21 Program Continues to Face Significant Risk of Delays, Warranting More Contingency Planning*, (OIG-A-2020-004), January 21, 2020.

unreasonable workloads will be key to ensuring that productivity and quality do not suffer from competing demands.

Modernizing technology systems. Like all 21st century organizations, Amtrak is constantly striving to keep pace with evolving technologies. As we have reported over the past four years, however, the company has myriad systems that are outdated and do not always meet its business needs. For example, we have reported on systems supporting Amtrak’s fundamental business processes that did not provide the timely, detailed, and high-quality information managers need to support a range of operating activities—including tracking detailed project costs, managing contracts, capturing hiring information, and overseeing its mechanical inventory.⁴⁴ The company is embarking on a significant technology modernization plan that includes updating existing systems, as well as adopting new technology to transform business operations and protect its large capital investments. We have reported on challenges the company has had, however, in delivering its technology projects on schedule and within budget,⁴⁵ thus emphasizing the need for continued oversight in this area.

Beyond its business technology needs, we have also reported that the company’s operational technology systems—those used to physically run the railroad—also require attention.⁴⁶ Critical systems such as Positive Train Control, train signaling, dispatching, and communications are the backbone of the company’s safe operations. These systems, however, are inherently vulnerable to disruptions from events such as technical issues, natural disasters, and cyberattacks. We have established a dedicated

⁴⁴ *Asset Management: Company Has Opportunities to More Effectively Manage and Safeguard Maintenance-of-Equipment Inventory* (OIG-A-2023-004), February 22, 2024; *Human Resources: Company is Meeting Hiring Goals but Has Opportunities to Improve Hiring Efficiency* (OIG-A-2024-002), December 14, 2023; *Governance: Company Is Strengthening Project Cost Management but Can Better Organize Costs and Improve Guidance* (OIG-A-2023-010), July 17, 2023; and *Acquisition and Procurement: Company’s Electronic Procurement System Limits Effective Contract Oversight* (OIG-MAR-2022-013), August 16, 2022; *Human Resources: Department Will Face Challenges Supporting Workforce Growth Plans* (Interim Audit Report OIG-A-2022-003), December 7, 2021; *Safety and Security: Amtrak Expects Positive Train Control will be Interoperable with Other Railroads but Could Better Measure System Reliability* (OIG-A-2021-004), December 11, 2020; *Governance: More Effective Planning and Coordination of Track Outages Would Help Achieve a State of Good Repair* (OIG-A-2020-016), September 14, 2020; and *Safety and Security: Addressing Security Weaknesses and Operational Impacts of Amtrak Express is Critical to the Program’s Future* (OIG-A-2020-005), January 22, 2020.

⁴⁵ *Information Technology: Better Requirements Could Help the Company Implement Technology Projects More Effectively* (OIG-A-2022-007), March 11, 2022; and *Information Technology: Operations Foundation Program—Restructuring Could Help Control Costs and Limit Risks* (OIG-A-2017-011), June 19, 2017.

⁴⁶ *Information Technology: Better Identifying and Tracking Operational Technology Assets Across the Company Would Improve Cybersecurity* (OIG-A-2023-002), November 7, 2022; *Information Technology: Improving Cybersecurity and Resiliency of Train Control Systems Could Reduce Vulnerabilities* (OIG-A-2019-008), July 9, 2019.

team to focus exclusively on long-standing and emerging high-risk technology issues. Our team's current work includes reviewing the company's processes to mitigate the risk of system disruptions after a disaster.⁴⁷

Emphasizing customer service. Providing high-quality customer service has been one of the company's longstanding priorities. Many factors can affect customers' experiences, and understanding what drives passenger satisfaction is key to improving service. We recently reported that the company is expanding its use of customer satisfaction data to drive a wide variety of customer improvements but has opportunities to better communicate with passengers during enroute train delays and use data and metrics to improve its call center performance.⁴⁸ We also have work underway on the company's efforts to provide high-quality customer service to passengers with disabilities.⁴⁹

Late arrivals and departures negatively impact customer service scores. In FY 2023, 74 percent of customers arrived at their destinations on time,⁵⁰ but on some lines—like the *Southwest Chief* between Chicago and Los Angeles—just under 33 percent of passengers arrived on time. Some factors—particularly freight train interference—are largely outside the company's control, but Amtrak can control other factors, such as making sure its equipment is in good working condition and available to operate as planned. For example, the reliability of Amtrak's aging Acela fleet is declining, causing more train delays and forcing the company to modify its Acela timetable. Amtrak plans to lean heavily on IIJA funds to begin replacing equipment—some of which is approaching the end of its useful life—in order to provide safe, fast, and reliable service to customers throughout its network.

Achieving financial stability while growing the business. Since its inception in the early 1970s, Amtrak has been striving to reduce its reliance on federal operating subsidies—a goal it was on track to reach for the first time in FY 2020 before the pandemic reversed its progress, as Figure 1 shows.

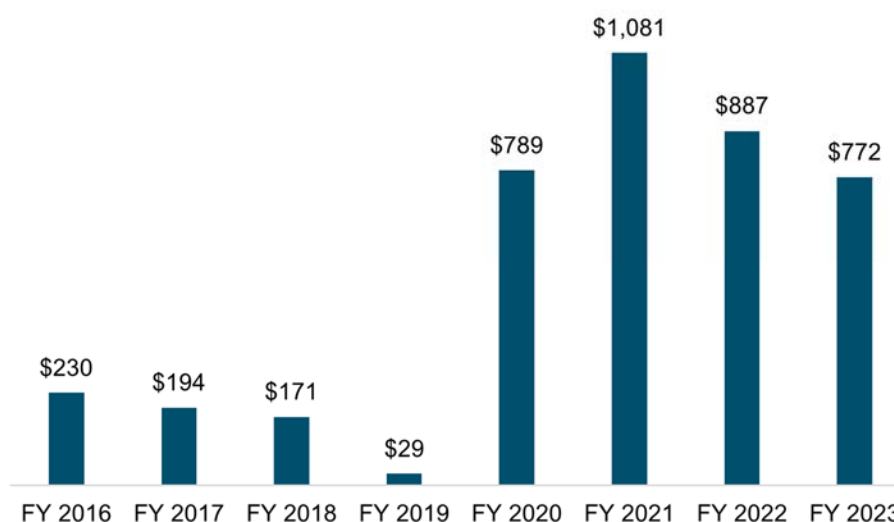
⁴⁷ Engagement Memo—Audit of Disaster Recovery Processes for the Company's Operational Technology Systems (Project Code 006-2024), January 3, 2024.

⁴⁸ *Train Operations: Opportunities Exist to Better Use Data to Improve the Customer Experience.* (OIG-A-2024-006) April 18, 2024.

⁴⁹ Engagement Memo—Customer Service for Passengers with Disabilities (Project Code 007-2024), February 27, 2024.

⁵⁰ On-time performance represents the percentage of customers that arrive at their destination station within 15 minutes of their scheduled arrival time.

Figure 1: Amtrak Adjusted Net Operating Loss, FY 2016–2023, in Millions



Source: Amtrak general and legislative annual reports and grant requests for FYs 2018, 2019, 2020, 2022, 2024, and 2025.

Consistent with other travel providers, the pandemic hit Amtrak hard, with ridership plummeting 97 percent in a matter of weeks. Ticket revenues similarly dropped, and six months into the pandemic continued to trail FY 2019 levels by 80 percent. In response, the company began aggressively cutting costs by reducing service, trimming its workforce, and deferring or restructuring \$600 million in capital projects. These actions, coupled with emergency assistance from Congress, helped the company maintain its solvency and gradually begin to regain its financial footing.

Since then, company initiatives appear to have driven systemwide ridership back up. In FY 2023 Amtrak carried about 28.5 million customers, equivalent to about 89 percent of pre-pandemic levels. In FY 2024, Amtrak is on pace to exceed pre-pandemic levels, with ridership in the first ten months of the year exceeding the same period in FY 2019. Amtrak's financial condition has been slower to recover, however, with operating losses exceeding those in FY 2019. Amtrak attributes this slower recovery largely to price inflation, which the CEO states has produced significant, long-term increases in major operating costs, such as fuel, wages, and benefits. It also attributes the lagging recovery to a decrease in revenue from reduced business travel, particularly on the Northeast Corridor. In response, Amtrak has adjusted its pricing strategies to entice new passengers and is looking for ways to manage costs. Our office plans to monitor the company's progress in this area and report as appropriate on any developing issues.

REDUCING THE EVER-PRESENT RISK OF FRAUD

As Amtrak manages billions of dollars in revenue and federal investments, it faces the persistent risk of fraud. The company is, of course, not alone in this regard. For example, the Government Accountability Office recently estimated that the federal government lost an estimated \$233 billion to \$521 billion annually to fraud between 2018 and 2022.⁵¹ Although federal law enforcement agencies—including investigative staff from our office—are taking action to recover stolen funds,⁵² these sobering numbers demonstrate how fraud can quickly and significantly detract from the intended outcomes of massive federal investments.

Accordingly, detecting and preventing fraud, waste, and abuse—part of our core mission—have become even more important amid the influx of IIJA funds and attendant increase in major capital projects. Our office remains committed to investigating and prosecuting fraud cases and identifying opportunities to improve related internal controls. Between 2017 and September 2023, we investigated 110 fraud-related cases impacting the company and helped recover \$269 million in restitution, forfeitures, and other recoveries. During this same period, we also issued 25 audit reports identifying vulnerable internal controls that would-be criminals could exploit. In May 2023, we synthesized our work into a cross-cutting report that illustrates how fraud risks manifest and shared ways the company could mitigate these risks.⁵³ We issued a follow-on report in April 2024, providing deeper insights from industry practices and our own observations about collecting and analyzing data to detect contract and procurement fraud.⁵⁴ Our work revealed the following four high-risk fraud areas.

⁵¹ *Fraud Risk Management: 2018-2022 Data Show Federal Government Loses an Estimated \$233 Billion to \$521 Billion Annually to Fraud, Based on Various Risk Environments*; Government Accountability Office (GAO-24-105833), April 2024

⁵² From February 2021 to March 2024, our office investigated nine cases related to pandemic relief fund fraud, resulting in criminal restitution or civil settlements totaling more than \$470,000.

⁵³ *Amtrak: Insights on Fraud Risks as the Company Expands Its Mission* (OIG-SP-2023-007), May 15, 2023

⁵⁴ *Amtrak: Additional Insights on Fraud Risks as the Company Increases its Contracts and Procurements* (OIG-SP-2024-005), April 15, 2024

Contract and procurement fraud. Contract and procurement fraud schemes could come in several forms and at different times in the procurement process, ultimately inflating costs and diverting funds from their intended purposes. Our recent investigations indicate that the company remains vulnerable to these types of schemes. For example, two senior company employees were terminated after our investigation determined that they steered contracts to close personal friends, failed to disclose relationships between company employees and vendors, and engaged in conflicts of interest. These conflicts included approving invoices for personal gain, coordinating with contractors during a competitive solicitation, and engaging in other activities that undermined Amtrak's ability to ensure that decisions were made in the company's best interest.

Health care fraud. Health care fraud involves medical providers and others seeking unlawful or unwarranted benefits or payments from a health care plan. Left unchecked, health care fraud can increase costs and lower the quality of services provided to employees and their dependents. From January 2017 to September 2024, our office investigated and supported 26 cases that involved defrauding Amtrak health care programs and those of other federal agencies, resulting in criminal and civil recoveries totaling more than \$2.37 billion. Our recent investigations indicate that health care fraud schemes continue to challenge the company. For example, from January 2019 through July 2022, three medical providers and two co-conspirators pleaded guilty in connection with a scheme to bill Amtrak's healthcare plan for more than \$11 million in services that were not provided and were medically unnecessary. They recruited and conspired with dozens of Amtrak employees and provided the employees with cash in return for allowing them to use personal and insurance information to submit false and fraudulent health insurance claims to Amtrak.

Employee wrongdoing. The company reports hiring more than 4,800 new employees in FY 2023 and plans to hire thousands more. Such rapid expansion increases fraud risk because it may take time for new employees to develop enough institutional knowledge to identify potential fraud and, in some cases, demonstrate whether they fit into a culture of integrity, which is a core element of an effective fraud prevention program. Our fraud investigations regularly lead to convictions, employee terminations, and resignations. For example, a former employee pleaded guilty to federal criminal charges for conspiring with her husband to steal nearly \$1 million in pandemic-related unemployment insurance benefits and for fraudulently obtaining more than \$63,000 in sickness benefits while she worked at Amtrak. In another example, six employees resigned during an investigation that showed they misused their company badges or created counterfeit badges that they swiped for one another to claim fraudulent work hours.

Cybercrime. Like all organizations, Amtrak is at risk of the ever-evolving threats of cybercrime. Criminals commit cybercrime when they use a computer or the internet to carry out one or more fraud or criminal schemes. This includes deceiving computer users or exploiting vulnerabilities in information systems to obtain sensitive information and cause harm. For example, in 2020, cybercriminals used stolen usernames and passwords to gain unauthorized access to personal information in Amtrak Guest Rewards accounts, causing the company to incur the cost of offering free identity theft monitoring for affected customers.

Ultimately, the company is responsible for preventing, detecting, and reporting fraud, as well as instituting the controls necessary to do so. To that end, our May 2023 report highlights three core elements of an enterprise-wide fraud prevention program:

- building and maintaining a culture of integrity, starting with “tone at the top”
- instituting effective fraud controls, such as approval authorities or post-payment reviews
- fostering fraud awareness and reporting, such as through employee training on fraud risks

To its credit, the company established its Integrated Risk and Compliance Program to monitor fraud risks and establish capabilities to proactively identify fraudulent activity. In the past year, the company has issued an anti-fraud policy, regularly distributed corporate communications to increase employee fraud awareness, and implemented a fraud awareness training course to enhance employees’ ability to detect fraud throughout their work. To help inform the company’s efforts, the OIG also regularly provides training to company procurement officials on our fraud detection and prevention role and to share our insights on red flags for spotting procurement fraud. We are optimistic that our insights will continue to help make the company a more difficult target for fraud-related crimes; nonetheless, we will continue to conduct aggressive investigative, audit, and data analytics work to combat this ever-present threat.

CONCLUSION

In recent years, Amtrak has added significant capital delivery and construction portfolios to its 24/7 rail transportation duties, which by themselves are extensive and complex. Never has OIG’s mission been more important—to provide objective and independent oversight of Amtrak in concert with the Board of Directors, FRA, and Congress. The unprecedented influx of funds and the addition of thousands of new workers, coupled with the speed with which the company plans to execute these

programs, provides our nation with vast public transportation opportunities; however, it also raises the company's programmatic and financial risks.

The issues highlighted in this testimony are just some of the challenges the company faces as it balances its complex roles of providing safe, reliable passenger rail service while managing a massive infrastructure and acquisition portfolio. Our audit and investigative work is making a difference by continuing to foster accountability and program improvements, providing an additional check on the safety and security of Amtrak's operations, and serving as a deterrent to fraud, waste, and abuse.

We continue taking steps to balance our oversight and investigative resources to align with the company's risks and will continue to do so as its plans evolve. In doing so, we will work closely with Amtrak leadership, our oversight partners, and Congress to help the company identify its risks, improve safety, enhance efficiency, protect its assets, and prepare for its future.