AMTRAK

OFFICE of INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION

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to the United States Congress

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On October 1, 2017, the Council of the Inspectors General on Integrity and Efficiency (CIGIE) announced the official launch of Oversight.gov. This new website provides a "one stop shop" to follow the ongoing oversight work of all Inspectors General that publicly post reports.

We, like the other Offices of Inspector General (OIG), will continue to post reports to our own website. But with the launch of Oversight.gov, users can now sort, search, and filter the site's database of public reports from all of CIGIE's member OIGs to find reports of interest. In addition, the site features a user-friendly map to find reports based on geographic location, and contact information for each OIG's whistleblower hotline. Users can receive notifications when new reports are added to the site by following CIGIE's new Twitter account, @OversightGov.

Table of Contents

From the Inspector General

OFFICE of INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION

I am pleased to submit our latest Semiannual Report to the United States Congress. This report highlights the activities of our office for the six months ending September 30, 2017, pursuant to the Inspector General Act of 1978, as amended.

Throughout this period, our office continued to provide independent and objective oversight of Amtrak focusing on opportunities to improve its efficiency and effectiveness, and by detecting and deterring fraud, waste, and abuse. Notably, our investigative team participated in a series of complex health care fraud investigations, including two that were part of the largest-ever health care fraud enforcement action by the Department of Justice. Other investigative activities uncovered instances of criminal activity and misconduct by Amtrak employees and those doing business with Amtrak including conflicts of interest, procurement fraud, and thefts of Amtrak property.

Our audit work addressed a variety of issues including opportunities to better align Amtrak's programs and operations with leading practices in the private and public sector. Topics ranged from opportunities to reduce the cost of diesel fuel purchases to actions required to ensure there is a comprehensive and effective company-wide ethics program. We also identified the need to address deficiencies in a major program—Operations Foundation—an initiative intended to improve train operations and the movement of passengers.

During this period, the Council of Inspectors General on Integrity and Efficiency launched a website called Oversight.gov that consolidates public reports from federal inspectors general, including our office, to improve the public's access to the vast amount of information produced by the offices of inspectors general. For example, the new website (with its logo displayed on the reverse side of this report's cover page) identifies more than $25 billion in potential cost savings that those offices identified in fiscal year 2017.

In the months ahead, our talented and dedicated staff will continue to focus on issues of importance to Amtrak, the Board of Directors, Congress, and the public. I remain proud of their work, and trust that you will find this report informative.

Tom Howard

Tom Howard
Inspector General

10 G Street, NE, Suite 3W-300, Washington, D.C. 20002

OIG Profile

Authority, Mission, Vision, and Focus Areas

Authority

The Inspector General Act of 1978 (Public Law 95-452, 5 U.S.C. Appendix 3), as amended in 1988 (P.L. 100-504), established the OIG for Amtrak to consolidate investigative and audit resources into an independent organization headed by the Inspector General to promote economy, efficiency, and effectiveness; and to detect and prevent fraud, waste, and abuse. Subsequently, the Inspector General Reform Act of 2008 (P.L. 110-409) and the Inspector General Empowerment Act of 2016 (P.L. 114-317) amended and strengthened the authority of the inspectors general.

Mission

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.

Vision

Amtrak OIG will operate as a model OIG, generating objective and sophisticated products that add value. Utilizing modern infrastructure and effective support systems, and following efficient, disciplined processes that meet the standards of the accountability community, our diverse and talented team will work professionally with, but independently from, Amtrak management.

Focus Areas

We concentrate our audit and investigative work on seven focus areas. Depending on the work completed during a semiannual period, we may report on issues in one or more of the focus areas listed below.

Acquisition and Procurement. These activities include acquisition and procurement policies, procedures, and practices involving planning, project selection, contract award, implementation, and closeout.

Asset Management. These activities relate to the use and maintenance of assets, including trainsets, support equipment, inventory, and real property.

Governance. This includes a system of management controls—including policies, processes, and people—which serves the needs of shareholders and other stakeholders by directing and controlling management activities with good business savvy, objectivity, accountability, and integrity.

Human Capital Management. This encompasses the development and implementation of human capital policies, procedures, and practices.

Information Technology. Management of information encompasses processes, policies, and procedures to acquire and use information tools to improve labor and asset productivity and deliver safe and reliable customer service.

Safety and Security. These programs and activities relate to the safety and security of assets, employees, and the train-riding public.

Train Operations and Business Management. These activities are associated with operating passenger service, including delivering safe and cost-effective service.

Significant Activities: Audits and Investigations

Governance

Health Care Fraud
September 2017 (Investigation)

We participated in a series of complex insurance fraud investigations with the Greater Palm Beach Health Care Fraud Task Force (Task Force) that combatted crimes related to "sober homes" fraud and the opioid crisis in South Florida. The lead target in a multi-million dollar fraud against Amtrak's insurance vendor and other carriers pleaded guilty to criminal charges and was sentenced to 27 years in prison and ordered to pay more than $16 million in restitution. His wife was also sentenced to three years' incarceration for her role in the scheme.

These sober homes were purportedly in the business of providing safe and drug-free residences for individuals suffering from drug and alcohol addiction. These investigations revealed that the individuals who established these sober homes conspired with others to obtain patients, including dependent children of Amtrak employees, who would receive ineffective and medically unnecessary substance abuse treatment and testing.

The Task Force uncovered a vast web of conspiracies involving a widespread kickback scheme in which sober home owners, medical clinic owners, doctors, and lab owners referred patients to illicit treatment centers in exchange for money. The treatment centers and sober home operators failed to provide the promised treatment to opioid abusers while consistently submitting fraudulent billings to the patients' insurance companies.

The lead target and others disguised these kickbacks and bribes as "case management fees," "consulting fees," "marketing fees," and "commissions." He also recruited and coerced female patients and residents of the sober homes into prostitution. The target advised the female patients they would not have to pay rent or participate in treatment as long as they allowed the target to bill their insurance companies.

Nine additional defendants have pled guilty in federal court, including the clinical director of a substance abuse treatment center, a sales representative for multiple diagnostic laboratories, two medical doctors, and other sober home and treatment center employees. To date, ten defendants have been sentenced to prison terms that collectively total 84 years.

Governance: Better Adherence to Leading Practices for Ethics Programs Could Reduce Company Risks
(Report No. OIG-A-2017-012, June 26, 2017)

Our recent work has shown that Amtrak (the company) has experienced recurring ethical lapses at all levels across the company. Since September 2014, we have reported on numerous ethical lapses related to conflicts of interest, theft, timecard and fuel card fraud, improper gifts, and improper hiring. These lapses raise questions about the effectiveness of the company's efforts to prevent and detect unethical behavior and mitigate the resulting impacts on the company. In addition, because the company receives federal grant funding—close to $1.5 billion in 2016—it is vital that the company's leadership and employees adhere to the highest standards of ethical behavior to protect this investment. This report assessed the extent to which the company has an effective ethics program, consistent with leading practices, to prevent and detect criminal and other unethical behavior.

Our work showed that the company's ethics-related activities partially align with some leading practices; however, these actions do not, in the aggregate, constitute a comprehensive and effective ethics program that is necessary to help prevent and detect criminal conduct or other unethical behavior. Without a robust ethics program that is fully in line with these practices, the company remains vulnerable to legal risks from employees' unethical actions, as well as harm to the company's reputation. Moreover, taxpayer dollars will remain at risk.

We recommended that the company take several steps to implement a comprehensive ethics program, including setting the tone at the top and establishing an executive steering committee and a full-time program director. The company agreed with two recommendations and described actions it plans to take in response. However, the company partially agreed with a third recommendation, but disagreed with the need to establish a program director position, stating that it would assess the need for additional resources as it implemented the remaining recommendations and developed an overall compliance program where responsibility for the ethics program will reside. However, we found that organizations with high-functioning ethics programs generally appoint full-time program directors to provide undivided attention to implementing all the components of robust ethics program. Therefore, we stated that we did not believe that delaying the ethics position while waiting for further assessments or the development of a compliance program is in the company's best interest. Further, many of the opportunities we identified to improve the ethics program are due in large part to limitations in how the company has organized, resourced, and implemented its ethics-related activities, and our recommendations are intended to address those limitations. Foremost is getting someone to assume ethics program duties full-time and without delay. Without a dedicated program director, we are skeptical that the company will be able to effectively implement the remaining recommendations in this report, particularly those involving activities that would be the responsibility of a program director and support staff.

Violation of Company Policy—Bypassing Internal Controls
May 2017 (Investigation)

We initiated an investigation regarding an allegation that a senior program manager violated the company's financial internal control policies by instructing a contractor to work with the Information Technology Help Desk to delete approvers from the approval flow process for payment requests in the company's spend management system. Our investigation confirmed the allegation; however, we found no evidence of fraudulent intent by the employee. As a result, the employee was issued a warning for violating company policies. In addition, the company revised the payment request review and approval process, removed the contractor from participation in that process, and moved the senior program manager to another group with more supervision.

Violation of Conflict of Interest Policy
May 2017 (Investigation)

On May 8, 2017, an Amtrak project manager in Miami, Florida, received a letter of counseling after failing to disclose on his financial disclosure form that he owned a consulting business. We discovered the violation while investigating other allegations pertaining to the employee that were ultimately unsubstantiated. The failure to make a disclosure violated the company's Ethical Conduct and Conflict of Interest Policy. On May 9, 2017, the employee submitted a revised form that disclosed this business.

Misuse of Grant Funds
May 2017 (Investigation)

We initiated an investigation into allegations that two senior Amtrak marketing employees improperly used federal grant funds for state and local projects that were outside the scope of the Federal Railroad Administration (FRA) Capital Grant Agreements for fiscal years 2014 and 2015 and committed associated violations of company policy. We referred this matter to the Department of Justice in November 2013 and they declined prosecution in October 2015.

We found no evidence of fraud or personal enrichment by either employee; however, we found that their actions violated the terms and conditions of the FRA Capital Grant Agreements. In this regard, they also violated or acted inconsistently with various company policies relating to ethical conduct and grants administration. One employee was released from Amtrak service on unrelated matters prior to the completion of our investigation. On May 12, 2017, the company dismissed the other employee. This investigation was conducted in conjunction with the U.S. Department of Transportation Office of Inspector General.

Violation of Company Policies
May 2017 (Investigation)

We initiated an investigation into allegations that a division engineer violated company policies on various issues, including failing to take action after learning about the falsification of daily job briefing forms for a FRA audit; failing to take appropriate action during the concealment of a major operating rules violation; knowingly withholding information from the Amtrak Law department while they were defending a Federal Railroad Safety Act complaint; being involved in workplace violence; and viewing sexually explicit material on his company-issued computer. Allegations relating to this employee were referred to the Department of Justice on March 14, 2017, and remain pending. On May 17, 2017, following the release of our report, the division engineer retired from service.

Violation of Company Policies—Theft
May 2017 (Investigation)

We initiated an investigation into allegations that a customer service representative in Indianapolis, Indiana, overcharged a customer and took the excess cash. Our investigation confirmed the allegation and found that the employee violated the company's Ethical Conduct and Conflict of Interest Policy and its Standards of Excellence when she overcharged the customer and stole the excess cash. On May 23, 2017, the employee resigned following the release of our investigative report and prior to undergoing a company administrative hearing. Judicial proceedings are pending.

Time and Attendance Fraud
May 2017 (Investigation)

We initiated an investigation after the company referred allegations of time and attendance fraud by a Los Angeles, California employee, discovered during the course of a payroll audit. The company found that the employee was periodically paid at a rate that did not correspond to his position.

On May 10, 2017, our agents interviewed this employee regarding allegations that he had manually changed his employment code when he inputted his time into the electronic time keeping system, resulting in an increase in pay per hour. On May 31, 2017, the employee retired while under investigation.

Time and Attendance Fraud
June 2017 (Investigation)

We initiated an investigation into allegations that a company supervisor and subordinate employees committed time and attendance fraud by claiming and receiving pay for unworked regular and overtime hours. We found that the supervisor fraudulently claimed 27.75 regular hours and 192.25 overtime hours, resulting in a loss of more than $20,000 for the company. The supervisor was arrested on July 19, 2016 and charged with theft of government property. On January 13, 2017, the supervisor pleaded guilty in the U.S. District Court for the District of New Jersey and was sentenced on May 19, 2017 to 36 months of probation. In addition, the supervisor was ordered to pay the company $20,346 in restitution. The supervisor resigned in February 2017.

As a result of this investigation, we also investigated six of the supervisor's subordinates for time and attendance fraud. Two of these employees resigned from the company in December 2016 prior to scheduled administrative hearings; two others were terminated in May 2017 as a result of administrative hearings; and the two remaining were dismissed in June 2017 as a result of administrative hearings.

Time and Attendance Fraud
June 2017 (Investigation)

We initiated an investigation involving a company supervisor after our separate review of employee payroll and overtime hours revealed that the supervisor had unusually high claims of overtime hours. We found that the supervisor fraudulently claimed 41 regular hours and 685.75 overtime hours, resulting in a loss of more than $71,000 for the company. The supervisor was arrested in July 2016 and charged with theft of government property. On February 15, 2017, the supervisor pleaded guilty in the

U.S. District Court for the District of New Jersey and was sentenced on June 8, 2017 to 24 months of probation and 6 months of home confinement. In addition, the supervisor was ordered to pay the company $71,946 in restitution. The supervisor retired in August 2016.

We also investigated two of the supervisor's subordinates for time and attendance fraud. One employee was dismissed in January 2017 as a result of an administrative hearing, and the other employee resigned in April 2017 prior to a hearing.

Governance: Opportunities Exist to Strengthen Controls to Ensure that Utility Accounts Are Deactivated After Real Estate Transactions
(Report No. OIG-A-2017-010, June 15, 2017)

The company owns about $12 billion in real property assets across the nation and maintains more than 3,100 accounts for utilities such as electricity and water to service these assets. In August 1997, the company sold a property in North Haven, Connecticut, but did not deactivate an electricity account and continued to make payments on it for nearly 17 years. Our office investigated and identified nearly $57,000 in improper payments on this account. This report assessed the effectiveness of the company's management controls for ensuring that utility accounts are deactivated when properties are sold.

We found that the company can improve its management controls to ensure that it identifies and deactivates utility accounts in a timely manner after real estate transactions. Of the 42 sales and 2 lease transactions we reviewed, we identified at least 3 properties with 5 utility accounts that the company did not deactivate in a timely manner, resulting in at least $13,500 in improper payments. Although the magnitude of the improper payments we identified was not significant, incorporating leading practices for management controls, such as better communicating policies across the company and advising responsible employees of their roles, would help the company avoid incurring future losses on utility accounts that are no longer needed and improve its monitoring of accounts.

We recommended that the company take steps to improve its controls for communicating real estate transactions and ensuring timely deactivation of utility accounts when transactions occur. The company's Executive Vice President/Chief Financial Officer stated that the company agreed with our recommendations and would take steps to ensure that utility accounts are identified and deactivated in a timely manner when a real estate transaction occurs.

Restatement of Policy
June 2017 (Investigation)

In March 2017, we initiated an investigation into allegations that an Amtrak employee in Chicago, Illinois, violated company policy by commuting to work in a company-owned car and allowing his spouse to commute with him. While our investigation did not substantiate these allegations, it disclosed inconsistencies in how employees and managers interpret the company's vehicle policy. On June 21, 2017, management issued a Restatement of Policy to the employees and managers involved in this investigation.

Health Care Fraud
June 2017 (Investigation)

In the largest-ever health care fraud enforcement action by federal prosecutors, 120 defendants nationwide—including an Amtrak employee and health care provider—were charged for allegedly participating in health care fraud schemes that cumulatively allege approximately $1.3 billion in false billings. Our office participated in this investigation, among other investigative agencies.

Amtrak employee Gladys Perez, licensed acupuncturist Xiao "Kimi" Gudmundsen, and Suzana Cortez, an employee who worked for Gudmundsen, were arrested in the Los Angeles, California area on July 11, 2017 for their roles in one of the schemes. The three individuals were indicted and charged on June 22, 2017.

Gudmundsen was charged with eight counts of health care fraud and three counts of money laundering, Cortez with five counts of health care fraud, and Perez with two counts of health care fraud. The charges arise from allegations that Gudmundsen recruited Amtrak employees to visit her business, Healthy Life Acupuncture Center, and then billed the Amtrak health care plan for acupuncture and other services that were not actually provided. The indictment also charges that Gudmundsen laundered payments received from Amtrak for the false bills through various accounts, including accounts held in the names of relatives.[1]

In addition, James Chen, owner of Haoeyou Pharmacy, pleaded guilty in the United States District Court, Central District of California on June 19, 2017, to one count of health care fraud related to his pharmacy processing and billing TRICARE approximately $62 million in fraudulent prescriptions for compounded medications after Chen paid more than 50 percent in referral fees to marketers. Of the $62 million, Chen fraudulently billed Amtrak's health care plan $26,953.56.

Employee Rail Pass Fraud
June 2017 (Investigation)

On January 23, 2017, a ticket agent was arrested on state charges related to defrauding the company of goods and services obtained through Amtrak's Employee Rail Pass Program. Our investigation found that the employee used her Amtrak Employee Rail Pass to reserve tickets in her dependents' names and supply them to individuals who were not eligible for travel benefits. We also found that the employee applied for rail pass benefits reserved for employees' spouses and children and claimed more than $26,000 in travel benefits in the name of an individual she claimed to be her husband, although we found no evidence to substantiate that the individual was her husband. On March 10, 2017, the employee was found to have violated company policy and was dismissed. On June 22, 2017, the ticket agent pleaded guilty to misdemeanor conspiracy and theft charges in the Pennsylvania Court of Common Pleas, and was sentenced to 5 years of probation. The employee was also ordered to pay court fees and restitution in the amount of $26,000 to Amtrak.

[1] Indictments and criminal informations contain allegations that a defendant has committed a crime. Every defendant is presumed to be innocent until and unless proven guilty in court.

Possession with Intent to Distribute Cocaine

June and September 2017 (Investigation)

On June 9, 2017, a former Amtrak baggage handler pleaded guilty in the United States District Court, Northern District of Illinois, to knowingly and intentionally possessing with the intent to distribute cocaine, in violation of Title 21, United States Code, Section 841(a)(1). In addition, the former employee violated company policies, and was ultimately dismissed on November 22, 2016, for stealing an Amtrak Express Freight shipment for personal gain, which he acknowledged contained three to four kilograms of cocaine that he and his associate sold. On September 28, 2017, the baggage handler was sentenced in the United States District Court, Northern District of Illinois, to 18 months in federal prison and 36 months of probation upon release.

In addition, on September 14, 2017, another individual associated with this case pleaded guilty in the United States District Court, Northern District of Illinois, to knowingly and intentionally possessing with the intent to distribute cocaine, in violation of Title 21, United States Code, Section 841(a)(1). Sentencing for this individual is pending.

Time and Attendance Fraud

August 2017 (Investigation)

We initiated investigations involving a company supervisor and subordinate employee after a review of the company's payroll and overtime system revealed that the supervisor claimed unusually high overtime hours. In addition, we received several allegations about the subordinate employee's involvement with workplace safety violations and time and attendance fraud.

We found that the supervisor fraudulently claimed approximately 318 hours of regular and overtime hours from September 2014 to April 2015 totaling $14,160.05. During the same time period, the subordinate employee fraudulently claimed at least 117 hours of regular and overtime hours totaling $5,288.30

In addition, both employees failed to properly use the Engineering department's system for inputting labor hours for time accounting purposes. Further, we found both employees violated workplace safety rules by leaving unqualified trainees unsupervised on safety-critical assignments, which included their proximity to high-voltage equipment and systems.

On June 23, 2017, the subordinate employee resigned from the company in lieu of an administrative hearing and is ineligible for rehire. On August 1, 2017, the supervisor retired from the company in lieu of an administrative hearing.

Quality Control Review of Amtrak's Single Audit for Fiscal Year 2016
(Report No. OIG-A-2017-015, August 17, 2017)

The company is required to have an independent audit of its control over federal grant funds in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (Uniform Guidance). The objective of the audit is to test internal control over compliance and determine whether the company complied with the laws, regulations, and provisions of its federal grant agreements.

As authorized by the Inspector General Act of 1978, we monitored the audit activities of Ernst & Young to help ensure audit quality and compliance with generally accepted government auditing standards. Our review disclosed no instances in which Ernst & Young did not comply, in all material respects, with generally accepted government auditing standards and Uniform Guidance requirements.

Ongoing Work—Governance

Data Analytics. The objective of this audit is to identify medical service providers that have submitted potentially fraudulent or abusive claims paid by the company on behalf of agreement covered employees.

Monitoring the Work of the Independent Public Accountant Conducting the fiscal year 2017 Audit of Amtrak's Consolidated Financial Statement. The objectives are to (1) determine whether the Independent Public Accountant performed the audit of the company's Consolidated Financial Statements in accordance with generally accepted government auditing standards and (2) monitor the company's administration and facilitation of the audit.

Acquisition and Procurement

Preliminary Observations on the New York Penn Station Infrastructure Renewal Program
(July 7, 2017)

Two derailments this spring at New York Penn Station led to significant delays for the company's passengers and rail commuters across the New York City region, raising questions about the aging infrastructure at the nation's busiest train station.
In response, the company launched the New York Penn Station Infrastructure Renewal Program (Renewal Program), which company documents describe as compressing several years of planned construction work into about a one-year period.

On July 7, 2017, we provided preliminary observations on risks in the company's approach for managing the program to help ensure its success. At that time, the company had taken several important steps to help ensure the Renewal Program stayed on schedule and made positive strides in communicating with its internal and external stakeholders—including the Board of Directors, employees, and the general public—using a variety of media. However, we also identified risks in the company's plans for implementing the Renewal Program, including potential weaknesses in the project management framework and limitations in the company's plans for both communicating with stakeholders in the long term and mitigating passenger inconvenience.

We suggested several matters for the company's consideration to help mitigate the risks we identified and ensure the program's success, such as improving overall program management, strengthening communication and collaboration with key stakeholders, and limiting passenger inconvenience. Company officials agreed that the risks we identified could harm the successful completion of the Renewal Program and the long term reputation of the company. These officials told us they had plans in place or efforts underway to address many or all of these risks, and they were confident that the risks within the company's control would be successfully mitigated. We will continue to monitor these efforts as our work continues in this area.

Contract Fraud/False Claims
July 2017 (Investigation)

On July 14, 2017, Sevier Valley Oil Company (Sevier), Rock Canyon Oil Company, and Ron Osborne Trucking agreed to pay a cumulative settlement of $225,000 to the U.S. Attorney's Office, District of Utah, on behalf of Amtrak. The settlement is the result of an August 2016 civil complaint against Sevier for providing contaminated fuel that caused eight Amtrak locomotives to break down. Sevier filed a third-party complaint against Rock Canyon Oil Company, which sourced some of the contaminated fuel, and against Ron Osborne Trucking, which transported some of the contaminated fuel.

The complaint asked the court to declare that Sevier breached its contract and to order it to pay Amtrak damages. The complaint included a second cause of action stating that Sevier knowingly misrepresented and concealed the type of fuel delivered to Amtrak. The complaint asked the Court to declare that Sevier violated the False Claims Act and award the United States a civil penalty.

Amtrak determined that all of the engine failures were caused by fuel contamination, which clogged the locomotives' fuel injectors. Subsequent analysis showed that the fuel in all of the broken-down locomotives was contaminated with a non-fuel product. Amtrak had to drain the contaminated fuel and make extensive repairs to the locomotives.

Vendor Defrauds Company
July 2017 (Investigation)

On July 24, 2017, the United States Attorney's Office, District of New Jersey, announced that Adam Martignetti, a former Bayway Lumber salesman, admitted his role in a scheme to defraud customers—including Amtrak—and lying to a federal grand jury. Martignetti admitted that from 2011 through 2013 he conspired with others to defraud Amtrak and other Bayway Lumber customers by providing free items to the customers' employees and then recouping the cost of the items (plus additional revenue for Bayway Lumber) by overbilling and fraudulently billing the customers. Martignetti also admitted to supplying lower-quality, less expensive plywood to a customer, but charging for the more expensive, higher-quality plywood the customer had ordered.

The items he gave to Amtrak employees included tires, several iPads, a camera, audio system, and other merchandise. The fraud charge to which Martignetti pleaded guilty carries a maximum penalty of 20 years in prison. The charge of knowingly making false statements before a grand jury carries a maximum penalty of 5 years in prison. Each count also carries a maximum fine of $250,000, or twice the gross gain or loss associated with the offense, whichever is greatest.

Robert Dattilo, president and partial owner of Bayway Lumber, previously pleaded guilty in conjunction with this scheme and was sentenced in July 2016 to 48 months in prison and ordered to pay restitution of $708,386.

We conducted this investigation jointly with the U.S Department of Housing and Urban Development Office of Inspector General, and the Federal Bureau of Investigation.

Acquisition and Procurement: Improved Management of Diesel Fuel Program Could Lead to Savings
(Report No. OIG-A-2017-013, August 14, 2017)

Diesel fuel powers the company's fleet of 269 diesel locomotives on 15 long distance routes and 26 state-supported routes. This report addressed the company's management controls for purchasing, delivering, and testing diesel fuel.

We found that the company's purchasing practices for diesel fuel were inconsistent with leading practices, particularly strategic sourcing—a process whereby an organization moves away from using numerous individual procurements to consolidating them where possible to help leverage an entity's purchasing power. We estimated that consolidating contracts could reduce costs by $9.2 million to $18.4 million annually given the purchases made in FY 2016. Further, eliminating the testing of some diesel fuel that suppliers deliver directly to locomotives and relying on suppliers' inspection and quality control systems with occasional spot checks could save an additional $187,500 annually. In addition, strengthening management controls would help ensure that the fuel in company storage tanks is tested regularly, and that the company maintains adequate records of all corrective actions taken as a result of these tests.

To help the company achieve cost savings, we recommended the company explore the possibility of consolidating its fuel contracts to better leverage its purchasing power and obtain discounts available on large volume purchases of diesel fuel. We also recommended that the company consider eliminating its testing of diesel fuel at direct-to-locomotive refueling locations and instead rely on its suppliers' quality control systems. In addition, we recommended that the company update its fuel policy and provide the designated senior manager (Senior Manager, Fuel) with the authority to ensure that monthly testing is conducted and that any corrective actions taken as a result of these tests are documented.

The Executive Vice President, Chief Operating Officer and the Executive Vice President, Chief Administrative Officer stated that management agreed with two recommendations and partially agreed with the remaining two, and provided information on actions the company plans to take to address all recommendations by January 31, 2018. Specifically, management agreed with our recommendation to explore opportunities for consolidating diesel fuel contracts and to maintain records of any corrective actions taken as a result of its testing of company storage tanks. Management partially agreed with our recommendation to consider eliminating testing of diesel fuel at direct-to-locomotive refueling locations and instead rely on suppliers' internal inspection and quality control systems. Rather than completely eliminating this monthly testing, Mechanical department officials stated the department would test these locations quarterly to ensure that fuel meets company quality standards. While this action will allow the company to realize some savings, we questioned the merits of conducting quarterly testing given that the fuel will be consumed before the results are known.

Management also partially agreed with our recommendation to provide the Senior Manager, Fuel, with the authority to ensure that testing is being conducted. The company stated that this authority would instead be provided to the Vice President, Transportation, and the Master Mechanics in the Operations department, and that it would will revise its procedures accordingly to reflect this change. We believe this proposed action, once implemented, will meet the intent of our recommendation to identify a senior accountable official for testing.

Ongoing Work—Acquisition and Procurement

Audit of the Next-Generation High-Speed Trainset Program. The objectives are to (1) assess the effectiveness and efficiency of the company's framework and processes for managing the contract for the Next-Generation High-Speed Trainset Program, and (2) evaluate the adequacy of the planning and cost estimating for the associated infrastructure improvements on the Northeast Corridor.

Audit of Contract Design and Monitoring for Risk. The objective is to assess the company's efforts to design contract provisions that mitigate the company's operational, legal, and financial risks.

Audit of the New York Penn Station Renewal Program. The objectives are to (1) identify the factors that led to the current infrastructure conditions at New York Penn Station, (2) assess the company's plans, estimated costs, schedule, and sources of funds being used to support the planned track and infrastructure repairs at New York Penn Station, and (3) evaluate the company's efforts to mitigate passenger inconvenience resulting from the scheduled repair work.

Human Capital Management

Dismissal for Failure to Disclose Criminal History
June 2017 (Investigation)

We initiated an investigation into a train service attendant based out of Raleigh, North Carolina, after the Amtrak Police Department notified us of an outstanding warrant for the employee's arrest. During our coordination and initial investigation to assist the Amtrak Police Department, we reviewed the employee's online employment application and background check report. As a part of the background check, the employee certified that she did not possess a criminal conviction and had not pleaded guilty, no contest, or nolo contendere to a misdemeanor or a felony. However, we found documentation identifying convictions for pleading guilty in May 2013 to two misdemeanors for larceny and resisting a public officer, which resulted in community service, and in August 2015 for misdemeanor larceny, which resulted in five days of confinement.

We found the employee's failure to disclose these convictions on the background investigation form violated the company's Ethical Conduct and Conflict of Interest policy as well as the Standards of Excellence that require employees to be truthful and honest. On June 27, 2017, the company dismissed the employee.

Dismissal for Failure to Disclose Criminal History
July 2017 (Investigation)

We initiated an investigation after we received an allegation that a company electrician in Los Angeles, California, had a lengthy criminal history and had failed to disclose it on his Amtrak background investigation form. We found that the employee failed to disclose a criminal conviction during his hiring process in October 2014. As a part of his background check, the employee certified that he did not possess criminal convictions and had not pleaded guilty, no contest, or nolo contendere to a misdemeanor or a felony. However, we found documentation identifying criminal convictions for two felony counts of forgery, for which he pleaded guilty.

We found the employee's actions of not disclosing these convictions on his background investigation form violated the company's Ethical Conduct and Conflict of Interest policy as well as the Standards of Excellence, which requires employees to be truthful and honest. On July 27, 2017, the company dismissed the employee.

Failure to Disclose Criminal Convictions
August 2017 (Investigation)

We initiated an investigation after we received allegations that an Amtrak Locomotive Inspector in Los Angeles, California failed to report his criminal convictions to the company. While already employed by the company, the employee pleaded guilty before a California Superior Court to 11 felony counts of sexual conduct with a minor, was sentenced to 36 months of formal probation, and 210 days in custody of the County Sheriff, to be served on weekends. He was also required to register his address with local law enforcement within five days, pursuant to California's Sex Offender Registration Act. The employee reported this conviction to his supervisor, which was deemed sufficient notification to management at that time.

However, in March 2014, the employee was arrested on an outstanding felony warrant from a Superior Court in California for failing to register his current address with local law enforcement. The employee pleaded "no contest," and was sentenced to 120 days in jail and 3 years of probation. We found that the employee failed to disclose this more recent criminal conviction in accordance with company policy, which required him to notify Human Capital within three business days after the conviction.

We found the employee's failure to disclose the latter conviction was a violation of the company's Ethical Conduct and Conflict of Interest, policy as well as the Standards of Excellence, which requires employees to be truthful and honest. On August 9, 2017, the company dismissed the employee.

Human Resources: Additional Actions Needed to Improve Controls on Incentive Awards
(Report No. OIG-A-2017-014, August 15, 2017)

The Passenger Rail Investment and Improvement Act of 2008 encouraged the company's Board of Directors to develop an incentive pay program for management employees. In response, the Board implemented the Short Term Incentive (STI) program for management employees and Long Term Incentive (LTI) program for executives based on the company's achievement of certain financial and customer service goals. This report assessed the accuracy of (1) the company's reported achievements in attaining its STI and LTI goals for fiscal year 2016, and (2) the company's payments awarded in 2016 under the two plans.

We found that the company accurately reported that it achieved key financial and customer service goals and generally made accurate STI and LTI payments totaling $28.9 million to 3,013 employees. However, we identified a significant number of errors in the Human Resources department's initial payment calculations that the company did not detect. Once we identified these errors, the company corrected 99 percent of them before making payments. Nonetheless, continuing weaknesses in the company's processes and controls pose vulnerabilities. Specifically, we identified weaknesses in the company's processes and controls for compiling data on goal achievement, as well as long-standing weaknesses in the company's processes and controls for calculating these payments and approving exceptions to program guidance.

We identified similar weaknesses in a March 2015 report on the company's fiscal year 2014 STI payments and made recommendations to address them. While the company agreed with our recommendations, it did not fully implement them. Therefore, we again recommended that the company document the processes used to determine whether the company met its customer service goals and take immediate steps to put controls in place to ensure that the payments are accurate and justified. The Executive Vice President/Chief Financial Officer stated that the company agreed with our recommendations and described actions the company has already implemented or plans to implement that meet the intent of our recommendations.

Unlawful Employment of Illegal Aliens
September 2017 (Investigation)

On September 28, 2017, the U.S. Attorney's Office, Eastern District of Pennsylvania, announced that Asplundh Tree Experts, Co. (Asplundh), one of the largest privately-held companies in the United States, headquartered in Willow Grove, Pennsylvania, pleaded guilty to unlawfully employing aliens, in connection with a scheme in which the highest levels of Asplundh management remained willfully blind while lower level managers hired and rehired employees they knew to be ineligible to work in the United

States. In addition to the criminal plea agreement, Asplundh also reached a civil settlement to satisfy civil claims arising out of their failure to comply with immigration laws. Amtrak had four contracts with Asplundh that were included in the agreement and will receive restitution in the amount of $676,328.

Asset Management

Theft of Company Property
April 2017 (Investigation)

On April 28, 2017, an Amtrak carman/welder resigned after an investigation we conducted with the Amtrak Police Department disclosed that he stole company property and sold it for personal gain. The employee admitted he took company-owned copper cables to a recycling yard and a rechargeable grinder to a pawn shop. Judicial proceedings are pending.

Theft of Amtrak Property
May 2017 (Investigation)

On May 19, 2017, a company electrician was convicted of Grand Theft by Embezzlement in the Superior Court of Alameda County, California and was sentenced to three years of probation. The employee also paid $2,364.85 in restitution to the company. Our office investigated this case in cooperation with the Amtrak Police Department. The employee was arrested on January 31, 2017, for stealing copper wire from Amtrak and selling it to a scrap yard. On July 13, 2017, an administrative hearing was held and on July 21, 2017, the company dismissed the employee.

Theft of Amtrak Property
September 2017 (Investigation)

On September 29, 2017, a former company electrician pleaded guilty in the Circuit Court of Cook County, Illinois, to theft of Amtrak property. He was sentenced to two days in jail (time considered served), two years of probation, and was ordered to pay $1,199.57 in restitution.

Our office investigated this case in cooperation with the Amtrak Police Department. The employee was arrested on August 3, 2016 for theft of company tools and equipment. The employee resigned from the company prior to an administrative hearing.

Ongoing Work—Asset Management

Audit of Washington Union Station Near-Term Projects. The objective is to assess the company's management and oversight of near-term improvement projects at Washington Union Station in terms of cost, schedule, and performance.

Information Technology

Information Technology: Operations Foundation Program—Restructuring Could Help Control Costs and Limit Risks
(Report No. OIG-A-2017-011, June 19, 2017)

The Operations Foundation program is a large, complex information technology (IT) and business process initiative designed to improve train operations and the movement of passengers. It consists of 15 "themes"—groups of ongoing and planned projects. More than 80 percent of the company's workforce is covered by these activities. When the company initiated the program in December 2014, it estimated the program would cost at least $427 million and be completed in 2025. This report assessed the current status of the program and identified opportunities to strengthen the company's management and oversight of the program.

We found that, more than two years into its implementation, the Operations Foundation program was over budget and behind schedule, and that the company's program management was weak. These weaknesses are consistent with long-standing weaknesses in the company's ability to manage and oversee large and complex capital projects. Given these weaknesses, the company risks spending additional funds on a program with limited prospects for success. Specifically:

- **Costs are increasing**. As of November 2016, the program's capital cost estimate for developing the seven ongoing themes had increased from the initial estimate of about $218 million to $249 million. Furthermore, we estimated that the total capital costs for these seven ongoing themes and four planned themes might exceed the current program estimates by as much as $59 million. This is because the company's cost estimates did not identify all of the technical requirements, had large margins of error, and were not independently validated to ensure that they were reasonable. Additionally, we found that the projected costs of the seven ongoing themes collectively outweigh their quantified benefits by about $125 million.

- **Schedule is slipping.** Two of the program's biggest themes are about a year behind schedule due to large margins of error in the initial schedule estimates.

- **Program management is weak.** The company developed and managed each theme independently rather than taking a comprehensive company-wide approach to develop the IT architecture for the program. As a result, program management officials missed an opportunity to reduce some duplicate IT systems and reduce the costs associated with running them. In addition, it did not develop a plan to mitigate the risk of poor contractor performance or develop a strategy to mitigate employees' concerns about the proposed changes and obtain greater support for them.

We recommended that the company conduct a strategic review of the program to help mitigate program risks and focus company resources on projects with the best prospects for success. Such a review could help the company avoid significant costs and free up at least $71 million that could be put to better use. The company's Executive Vice President of Planning, Technology, and Public Affairs agreed with our recommendations and stated that the company will take steps to help control costs, limit program risks, and focus company resources on projects with the best prospects for success.

Ongoing Work—IT

Audit of Assessing the Adequacy of Security for Publicly Accessible Web Applications. The objective is to assess the adequacy of the company's security for its publicly-accessible web applications. We are performing this review in coordination with some members of the CIGIE, which is performing similar reviews within its respective federal agencies and organizations. We will report the results of our audit to company management and summarize them in the report consolidating results of the reviews from all the participating OIGs.

Audit of IT Disaster Recovery. The objective is to assess the status and the effectiveness of the company's IT disaster recovery, resiliency, and business continuity capabilities.

Safety and Security

Falsification of Safety-Related Documents
May 2017 (Investigation)

We initiated an investigation into several allegations against two company supervisors for potential violations of various company policies associated with the falsification of official company safety documents that were furnished to the FRA. Our investigation found that the two supervisors instructed their subordinate employees to falsify, sign, and backdate multiple safety-related job briefing forms. Doing so created the illusion that the briefings were documented on the dates indicated. On May 11, 2017, the two supervisors received 30-day suspensions from service.

Our investigation also found that the two supervisors were directed to falsify the job briefing forms by their supervisor, an Amtrak Assistant Division Engineer, who retired on March 14, 2017.

Ongoing Work—Safety and Security

Audit of the Potential Effect of Drug and Alcohol Use on Company Operations. The objective is to assess the effectiveness of the company's efforts to deter, detect, and control the use of illegal and prescription drugs and alcohol by employees in safety-sensitive positions.

Audit of Amtrak's Strategy and Planning for Physical Security. The objectives are to (1) assess the company's strategy and planning for physical security and (2) identify challenges, if any, to achieving the company's security goals.

Audit of Background Checks. The objectives are to assess (1) the effectiveness and efficiency of the company's process for conducting background investigations to help ensure prospective employees and contractors are qualified, honest, and reliable, and do not pose a security threat; and (2) the company's oversight of the contractors charged with conducting background investigations.

Train Operations and Business Management

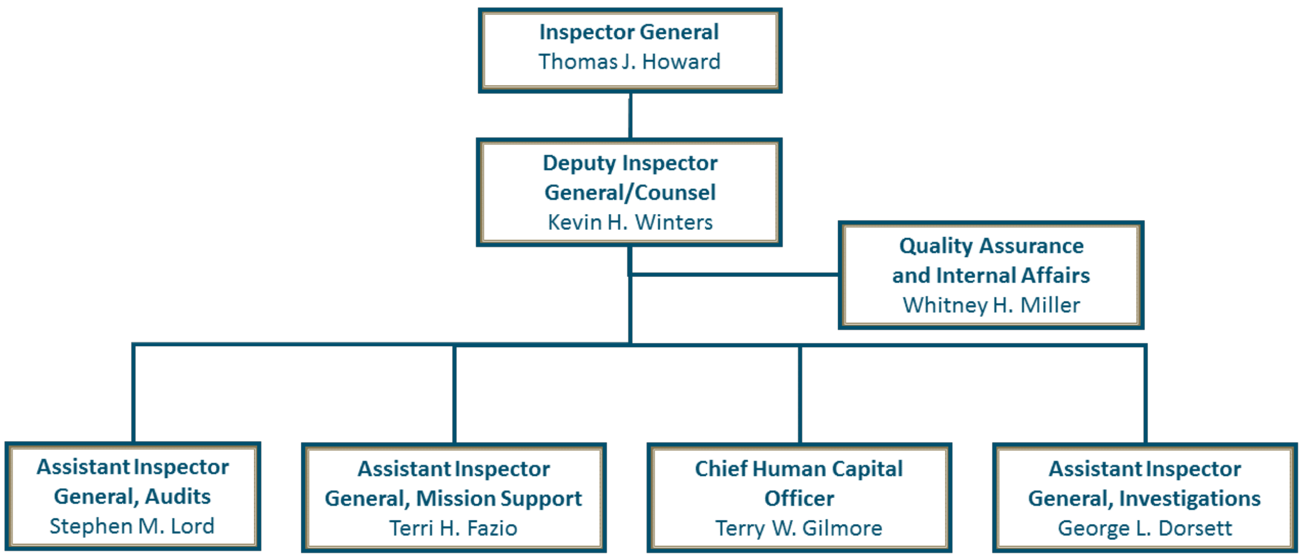
Ongoing Work—Train Operations and Business Management

Audit of Mechanical Department Operating Efficiencies. The objective is to assess the extent to which the Mechanical department has opportunities to better manage and monitor maintenance activities, including assessing data trends to identify potential areas to reduce costs for component repair, preventative maintenance and overhaul of passenger cars and locomotives, and overhead and overtime.


AMTRAK
OFFICE of INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION

OIG Organization

The OIG headquarters is based in Washington D.C., with field offices in Boston, Chicago, Los Angeles, and Philadelphia.



The Inspector General provides policy direction and leadership for the OIG and serves as an independent and objective voice to management, the Board of Directors, and Congress by identifying opportunities and promoting solutions for improving the company's programs and operations, while preventing and detecting fraud, waste, and abuse.

The Deputy Inspector General/Counsel serves in the stead of the Inspector General, as required, and leads the Office of Counsel, which provides legal assistance and advice to OIG senior management and supports audits, investigations, and special reviews. The Office of Counsel also coordinates OIG legal matters with external entities, such as the Department of Justice, Federal and State law enforcement, and may appear in court on behalf of the OIG and its employees.

OIG Organization

Audits. This office conducts independent and objective performance and financial audits across the spectrum of support and operational activities. It produces reports on those activities aimed at improving the company's economy, efficiency, and effectiveness, while seeking to detect and prevent fraud, waste, and abuse.

Investigations. This office pursues allegations of fraud, waste, abuse, and misconduct that could affect the company's programs, operations, assets, and other resources. It refers investigative findings to the Department of Justice for criminal prosecution or civil litigation, or to management for administrative action. It also develops recommendations to reduce vulnerability to criminal activity.

Mission Support. This office provides expertise in financial management, procurement, administration, and IT to support OIG operations.

Human Capital. This office ensures that the best qualified people are hired, developed, retained, and rewarded appropriately in accordance with the OIG's mission and values and applicable laws, rules, and regulations. It also ensures that an effective and efficient performance management system is implemented to provide employees with timely and meaningful feedback and coaching on performance.

Appendix 1 Fiscal Year 2017 Performance Measures (4/1/2017 – 9/30/2017)

Audit Results	
Products Issued	7
Questioned Costs	$—
Funds Put to Better Use	$100,004,000

Advisory Functions	
FOIA[a] Requests Received	21
FOIA Requests Processed	13
Referred to Amtrak	8
Response Pending	—
FOIA Appeals Received	—
FOIA Appeals Processed	—
Legislation Reviewed	—
Regulations Reviewed	14
Outside Agency Consultation	—

Note:
[a] Freedom of Information Act

Appendix 1

Investigative Results	
Financial Impact	
Recoveries/Restitution	$1,035,557.20
Cases Opened	
Major Misconduct and General Crimes	11
Contract and Procurement Fraud	3
Health Care Fraud	1
Judicial and Administrative Actions	
Criminal Referrals to U.S. Department of Justice[a]	9
Criminal Referrals to State and Local Prosecuting Authorities[b]	4
Criminal Referrals Declined	11
Arrests	11
Indictments/Informations[c]	12
Convictions	14
Investigative Reports Issued[d]	9
Administrative Actions	25
Investigative Workload	
Investigations Opened	15
Investigations Closed	33
Investigations of Senior Employees Closed and Not Disclosed to the Public	—
Hotline Contacts/Referrals	
Referred to Amtrak Management	103
Referred to Customer Service	41
Referred to Other Agency	0
Referred for Investigation	26
No Action Warranted	6
Request from Other Agency	0
Referred to Amtrak Police Department	0

Notes:

[a] These referrals include individual subjects that are referred for federal prosecution to the U.S. Department of Justice.

[b] These referrals include individual subjects that are referred for prosecution to state and local prosecutors.

[c] Indictments/Informations include all indictments and informations, sealed and unsealed, of individuals who were charged during this reporting period by federal, state, and local prosecutors. Of the 12 indictments/informations reported during this reporting period, three were referred for prosecution this reporting period and nine were referred for prosecution in a prior reporting period.

[d] Investigative Reports Issued is the number of investigative reports issued to the company that detail our investigative findings.

Appendix 2 Audit Products

(4/1/2017 – 9/30/2017)

Audit Products						
Date Issued	**Report Number**	**Report Title**	**Focus Area**	**Questioned Costs**	**Unsupported Costs**	**Funds to be Put to Better Use**
6/15/17	OIG-A-2017-010	Governance: Opportunities Exist to Strengthen Controls to Ensure that Utility Accounts Are Deactivated After Real Estate Transactions	Governance	—	$—	$13,500
6/19/17	OIG-A-2017-011	Information Technology: Operations Foundation Program—Restructuring Could Help Control Costs and Limit Risks	Information Technology	—	—	$71,000,000
6/26/17	OIG-A-2017-012	Governance: Better Adherence to Leading Practices for Ethics Programs Could Reduce Company Risks	Governance	—	—	—
7/7/17	n/a	Preliminary Observations on the New York Penn Station Infrastructure Renewal Program	Acquisition and Procurement	—	—	—
8/14/17	OIG-A-2017-013	Acquisition and Procurement: Improved Management of Diesel Fuel Program Could Lead to Cost Savings	Governance	—	—	$28,162,500

Appendix 2

Audit Products						
Date Issued	**Report Number**	**Report Title**	**Focus Area**	**Questioned Costs**	**Unsupported Costs**	**Funds to be Put to Better Use**
8/15/17	OIG-A-2017-014	Human Resources: Additional Actions Needed to Improve Controls on Incentive Awards	Human Resources	—	—	$828,000
8/17/17	OIG-A-2017-015	Governance: Quality Control Review of Amtrak's Single Audit for Fiscal Year 2016	Governance	—	—	—
Total ($)				—	—	***100,004,000***

Ongoing Audit Projects	
Project Status	**Number of Projects**
Audit Projects In-process, as of 3/11/2017	11
Audit Projects Canceled	1
Canceled Audit Projects Not Disclosed to the Public	—
Audit Projects Started Since 3/31/2017	9
Audit Products Issued Since 3/31/2017	7
Audit Projects In-process, as of 9/30/2017	12

Appendix 3 Questioned Costs

(4/1/201 – 9/30/2017)

Audit Reports Issued with Questioned Costs			
Category	**Number**	**Questioned Costs**	**Unsupported Costs**
A. For which no management decision has been made by the commencement of the reporting period	—	**$—**	$—
B. Reports issued during the reporting period	—	—	—
Subtotals (A+B)	—	—	**—**
Less			
C. For which a management decision was made during the reporting period	—	—	
(i) dollar value of recommendations agreed to by management	—	—	—
(ii) dollar value of recommendations not agreed to by management	—	—	—
D. For which no management decision has been made by the end of the reporting period	—	—	—

Appendix 4 Funds Put To Better Use

(4/1/2017 – 9/30/2017)

Audit Reports Issued with Funds to be Put to Better Use		
Category	**Number**	**Dollar Value**
A. For which no management decision has been made by the commencement of the reporting period	—	$—
B. Reports issued during the reporting period	4	100,004,000
Subtotals (A+B)	**4**	**100,004,000**
Less		
C. For which a management decision was made during the reporting period		
(i) dollar value of recommendations that were agreed to by management	4	$100,004,000
(ii) dollar value of recommendations that were not agreed to by management	—	—
D. For which no management decision has been made by the end of the reporting period	—	—

Appendix 5 Audit Reports Described in Previous Semiannual Reports for Which Corrective Actions Are Not Complete

Report[a,b]	Report Number/Date	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
Food and Beverage Service: Further Actions Needed to Address Revenue Losses Due to Control Weaknesses and Gaps	E-11-03 June 23, 2011	$—	$—	$—
Americans with Disabilities Act: Leadership Needed to Help Ensure That Stations Served By Amtrak Are Compliant	109-2010 September 29, 2011	—	—	—
Management of Overtime: Best Practice Control Can Help in Developing Needed Policies and Procedures	OIG-A-2013-009 March 26, 2013	—	—	—
Food and Beverage Service: Potential Opportunities to Reduce Losses	OIG-A-2014-001 October 31, 2013	—	—	154,200,000[c]
Governance: Improved Policies, Practices, and Training Can Enhance Capital Project Management	OIG-A-2014-009 July 15, 2014	—	—	—
Acquisition and Procurement: Improved Management Will Lead to Acela Parts Contract Cost Savings	OIG-A-2015-008 March 10, 2015	—	—	19,000,000
Human Capital: Incentive Awards Were Appropriate, But Payment Controls Can Be Improved	OIG-A-2015-009 March 13, 2015	—	—	—
Governance: Alignment with Best Practices Could Improve Project Management Office Implementation	OIG-A-2016-002 December 16, 2015	—	—	—

Appendix 5

Audit Reports Described in Previous Semiannual Reports for Which Corrective Actions Are Not Complete				
Report[a,b]	Report Number/Date	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
Asset Management: Additional Actions Can Help Reduce Significant Risks Associated with Long-Distance Passenger Car Procurement	OIG-A-2016-003 February 1, 2016	—	—	—
Acquisition and Procurement: Adequate Competition for Most Contracts Awarded Under Americans with Disabilities Act Program but Procurement Policies Could be Improved	OIG-A-2016-008 June 8, 2016	—	—	—
Governance: Controls to Avoid Duplicate Medical Payments of Agreement Employees Appear Generally Effective, but Some Payment Errors Still Occur	OIG-A-2016-009 July 15, 2016	4,300,000	—	—
Train Operations: Adopting Leading Practices Could Improve Passenger Boarding Experience	OIG-A-2016-011 September 7, 2016	—	—	—
Acquisition and Procurement: Opportunities Exist to Improve Management of Technical Support Services Contracts	OIG-A-2016-013 September 30, 2016	—	—	—
Safety and Security: Progress Made in Implementing Positive Train Control, but Additional Actions Needed to Ensure Timely Completion of Remaining Tasks	OIG-A-2017-001 October 6, 2016	—	—	—
Acquisition and Procurement: Adopting Additional Leading Practices to Manage the Baltimore Penn Station Redevelopment Could Help Mitigate Project Risks	OIG-A-2017-002 December 14, 2016	—	—	—
Governance: Addressing Remaining Shortcomings Would Lead to a Budget Development Process More Fully Aligned with Leading Practices	OIG-A-2017-004 January 17, 2017	—	—	—

Appendix 5

Report[a,b]	Report Number/Date	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
Audit Reports Described in Previous Semiannual Reports for Which Corrective Actions Are Not Complete				
Acquisition And Procurement: Improved Management and Oversight of GE Diesel Locomotive Service Contract Could Lead to Savings	OIG-A-2017-005 February 3, 2017	—	—	5,565,000
Acquisition and Procurement: Master Services Agreements Are Not Strategically Managed, and Award and Oversight Processes Can Be Improved	OIG-A-2017-006 February 22, 2017	—	—	18,000,000
TOTAL		***$4,300,000***	***$—***	***$196,765,000***

Notes:

[a] We received comments for all audit reports within the 60 days.

[b] Please visit https://www.amtrakoig.gov/reports/audits for a copy of the reports listed in this table.

[c] $51.4 million annually, projected over three years.

Appendix 6 Review of Legislation, Regulations, and Major Policies

Section 4(a)(2) of the Inspector General Act of 1978, as amended, provides that the Inspector General shall review existing and proposed legislation and regulations relating to programs and operations of such establishment. Also, the Inspector General shall make recommendations in the semiannual reports concerning the impact of such legislation or regulations on the economy and efficiency in the administration of such programs and operations administered or financed by such establishment—or the prevention and detection of fraud and abuse in such programs and operations.

During the last reporting period, the OIG reviewed and provided comments on 13 Amtrak corporate policies and continued its efforts to ensure the American taxpayers' dollars entrusted to Amtrak were protected.

Appendix 7 Peer Review Results

The *Dodd-Frank Wall Street Reform and Consumer Protection Act* (P. L. 111–203, July 21, 2010) requires that OIGs include in semiannual reports to Congress the results of any peer review conducted by another OIG during the reporting period, or—if no peer review was conducted—a statement identifying the date of the last peer review. Also required is a list of all peer reviews conducted by the OIG of another OIG, and the status of any recommendations made to or by the OIG.

During fiscal year 2016, our Office of Audits was the subject of a CIGIE peer review by the Office of Personnel Management OIG. Office of Personnel Management OIG determined that the system of quality control for our audit function has been suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Accordingly, Office of Personnel Management OIG provided a "pass" rating and made no recommendations. The report was released on January 29, 2016.

During fiscal year 2016, our Office of Investigations was the subject of a CIGIE peer review by the Department of the Interior OIG. Department of the Interior OIG concluded that the system of internal safeguards and management procedures for our investigative function was in compliance with the quality standards established by CIGIE and the Attorney General's Guidelines for Offices of Inspector General with Statutory Law Enforcement Authority. Department of the Interior OIG identified a number of best practices in the investigative operations that they believed warranted acknowledgement.

Appendix 8 Glossary of Terms, Acronyms, and Abbreviations[2]

Management Decision. The evaluation by management of the findings and recommendations included in an audit report and the issuance of a final decision by management concerning its response to such findings and recommendations, including actions that management concludes are necessary.

Questioned Cost. A cost that is questioned by the OIG because of (1) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (3) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

Recommendation that Funds Be Put to Better Use. A recommendation by the OIG that funds could be more efficiently used if management took actions to implement and complete the recommendation, including (1) reductions in outlays; (2) deobligation of funds from programs or operations; (3) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; (4) costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor, or grantee; (5) avoidance of unnecessary expenditures noted in pre-award reviews of contract or grant agreements; or (6) any other savings that are specifically identified. (*Note:* Dollar amounts identified in this category may not always allow for direct budgetary actions but generally allow the agency to use the amounts more effectively in the accomplishment of program objectives.)

Unsupported Cost. An unsupported cost is a cost that is questioned by the OIG because the OIG found that, at the time of the audit, the cost was not supported by adequate documentation.

[2] All definitions are from the Inspector General Act of 1978, as amended.

Appendix 8

Acronyms and Abbreviations

CIGIE	Council of the Inspectors General on Integrity and Efficiency
FOIA	Freedom of Information Act
FRA	Federal Railroad Administration
IT	Information Technology
LTI	Long Term Incentive
OIG	Office of Inspector General
STI	Short Term Incentive

Appendix 9 Reporting Requirements Index

Topic/Section	Reporting Requirement	Page
4(a)(2)	Review of Legislation and Regulations	41
5(a)(1)	Significant Problems, Abuses, and Deficiencies	4-27
5(a)(2)	Recommendations for Corrective Action to Significant Problems	4-27
5(a)(3)	Audit Reports Described in Previous Semiannual Reports for Which Corrective Actions are Not Complete	38-40
5(a)(4)	Matters Referred to Prosecutive Authorities	33
5(a)(5)	Information Assistance Refused or Not Provided	N/A
5(a)(6)	Audit Reports Issued in This Reporting Period	34-35
5(a)(7)	Summary of Significant Reports	4-27
5(a)(8)	Audit Reports with Questioned Costs	36
5(a)(9)	Audit Reports with Recommendations That Funds Be Put to Better Use	37
5(a)(10)	Previous Audit Reports Issued with No Management Decision Made by End of This Reporting Period	36-37
5(a)(11)	Significant Revised Management Decisions	N/A
5(a)(12)	Significant Management Decisions with Which the OIG is in Disagreement	N/A
5(a)(13)	Federal Financial Management Improvement Act-Related Reporting	N/A
5(a)(14–16)	Peer Review Results	42
5(a)(17-18)	Investigative Reporting Statistical Tables	33
5(a)(19)	Investigations on Senior Government Employees Where Allegations are Substantiated	4-27
5(a)(20)	Instances of Whistleblower Retaliation	N/A
5(a)(21)	Instances of Interference with Independence or Restrictions on Access	N/A
5(a,b)(22)	Instances of Inspections, Evaluations, Audits, and Investigations Not Disclosed to the Public	33, 35

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

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Reporting Fraud, Waste, and Abuse

Report suspicious or illegal activities to the OIG Hotline

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or

800-468-5469

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