



**AMTRAK** | Office of  
Inspector General  
[www.amtrakoig.gov](http://www.amtrakoig.gov)

# SEMIANNUAL REPORT

## to the United States Congress

October 1, 2011–March 31, 2012

Report No.  
**45**







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Union Station, Washington , DC



### National Railroad Passenger Corporation Office of Inspector General

I am pleased to submit the Amtrak Office of Inspector General (OIG) *Semiannual Report to the United States Congress* for the six months ending March 31, 2012. This report highlights our significant accomplishments during this period, including the results of

- the congressionally mandated U.S. Postal Service (USPS) OIG review of Amtrak OIG's operational independence and progress in addressing the report's recommendations;
- audits, inspections and evaluations, and investigations; and
- our ongoing initiatives to strengthen the office, and our progress in becoming a model OIG.

#### Progress in Addressing Recommendations of the Operational Independence Review

Because operational independence is critical to accomplish our mission, I want to first address the reviews that have been made of operational independence, with a specific emphasis on the recent USPS OIG review and our significant progress in addressing that report's recommendations.

The Consolidated Appropriations Act of 2010 included two provisions to assure Congress that we are operating independently from the Corporation. The first provision required an Inspector General to determine whether the Corporation and our Office have agreed on a set of policies and procedures for interacting with each other that are consistent with the letter and spirit of the Inspector General Act of 1978 (IG Act), as amended. As I have previously reported, on March 17, 2010, the Farm Credit Administration IG issued a report concluding that the Corporation and our office have agreed to a set of policies and procedures for interacting with each other that are consistent with the letter and the spirit of the IG Act.

The Act's second provision required that 1 year later, another IG evaluate the current operational independence of our office. The U.S. Postal Service IG was selected and on October 28, 2011, issued a report: *National Railroad Passenger Corporation (Amtrak) Office of Inspector General Operational Independence* (Report Number FF-AR-12-001). The USPS IG found that:

- our office and the Corporation had made operational independence a high priority by undertaking organizational changes and pursuing independence initiatives, with many of the issues having been resolved; and
- our office and the Corporation had implemented initiatives to remediate identified independence issues, including establishing an OIG independent personnel authority for our office and improving communications between our office and the Corporation.

Nevertheless, the report also noted that the Corporation's structure and management of its separate hotline had resulted in employee confusion, along with allegations of potential fraud not being appropriately referred to our office for investigation. Of particular concern, it was noted, the Corporation was not referring to our office potentially fraudulent employee injury claims.

In summary, USPS OIG recommended to Amtrak's Board of Directors that we and the Corporation (1) discuss our progress in addressing all independence items in our semiannual report to Congress, (2) establish a single hotline that would be managed by our office, and (3) establish a process for referring potentially fraudulent injury claims to us. The report also recommended that management reinforce its policy requiring all employees to report allegations of suspected fraud, waste, and abuse to our office.

The Board of Directors stated that they agreed with these recommendations, and overall, I believe we and the Corporation have fully addressed these recommendations. Specifically:

This semiannual report addresses our office's and the Corporation's efforts to address independence issues, including those that our office had identified separately through our operational improvement initiatives and the specific recommendations contained in the USPS OIG report. We have completed addressing the 17 actions identified through our operational improvement initiatives. We will continue to expeditiously address new independence issues should any emerge. (For a full discussion, see [Ongoing Actions to Strengthen OIG Operations/NAPA Recommendations](#).) The USPS OIG-specific recommendations are addressed below.

- The Corporation has renamed its internal hotline as the Amtrak Help-Line for ethics and compliance issues to differentiate it from our OIG-managed Fraud Hotline.
- Additionally, Amtrak's Office of General Counsel and our office have taken steps to ensure that our office reviews every complaint that comes into the Help-Line. Under this protocol, we have the right of first refusal for audit and investigative purposes. Also, we and Amtrak's Office of General Counsel have developed and implemented new procedures to ensure that any allegations, complaints, or information received by our hotline that are administrative in nature are referred to the Corporation through the Amtrak Office of General Counsel.
- We and Amtrak's General Counsel have agreed to new protocols on the Corporation's reporting to our office injury claims by Amtrak employees and others that are suspected to be fraudulent.
- Amtrak's President and CEO issued a memorandum on January 2, 2012, to all Amtrak employees entitled *Cooperation with OIG*. The memorandum outlines Amtrak policy and employees' responsibilities to report fraud, waste, and abuse to our office and to cooperate with our inquiries.

I am pleased to report that our Office of Investigations has been receiving numerous hotline calls and the Corporation has started referring suspected fraudulent injury claims to us that have led to our opening investigations.

### Significant Accomplishments

We are charged with, among other things, ensuring that Amtrak spends its funds wisely, receiving appropriate value for its expenditures. The cumulative effect of our work has yielded significant results. For example, based on our work, Amtrak over the past several years has withheld payment on over \$20 million in questionable invoices.

Similarly, based on our audit work, over time, Amtrak has recovered approximately \$6 million in overpayments from host railroads for inaccurate charges and is in the process of negotiations to recover additional overcharges.

During this reporting period, our audit and evaluation units issued nine reports; together they identified just under \$12 million in questioned costs, including unsupported costs and funds to be put to better use. They also included numerous recommendations to improve Amtrak's efficiency and effectiveness, such as implementing an enterprise risk management process. Our investigative work continued to focus on preventing and detecting illegal activity. Examples of our accomplishments during this period follow:

- We determined that Amtrak does not have a formal, coordinated, and systematic enterprise-wide framework for identifying, analyzing, and managing risk. The company embraced the need to develop a framework and was taking steps in that direction as our work was in progress. (Report [OIG-A-2012-007](#).)
- We reviewed Amtrak's progress in implementing provisions of the Passenger Rail Investment and Improvement Act of 2008, and found that while headway has been made, five outstanding issues represent opportunities for significant savings. The most significant among these is the potential for savings totaling \$400 million from restructuring the Corporation's debt portfolio. (Report [OIG-A-2012-001](#).)
- We identified over \$9 million in questioned costs due to weaknesses in Amtrak's invoice-review process. (Report [OIG-A-2012-004](#).)
- We found over \$2 million in unsupported costs involving contract modification charges for overhead billed by a construction company. (Report [OIG-A-2012-006](#).)
- In reviewing controls over the use of temporary management assignments (TMA), we determined that weak controls over the implementation of the TMA policy, coupled with

- inconsistent practices for paying back wages, may have serious financial consequences for Amtrak. If these weaknesses are not addressed, Amtrak may face additional financial consequences and pay inequity among employees in the future, when the current round of labor negotiations concludes. (Report OIG-E-2012-009.)

In the investigative area, we entered into a memorandum of understanding with the Amtrak Police Department relating to jurisdiction and cooperation. We also recovered over \$100,000, and were involved in uncovering several instances of employee wrongdoing.

### **Significant Actions Taken to Strengthen OIG Operations**

We are continually working to improve our office operations, and these initiatives continue to yield results. These actions flow largely from recommendations made by the National Academy of Public Administration (NAPA) to improve our operations. Key improvements to our processes were developed by each of our NAPA implementation teams during this semiannual period:

- A customizable *OIG 101* informational briefing was developed for use with new executives and outside stakeholders, and fraud awareness briefings were delivered to over 500 Amtrak employees.
- A five-step Audit and Inspections and Evaluations work planning process was developed and implemented. Draft performance measures for each of the OIG strategic goals were developed.
- Comprehensive training classes for the audit and inspection/evaluation staff on TeamMate,<sup>1</sup> 2011 Revisions to the Yellow Book, Working Paper Preparation, and Cross-Indexing for Working Papers and Draft and Final Reports, were conducted.
- Various policy changes were made to strengthen our work process for approving and distributing reports.
- TeamMate procedures and protocol documents were completed and provided to the staff.
- The independence team completed 17 action items that it identified to improve our processes, policies, and management practices.

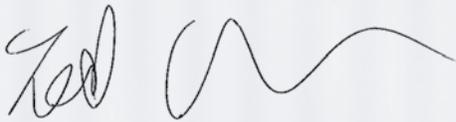
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<sup>1</sup> Providing a paperless strategy for managing audits, TeamMate is considered the industry standard in audit management software.

In the Human Capital Management area, we have

- filled the position of Assistant Inspector General for Mission Support;
- hired new staff for Audits, Inspections and Evaluations, Investigations, and Mission Support;
- completed office renovations that provided improved work space for OIG staff; and
- funded training classes for management and employee development and staff certifications.

I look forward to continuing to work constructively and professionally with Amtrak's Board members, its Chairman, its President and CEO, and Amtrak executives, along with the authorizing, appropriations, and oversight committees of the Senate and House of Representatives as we continually seek ways to improve both Amtrak's effectiveness and efficiency and our mission performance. In that regard, I want to again thank the President, Chairman, and other Board members who attended and addressed our semiannual All-Hands Meeting in January. I look forward to identifying ways to address the challenges that OIG, Amtrak, taxpayers, and the train-riding public will experience in the months and years ahead, especially in an environment where we must find practical and feasible ways to do more with less. As Amtrak IG, this is my commitment to you.



Ted Alves  
Inspector General



Eastbound Capitol Limited stands at Harpers Ferry, WV

# OIG Profile

## Vision, Mission, and Authority

### **Vision**

The Office of Inspector General (OIG) strives to provide Amtrak's employees, its customers, the public, and the Congress with the highest quality service and programs through vigilance, timely action, accuracy, and an overall commitment to excellence across the broad range of OIG responsibilities.

### **Mission**

The OIG conducts and supervises independent and objective audits, inspections, evaluations, and investigations relating to Amtrak's programs and operations; promotes economy, effectiveness, and efficiency within Amtrak; prevents and detects fraud, waste, and abuse in Company programs and operations; and reviews and makes recommendations regarding existing and proposed legislation and regulations relating to Amtrak's programs and operations.

### **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 Amtrak OIG to consolidate existing investigative and audit resources into an independent organization headed by the Inspector General (IG) to promote economy, efficiency, and effectiveness; and to prevent and detect fraud, waste, and abuse. Subsequently, the Inspector General Reform Act of 2008 (P. L. 110-409) amended and strengthened the authority of the Inspectors General.

## Guiding Principles and Values

Amtrak OIG's principles and values are important because they form the building blocks used to accomplish our mission and conduct our day-to-day operations:

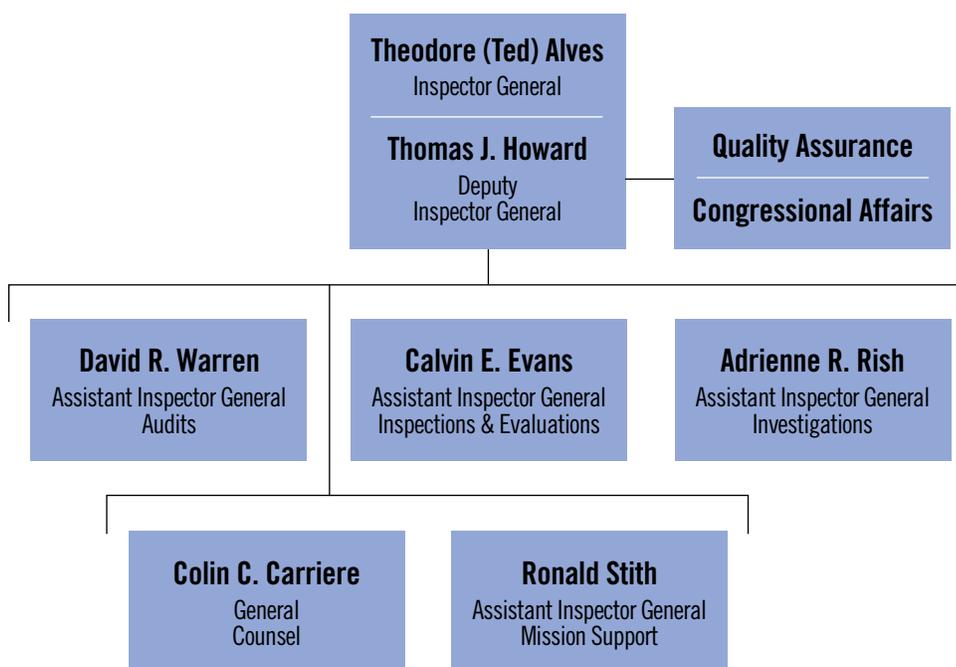


Amtrak's OIG will:

- **High Quality, Relevance, Timeliness**—Provide valuable and timely service. Work products are high quality, relevant, timely, add value, and are responsive to the needs of Amtrak and its stakeholders.
- **Innovation**—Be innovative, question existing procedures, and suggest improvements. New ideas and creativity are fundamental to continued growth, development, and problem-solving.
- **Respecting and Developing People**—Create an environment that supports gathering, sharing, and retaining knowledge; fosters treating everyone fairly and with mutual respect through words and actions; ensures professional growth; and values the diverse backgrounds, skills, and perspectives of employees.
- **Professionalism**—Be committed to our professional standards and foster relationships with stakeholders that rely on communication and cooperation. Relationships with program managers are based on a shared commitment to improving program operations and effectiveness.

- **Independence and Objectivity**—Be committed to carrying out our mission with objectivity and independence, both in appearance and fact.
- **Customer Service**—Strive to be aware of the needs of stakeholders and work with Amtrak’s chairman, the Board of Directors, and the Congress to improve program management.

## Office of Inspector General Organization



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

The IG provides policy direction and leadership for the office and serves as an independent voice to the Board of Directors and the Congress by identifying opportunities and promoting solutions for improving the company’s performance and economy and efficiency of operations, while preventing and detecting fraud, waste, and abuse. The Deputy IG assists the IG in developing and implementing the OIG’s diverse audit, inspection, evaluation, investigative, legal, and support operations.



Investigations examines allegations of fraud, waste, abuse, or misconduct that could affect Amtrak; findings are referred to the Department of Justice for criminal prosecution or civil litigation, or to Amtrak management for administrative action.

### **Audits**

The Office of Audits conducts performance and financial-related audits across the spectrum of Amtrak's support and operational activities. It produces reports on those activities that are aimed at improving Amtrak's economy, efficiency, and effectiveness, while seeking to detect and prevent fraud, waste, and abuse. The audit activities are focused on issues related to governance, to include financial management, acquisition and procurement, information technology, human capital, and American Recovery and Reinvestment Act-related activities. The group conducts its work in accordance with generally accepted government auditing standards.

### **Inspections and Evaluations**

The Office of Inspections and Evaluations addresses conducts evaluations of Amtrak programs and operations to identify opportunities to improve cost efficiency and effectiveness, and the overall quality of service delivery throughout Amtrak.

### **Investigations**

The Office of Investigations addresses allegations of fraud, waste, abuse, and misconduct that could affect Amtrak's programs, operations, assets, and other resources. Investigative findings are referred to the Department of Justice for criminal prosecution or civil litigation, or to Amtrak management for administrative action. The office develops recommendations to reduce Amtrak's vulnerability to criminal activity.

### **General Counsel**

The Office of General Counsel is responsible for providing legal assistance and advice to OIG senior management and supports audits, evaluations, special reviews, and investigations. Counsel coordinates with outside attorneys, including local and federal agencies and law enforcement attorneys, and appears in court on behalf of the OIG and its employees.

### **Mission Support**

The Office of Mission Support provides financial management, procurement, human capital management, administrative, information technology, and communications expertise to support OIG operations.

### **Congressional and Public Affairs**

The Office of Congressional and Public Affairs serves as the OIG liaison to Congress and other government entities and the public, and conducts OIG outreach.

## Amtrak Profile

The National Railroad Passenger Corporation—Amtrak—is incorporated under the District of Columbia Business Corporation Act (D.C. Code § 29-301 et seq.) in accordance with the provisions of the Rail Passenger Service Act of 1970 (P. L. 91-518). Under the provisions of the Passenger Rail Investment and Improvement Act of 2008 (P. L. 110-432; 49 U.S.C. § 24302), Amtrak’s Board of Directors was reorganized and expanded to include nine members.

The company is operated and managed as a for-profit corporation providing intercity rail passenger transportation as its principal business, but relies on significant funding from the federal government to support operations and capital investments. Congress created Amtrak in 1970 to take over, and independently operate, the nation’s intercity rail passenger services. Prior to this, America’s private freight companies ran passenger rail as required by federal law. Those companies reported that they had operated their passenger rail services without profit for a decade or more. With this in mind, when Amtrak began service on May 1, 1971, more than half of the rail passenger routes then operated by the freight railroad companies were eliminated.



Amtrak’s fleet consists of over 2,100 cars and locomotives. It owns the right-of-way of over 600 route miles—over 360 in the Northeast Corridor alone (Washington-Boston).

### How It Works: Ownership and Contracting

Amtrak owns the right-of-way of 529 route miles (363 in the Northeast Corridor, which includes Washington, D.C.–New York City–Boston) and the remainder on lines linking Philadelphia–Harrisburg, Pa.; and New Haven, Conn.–Springfield, Mass.) It also owns 97 miles in Michigan. Amtrak owns 105 station facilities, and is responsible for the upkeep and maintenance of an additional 181 station facilities and 411 platforms. Amtrak owns 17 tunnels and 1,186 bridges in the Northeast Corridor.

Amtrak owns most of the maintenance and repair facilities for its fleet of over 2,100 cars and locomotives. Outside of the Northeast Corridor, Amtrak contracts with freight railroads for the right to operate over their tracks. The host railroads are responsible for the condition of their tracks and for the coordination of all railroad traffic.

### **Progress in Addressing Recommendations of the Operational Independence Review**

The Consolidated Appropriations Act of 2010 included two provisions to assure Congress the Amtrak OIG is operating independently from the Corporation. The first provision required an independent Inspector General to determine whether the Corporation and the Amtrak OIG have agreed on a set of policies and procedures for interacting with each other that are consistent with the letter and spirit of the Inspector General Act of 1978 (IG Act), as amended. On March 17, 2010, the Farm Credit Administration IG issued a report concluding that the Corporation and the Amtrak IG agreed to a set of policies and procedures for interacting with each other that is consistent with the letter and the spirit of the IG Act.<sup>2</sup> The second provision required that 1 year after such determination was made, the Council of Inspectors General on Integrity and Efficiency (CIGIE) appoint an IG to evaluate the current operational independence of the Amtrak OIG. The CIGIE appointed the U.S. Postal Service OIG to review the current operational independence of the Amtrak OIG.

The U.S. Postal Service (USPS) OIG Report Number FF-AR-12-001, *National Railroad Passenger Corporation (Amtrak) Office of Inspector General Operational Independence*, October 28, 2011, found that Amtrak OIG and the company had made operational independence a high priority by undertaking organizational changes and pursuing independence initiatives, with many of the issues having been resolved. Nevertheless, USPS found that the company's structure and management of its separate hotline had resulted in employee confusion, along with allegations of potential fraud not being appropriately referred to the OIG for investigation. Of particular concern, USPS OIG found that the company was not referring potentially fraudulent employee injury claims to the Amtrak OIG.

Overall, USPS OIG recommended that

1. Amtrak OIG include in its semiannual report a discussion of progress made in resolving the issues discussed in the USPS report, including Amtrak's Board Chair's comments;
2. Amtrak establish a single hotline and referral process managed by the Amtrak OIG;

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<sup>2</sup> Letter from Carl A. Clinefelter, Inspector General, Farm Credit Administration, March 17, 2010, to the Secretary of Transportation, regarding Amtrak and its Office of Inspector General.



Audit documentation training session, Washington, DC

3. Amtrak reinforce its policy and remind its employees of the Amtrak OIG's responsibility for addressing fraud, waste, and abuse issues;
4. Amtrak and OIG develop a plan for the Amtrak OIG to investigate potentially fraudulent employee injury claims; and
5. in the interim, Amtrak establish a process to refer potentially fraudulent injury claims to the Amtrak OIG.

As discussed below, each of these recommendations has been fully addressed.

This semiannual report fulfills the Amtrak OIG's and the company's compliance with USPS OIG's first recommendation, relating to discussing progress made in addressing the USPS recommendations, including comments by the Amtrak



From left: Amtrak President & CEO Joseph Boardman and Board of Directors members Bert DiClemente, Jeffrey Moreland, and Anthony Coscia at the January 2012 OIG All-Hands Meeting



USPS OIG recommended establishment of a process for referring potentially fraudulent employee injury claims to us. This has been done, resulting in closer collaboration between Amtrak Claims field personnel and OIG investigators.

Board Chair. As to the Amtrak and OIG hotlines, the company still maintains a separate hotline, but it is now limited to “employment, safety, and ethics matters.” Amtrak’s President issued a memorandum to all employees and contractors on January 24, 2012, reminding them of OIG’s role and directing them to report to OIG all matters relating to crimes, fraud, abuse of authority, or significant mismanagement, but to continue to report ethics, safety, or discrimination issues to Amtrak’s help-line. We believe that this arrangement satisfies the USPS OIG’s recommendation relating to hotlines.

In addition to the hotline recommendation, USPS OIG included specific findings and recommendations regarding the investigation of potentially fraudulent employee injury claims. Amtrak OIG has worked closely with the Amtrak Office of General Counsel in dealing with this issue, and the Board of Directors addressed these findings in a letter dated October 19, 2011, that was included in the final Postal Service OIG audit report. A major outcome has been closer collaboration between Amtrak Claims field personnel and OIG’s investigators.

### Hotline Operations

The USPS OIG report recommended combining the Amtrak Corporate Ethics and Compliance hotline with the Amtrak OIG Fraud hotline. The report also recommended that the company and Amtrak OIG jointly develop policy and procedures that allow Amtrak OIG to review all hotline allegations first and determine whether to investigate further or refer to the company for administrative action, as appropriate.

The Amtrak Board of Directors responded that the company needed to retain a hotline for several reasons, including compliance with legal requirements. The Board directed Amtrak management to rename the corporate hotline for

employment, safety, ethics, and other management concerns to differentiate it from the OIG fraud hotline. The Board further directed management to take steps to ensure minimal confusion between the two hotlines and ensure that the OIG has the opportunity to initially review all complaints to the corporate hotline for fraud, waste, and abuse.

All of these recommendations have been addressed. The company has renamed its internal hotline as the Amtrak Help-Line for ethics and compliance issues. The company, working with OIG, has created new Help-Line marketing materials for distribution to Amtrak employees. These publications explain the difference between the Amtrak Help-Line and the OIG Hotline. The Amtrak Office of General Counsel and the OIG have also taken steps to ensure that OIG reviews every complaint that comes into the Help-Line. Under this protocol, OIG has the right of first refusal, to accept for audit or investigative review, any information received by the company Help-Line. Finally, OIG and Amtrak General Counsel have initiated new procedures to ensure that any allegations, complaints, or information received by the OIG Hotline that do not warrant OIG review are referred for management action through General Counsel rather than directly to the affected Amtrak department.

## **Suspected Injury Claims Fraud**

OIG and the Amtrak General Counsel have agreed to new protocols on reporting to the OIG suspected fraudulent injury claims by Amtrak employees and others. The General Counsel has developed and distributed to Claims personnel a list of red-flag indicators of possible claims fraud and has agreed to a policy encouraging direct interaction between Amtrak Claims field personnel and OIG investigators. The Office of Investigations has initiated investigations into instances of suspected claims fraud.

## **Bolstering OIG Independence**

On January 24, 2012, the Amtrak President and CEO issued a memorandum to all Amtrak employees entitled *Cooperation with OIG*. The memorandum supplements his prior directive and outlines Amtrak policy and employees' responsibilities to report fraud, waste, and abuse to the OIG and to cooperate with OIG inquiries.



Amtrak's Adirondack heading south along the western shore of Lake Champlain, New York

# Significant Activities:

## AUDITS

During this reporting period, OIG issued seven audit reports, summarized below. The full reports may be accessed through our website: [www.amtrak.gov](http://www.amtrak.gov). Also during this period, Amtrak recovered \$658,127 in previously identified overpayments.

### Passenger Rail Investment and Improvement Act of 2008: Amtrak Has Made Good Progress, but Continued Commitment Needed to Fully Address Provisions

(OIG-A-2012-001, October 26, 2011)

The Passenger Rail Investment and Improvement Act of 2008 (PRIIA) reauthorized the National Railroad Passenger Corporation (Amtrak) and strengthened the U.S. passenger rail network by tasking Amtrak, the Department of Transportation, the Federal Railroad Administration, states, and others to improve operations and services. PRIIA authorized nearly \$10 billion for Fiscal Years 2009–2013 for Amtrak’s operating costs and capital investments, including actions to help Amtrak improve its financial management, operate more efficiently, and improve services on existing routes. The Act assigned 29 sections to Amtrak: most required Amtrak to act within a specified time frame, others suggested that Amtrak take or consider some action, and the rest required or suggested that Amtrak respond to actions taken by federal or state agencies. Our audit objectives were to assess the progress that Amtrak had made in implementing Amtrak-assigned PRIIA provisions by comparing the provision’s requirements and suggestions with the progress Amtrak had made to address them. We also evaluated the quality and effectiveness of Amtrak’s actions to implement three selected sections: *Restructuring Long-Term Debt and Capital Leases* (Section 205); *Long-Distance Routes* (Section 210); and *Passenger Train Performance* (Section 213).

Amtrak made good progress in addressing the 29 PRIIA provisions assigned to it. It addressed nine requirements and nine suggestions; it continues to work on responding to seven PRIIA sections. Amtrak has not responded to one suggestion—that it expand the use of special trains to reduce federal subsidies.

Amtrak did not have to react to three sections because the events that are preconditions to its responding have not occurred.

While Amtrak had made good progress in addressing most PRIIA requirements and suggestions assigned to it, we identified five issues that represent opportunities for savings or improving the implementation of PRIIA provisions:

- Restructuring more Amtrak debt could generate savings.
- Implementing long-distance improvement plans faces challenges.
- Developing a process to support using on-time-performance remedies.
- Implementing Amtrak's new financial system is key to completing several remaining provisions.
- Determining whether additional special trains could help reduce federal subsidies.



We recommended that Amtrak management provide Congress with data on potential savings from early buyout of long-term debt; Amtrak agreed.

To address the opportunities to increase revenues, minimize federal subsidies, and improve performance during Amtrak's continuing implementation of PRIIA, we recommended that the President and Chief Executive Officer direct the

- Chief Financial Officer to update information on the potential savings that could be achieved and upfront investment needed to exercise early buyout options in the remaining long-term debt and capital leases, and provide that information to the Congress;
- Vice President for Marketing and Product Development to develop future performance improvement plans that focus on potential changes that are less dependent upon host railroad approval or increased federal subsidies;
- General Counsel to develop a specific process to help determine if and when Amtrak should request that the Surface Transportation Board investigate sub-standard on-time performance caused by host railroads; and the
- Vice President for Transportation to determine whether additional special trains could yield profits to help reduce federal subsidies.

In commenting on a draft of the report, Amtrak's Chief Financial Officer stated that it provided useful information upon which Amtrak management could take action, and agreed with the report's recommendations.

**Incurred-Cost Contract Audit: Bridge Construction Modification Settlement Agreement Cost is Adequately Supported**

(OIG-A-2012-002, November 7, 2011)

Amtrak management requested and we agreed to conduct this audit to ensure that Granite Construction Northeast, Inc. (the contractor) had adequate documentation to support the claimed costs agreed to in the contract modification. The objective of the audit was to determine if the contractor had adequate documentation to support the \$3.6-million settlement agreement cost for contract modification 19.

In December 2002, Amtrak entered into a contract to reconstruct and upgrade the ventilation shaft facilities servicing the four East River tunnels in Long Island City, New York. The reconstruction required the contractor to temporarily re-route electric power to ensure continued operation of Long Island Rail Road train service. To temporarily reroute electric power, the contractor erected a temporary utility bridge. Contract modification 19 was to cover the costs associated with construction of a temporary utility bridge necessary to complete the overall project.

Our analysis of the documentation supporting the original \$5.3-million claim showed that the \$3.6-million settlement agreement amount was adequately supported. We questioned \$1,082,043 of the \$5,268,581 claim, but the resulting supported amount exceeded the \$3.6-million settlement amount. The contractor adequately supported the \$3.6-million settlement amount. Amtrak management agreed with the report conclusion.

**Wireless Network Security: Internal Controls Can Be Improved**

(OIG-A-2012-003, December 7, 2011)

The Office of Inspector General conducted an audit of Amtrak's wireless network security program. Our objectives were to (1) assess the adequacy of Amtrak's internal controls for wireless network security, and (2) assess the adequacy of Amtrak's wireless network security policies.

Amtrak has installed wireless networks to allow its employees and contractors to connect their laptops to Amtrak networks where wired networks are difficult and costly to implement. Wireless connections provide an economical and flexible solution to accessing corporate systems and information.



While Amtrak has taken adequate measures to secure its wireless networks, some internal weaknesses and policy gaps exist. Weaknesses relate to areas including encryption and passwords, and leave Amtrak vulnerable to unauthorized access or worse. Amtrak is taking actions to address these issues.

While Amtrak's Office of Information Security has generally taken adequate measures to ensure that the company's wireless networks are secure and protect company information, some internal control weaknesses related to the wireless security program exist, along with some gaps in wireless security policies. These conditions occurred mainly due to weaknesses in oversight, policy enforcement, and the original security system design, as well as the lack of routine policy updates. The security control weaknesses related to encryption, passwords, and naming convention leave Amtrak information at risk of unauthorized access, modification, or destruction. As our audit progressed, we discussed these findings with Amtrak management officials, who agreed and have begun taking corrective action. While we did not find any evidence of security breaches of the wireless network, the weaknesses we noted represent security vulnerabilities and increase the risk of an undetected penetration of the network. Amtrak management agreed with our findings and recommendations and the planned actions identified by Amtrak are responsive to our recommendations.

### **On-Time-Performance Incentives: Inaccurate Invoices Were Paid Due to Weaknesses in Amtrak's Invoice-Review Process**

(OIG-A-2012-004, February 15, 2012)

OIG initiated this audit because of previously identified control weaknesses and the significant number of dollars associated with Amtrak's on-time-performance incentive payments. Under an operating agreement with BNSF Railway, Amtrak pays BNSF incentives to facilitate the on-time-performance of Amtrak trains. The objectives of this audit were to (1) determine whether BNSF Railway complied with the operating agreement in calculating on-time-performance incentives invoiced to Amtrak from May 2002 through June 2006, and (2) evaluate the adequacy of Amtrak's controls and processes for reviewing on-time-performance incentive invoices.

BNSF inconsistently or inappropriately applied provisions of the operating agreement with Amtrak, causing invoices to be overstated. Our review of 50 months of BNSF incentive invoices from May 2002 through June 2006 found that BNSF overbilled Amtrak \$9,151,451, almost 17 percent of the nearly \$55 million in on-time-performance incentives invoiced and paid.

Over time, our office has identified approximately \$36 million in overpayments and potential recoveries for audit periods ranging between 1993 and 2006, including over \$9.1 million identified in this report. The \$36 million includes at least \$5.7 million in overpayments that have already been collected.



Amtrak Board Chairman Thomas Carper addresses OIG staff at All-Hands Meeting

We are encouraged by the progress that has been made and the plans that are in place for further action. Accordingly, we did not make any new recommendations for improving invoice-review capabilities in this report. However, we did recommend that Amtrak take action to recover the \$9,151,451 that it overpaid BNSF. Amtrak management concurred with the recommendation to take action to recover amounts with respect to overpayments made to BNSF.

### **Amtrak Invoice Review: Inaccurate Invoices Were Paid, But Progress Is Being Made to Improve the Invoice-Review Process**

(OIG-A-2012-005, February 16, 2012)

This audit was conducted because of previously identified control weaknesses and the significant amount of money Amtrak expends to use tracks owned by CSX Transportation, Inc. Under an operating agreement with CSX, Amtrak pays CSX for charges incurred by CSX when Amtrak trains operate over its tracks. The objectives of this audit were to (1) determine whether CSX complied with the operating agreement when invoicing Amtrak for charges incurred for Amtrak

trains operating over its tracks from June 1999 through March 2008, and (2) provide an update on Amtrak's progress in improving its controls and processes in its review of monthly invoices.

CSX invoice charges generally complied with the operating agreement for use of tracks and facilities and the provision of services provided to Amtrak. However, in seven of the 13 cost components selected for review, invoice amounts contained errors because they were not calculated in accordance with the operating agreement or were unsupported. Sample CSX invoices for the 106-month audit period (June 1999 through March 2008) disclosed CSX

overbilling of \$736,126, approximately 1 percent of the more than \$66 million paid for services during the sample months.



AIG for Audits David Warren conferring with Los Angeles Senior Audit Director See See Young

The billing errors went undetected because, as previously reported, Amtrak did not have in place an adequate review process during that period. Amtrak is, however, making progress in developing its capabilities for reviewing host railroad invoices and addressing our prior recommendations. For example, Amtrak established the Host Railroad Invoice Administration group, which is reviewing select invoices using a limited set of factors. The Law Department is also working to negotiate settlements on overpayments that we previously

identified. Amtrak plans to further improve the invoice review process through several initiatives, including developing policies and procedures for reviewing all invoices, creating job aids to facilitate invoice processing, and collecting outstanding overpayments identified in prior audit reports. While Amtrak continues to make progress in developing policies and procedures, training, and invoice reviews, the company has not yet implemented all of our recommendations.

Over time, our office has identified approximately \$37 million in overpayments and potential recoveries for audit periods ranging between 1993 and 2008, including over \$700,000 identified in this report. The \$37 million includes at least \$5.7 million in overpayments that have already been collected.

We are encouraged by the progress that has been made and the plans that are in place for further action. Accordingly, we did not make any new recommendations for improving invoice-review capabilities in this report. However, we did recommend that Amtrak take action to recover the \$736,126 that Amtrak overpaid CSX. Amtrak's Chief Financial Officer concurred with the recommendation to take action to recover amounts with respect to overpayments made to CSX.

### **Incurred-Cost Contract Audit: Contract Modification Charges for Extended Indirect Overhead Costs Not Supported**

(OIG-A-2012-006, February 17, 2012)

Amtrak management requested this audit to determine if Granite Construction Northeast, Inc. (the contractor) had adequate documentation to support the extended indirect overhead costs included in contract modification 24 (extended overhead modification).

In December 2002, Amtrak entered into a contract for a firm-fixed amount totaling \$66,340,000. As of December 31, 2011, contract modifications had increased the contract value to \$84,548,927. The contract's purpose was to reconstruct and upgrade the ventilation shaft facilities servicing the four East River tunnels in Long Island City, New York. This upgrade required a design change to the original scope of work that extended the critical path of the project.

Our analysis of the documentation supporting the extended overhead claim showed that the claim was not adequately supported. The extended overhead modification allowed charges to be billed for extended indirect overhead costs resulting from the increase in the contract's period of performance. However, the contractor claimed direct costs, general and administrative costs, and profit, instead of submitting extended indirect overhead costs. Therefore, we concluded that the contractor's claimed costs were not allowable under the terms of the contract modification. As a result, Amtrak paid the contractor \$2,027,446 for charges that were not adequately supported.

In summary, we recommended that Amtrak (1) work with the contractor to establish an appropriate claim amount that is supportable and verifiable; and (2) based on the results of that review, recover any unsupported portion of the \$2,027,446 paid to the contractor. Amtrak's Chief Logistics Officer agreed with our finding and recommendations.



Our analysis of the documentation supporting the extended overhead claim showed that Amtrak paid the contractor over \$2 million for charges that were not adequately supported.



From left: IG Ted Alves and Deputy IG Tom Howard at the January 2012 All-Hands Meeting

### **Amtrak Corporate Governance: Implementing a Risk Management Framework is Essential to Achieving Amtrak's Strategic Goals**

(OIG-A-2012-007, March 30, 2012)

Both federal agencies and publicly traded companies have established processes to manage risk in order to help achieve their strategic goals and objectives. Amtrak's Board of Directors plays a key role in ensuring that the company accomplishes its stated goals in an efficient and effective manner. To better understand the company's approach to managing risk, the Board asked that we audit Amtrak's risk management process.

Amtrak currently does not have a formal, coordinated, and systematic enterprise-wide framework for identifying, analyzing, and managing risk. As our work progressed, it became clear that Amtrak managers and executives do identify and mitigate risks. However, these efforts are often ad-hoc and narrowly focused on operational or compliance risks within individual departments. For example, Amtrak senior managers identify risks within their units based on their experience and knowledge of operations and establish controls to address these risks within their units. However, because the company has not established a risk management process, these risks were not identified using a formal organization-wide methodology. In addition, because Amtrak did not have a comprehensive



From left: AIG for Audits David Warren, AIG for Inspections & Evaluations Calvin Evans, General Counsel Colin Carriere, and AIG for Mission Support Ronald Stith



Semiannual All-Hands Meetings provide all staff, including those in the field, an opportunity to hear updates from OIG management and engage in give-and-take discussions concerning OIG work.

risk management process, risk mitigation efforts may not be adequate to address root causes, and the Chief Executive Officer and Board may not be informed of the risk and mitigation plans.

In discussing the results of our work with Amtrak senior executives, they agreed with the need to improve their risk management practices. The company then took initial steps toward addressing this issue by committing, in the October 1, 2011, *Strategic Plan*, to establish an enterprise risk management (ERM) framework that is based on industry best practices. This is an important first step and shows a proactive approach on the company's part.

Recognizing this commitment, we focused on identifying best practices that could be adopted by the company. Our audit work noted that one of the keys to success for some organizations was to build a comprehensive ERM process using incremental steps rather than starting with an enterprise-wide effort. Given the ad-hoc nature of Amtrak's current risk management practices and control activities, it appears that an incremental approach could provide the greatest likelihood for implementation success. Further, focusing that approach on the ongoing implementation of a selected goal within the strategic plan could be a logical start to the implementation of an ERM framework.



In the long term, the Board...and the President...[should] take action to develop and implement an [enterprise risk management] process for the entire organization....In the near term,...they should...[focus] on Goal 5 of the Amtrak *Strategic Plan*, Financial and Organizational Excellence.

Based on our judgment, together with input from Amtrak’s senior executives, we believe that Amtrak should begin the ERM process by applying its principles to Goal 5 of the Amtrak *Strategic Plan*—Financial and Organizational Excellence.

We recommended that, in the long term, the Board of Directors and the President and CEO take action to develop and implement an ERM process for the entire organization, to include the Board of Directors, which is consistent with the Committee of Sponsoring Organizations of the Treadway Commission framework. We also recommended that in the near term, using an incremental approach, they should develop and implement an ERM process, to include the Board of Directors, that likewise focuses on Goal 5 of the Amtrak *Strategic Plan*, Financial and Organizational Excellence.

In commenting on a draft of this report, the Chairman of the Board of Directors and the President and CEO stated that it is imperative that the Board discuss our recommendations with an answer to the time, resources, and priority needed to make a commitment. Once the Board has had an opportunity to understand the commitment this will take, guidance will be provided to management, and the company will provide the OIG with more detailed information about Amtrak’s plan to implement ERM.



OIG All-Hands Meeting, January 2012



Senior Director for Quality Assurance and Internal Affairs Nancee Needham conducts a training class on peer review and workpaper cross-indexing in Philadelphia

## Ongoing Audits

During the next 6 months, the Office of Audits expects to complete work on the following:

- A body of work examining the accuracy of invoices submitted by host railroads for earned incentives deriving from on-time performance and services to Amtrak. The invoices reviewed cover varying time frames.
- An examination of Amtrak's oversight of independent public accountant selection and administration for reviewing financial statements.
- A pre-award review of a contractor's price proposal for the purchase of 40 additional Acela coach cars.
- A review of Amtrak's process, policies, and safeguards for undertaking pre-employment background investigations of prospective employees.
- A review of Amtrak's oversight and control over the use of overtime.
- A review of the reasonableness of costs incurred on contracts under the American Recovery and Reinvestment Act, along with Amtrak's review of contract invoices.
- An evaluation of implementation issues associated with the initial segment of Amtrak's Strategic Asset Management program—one of the company's most significant and expensive information technology enhancement efforts.



Lincoln Service in Logan County, IL

# Significant Activities: INSPECTIONS AND EVALUATIONS

During this reporting period, OIG issued two evaluation reports, summarized below. The full reports may be accessed through our website: [www.amtrakoig.gov](http://www.amtrakoig.gov).



## Human Capital Management: Controls Over the Use of Temporary Management Assignments Need Improvement

(OIG-E-2012-009, March 28, 2012)

Amtrak employs about 3,100 management and 17,900 union workers, and often uses union employees to temporarily fill management positions. Since August 2001, 1,476 Amtrak union employees have temporarily filled these positions. Amtrak's use of union workers to fill temporary management positions is important because it allows the company to fill critical management vacancies in a timely way, and provides opportunities for union workers to develop their management and leadership skills, which could help move them into permanent management positions. To the extent that Amtrak does not properly manage the process to fill these positions, it risks not having appropriate management oversight of its activities, inefficiencies in operations, and missed opportunities to develop future managers and leaders.

We initiated this evaluation after receiving a complaint from a union employee who had worked in a temporary management assignment (TMA) position. Our report discussed whether Amtrak (1) consistently managed employees in TMA during the labor negotiation period, (2) appropriately managed TMA labor rates after negotiations concluded, and (3) is properly managing TMA employees today. We focused on employees in Amtrak's Transportation Department, which comprises about 9,000 (43 percent) of Amtrak's management and union employees.

Amtrak inconsistently managed Transportation employees in temporary management positions between August 2001 and May 2008. Weak controls over implementation of the TMA policy enabled some field managers to circumvent the policy, which led to 177 employees exceeding the 180-day limit on TMAs and the improper coding of 57 employees in the payroll system. This had financial

Weak controls over the implementation of the [temporary management assignment] policy, coupled with inconsistent practices for paying back wages, may have serious financial consequences for Amtrak. Due to weak controls leading to abusive and inconsistent management practices in the past, Amtrak now faces a challenging issue: determining whether it should invest the time and resources necessary to recover back pay improperly paid to some employees, and provide additional pay to others.



AIG for Audits David Warren and AIG for Inspections and Evaluations Calvin Evans

consequences for Amtrak, with these 57 employees potentially being paid for some hours they may not have worked. Further, 47 of these employees likely received some additional back pay for this period, although they were ineligible to receive it because they were working in temporary management positions.

Amtrak also did not adjust the rates of pay for employees who were properly recorded in TMA positions after the labor negotiations concluded in 2008. Because the 2001 TMA pay rates were not updated until July 1, 2009, retroactive union wages exceeded the rate of pay for TMA positions beginning July 1, 2005. Consequently, during this period, employees in temporary management positions received less pay than they would have received if they had remained in their union positions.

Transportation's management of employees in temporary management positions has improved since 2007, but several problems persist. Transportation initiated several controls to ensure that employees are properly promoted to TMA positions, to limit the improper use of certain job codes, and to ensure that employees do not exceed the 180-day limit for these assignments. However, some employees' assignments continue to exceed 180 days, in part because Transportation and Human Resources do not reconcile data on employees in TMA positions. Additionally, some TMA employees are still not properly coded in the payroll system.

Weak controls over the implementation of the TMA policy, coupled with inconsistent practices for paying back wages, may have serious financial consequences for Amtrak. Due to weak controls leading to abusive and inconsistent management practices in the past, Amtrak now faces a challenging issue: determining whether it should invest the time and resources necessary to recover back pay improperly paid to some employees and provide additional pay to other employees in temporary management positions between July 2002 and June 2009. This would be necessary to comply with the intent of the TMA policy—to pay a premium rate to TMA employees. As some of these weaknesses continue today, Amtrak’s ability to properly manage its workforce is limited. Moreover, if these weaknesses are not addressed, Amtrak may face additional financial consequences and pay inequity among employees in the future, when the current round of labor negotiations concludes.

To address the pay issues stemming from weaknesses in the management of TMA employees and avoid these problems in the future, we recommended that the

- Chief Financial Officer determine whether his office should attempt to recover improper payments made to employees;
- Chief Financial Officer and Chief Human Capital Officer determine whether employees who were properly coded in temporary management positions should receive retroactive pay adjustments;
- Chief Human Capital Officer strengthen the management of TMA employees by instituting a process for reconciling monthly reports of the number of TMA employees;
- Chief Human Capital Officer improve workforce planning policies and procedures to prevent managers from using TMA positions to inappropriately augment management staff; and
- Chief Human Capital Officer institute a process to review the TMA policy annually and update the TMA rates of pay, as appropriate, to reflect increases in union rates of pay.

Management generally agreed with our recommendations, and is taking action to strengthen controls over TMA employees going forward. However, management determined that it would not take action to recover compensation or address past pay inequities for some employees who worked in TMA positions.



Amtrak assumed that a train that was currently sold out...on any day, on any station-to-station segment...would be sold out in the future every day it ran for the entire length of its trip and, therefore, could not accommodate any additional riders....This assumption...significantly inflated the estimate of revenue that would be captured by the new cars (\$1.05 billion), overstating [it] by about \$425 million.

### **Acela Car Purchase: Future Revenue Estimates Were Initially Overstated** (OIG-E-2012-010, March 28, 2012)

Acela Express trains provide high-speed, business and first-class intercity rail transportation on the Northeast Corridor between Washington, D.C.; New York City; and Boston, making 188 trips between these cities during a normal week. Acela is Amtrak's single largest source of revenue, generating about \$492 million (26 percent) of Amtrak's overall ticket revenue of about \$1.9 billion for Fiscal Year (FY) 2011 from about 3.4 million riders. Amtrak expects the demand for Acela to continue to increase, with about 47.8 million potential riders between FY 2012 and FY 2023 generating about \$7.8 billion in potential revenue.

Amtrak is concerned that it will not be able to meet this demand with Acela's current passenger capacity and, therefore, plans to increase the capacity of its Acela trains. Amtrak plans to increase the business class capacity of each train by 50 percent by adding two new business class cars to each train in FY 2015. As of January 12, 2012, Amtrak expected that it would cost about \$350 million to procure the 40 new cars, upgrade maintenance facilities to accommodate the longer trains, and acquire spare parts for the new cars. This report discussed our analysis of the revenue projections contained in Amtrak's business case supporting the decision to acquire the 40 new cars.

In its August 2011 projection, Amtrak overestimated the revenue that the 40 new cars would capture. In preparing the business case for the procurement of the new cars, Amtrak estimated that these cars would enable it to capture about \$1.05 billion more in revenue than it could with the current Acela trainsets between FY 2015 and FY 2023. In developing this estimate, Amtrak assumed that a train that was currently sold out, on average, on any day, on any station-to-station segment of a trip, would be sold out in the future every day it ran for the entire length of its trip and, therefore, could not accommodate any additional riders. According to Amtrak officials, the assumption was made to simplify their analysis, but we questioned the validity of the assumption and undertook our own analysis to determine the effect of that assumption on Amtrak's revenue estimate.

This assumption, according to our analysis, significantly inflated the estimate of the revenue that would be captured by the new cars. Using Amtrak's available data on actual ridership on Acela trains during the 12-month period between July 1, 2010 and June 30, 2011, we found that Amtrak's simplifying assumption significantly overestimated the number of trains that would be sold out in the future, thereby underestimating the number of potential passengers who could be accommodated by the current Acela trainsets. This resulted in Amtrak's overstating the revenue that would be captured by the new cars by about \$425 million.

We discussed our methodology and preliminary findings with Amtrak officials, and Amtrak eliminated its simplifying assumption and recalculated its revenue estimate based on actual ridership for individual trains in a manner similar to ours. We recommended that Amtrak develop a standard framework for explicitly incorporating capacity constraints into future revenue estimates; ensure that the revised revenue projections and other financial data for the new cars are integrated into the next version of the Five Year Financial Plan; and integrate the revised retirement date for the current Acela trainsets and new cars into the next revision of Amtrak's Fleet Strategy. Management agreed with our recommendations and committed to incorporating capacity constraints, as appropriate, into future revenue estimates for major procurements of equipment. Management also stated that the results of the business case for the purchase of the 40 Acela cars have been included in budgeting and planning documents.

### Ongoing Evaluations

During the next 6 months, the Office of Inspections and Evaluations expects to complete work on the following:

- An evaluation of Amtrak's implementation of Positive Train Control, communications systems designed to prevent train collisions, derailments related to excessive speed, incursions into established work zones, and movement through main line switches in the improper position.
- A follow-up evaluation of Amtrak's mechanical maintenance operations, examining progress made since our 2005 review, which recommended the adoption of reliability-centered maintenance to improve effectiveness and efficiency.



Amtrak California, Crockett, CA

## Significant Activities: INVESTIGATIONS

During this reporting period, the Office of Investigations hired a special agent-in-charge and two special agents for the Chicago office, as well as two new special agents in Los Angeles and one special agent for its Washington, D.C., headquarters. These new employees all bring substantial expertise in white collar crime investigations from years of experience in the federal inspector general community or with other federal law enforcement/investigative agencies.



A former Amtrak OIG contractor illegally traveled on Amtrak...12 times; the total value of [the trips] was \$2,251.

### Settlement Reached With Amtrak Contractor

An OIG investigation resulted in the United States Attorney's office for the District of Vermont entering into a settlement with a Jacksonville, Florida-based railroad contractor. The settlement relates to the contractor's failing to perform on contractual obligations for service on the *Vermont* train from July 1, 2000 through December 31, 2009. The Department of Justice was prepared to initiate a civil action charging that the contractor submitted false claims. The case involved a requirement that the contractor attach the trains to external power sources during periods when the trains were in St. Albans, Vermont. The contractor's actions led to increased fuel costs to Amtrak. Under the settlement agreement, the contractor paid \$100,000 to resolve its civil liability, of which \$97,000 was returned to Amtrak.

### Former Amtrak Contractor Used Counterfeit Train Voucher

Using a counterfeit travel voucher, a former Amtrak OIG contractor illegally traveled on Amtrak over a period of 14 months. Investigation determined that from April 2010 through May 2011, the contractor took 12 trips with a total value of \$2,251. The former contractor surrendered in response to an arrest warrant issued in October 2011 by the Superior Court of the District of Columbia on a charge of First Degree Felony Fraud. In November 2011, the United States Attorney's Office for the District of Columbia deferred prosecution for 4 months,

during which time the former contractor could not violate any law or be arrested. The former contractor was also required to serve 32 hours of community service and make restitution to Amtrak in the amount of \$2,251.

### **Former Amtrak Contractor Arrested for Theft**

A former Amtrak contractor was arrested for illegally using an Amtrak Business Rail Pass to obtain over 50 tickets during and after his assignment with Amtrak. The contractor had been issued a Business Rail Pass for travel on official company business, but he used it for personal travel over a 14-month period. The lost revenue associated with this travel was \$8,548. Charges are pending.



OIG investigation determined that over \$98,000 was spent for three meetings... related to an Amtrak national safety promotion program.

### **Amtrak Ticket Agent Terminated for Providing False Information on Employment Application**

An on-duty Amtrak ticket agent was arrested in April 2011 based on a warrant issued in Baltimore County, Maryland. The warrant was for failure to appear on a previous charge of obtaining money under false pretenses. The Amtrak Police Department reported to OIG that a routine criminal record check revealed that the ticket agent also had a 1988 arrest and conviction for attempted theft. OIG investigation disclosed that the ticket agent falsely represented on his 2010 Amtrak employment application that he had never been convicted of a crime. An October 2011 disciplinary hearing determined that the ticket agent had violated the Amtrak Standards of Excellence pertaining to trust and honesty. The employee was dismissed from the company in November 2011.

### **Amtrak Program Did Not Properly Capture Costs**

OIG investigated allegations related to an Amtrak national safety promotion program in which members held several conferences at a hotel/casino. On at least one occasion, attendees utilized an Amtrak coach car added to a train for their sole use traveling to and from the hotel/casino, at a cost of \$5,080. The company failed to account for that cost. Investigation determined that over \$98,000 was spent for three meetings. OIG made recommendations to Amtrak management related to our finding that a lack of cost accounting internal controls existed concerning this safety program.



AIG for Investigations Adrienne Rish

### **Amtrak Employees Failed to List Felony Convictions on Employment Applications**

OIG and the Amtrak Police Department and Amtrak management coordinated on an investigation of illegal drug and alcohol use on Amtrak trains. The investigation disclosed that several on-board service employees failed to list felony convictions as required on their employment applications and that background checks were not conducted on some on-board service employees. OIG made recommendations to Amtrak management in the areas of random drug testing and more robust background security screening.

### **Amtrak Procurement Policies Violated**

Two separate investigations disclosed serious abuses of Amtrak procurement and contract policies. In one matter, several individuals and entities acted inappropriately in concerted efforts to influence the procurement process and decisions on a multi-year contract involving expenditures in excess of \$800 million over a 3-year period. Another investigation disclosed that Amtrak's business practice of limiting the tenure of independent contractors to 2 years was circumvented. In this case, an independent contractor was retained for 7 years and was, in fact, retained even after a request to hire the contractor had been denied by the Amtrak Independent Contractor Review Panel. The method of paying this contractor, using multiple payment requests under \$5,000 each, was also found to be questionable. Both matters were referred to management, resulting in administrative actions and corporate sanctions.

### **Memorandum of Understanding Signed with Amtrak Police Department**

During this reporting period, OIG and the Amtrak Police Department signed a memorandum of understanding to ensure cooperation, maximize economy and efficiency, and delineate areas of investigative responsibility.



OIG's Office of Investigations, along with its Office of Audits, continued a comprehensive program of delivering fraud awareness briefings to 512 Amtrak management and operations and support personnel. This proactive training is designed to help Amtrak managers, other employees, and contractors recognize fraud indicators and report suspicions of fraud to OIG.

### **Fraud Awareness Training**

OIG's Office of Investigations, along with its Office of Audits, continued a comprehensive program of delivering fraud awareness briefings to Amtrak management and operations and support personnel. This proactive training is designed to help Amtrak managers, other employees, and contractors recognize fraud indicators and report suspicions of fraud to OIG. The briefings are also designed to educate Amtrak management on the role of OIG and to foster a partnership between OIG and management.

During this reporting period, 32 fraud awareness presentations were presented to a total of 512 Amtrak employees.

### **OIG Investigations Offices**

OIG staffed investigations offices in Los Angeles and Chicago. In addition to these offices, OIG now has special agents located in Washington, Philadelphia, New York, and Boston. Our investigative resources are now better aligned geographically to the regions and key operational facilities of Amtrak nationwide.

### **OIG Revenue Protection Unit Deactivated**

The OIG Revenue Protection Unit was deactivated and the responsibility and function returned to Amtrak. This function was determined to be more appropriately an operational responsibility of Amtrak rather than an oversight function of OIG. The resources previously committed to this unit have been redirected to other investigative priorities.



Track crossover with concrete cross-ties, Ravensworth, VA (CSX)



Pere Marquette in western Michigan

# Ongoing Actions to Strengthen OIG Operations

An independent, professional, and effective working relationship between OIG and Amtrak management is critical to our ability to perform the type of oversight envisioned in the Inspector General Act of 1978. Our relationship policy with management meets the letter and the spirit of the IG Act. We also highlight other ongoing actions designed to bring us closer to the goal of being a *Model OIG*.

## Office of Mission Support

New Name—New Mission. With the hiring of a new Assistant Inspector General, the Office of Administrative Services was changed to the Office of Mission Support. The purpose of Mission Support is to provide stellar service to all areas of Amtrak OIG, which includes Audits, Inspections and Evaluations, Investigations, and General Counsel.

## Human Capital Management/Recruitment

Human Capital Management continues to seek highly qualified personnel to join the OIG team. Current vacancies include criminal investigators in the Central (Chicago) and Western (Los Angeles) regions; a senior auditor, auditor, senior principal operations and principal operations analysts; and a criminal investigator/computer forensics analyst in the Eastern region (Philadelphia).

During this reporting period, the Human Capital Management team hired or promoted well-qualified personnel to fill critical positions:

### Audits

#### **Audit Manager, Washington, D.C.**

The incumbent was promoted to this new role in March 2012. She began her career as an auditor with the Environmental Protection Agency and has been a senior audit manager at KPMG. She is a Certified Public Accountant.

#### **Audit Manager, Philadelphia**

The incumbent began with OIG in February 2012, with 9+ years of experience at the Department of Defense OIG. He holds a master's degree from Georgetown University.

#### **Senior Auditor, Washington, D.C.**

This individual joined OIG in March 2012. He began his career as an intern with the Government Accountability Office (GAO) and possesses a total of 12+ years' experience, the last 5 years in auditing with the Special Inspector General for Iraq Reconstruction. He holds a master's degree in international affairs from Georgetown University.

#### **Senior Auditor, Philadelphia**

This individual joined OIG in March 2012, and brings 35+ years of auditing and leadership experience, most recently as a forensic auditor with the EPA OIG.

#### **Senior Auditor, Philadelphia**

The incumbent was promoted into this new role in February 2012 and has 15+ years' auditing experience. She began her career as an auditor for the City of Philadelphia Controller's Office and then continued in auditing for the city's OIG. Since 2008 she has been an auditor for Amtrak OIG. She is a Certified Public Accountant.

#### **Auditor, Washington, D.C.**

The incumbent joined OIG in March 2012 and brings 4+ years of experience in financial and performance auditing. He previously worked at GAO, and holds a master's degree in accountancy from the University of Alabama. He is a Certified Public Accountant.



OIG hired (16) or promoted (2) a total of 18 staff during this reporting period, all possessing considerable relevant and timely experience.

### Inspections and Evaluations

#### **Lead Evaluator, Washington, D.C.**

The incumbent joined us in January 2012, bringing 35+ years of experience. He began his auditing career at GAO, then became Chief Auditor at the Air Force Audit Agency. He most recently served as an audit manager at the U.S. Postal Service OIG. The incumbent holds a master's degree from Auburn University.

#### **Evaluator, Washington, D.C.**

The incumbent joined us in February 2012, with 5+ years of experience with program and data analyses. He began his career at Syracuse University as part of the National Security Studies Executive Education Programs, then joined the Special Inspector General for the Troubled Assets Relied Program as a program analyst. He most recently served as a senior program manager at the Special Inspector General for Iraq Reconstruction. He holds a master's degree from Syracuse University.

#### **Evaluator, Washington, D.C.**

The incumbent joined us in March 2012, bringing to Amtrak OIG 5+ years of experience in performance auditing at GAO. She holds a master's degree from Mississippi State University and is a Certified Internal Auditor and Certified Fraud Examiner.

### Investigations

#### **Special Agent-In-Charge, Chicago**

The incumbent joined Amtrak OIG in October 2011, after serving as an Assistant Special Agent-in-Charge for the U.S. Postal Service OIG. He has 25+ years of law enforcement experience within the accountability community, as well as extensive leadership experience in the management/supervision of an investigative organization. He holds a master's degree from National University.

#### **Criminal Investigator/Desk Officer, Washington, D.C.**

The incumbent joined OIG in March 2012 with 30+ years' experience and has served in various leadership capacities, including as a United States Marshal for Washington, D.C., and Assistant Inspector General for Investigations for the Department of Justice OIG. He has run his own business, consulting with both government and commercial entities. He holds a law degree from Howard University.

### **Criminal Investigator, Chicago**

The incumbent joined OIG in January 2012 and has 24+ years' experience as a law enforcement professional with the Federal Bureau of Investigation. He was responsible for investigating complex white collar crime involving fraud and abuse within and against the federal government. He holds a master's degree from the University of Connecticut.

### **Criminal Investigator, Chicago**

The incumbent joined OIG in January 2012. He has 35+ years of experience in law enforcement, including 25+ years as a criminal investigator with inspectors general at the General Services Administration and the departments of Transportation and Justice. He is an expert on white collar crime and contract fraud, and holds a law degree from DePaul University.

### **Criminal Investigator, Los Angeles**

The incumbent began at OIG in January 2012. He has 30+ years of experience in law enforcement with the Naval Criminal Investigative Service, beginning as a special agent in 1983 and becoming Assistant Special Agent-in-Charge in 1990. He most recently served as a special agent for the NCIS Economic Crimes Program in San Diego.

### **Criminal Investigator, Los Angeles**

The incumbent started with OIG in November 2011. He has 30+ years of experience in law enforcement and began his career with the National Park Service, moving on to the State Department as a criminal investigator/special agent, then to the Defense Criminal Investigative Service, where he advanced to the position of Resident Agent-in-Charge. He possesses extensive experience in white collar crime and fraud investigations. The incumbent received a master's degree from Georgetown University.

## **Mission Support**

### **Assistant Inspector General**

The incumbent joined OIG in November 2011, bringing 30+ years of experience with the U.S. Postal Service OIG—including 14 years' executive leadership experience. He has led all facets of administrative support functions, including Facilities, Safety & Security, Finance, Human Capital, Information Technology, and Procurement. He holds an MBA in finance from James Madison University, and is a Certified Public Accountant, Certified Fraud Examiner, and Certified Government Financial Manager.

### **Director, Information Technology**

The incumbent joined us in February 2012 and brings 12+ years of information technology experience, including 9 years with the USPS OIG, where he has most recently been the server architecture manager. He began his career in 1999 as a local area network manager, and is a Microsoft Certified Professional and Microsoft Certified Systems Administrator.

### **Senior Budget Analyst**

The incumbent joined us in February 2012 and has over 12 years of experience, which includes 9 years with the USPS OIG, where she most recently served as a budget/program analyst. She is a Certified Project Management Professional and a Certified Federal Financial Manager in both budget and financial management.

## **NAPA Recommendations**

In August 2010 the National Academy of Public Administration (NAPA) issued its organizational assessment of Amtrak OIG. Since that time, we have been working to implement its 41 recommendations for operational improvement in eight specific areas. As discussed in our last *Semiannual Report*, teams to carry out implementation roadmaps have been working in the following six areas: (1) internal communications, (2) external communications, (3) quality and timely work processes, (4) work planning and prioritization, (5) performance measurement, and (6) independence. In addition, action has been taken in the areas of policy management and updates and human capital management.

Actions taken during this semiannual reporting period include the following:

- **Internal Communications.** Business cards were provided to all OIG staff with a new branding logo, and an OIG photo directory was provided to all staff.
- **External Communications.** A customizable *OIG 101* briefing was developed for use with new executives (which has been presented) and outside stakeholders; fraud awareness briefings were delivered to over 500 employees; a consistent design identity/brand was developed and is now in use on all OIG products; and a stakeholder identification and outreach matrix was developed.

## Ongoing Actions To Strengthen OIG Operations



During the past 6 months, teams have been working hard to carry out roadmaps to implement 41 recommendations from the National Academy of Public Administration's 2010 OIG organizational assessment.

- **Quality and Timely Work Processes.** An analysis of the December 2011 Yellow Book revisions has been completed and the revisions have been reflected in the new draft audit and inspections/evaluations policy manual; existing audit policies are being revised and incorporated into a new Amtrak OIG audit/inspections and evaluations policy manual; interim revised audit policies and recommendations to improve quality of our work are routinely communicated to staff through Quality Quick Hits. Audit staff are briefed at each biweekly staff meeting on quality assurance issues; the entire audit and inspection/evaluation headquarters and field office staff has received nearly 40 hours of training this reporting period on TeamMate, 2011 Yellow Book revisions, working paper preparation, cross-indexing working papers and reports, and the external peer review process; and training for the next period is being prepared on evidence and internal controls and the new audit/evaluations policy manual.

In addition, Investigations now routinely engages Audits and Inspections and Evaluations to coordinate on areas of mutual interest; it is also increasing its use of newer technological tools. Further, the Amtrak Investigation Management System is now widely used to document, track, and report case progress. And finally, revised hotline reporting protocols are in place and the OIG hotline is more adequately staffed, with all complaints receiving supervisory review to ensure proper handling.

- **Work Planning and Prioritization.** To consistently identify high-value topics for audits and evaluations, the team researched best practices and the various planning processes followed by other inspectors general. It then developed a five-step work planning process best suited to the needs of Amtrak OIG. The process was pilot-tested in developing the FY 2012 Audit, Inspection, and Evaluation Plan. Based on lessons learned and stakeholder feedback, we will revise the existing audit and evaluation planning policy. The new policy and process are expected to be adopted, communicated, and utilized in developing the FY 2013 plan and beyond.
- **Performance Measurement.** Draft performance measures for each of the OIG Strategic Goals were developed. These draft goals are in the process of being revised, based on feedback, for final approval. Once approved, the team will identify the methods to be used to capture the necessary data. As part of this, the team has already started developing a survey to obtain employee input for many of the measures being developed.

- **Independence.** The team reviewing independence issues was organized before the NAPA recommendations were formalized and the team continued working on action items throughout the NAPA process. The Independence Team identified 17 action items to improve our processes, policies, and management practices. As of March 31, 2012, all of these action items were completed.
- **Policy Management and Updates.** A new process was established and implemented for policy development, review, and update. All policies were reviewed, updated, and distributed to staff in FY 2011, and policies will be updated annually. All policies for audits and for inspections and evaluations are being revised and combined into a new Audits/Inspections and Evaluations Manual. Updates on revised Yellow Book Standards (2011) have been completed and training has been provided to staff.
- **Human Capital Management.** We have created a process to attract and retain high-performing employees; the process includes reviewing and revising all job titles and job descriptions for consistency. We have also developed employee training plans and new performance management plans; the performance management plans have been implemented to link individual performance to OIG's overarching strategic goals; they are likewise allied with Amtrak's goals.

**In the investigative area**, new investigators have been hired nationwide, with extensive experience in complex fraud. Further, low-impact investigations have been eliminated; new investigations will focus on areas likely to have significant impact on the company. In fact, the office is increasingly identifying areas in which proactive investigations can be initiated. And new standards and procedures are ensuring efficient case openings, investigative progress, and timely case closings.



Michigan Service train Blue Water BTL, Battle Creek, MI

## FY 2012 Performance Measures, 10/1/2011–3/31/2012

### AUDIT/EVALUATION RESULTS

Reports/Evaluations Issued	9
Costs Questioned/Unsupported/ Funds to be Put to Better Use	\$11,915,023
Management Decisions to Seek Recoveries	3

### INVESTIGATIVE RESULTS

#### Financial Impact

Recoveries/Restitution	\$102,251
------------------------	-----------

#### Cases Opened

Abuse of Position	1
Conflict of Interest	1
Theft/Embezzlement	3
Time and Attendance Fraud	1
Cost Mischarging	1
Procurement Irregularity	2
Fraud	6
False Statements	1
Healthcare Fraud	3
Contract Fraud	1
Bribery	1
Environmental Crimes	1
Other Federal Crimes	1
Policy Violation	4
Mismanagement	1

### Judicial and Administrative Actions

Arrests	2
Indictments	1
Pretrial Diversion	1
Criminal Referrals Accepted	2
Criminal Referrals Declined	1
Administrative Actions	1

### Investigative Workload

Cases Open on 10/1/2011	62
Investigations Opened	28
Investigations Closed	36
Cases Open on 3/31/2012	54

### Hotline Contacts/Referrals

Sent to Amtrak Management	137
Request for Assistance by Law Enforcement Agency	2
Preliminary Investigation Opened	10
No Action Warranted	30
<b>Total</b>	<b>179</b>

### OFFICE OF GENERAL COUNSEL

#### Advisory Functions

FOIA <sup>a</sup> Requests Received	4
FOIA Appeals Received	1
FOIA Requests Processed	2
Referred to Amtrak	1
Response Pending	1
Legislation Reviewed	1
Regulations Reviewed	0

<sup>a</sup> Freedom of Information Act.

# Appendices

## APPENDIX 1

### OFFICE OF INSPECTOR GENERAL

Reporting Period: 10/1/2011–3/31/2012

AUDIT REPORTS ISSUED WITH QUESTIONED COSTS			
Audit Reports	Number	Questioned Costs	Unsupported Costs
For which no management decision made by commencement of the reporting period	0	\$ 0	\$ 0
Reports issued during the reporting period	3	9,683,675	2,231,348
For which a management decision was made during the reporting period	3	9,683,675	2,231,348
Dollar value of recommendations agreed to by management	3	9,683,675	2,231,348
Dollar value of recommendations not agreed to by management.	0	0	0
For which no management decision has been made by the end of the reporting period	0	0	0

## APPENDIX 2

OFFICE OF INSPECTOR GENERAL  
Reporting Period: 10/1/2011–3/31/2012

AUDIT REPORTS ISSUED WITH FUNDS TO BE PUT TO BETTER USE		
Audit Reports	Number	Dollar Value
For which no management decision made by commencement of the reporting period	0	\$0
Reports issued during the reporting period	0	0
For which a management decision was made during the reporting period	0	0
Dollar value of recommendations agreed to by management	0	0
Dollar value of recommendations not agreed to by management.	0	0
For which no management decision has been made by the end of the reporting period	0	0

## Appendix

### APPENDIX 3

#### OFFICE OF INSPECTOR GENERAL

Reporting Period: 10/1/2011–3/31/2012

#### DETAILED LISTING OF ALL ISSUED AUDIT/EVALUATION REPORTS

Date Issued	Report Number	Report Title	Report Category	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
10/26/2011	OIG-A-2012-001	Passenger Rail Investment and Improvement Act of 2008: Amtrak Has Made Good Progress, but Continued Commitment Needed to Fully Address Provisions	Train Operations and Business Management	\$ 0	\$ 0	\$0
11/07/2011	OIG-A-2012-002	Incurred-Cost Contract Audit: Bridge Construction Modification Settlement Agreement Cost is Adequately Supported	Acquisition and Procurement	0	0	0
12/07/2011	OIG-A-2012-003	Wireless Network Security: Internal Controls Can Be Improved	Information Technology	0	0	0
02/15/2012	OIG-A-2012-004	On-Time Performance Incentives: Inaccurate Invoices Were Paid Due to Weaknesses in Amtrak's Invoice-Review Process	Acquisition and Procurement	9,151,451	0	0
02/26/2012	OIG-A-2012-005	Amtrak Invoice Review: Inaccurate Invoices Were Paid, But Progress Is Being Made to Improve the Invoice-Review Process	Acquisition and Procurement	532,224	203,902	0
02/17/2012	OIG-A-2012-006	Incurred-Cost Contract Audit: Contract Modification Charges for Extended Indirect Overhead Costs Not Supported	Acquisition and Procurement	0	2,027,446	0
03/28/2012	OIG-E-2012-009	Human Capital Management: Controls Over the Use of Temporary Management Assignments Need Improvement	Human Capital Management	0	0	0
03/28/2012	OIG-E-2012-010	Acela Car Purchase: Future Revenue Estimates Were Initially Overstated	Asset Management	0	0	0
03/30/2011	OIG-A-2012-007	Amtrak Corporate Governance: Implementing a Risk Management Framework is Essential to Achieving Amtrak's Strategic Goals	Governance	0	0	0
<b>Total</b>				<b>\$9,683,675</b>	<b>\$2,231,348</b>	<b>\$0</b>

#### Audits/Evaluations

In process at 10/1/2011:	24
Postponed or canceled:	1
Started:	6
Issued:	9
In process at 3/31/2012:	20

## APPENDIX 4

## OFFICE OF INSPECTOR GENERAL

Reporting Period: 10/1/2011–3/31/2012

**PREVIOUS AUDIT REPORTS' RECOMMENDATIONS FOR WHICH  
CORRECTIVE ACTION HAS NOT BEEN COMPLETED**

Audit Reports	Report Number/ Date	Funds to be Put to Better Use	Questioned Costs	Unsupported Costs
Railroad Invoice Review: SPCSL Report 1 of 4	506-2001/ 08/03/2001	\$ 0	\$ 125,957	\$0
Railroad Invoice Review: SPCSL Report 2 of 4	507-2001/ 08/31/2001	0	153,766	0
Railroad Invoice Review: SPCSL Report 3 of 4	508-2001/ 09/12/2001	0	140,377	0
Railroad Invoice Review: SPCSL Report 4 of 4	509-2001/ 09/21/2001	0	282,957	0
Host RRCA and Operations Man- agement Controls	401-2008/ 08/21/2008	0	0	0
CSX On-Time Performance Incen- tives: Inaccurate Invoices and Lack of Amtrak Management Review Lead to Overpayments	406-2005/ 03/30/2010	0	20,052,519	0
BNSF On-Time Performance Incen- tives: Inaccurate Invoices and Lack of Amtrak Management Review Lead to Overpayments	407-2003/ 09/24/2010	0	0	0
Strategic Asset Management Pro- gram Controls Design Is Generally Sound, But Improvements Can Be Made	105-2010/ 01/14/2011	0	0	0
On-Time-Performance Incentives: Inaccurate Invoices Were Paid Due to Long-standing Weaknesses in Amtrak's Invoice-Review Process	403-2010/ 04/21/2011	0	519,932	0
Strategic Asset Management Pro- gram: Further Actions Should be Taken To Reduce Business Disrup- tion Risk	001-2011/ 06/2/2011	0	0	0
American Recovery and Reinvest- ment Act: Infrastructure Improve- ments Achieved but Less than Planned	908-2010/ 06/22/2011	1,400,000	0	0

(continued on next page)

**APPENDIX 4** (continued from previous page)**OFFICE OF INSPECTOR GENERAL**

Reporting Period: 10/1/2011–3/31/2012

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**PREVIOUS AUDIT REPORTS' RECOMMENDATIONS FOR WHICH  
CORRECTIVE ACTION HAS NOT BEEN COMPLETED**


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<b>Audit Reports</b>	<b>Report Number/ Date</b>	<b>Funds to be Put to Better Use</b>	<b>Questioned Costs</b>	<b>Unsupported Costs</b>
Acela Car Purchase Draft Request for Proposal: Additional Requirements and Pre-Award Audit Clause Needed to Help Assess Proposed Cost and Price	009/2011/ 09/21/2011	\$ 0	\$ 0	\$ 0
Americans with Disabilities Act: Leadership Needed to Help Ensure That Stations Served By Amtrak Are Compliant	109-2010/ 09/29/2011	0	0	0
Passenger Rail Investment and Improvement Act of 2008: Amtrak Has Made Good Progress, but Continued Commitment Needed to Fully Address Provisions	OIG-A-2012-001/ 10/26/2011	0	0	0
Wireless Network Security: Internal Controls Can Be Improved	OIG-A-2012-003/ 12/07/2011	0	0	0
On-Time-Performance Incentives: Inaccurate Invoices Were Paid Due to Weaknesses in Amtrak's Invoice-Review Process	OIG-A-2012-004/ 02/15/012	0	9,151,451	0
Amtrak Invoice Review: Inaccurate Invoices Were Paid, But Progress is Being Made to Improve the Invoice-Review Process	OIG-A-2012-005/ 02/1/2012	0	532,224	203,902
Incurred-Cost Contract Audit: Contract Modification Charges for Extended Indirect Overhead Costs Not Supported	OIG-A-2012-006/ February 17, 2012	0	0	2,027,446
Amtrak Corporate Governance: Implementing a Risk Management Framework is Essential to Achieving Amtrak's Strategic Goals	OIG-A-2012-007/ March 30, 2012	0	0	0
<b>Total</b>		<b>\$1,400,000</b>	<b>\$30,959,183</b>	<b>\$2,231,348</b>

## APPENDIX 5

## OFFICE OF INSPECTOR GENERAL

Reporting Period: 10/1/2011–3/31/2012

**PREVIOUS EVALUATION REPORTS' RECOMMENDATIONS FOR WHICH  
CORRECTIVE ACTION HAS NOT BEEN COMPLETED**

Evaluation Reports	Report Number/ Date	Estimated Annual Savings <sup>a</sup>	Estimated Annual Savings Already Achieved
Mechanical Maintenance Operations <sup>b</sup>	E-05-04/ 09/06/2005	\$100,000,000+	\$30,000,000
Amtrak Fleet Planning Process	E-06-02/ 04/06/2006	28,000,000+	4,000,000
Facility Maintenance Program	E-06-04/ 08/24/2006	0	0
Human Capital Management	E-09-03/ 05/15/2009	23,000,000+	0
Infrastructure Maintenance Program	E-09-05/ 09/29/2009	50,000,000+	0
Training and Employee Development	E-09-06/ 10/26/2009	8,000,000	0
Operation RedBlock: Actions Needed to Improve Program Effectiveness	E-11-01/ 03/15/2011	0	0
Evaluation of Amtrak's FY 2010 Fleet Strategy: A Commendable High-Level Plan That Needs Deeper Analysis and Planning Integration <sup>c</sup>	E-11-02/ 03/31/2011	0	0
Food and Beverage Service: Further Actions Needed to Address Revenue Losses Due to Control Weaknesses and Gaps	E-11-03/ 06/23/2011	0	0
Human Capital Management: Lack of Priority Has Slowed OIG-Recommended Actions to Improve Human Capital Management, Training, and Employee Development Practices	E-11-04/ 07/08/2011	0	0
Human Capital Management: Controls Over the Use of Temporary Management Assignment Need Improvement	OIG-E-2012-009/ 03/28/2012	0	0
Acela Car Purchase: Future Revenue Estimates Were Initially Overstated	OIG-E-2012-010/ 03/28/2012	0	0
<b>Total</b>		<b>\$209,000,000+</b>	<b>\$34,000,000+</b>

<sup>a</sup> Estimated savings based on benchmarking to other organizations

<sup>b</sup> Follow-up evaluation underway

<sup>c</sup> Not included in the total amount are the funds to be put to better use identified in Report E-11-02 (March 31, 2011). Implementing the recommendations in this report would allow Amtrak to reduce its fleet requirements by 53 cars and 25 locomotives over the 30-year planning period in Amtrak's Fleet Strategy, resulting in a potential reduction of over \$520 million in procurement and overhaul costs over the lives of these additional pieces of equipment. Additionally, implementing the report recommendation to replace its single-level cars with multi-level cars would result in the additional reduction of \$174 million to \$679 million in procurement and overhaul costs over the lives of the equipment.

### APPENDIX 6

#### OFFICE OF INSPECTOR GENERAL

Reporting Period: 10/1/2011–3/31/2012

#### REVIEW OF LEGISLATION AND REGULATIONS

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Section 4(a) 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 and to 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 this reporting period, the OIG worked with the following congressional committees to ensure that taxpayer funds provided to Amtrak are protected by law from fraud, waste, and abuse: the Senate Committees on Commerce, Homeland Security and Government Affairs, and the Judiciary; the House Committees on the Judiciary, Oversight and Government Reform, and Transportation and Infrastructure. With the support of these committees, several provisions were added to the text of the Senate and House versions of the surface transportation bill (S. 1813, H.R. 7) to

- apply certain provisions of Title 18 to Amtrak and the OIG to ensure that the federal funding Amtrak receives is protected from fraud, waste, and abuse;
- clarify that claims and statements made to Amtrak are considered as claims and statements under the False Claims Act to ensure the OIG has the necessary tools to protect the government and taxpayer dollars from fraud;
- extend qualified immunity to Amtrak OIG personnel to ensure that performance of their statutory duties is not hindered by the threat of litigation and liability; and
- authorize the OIG to take advantage of the General Services Administration's programs designed to conserve federal resources, reduce expenses, and increase efficient operations.

The House Transportation and Infrastructure Committee reported its surface transportation bill (H.R. 7), the *American Energy and Infrastructure Jobs Act of 2012*, with these provisions included, on February 13, 2012. The United States Senate voted 74 to 22 to pass its surface transportation bill (S. 1813), *Moving Ahead for Progress in the 21st Century (MAP-21)*, also with these provisions included, on March 14, 2012.

**APPENDIX 7****OFFICE OF INSPECTOR GENERAL**

Reporting Period: 10/1/2011–3/31/2012

**PEER REVIEW RESULTS**

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*The Dodd–Frank Wall Street Reform and Consumer Protection Act* (P. L. 111-203, July 21, 2010) requires each Office of Inspector General (OIG) to include in its Semiannual Report 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.

A review of the Amtrak Office of Inspector General's Office of Audits was conducted by the Inspector General of the Legal Services Corporation for the year ended September 30, 2008. All recommendations have been implemented.

We have not performed a peer review of any other OIG organization.

The next external peer review for the Office of Audits will be conducted by the Tennessee Valley Authority OIG during Fiscal Year 2013.

The next external peer review for the Office of Investigations will be conducted by the Nuclear Regulatory Commission OIG beginning in March 2013.



## Glossary of Audit Terms and Abbreviations

The terms the OIG uses in reporting audit statistics are defined below:

**Questioned Cost** – Cost or expenditure of funds for an intended purpose that is unnecessary, unreasonable, or an alleged violation of Amtrak’s corporate policy or procedure.

**Unsupported Cost** – Cost that is not supported by adequate documentation at the time of the audit.

**Funds to Be Put to Better Use** – Funds identified in an audit that could be used more effectively by taking greater efficiency measures.

**Management Decision** – Management’s evaluation of the OIG audit finding and its final decision concerning agreement or non-agreement with the OIG recommendation.

Abbreviations/acronyms used in the text are defined below:

<b>BNSF</b>	Burlington Northern Santa Fe Railway Co.
<b>CEO</b>	chief executive officer
<b>CSX</b>	CSX Transportation, Inc.
<b>ERM</b>	enterprise risk management
<b>NAPA</b>	National Academy of Public Administration
<b>OIG</b>	Office of Inspector General
<b>PRIIA</b>	Passenger Rail Investment and Improvement Act
<b>TMA</b>	temporary management assignment
<b>USPS</b>	United States Postal Service



## Reporting Requirements Index

### OFFICE OF INSPECTOR GENERAL

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**Who pays? You pay.**  
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## **Tell Us About It**

Are you aware of waste, fraud, abuse, or mismanagement at Amtrak? Amtrak's Office of Inspector General (OIG) has a toll-free Hotline number that you can call, even if you're not certain that what you suspect falls into one of these categories. If you'd prefer to write to us, that's fine, too.

The OIG will keep your identity confidential. You may remain anonymous if you so choose. You are protected by law from reprisal by your employer.

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