

# **Amtrak Office of the Inspector General**



## **Oversight of ARRA-Funded Initiatives**

### **PROGRAM CHARTER**

**April 15<sup>th</sup>, 2009**

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## **Introduction**

The American Recovery and Reinvestment Act (ARRA) of 2009 was enacted by Congress to achieve the following objectives:

- (1) To preserve and create jobs and promote economic recovery.
- (2) To assist those most impacted by the recession.
- (3) To provide investments needed to increase economic efficiency by spurring technological advances in science and health.
- (4) To invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits.
- (5) To stabilize state and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.

As stated under Title XII (H.R. 1-95) of the Act, “\$5,000,000 shall be made available for the Amtrak Office of Inspector General and made available through September 30, 2013”. This funding is intended to provide the Amtrak OIG with additional resources required to provide adequate oversight of Amtrak’s ARRA-funded programs, as defined in both the Inspector General Act of 1978 and the Implementing Guidance for the American Recovery and Reinvestment Act of 2009, issued by the Office of Management and Budget during March / April, 2009.

Given ARRA’s high public profile and the impact that this Act will have on the American economy, our office fully understands the level of public scrutiny that can be expected. Over the upcoming four and a half years, our office will utilize its funding allocation to:

- (1) Establish a team of highly qualified auditors, investigators, and subject matter experts to successfully execute our mandate under the ARRA legislation.
- (2) Provide up-front advice to Amtrak with regard to procurement practices, fraud prevention, risk management, program controls, and other topics that we believe will assist the company in the successful completion of ARRA-funded programs and projects.
- (3) Perform risk management assessments on Amtrak’s portfolio of ARRA-funded programs, and prioritize our audit activities on the basis of the resulting risk profiles. This will also include the examination of past audit and investigation results as part of the risk assessment process.
- (4) Execute interim and final audits of ARRA-funded programs in accordance with standard audit practices. These audits will take place from the standpoints of fiscal management, program controls, reporting, and risk management, among others.
- (5) Perform investigations as necessary.
- (6) Provide all of the administrative functions required by ARRA-funded programs, as established by the Office of Management and Budget.

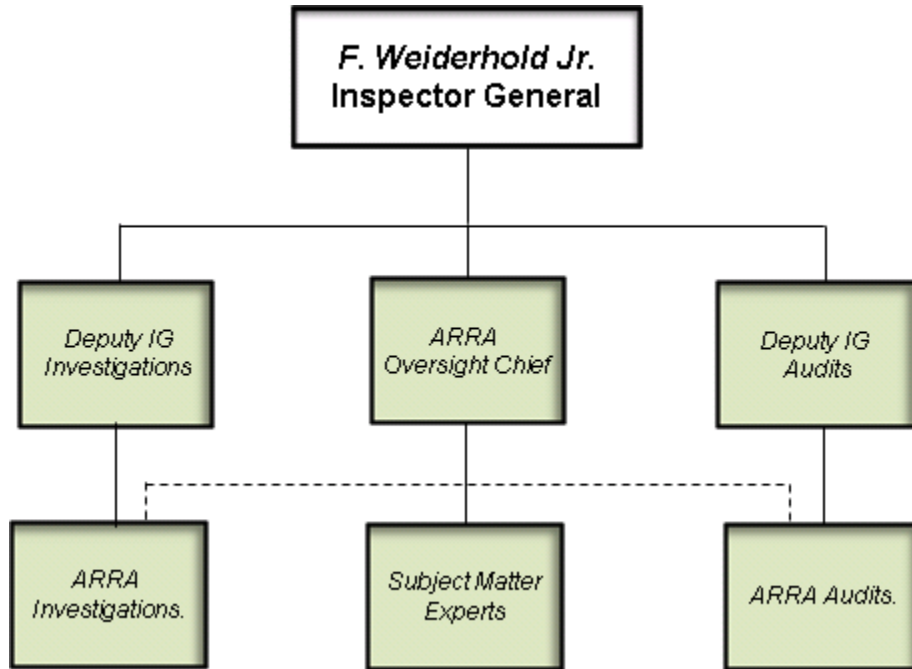
## **Amtrak OIG’s Approach to ARRA Oversight**

### ***OIG Organizational Setup***

Transparency, full disclosure, and the use of well-established management practices regarding all ARRA-based initiatives will be instrumental in achieving the goals that the Act has set forth. Our office intends to set up a dedicated core team of experts whose goal will be to focus exclusively on Amtrak’s ARRA-funded programs. This team will be supported by other individuals from our

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audits and investigations divisions as the need arises. The ARRA team will be organized as shown below:



To maintain pace with current events and approaches toward ARRA oversight, our team will become an integral part of the OIG community's discussion groups. As oversight practices evolve within the community, the intent is for our team to share those practices for potential integration into our own set of approaches. We will also work closely with the Recovery, Accountability, and Transparency Board as well as with the Council of Inspectors General on Integrity and Efficiency (CIGIE).

### **Overall Program Assessment**

As Amtrak begins to establish its ARRA-funded program portfolio, infrastructure, approaches and management team, our department will attempt to work in tandem with the company to help it avoid early pitfalls. Between April 2009 and July 2009 we intend to accomplish the following:

- (1) Assess the eligibility of each project and program put forward by Amtrak for ARRA funding. This assessment will be grounded on both the ARRA legislation text itself and on the ARRA guidelines issued by the Office of Management and Budget. Some of the key factors our office will examine are:
  - a. If the ARRA project or program is supporting or supplanting a planned or existing project / program initiative
  - b. If the project or program complies with both the legislative restrictions and guidelines that have been established for Amtrak funding under ARRA and the grant agreement between Amtrak and the FRA.
  - c. If the nature of the project or program complies with capital funding standards as defined under Generally Accepted Accounting Principles (GAAP).
- (2) Review the grant agreement between the National Railroad Passenger Corporation and the Federal Railroad Administration to ensure that the grant agreement supports the

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terms of both the ARRA legislation and the grant guidelines established by the Office of Management and Budget

- (3) Cross-reference past audits and investigations with ARRA-funded programs being put forward by Amtrak, and forewarn the company of related problems and pitfalls that have been experienced in the past. The intent is to advise the company to take active measures to prevent these problems from recurring.
- (4) Assess Amtrak's approach toward procurement, contracting, and contract administration for ARRA-funded projects and programs. Particular attention will be paid to OMB guidelines and legislative criteria such as applicable "Buy America" considerations, fixed-price contracting, the establishment of ARRA reporting guidelines within the contracts, and measures being taken to both mitigate fraud and to ensure that the contract terms are being enforced.
- (5) Review of the management controls that are being established for ARRA-funded projects and programs. The intent is to give reasonable assurances that the programs' objectives can be realized within the timelines and budgets established by the ARRA legislation and grant agreement..

### ***ARRA Audits***

Our office intends to focus the majority of its audits on programs that we consider to have high risk levels in terms of:

- Ability to achieve its objectives within the budget and time frames proscribed by the ARRA legislation
- Ability to achieve ARRA objectives
- Program size and complexity
- Availability of skilled management resources and subject matter experts
- Monitoring and control
- History of material weaknesses
- Weak scope definition
- Ability to measure program results against target
- Potential for waste, fraud, or abuse

To identify those programs that require greater scrutiny, we will conduct or commission the execution of a series of risk evaluations, then determine our audit needs in part on the basis of the evaluation results.

Our audit approach will include but not be limited to the following considerations:

- (1) During the course of program execution, we will review ARRA documents and reports that Amtrak will be submitting as part of its ARRA commitments.
- (2) Where possible, we will conduct audits relatively early during the program's life cycle. Our objective is to assist Amtrak in discovering management, ARRA compliance and other issues early on during the program to allow the company time to adjust and remedy accordingly while there is still an opportunity to do so.
- (3) At OIG's discretion, ARRA programs may be subject to multiple audits, which can take place both during the course of the program execution and once the program has been completed and closed out.
- (4) Audits that take place during program execution will have the following objectives, among others:

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- a. Assess compliance against ARRA and OMB standards for documentation and reporting, procurement, and contract award
  - b. Assess compliance against Amtrak-established program management, contract management, and financial management procedures
  - c. Assess the adequacy of the work force assigned to the program
  - d. Assess the cost and time estimates established for the program
  - e. Assess the risk management measures that have been established
  - f. Identify any discrepancies between what has been reported to FRA / OMB and the program's actual status
  - g. Assess program compliance against the Amtrak / FRA grant agreement
  - h. Provide recommendations for any remedial actions
- (5) Audits that take place after program closeout will have the following objectives:
- a. Comparison of what has been achieved vs. what was detailed in the scope statements
  - b. Financial analysis and audit of all program components
  - c. Evaluation of billing and payments.
  - d. Assessment of all contracts with third parties and to what extent Amtrak has received its contractual deliverables
  - e. Assessment of to what extent the program has achieved its anticipated benefits, (where applicable, based upon pre-defined program measurement criteria).

**Key Milestones**

<i>Milestone Description</i>	<i>Completion Date</i>
Submit final version of OIG Recovery Act plan	May 30, 2009
Begin interim audits of key Amtrak programs	June 1, 2009
Complete assessment of Amtrak’s program-specific Recovery Act plans	June 15, 2009
Complete assessment of Amtrak’s tools, methods, and procedures for ARRA program management	July 31, 2009
Complete risk assessment of key Amtrak programs	August 31, 2009
Complete interim audits of Amtrak’s ARRA programs	May 31, 2010
Begin post-completion audits of Amtrak’s ARRA programs	March 1, 2010
Complete post-completion audits of Amtrak’s programs	September 30, 2013