



OFFICE *of* INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION

ASSET MANAGEMENT:

Improved Inventory Practices Could Help the Company Better Manage its Maintenance-of-Way and Rolling Stock Equipment

OIG-A-2019-010 | July 25, 2019

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Memorandum

To: Scot L. Naparstek
Executive Vice President / Chief Operating Officer

From: Eileen Larence *Eileen Larence*
Acting Assistant Inspector General, Audits

Date: July 25, 2019

Subject: *Asset Management: Improved Inventory Practices Could Help the Company Better Manage its Maintenance-of-Way and Rolling Stock Equipment (OIG-A-2019-010)*

Amtrak's (the company) data indicates that it owns and leases about 2,800 pieces of maintenance-of-way (MOW) and rolling stock equipment, which it uses to maintain its tracks and other infrastructure on the Northeast Corridor and other locations. This includes 1,700 pieces of MOW equipment, such as track-laying machines, undercutters, tampers, cranes, and backhoes and 1,100 pieces of rolling stock equipment, such as hoppers and flat cars. Collectively, the equipment is worth hundreds of millions of dollars and is essential to the company's efforts to maintain its infrastructure in a state of good repair. To effectively manage this equipment, it is important that the company maintains an accurate and complete inventory, particularly because the Board of Directors approved in May 2018 a five-year, \$370 million investment to acquire additional MOW and rolling stock equipment to support this work.

We have previously reported on weaknesses in the data the company uses to manage and maintain accountability of other assets, such as its real estate and locomotives.¹ For this project, our objective was to assess how effectively the Engineering department maintains accountability for the company's MOW equipment and rolling stock equipment. Company policy requires the department to maintain accountability for this equipment throughout its lifecycle—from its acquisition, during its use, and through its

¹ OIG reports that discuss data management weaknesses include *Real Property: Improving Management Processes Could Reduce Costs and Generate Additional Revenues* (OIG-A-2019-006), March 29, 2019; *Acquisition and Procurement: Improved Management and Oversight of GE Diesel Locomotive Service Contract Could Lead to Savings* (OIG-A-2017-005), February 3, 2017; and *Governance: Opportunities Exist to Strengthen Controls to Ensure that Utility Accounts Are Deactivated After Real Estate Transactions* (OIG-A-2017-010), June 15, 2017.

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disposal or sale. We assessed the status of its inventory as of May 2019. For more details on our scope and methodology, see Appendix A.

SUMMARY OF RESULTS

The Engineering department has not effectively maintained accurate or complete inventories of the company's MOW and rolling stock equipment. This is because the department has not developed and implemented effective procedures to ensure that managers record key information on the equipment's receipt, use, and disposal in Maximo—its asset management system—as company policy requires. As a result, the department does not consistently conduct the required two-year inspections confirming the location and condition of this equipment, cannot account for some equipment, and does not take action to resolve the status of this equipment. As of May 2019, the department had accounted for the majority of the MOW equipment. It could not, however, account for an estimated \$4.1 million of this equipment² despite making efforts during our audit to account for it. The department also did not have a complete inventory of rolling stock equipment as company policy requires, but was in the process of building the inventory and expected to complete one by the end of fiscal year (FY) 2019. Furthermore, the department did not consistently comply with federal requirements to account for equipment purchased with grant funds.

Without better internal controls for the company's MOW and rolling stock equipment, the Engineering department cannot ensure that it has an accurate or complete inventory, as evidenced by the equipment the department could not account for. In addition, the department is not positioned to manage and account for the \$370 million in new MOW and rolling stock equipment that the company is purchasing through 2023. Therefore, we recommend that the department develop and implement procedures to ensure that it records this key information in Maximo throughout the life of the equipment, inspects it as required, and consistently accounts for it. This includes procedures to ensure that the department complies with federal requirements governing equipment purchased with grant funds.

In commenting on a draft of this report, the Executive Vice President / Chief Operating Officer agreed with our recommendations and identified specific actions the company plans to complete by September 2019 to implement them. These include, for example,

² We estimated the value of this equipment based on the purchase price data recorded in Maximo or recent purchases of similar pieces of equipment.

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updating the company's equipment control policy to identify specific requirements for controlling and safeguarding equipment purchased with federal grant funds and developing a department policy to provide direction on control of the equipment throughout its lifecycle. For management's complete response, see Appendix B.

BACKGROUND

The Engineering department's Business Improvements group has three principal managers—a senior director and two senior equipment managers—with primary responsibility for maintaining inventories of the company's MOW and rolling stock equipment in accordance with the company's equipment control policy.³ This policy sets forth the requirements for maintaining accountability of equipment throughout its lifecycle. The requirements apply to all equipment unless the department establishes a threshold for excluding some of it. At a minimum, however, the department must account for the following:

- **Capitalized equipment.** This is an asset or group of similar assets with an aggregate cost of \$50,000 or more and an estimated useful economic life of more than one year. A department may also capitalize assets or a group of similar assets with an aggregate cost of less than \$50,000.⁴
- **Equipment purchased with federal grant funds.** The company purchases some equipment using funds appropriated through grants from the Federal Railroad Administration. Federal regulations require the company to maintain accurate records of all equipment purchased for \$5,000 or more with these grants; confirm the existence of this equipment once every two years; and investigate any loss, damage, or theft of this equipment.⁵

Under company policy, the department must also collect and maintain in Maximo the following information for its equipment:

- **Upon receipt.** The department equipment manager is to enter the receipt date, purchase price, and funding source.
- **During use.** The department is to conduct inspections at least every two years to confirm the equipment's existence, location, and condition.

³ *Equipment Control*, P/I 3.19.1, October 6, 2010.

⁴ *Capital Expenditures and Retirements*, P/I 8.3.1, April 14, 2008.

⁵ 2 CFR Part 200. For equipment purchased before 2014, 49 CFR Parts 18 & 19.

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- **At disposition.** The department is to sell or take other actions to dispose of any equipment deemed inoperable or obsolete as soon as possible.

THE DEPARTMENT DOES NOT HAVE EFFECTIVE PROCEDURES TO ENSURE THAT ITS MAINTENANCE-OF-WAY EQUIPMENT INVENTORY IS ACCURATE AND COMPLETE

The Engineering department does not have an accurate or complete inventory of MOW equipment because it does not have effective procedures—a key internal control—for collecting and recording key information about this equipment from receipt, during use, and through disposition.

Receipt—Key Information Is Not Recorded at Acquisition

The department did not consistently record key information about MOW equipment when the company acquired it. According to Finance department information, from FY 2016 through FY 2018, the company acquired 190 pieces of equipment, but the records for this equipment in Maximo did not include the following information:

- **Receipt dates.** For 19 records, the department did not include receipt dates. Without these dates, the department does not know when to conduct the first required two-year inspection of these pieces of equipment.
- **Purchase prices.** For 19 records, the department did not include purchase prices. Without these prices, the department does not know whether it must inspect this equipment every two years.
- **Funding sources.** For all 190 records, the department did not include funding sources. Without this information, the department does not know whether the company purchased the equipment using a federal grant, therefore subjecting it to regulations for inspecting and accounting for these pieces.

Use—Not All Equipment Is Inspected or Accounted for During Use

The department does not always conduct the required two-year inspections, could not account for 16 pieces of MOW equipment as of May 2019, and does not know the status of this equipment.

Equipment purchased with federal grant funds. The department does not always comply with the federal requirement to inspect grant-funded equipment and cannot account for 14 of these pieces. We identified grant-funded equipment using Finance department information and found that the department had inspected 526 of 581 of

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these pieces (91 percent). It did not, however, inspect the remaining 55 (9 percent), which had a collective purchase price of about \$7 million. For example, the department last inspected a skid steer in October 2013, which was purchased for \$47,950 (see Figure 1). The senior director and senior equipment manager told us they were not aware of this requirement, and the company's equipment control policy does not include specific guidance on complying with federal requirements for grant-funded equipment. During recent financial audits of the company, the company's external auditor also identified weaknesses in management controls over accounting for assets purchased with federal funds.⁶

**Figure 1. A Skid Steer the Department Has Not Inspected
 for More Than Five Years**



Source: Amtrak Engineering department

The department subsequently examined the list of 55 pieces we identified and, as of May 2019, could not account for 14 of these pieces, which have a collective purchase price of about \$306,000. These pieces included generators, lighting equipment, and trailers, some of which the department had last inspected in 2011. The senior director told us he did not take any actions to resolve the status of this equipment or report it to department management because he expected to eventually find it. Nevertheless, until

⁶ Ernst & Young LLP, *Consolidated Financial Statements and Single Audit Report: National Railroad Passenger Corporation and Subsidiaries (Amtrak) Year Ended September 30, 2018 with Report of Independent Auditors*, January 28, 2019; Ernst & Young LLP, *Consolidated Financial Statements and Single Audit Report: National Railroad Passenger Corporation and Subsidiaries (Amtrak) Year Ended September 30, 2017 and 2016 with Report of Independent Auditors*, January 26, 2018; Ernst & Young LLP, *Consolidated Financial Statements and Single Audit Report: National Railroad Passenger Corporation and Subsidiaries (Amtrak) Year Ended September 30, 2016 and 2015 with Report of Independent Auditors*, January 27, 2017.

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the department addresses these federal requirements in policy and establishes procedures on how to implement them, the company cannot ensure that it complies with federal regulations for equipment it purchased with federal funds.

Equipment purchased with company funds. The department inspected almost all equipment purchased with company funds above the dollar threshold it set for inspections, but it does not have accurate information for the remainder of this equipment. As of May 2019, the company had inspected 677 of the 1,009 pieces of this equipment (67 percent). The company did not, however, inspect nine pieces that are capitalized assets and subject to inspection under company policy. These nine pieces have a combined purchase price of more than \$1 million. After we identified the nine pieces, the department inspected seven of them and updated Maximo, but it could not account for the other two pieces, which it purchased for a total estimated cost of \$120,000.

Department officials told us they did not inspect the remaining 323 pieces of equipment because the department set a \$50,000 purchase price as its threshold for inspections, which it can do under company policy. The department, however, has not assessed the extent to which the use of this threshold impairs its ability to effectively manage and account for its equipment. Without inspections, the department does not have information in Maximo on the location and condition of this equipment, some of which have substantial value. For example, the department purchased two generators for a total of \$21,000 and has not inspected one since September 2014 and the other since August 2015 (see Figure 2). Further, the department has not developed effective procedures to resolve the status of equipment with outdated inspections, which contributes to its problems in accounting for some equipment over long periods of time, as the example above illustrates.

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Figure 2. A Generator the Department Has Not Inspected Since 2015



Source: Amtrak Engineering department

Disposal—Information Documenting Equipment Disposal Is Inaccurate

The department did not accurately document in Maximo all the equipment it identified as ready for disposal or sale, or the equipment it had already disposed of or sold. As a result, the department could not account for 12 pieces of this equipment and did not resolve their status.

As of December 2018, the department had identified 54 pieces of equipment in Maximo as ready for disposal or sale. Our analysis of these pieces showed the following:

- The department accurately identified the status of nine of these pieces.
- The department incorrectly identified the status of 35 of the pieces—8 that were still operating, 3 that the company had taken out of service, and 24 that the company had already sold or scrapped. The department subsequently corrected this information in Maximo.

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- As of May 2019, the department still could not account for 10 of these pieces, including a front-end loader, catenary tower car (see Figure 3), and tie extractor/insertor with a collective estimated purchase price of \$3.6 million.

**Figure 3. An Example of a Catenary Tower Car the Department
Could Not Account For**



Source: Amtrak Engineering department

In addition, the department identified 55 pieces of equipment in Maximo as disposed of or sold from FY 2016 through FY 2018. Our analysis of these pieces showed the following:

- The department accurately documented that it removed 37 pieces of equipment from service and why it did so.
- The department inaccurately documented the status of 18 pieces or had incomplete information on them. The department did not consistently document details about the sale of this equipment or accurately document why it took this equipment out of service. For example, the department recorded in Maximo that it removed 2 forklifts—with a combined purchase price of about \$52,000—from service but noted in the comments section that these pieces have actually been missing for more than 10 years.

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The senior director and equipment manager told us that the department has not made it a priority to improve the MOW equipment inventory. Given the weaknesses we identified, however, these officials acknowledged the need for procedures to ensure that equipment managers consistently record acquisition information, identify and inspect equipment and record the results, resolve the status of equipment they cannot account for, and accurately update the disposition status of equipment. Without accurate and complete information, the department cannot ensure that it is effectively managing and accounting for all of the company's MOW equipment and complying with federal requirements for grant-funded equipment. Having mature procedures that are properly implemented will also be critical for the department to account for and manage the \$370 million purchase of MOW equipment that the company is purchasing through 2023.

THE DEPARTMENT IS BUILDING ITS ROLLING STOCK EQUIPMENT INVENTORY BUT DOES NOT HAVE EFFECTIVE PROCEDURES TO ENSURE THAT IT IS ACCURATE AND COMPLETE

The department has built records for rolling stock equipment in Maximo but has not completed them and has not developed effective procedures to provide the information necessary to manage and account for this equipment.

Inventory of Rolling Stock Equipment Is Incomplete

In 2015, the Engineering department accepted responsibility for managing rolling stock equipment from the Mechanical department, including flat cars and hoppers, (see Figure 4). At that time, the Engineering department uploaded the asset numbers for this equipment into Maximo but did not enter any other information. Since then, it has not used Maximo to manage this equipment. Instead, the department relies on an electronic spreadsheet that the Transportation department's Freight Services group uses to assign the rolling stock equipment to the company's track maintenance work, but the spreadsheet does not include all of the information that the company's equipment control policy requires. Contrary to this policy, some records do not include the receipt date, none include the purchase price, none include inspection results, and none indicate whether the company has disposed of the equipment or if it is still on hand.

Engineering department officials told us they began entering the information available from the spreadsheet into Maximo in February 2019. These officials said they plan to have a working inventory in Maximo by the end of FY 2019, but they do not have

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procedures to collect and record accurate and complete information in Maximo throughout the equipment's lifecycle.

Figure 4. An Example of Rolling Stock Equipment—a Hopper Car



Source: Amtrak Engineering department

Department Equipment Checks Do Not Meet Inspection Requirements

The department conducts certain checks on its rolling stock equipment, but these checks do not meet the company's two-year inspection requirement. Specifically, none of these checks assess the overall condition of the equipment, and the results of two are not recorded in Maximo, as follows.

- **Five-year brake inspections.** The department conducts five-year brake inspections that the Federal Railroad Administration requires and began recording the results in Maximo in 2017.

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- **Weekly yard checks.** The department confirms the location of rolling stock equipment during the weekly checks it conducts at seven major yards where it stores this equipment.⁷
- **Pre-use checks.** The department conducts informal inspections of rolling stock equipment to ensure that it is operable before placing it into service.

The senior director and equipment manager told us that the department did not make it a priority to develop a rolling stock inventory when it accepted responsibility for the equipment in 2015 because of more immediate management and equipment maintenance related issues that needed to be addressed, but acknowledged the need to do so. They also acknowledged the need to develop procedures to ensure that equipment managers inspect this equipment and collect and record key information on it in accordance with company policy. Without these procedures, the department will not have the information it needs to account for and manage this equipment and the new rolling stock equipment the company is purchasing through 2023.

CONCLUSIONS

The Engineering department does not have effective procedures to ensure that it has key information on the condition, location, cost, and inspections of MOW and rolling stock equipment, which is worth hundreds of millions of dollars. Consequently, the department could not account for an estimated \$4.1 million in equipment. Furthermore, the department has no effective procedures to resolve the status of this equipment or to ensure that it complies with federal requirements for equipment purchased with grant funds. Finally, the company's use of a relatively high dollar threshold to trigger inspections limits its ability to fully account for its equipment. Until the department develops and implements such procedures, it will not have the information it needs to manage its current and future equipment, which is critical for maintaining the company's tracks and other infrastructure.

⁷ These yards are in New Haven, Connecticut; Bear, Delaware; Odenton, Maryland; Perryville, Maryland; Adams, New Jersey; Milham, New Jersey; and Providence, Rhode Island.

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RECOMMENDATIONS

To improve the management of and accountability for the company's MOW and rolling stock equipment, we recommend that the Executive Vice President / Chief Operating Officer ensure that the department takes the following actions to comply with company policy and federal requirements governing equipment control:

1. Develop and implement inventory control procedures to ensure that equipment managers take the following actions:
 - a. Record key information regarding an equipment's receipt, use, and disposal over its lifecycle.
 - b. Inspect designated equipment every two years.
 - c. Resolve the status of equipment with outdated inspections, update Maximo, and report to department management any equipment it cannot account for.
2. Assess whether to decrease the department's \$50,000 threshold for required equipment inspections because of its impact on the department's ability to accurately account for the company's equipment and make any necessary adjustments.
3. Update the company's equipment control policy to identify the specific requirements for controlling and safeguarding equipment purchased with federal grant funds.
4. Ensure that the department complies with federal requirements by identifying grant-funded equipment in Maximo and developing procedures to implement this revised policy.

MANAGEMENT COMMENTS AND OIG ANALYSIS

In commenting on a draft of this report, the company's Executive Vice President / Chief Operating Officer agreed with our recommendations and identified actions the company plans to take, as well as planned completion dates. The company's planned actions are summarized below:

- **Recommendation 1:** Management agreed with our recommendation to develop and implement inventory control procedures. Management stated that the Engineering department will draft a policy to provide focused direction on the lifecycle control of equipment that will improve the department's compliance

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with the company's general equipment control policy. The target completion date for this action is September 30, 2019.

- **Recommendation 2:** Management agreed with our recommendation to assess whether to decrease the department's \$50,000 threshold for required equipment inspections. Management stated that, as part of the department's forthcoming policy on equipment control, the department will lower the threshold for inspections to \$5,000. The target completion date for this action is September 30, 2019.
- **Recommendation 3:** Management agreed with our recommendation to update the company's equipment control policy to identify the specific requirements for controlling and safeguarding equipment purchased with federal grant funds. Management stated that the company will incorporate the Federal Railroad Administration's requirements into the company's policies on equipment control and the sale and disposal of material and equipment. The target completion date for this action is September 30, 2019.
- **Recommendation 4:** Management agreed with our recommendation to identify grant-funded equipment in Maximo and develop procedures to implement the revised policy. Management stated that the department will ensure that equipment purchased using federal funding is clearly identified in Maximo. The target date for this action is September 30, 2019.

For management's complete response, see Appendix B.

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APPENDIX A

Objective, Scope, and Methodology

Our objective was to assess how effectively the Engineering department maintains an accurate and complete inventory throughout the lifecycles of the company's MOW and rolling stock equipment. The scope of our audit focused on the department's practices to collect and record key information about the company's equipment throughout its lifecycle in Maximo, the company's asset management system, as of May 2019.

We interviewed officials in the Engineering, Transportation, Finance, and Procurement departments who have responsibilities related to managing company equipment. We conducted this audit from July 2018 through July 2019 in Wilmington, Delaware; Philadelphia, Pennsylvania; and Washington, D.C.

To assess how effectively the Engineering department maintains an accurate and complete inventory of the company's MOW equipment, we interviewed department officials responsible for managing this equipment to determine the operating practices. In addition, we analyzed the equipment records in Maximo to determine the extent to which the records included key information the company's equipment control policy requires. The Engineering department provided a report of Maximo records for all MOW equipment as of April 2, 2019. Using Audit Command Language, a data-analysis software tool, we independently verified that the company provided all records of equipment from Maximo.

- **At receipt.** We obtained a list from the Finance department of MOW equipment the company purchased from FY 2016 through FY 2018. For these assets, we reviewed Maximo records to determine the extent to which they included information on the receipt or install date, purchase price, and funding source as company policy requires.
- **During use.** For all operating equipment, we analyzed the Maximo report to identify all equipment with dates beyond the two-year inspection company policy requires. We grouped our analyses into two categories: equipment the company purchased with *federal grant funds* and equipment it purchased with *company funds*.

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- **Disposition.** We performed two analyses to determine the accuracy of information related to the disposal or sale of MOW equipment:
 - We identified 54 pieces of equipment with a *pre-decommissioned* status in Maximo—ready for disposal or sale—as of December 2018. We discussed the accuracy of the equipment’s status designation and the plans for disposing of or selling these pieces of equipment with the senior equipment manager and the manager of the work equipment shop. The officials updated some of the status designations in Maximo, and we verified this information. For pieces of equipment that the company disposed of or sold, we verified the transaction with a Procurement official responsible for asset disposition.
 - We identified 55 pieces of equipment that had their status changed to *decommissioned* in Maximo—disposed of or sold—from FY 2016 through FY 2018. We analyzed the records for supporting documentation of the change in status. If the company sells a piece of equipment, company policy requires that equipment managers record the date in Maximo.

We provided the department with the results of our analyses and gave it time to confirm or update the status of company equipment. We report our results as of May 2019, which include the updates made by the department. Additionally, we discussed with company officials responsible for MOW equipment the reasons why the information in Maximo was not complete, why the department did not inspect equipment and could not locate some equipment in a timely manner, and why the status designations for the disposal and sale of equipment were inaccurate.

To assess how effectively the Engineering department maintains an accurate and complete inventory of the company’s rolling stock equipment, we obtained and reviewed data in Maximo, as well as an electronic spreadsheet the Transportation department maintains that includes some information about this equipment. We also discussed operating practices with officials from the Engineering and Transportation departments responsible for inspecting, dispatching, and managing rolling stock equipment. We discussed with the Engineering department senior equipment manager responsible for rolling stock equipment the extent to which the department performed the required two-year inspections consistent with company policy. In addition, we discussed the department’s plans for developing and implementing procedures to maintain a complete inventory of rolling stock equipment in Maximo.

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We also interviewed department officials responsible for conducting other inspections and checks of this equipment.

We conducted this performance audit in accordance with generally accepted governmental auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Internal Controls

We reviewed the company and department's policies, procedures, and practices for managing company equipment as it relates to the department's efforts to record information on the receipt, use, and disposal or sale of MOW and rolling stock equipment. We interviewed officials in the Engineering, Transportation, Finance, and Procurement departments to determine how they implemented these policies and procedures into their practices. We did not review the department's overall system of controls and procedures.

Computer-Processed Data

To identify all MOW equipment, we relied on computer-generated data the company provided from Maximo as of April 2, 2019. To validate the company's data, we used Audit Command Language, a data-analysis software tool, to develop a query to verify the completeness of the company-provided data. To verify the reliability of the inspection dates recorded in Maximo, we interviewed company officials and observed the process used to conduct and record inspections in Maximo. Further, we traced the disposal of company assets to documents recording the disposal or sale. Based on the results of our analyses, we concluded that the data was sufficiently reliable to accomplish our audit objective.



Prior Reports

We identified no prior audit reports related to the company's inventory of MOW and rolling stock equipment.

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APPENDIX B

Management Comments

| NATIONAL RAILROAD PASSENGER CORPORATION | | | |
|--|--|-------------|---|
| Memo | | |  |
| Date | July 18, 2019 | From | Scot Naparstek, EVP COO  |
| To | Eileen Larence, Acting Assistant Inspector General, Audits | Departments | Operations |
| | | cc | Eleanor Acheson, EVP General Counsel Stephen Gardner, Sr. EVP Carol Hanna, VP Controller Roger Harris, EVP Kenneth Hylander, EVP Dennis Newman, EVP Mark Richards, Sr Director Amtrak Risk & Controls DJ Stadler, EVP Ray Verelle, AVP Engineering Gery Williams, VP Chief Engineer Tracie Winbigler, EVP CFO Christian Zacariassen, EVP CIO |
| Subject | Management Response to <i>Asset Management: Improved Inventory Practices Could Help the Company Better Manage its Maintenance-of-Way and Rolling Stock Equipment</i> (Draft Audit Report for Project No. 013-2018) | | |
| <p>This memorandum provides Amtrak's response to the draft audit report entitled, "<i>Asset Management: Improved Inventory Practices Could Help the Company Better Manage its Maintenance-of-Way and Rolling Stock Equipment</i>". Management appreciates the opportunity to respond to the OIG recommendations. As indicated in our responses, we agree with each of the OIG recommendations and will initiate actions to address each in a timely manner.</p> <p><u>Recommendations:</u></p> <p>To improve the management of and accountability for the company's MOW and rolling stock equipment, we recommend that the Executive Vice President for Operations ensure that the department takes the following actions to comply with company policy and federal requirements governing equipment control:</p> <ol style="list-style-type: none"> 1. Develop and implement inventory control procedures to ensure equipment managers: <ol style="list-style-type: none"> a. Record key information regarding an equipment's receipt, use, and disposal over its lifecycle. b. Inspect designated equipment every two years. c. Resolve the status of equipment with outdated inspections, update Maximo, and report to department management any equipment it cannot account for. | | | |
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Management Response/Action Plan: Agreed. The department recognizes that company policies governing Equipment Control as well as Sale and Disposal of Equipment are insufficient to provide specific direction on managing equipment life cycle control for those charged with responsibility for originating, accepting, inspecting and disposing of equipment assets. A department policy will be drafted, to provide focused direction on life cycle control of equipment assets in accordance with company policies, for managers responsible to maintain and document control as well as other department managers whose strict adherence to this direction will improve the department's compliance with company policy.

Responsible Amtrak Official(s): Assistant Vice President Engineering & Design

Target Completion Date: September 30, 2019

2. Assess whether to decrease the department's \$50,000 threshold for required equipment inspections given its impact on the department's ability to accurately account for the company's equipment and make any necessary adjustments.

Management Response/Action Plan: Agreed. Subsequent to the issuance of the company policy on Equipment Control the FRA provided clarifying guidance on what constitutes "equipment" and is therefore subject to compliance with 2 CFR Part 200. FRA guidance stated, "an acquisition value of less than \$5,000, those items would not be subject to the equipment management related elements of the A-133 audit"¹. This language implies that the threshold for inspections should be lowered from the current practice of \$50,000 to \$5,000. This new threshold will be incorporated as part of the department policy on equipment control.

Responsible Amtrak Official(s): Assistant Vice President Engineering & Design

Target Completion Date: September 30, 2019

3. Update the company's equipment control policy to identify the specific requirements for controlling and safeguarding equipment purchased with federal grant funds.

Management Response/Action Plan: Agreed. The guidance provided by the FRA with respect to compliance with 2 CFR Part 200 will be incorporated in a revision to company policy on Equipment Control as well as Sale and Disposal of Material and Equipment to ensure that proper guidance is directed to departments responsible for acquiring, inspecting and disposing of equipment.

¹ US Department of Transportation – Federal Railroad Administration letter from Mark Yachmetz to Amtrak dated September 29, 2011 in discussion of equipment requirements

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Responsible Amtrak Official(s): VP Controller, VP Operations Financial Planning & Analysis

Target Completion Date: September 30, 2019

4. Ensure the department complies with federal requirements by identifying grant-funded equipment in Maximo and developing procedures to implement this revised policy.

Management Response/Action Plan: Agreed. The FRA guidance to 2 CFR Part 200 states that the receipt of Federal funding through FRA grant agreements subjects the company to the requirements of this regulation. In accordance with this requirement the department will ensure that the "Funding Type" and "Funding Source" fields under the "Purchasing and eTrax" tab within the equipment inventory in Maximo reflect that equipment purchased using Federal funding provided through FRA grant agreements is clearly identified.

Responsible Amtrak Official(s): Assistant Vice President Engineering and Design

Target Completion Date: September 30, 2019

Amtrak Office of Inspector General
**Asset Management: Improved Inventory Practices Could Help the Company Better
Manage its Maintenance-of-Way and Rolling Stock Equipment**
OIG-A-2019-010, July 25, 2019

APPENDIX C

Abbreviations

| | |
|-------------|------------------------------------|
| FY | fiscal year |
| MOW | Maintenance-of-Way |
| OIG | Amtrak Office of Inspector General |
| the company | Amtrak |

Amtrak Office of Inspector General
**Asset Management: Improved Inventory Practices Could Help the Company Better
Manage its Maintenance-of-Way and Rolling Stock Equipment**
OIG-A-2019-010, July 25, 2019

APPENDIX D

OIG Team Members

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Todd Kowalski, Senior Audit Manager

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John Zsamar, Senior Auditor, Lead

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OIG MISSION AND CONTACT INFORMATION

Mission

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

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