



OFFICE of INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION

SEMIANNUAL REPORT to the United States Congress

October 1, 2017–March 31, 2018
Report # 57





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

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

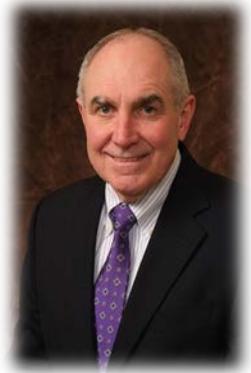
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From the Inspector General



OFFICE of INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION



I am pleased to submit our latest Semiannual Report to the United States Congress. This report highlights the activities of our office for the six months ending March 31, 2018, pursuant to the Inspector General Act of 1978, as amended.

During this period, our office continued to pursue our vision of operating as a model OIG by independently generating objective, sophisticated, and timely products that address high-risk and high-impact areas among the company's programs and operations. Our audit work examining the \$1.6 billion Acela Express 2021 program identified potential oversight issues among 10 related infrastructure projects, four of which must be completed prior to 28 new trainsets being brought into revenue service. Also of note, a report on medical claims contracts found the company could improve medical claims fraud prevention and detection by including key fraud prevention requirements in its contracts.

Our investigative team continued to address criminal activity, ethical misconduct, and violations of company policies. Notably, we investigated an ethical transgression in which an executive wrongly accepted gifts from the owner of a company doing business with Amtrak and a case involving multiple employees' theft of cash obtained from fraudulently refunded tickets. Additionally, a former employee was sentenced in federal court for making false statements to our agents after steering a contract to a family member for personal gain, and we continued to support a multi-year health care fraud investigation in Florida that has resulted in 18 convictions of individuals for health care fraud-related crimes.

Notably, during this period, the U.S. Supreme Court denied a petition to hear a case brought by a police union against the company. The union claimed that OIG investigators should have complied with procedures in its collective bargaining agreement made exclusively with the company. The favorable decision not only upheld the independence of our office and investigative procedures, but those of all OIGs.

I am honored to lead such a capable and resolute staff, and we will strive to provide independent and objective oversight of the company's operations and programs in the months ahead. Together, we will continue to focus on issues of importance to the company, the Board of Directors, Congress, and the public. We trust that you will find this report informative.

A handwritten signature in blue ink that reads "Tom Howard".

Tom Howard

Inspector General

OIG Profile

Authority, Mission, Vision, and Focus Areas

Authority

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

Mission

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

Vision

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



Significant Activities:

Fraternal Order of Police, Lodge 189 Labor Committee v. National Railroad Passenger Corporation

A recent U.S. Supreme Court decision ended on favorable terms for Amtrak (the company), the OIG, and CIGIE. On February 20, 2018, the Court denied the Fraternal Order of Police's Petition for Writ of Certiorari to hear their case, which effectively ended the litigation described below.

This lawsuit grew out of our non-custodial interview of an Amtrak Police Department employee, who was also a member of the union, Fraternal Order of Police. During our 2012 interview with the employee, our agents gave her the standard advisement of rights. However, the collective bargaining agreement between Amtrak and the union contained extensive procedures that were to be followed for "internal affairs" investigations involving union Police Department employees, such as advisement of the employee's right to union counsel and/or representation, Miranda rights, and recording of the interview. Our interview did not follow the bargaining agreement procedures and, instead, used standard investigative techniques that were consistent with the IG Act of 1978.

As a result of our investigation, the company ended the employee's employment for various reasons, including lying to investigators, engaging in personal transactions with her supervisor that resulted in a conflict of interest, and violating Maryland law by committing perjury. The union appealed the separation to an arbitrator, citing the OIG's non-compliance with the bargaining agreement's procedures. The arbitrator agreed with the union and found that the company did not have "just cause" to discharge the employee and ordered her to be reinstated. Underpinning the arbitrator's decision was her finding that the OIG was bound by the terms of the bargaining agreement and should have complied with the provisions on internal investigations.

Significant Activities

The company challenged the arbitrator's decision to the U.S. District Court for the District of Columbia to vacate the arbitration award. In November 2015, the court rejected the arbitration decision and granted Summary Judgment in the company's favor. In particular, the court held that the arbitrator's award violated the strong public policy in having independent Inspectors General.

The union immediately sought the District Court's reconsideration of its decision; however, the court denied the motion. In turn, in January 2016, the union appealed the District Court's decision to the U.S. Court of Appeals for the District of Columbia. In April 2017, the Court of Appeals decided this case, again in the company's favor, and stated that a bargaining agreement may not regulate an Inspector General's investigatory authority.

On October 16, 2017, the union petitioned the U.S. Supreme Court to hear this case. On February 16, 2018, following submissions from both the union and Amtrak, the Court considered the petition and, on February 20, 2018, denied the union's petition to hear the case.

This case was very important not only for the company and OIG, but also the entire IG community as it hinged on the key issue of whether IG investigative procedures and independence were subject to restraints imposed by a bargaining agreement that was negotiated solely between an employer and its bargaining unit employees.

Audits and Investigations

Governance

Health Care Fraud

November 2017-March 2018 (Investigation)

Since 2014, special agents from our office have been supporting the FBI-led Greater Palm Beach Health Care Fraud Task Force in its ongoing investigation into a series of complex insurance and health care fraud schemes in Florida. The company's insurance providers were fraudulently billed as result of some of these schemes.

During this semiannual period, Dr. Joaquin Mendez, 52, of Miramar, Florida, was sentenced to 48 months in prison and was ordered to pay restitution of \$2,198,520 for his participation in a multi-million-dollar health care fraud and money laundering scheme that involved the filing of fraudulent insurance claim forms and defrauded health care benefit programs. Mendez previously pleaded guilty to one count of conspiracy to commit health care fraud. Mendez facilitated fraudulent testing by signing doctor's orders for urine drug tests and certificates of medical necessity for saliva drug tests, although Mendez had never seen some of the patients. Mendez knew that insurance claims for the medically unnecessary tests that he prescribed would be submitted to the patients' insurance companies. When he examined treatment center patients, Mendez billed those patients' insurance plans using procedure codes that reflected more complex and lengthier examinations than Mendez actually performed.

In addition, two substance abuse treatment center owners pleaded guilty to various charges related to money laundering and health care fraud on January 12, 2018. Tovah L. Jasperson, 48, pleaded guilty to one count of conspiracy to commit health care fraud and Alan M. Bostom, 75, pleaded guilty to one count of making false statements related to a health care matter. Jasperson and Bostom were the owners of Angel's Recovery, a business with multiple locations in Palm Beach County that purportedly operated as a licensed substance abuse service provider, or treatment center, that offered clinical treatment services for alcohol and drug addiction.

Significant Activities

On February 6, 2018, Jeffrey A. Williams, 30, of North Lauderdale, Florida, an employee of a Coral Springs addiction treatment center pleaded guilty to one count of obstruction of a criminal health care investigation in connection with his employment at Deerfield Medical Center. Although the Deerfield Medical Center owner was not a physician, it operated as a doctors' group and provided medical services to various substance abuse treatment facilities located in Palm Beach and Broward Counties.

Also, Albert Samukia Jones Saye, 27, also known as Albert Jones, was sentenced March 29, 2018, to 71 months in prison and ordered to pay \$2,071,406 in restitution. In exchange for patient referrals, Jones received kickbacks from Reflections Treatment Center owner Kenneth Chatman who was sentenced to 27 years in prison in May 2017 for his role in the scheme and other offenses. To further defraud insurance companies, Jones would encourage drug use among his insured residents, even providing drugs and using them with his residents, to cause "relapses," which would extend their stays in his sober homes and lead to more unnecessary tests at Reflections Treatment Center.

In March 2018, John M. Skeffington, 52, of Boca Raton, pleaded guilty to participating in a health care fraud conspiracy and obstructing a criminal health care investigation. Co-defendants Babette Hayes, 58, of Sarasota, and Mona Montanino, 56, of Boca Raton, each pleaded guilty to obstructing a criminal health care investigation. Hayes pleaded guilty on March 30, 2018, and Montanino on March 26, 2018. According to court documents, Skeffington, Hayes and Montanino established five shell companies, disguised as "laboratory marketing companies," to unlawfully refer medically unnecessary and excessive bodily fluid tests for residents and patients of sober homes and substance abuse treatment facilities to various clinical laboratories and rural hospitals. In exchange for patient referrals, the laboratories and hospitals would provide a pre-set percentage of insurance payment kickbacks to the defendants, which they would then share with the sober homes and substance abuse treatment facilities. When the defendants became aware of the FBI-led investigation into fraudulent medical claims, they created dozens of falsified documents meant to obstruct the investigation and disguise the kickbacks as hourly payments for marketing services.

Violation of Company Policy

October 2017 (Investigation)

On October 10, 2017, a Train Attendant in Miami, Florida, was dismissed for violating company policies. Our investigation determined that the employee shipped personal packages via Amtrak trains without paying the proper shipping fees in violation of the company's Standards of Excellence and Service Standards for Train Service and On-Board Service Employees. In addition, a former Baggage Handler, also in Miami, was implicated in the investigation when she admitted to sending a personal package on an Amtrak train without paying the proper shipping fees. The employee resigned from the company prior to her administrative hearing.

Violation of Ethical Conduct and Conflict of Interest Policy

January 2018 (Investigation)

On January 1, 2018, an executive in Chicago, Illinois, retired following the release of our investigative report, which concluded that he violated company policy. We found that the executive accepted tickets to sporting events for himself and his family on at least two occasions from a vendor that he knew was conducting business with Amtrak.

Theft of Funds

January 2018 (Investigation)

On January 18, 2018, a former Customer Service Representative in Indianapolis, Indiana, pleaded guilty to one misdemeanor count of theft of government funds, in violation of 18 U.S.C. § 641. Our investigation determined that the former employee falsified her application for food stamp benefits while employed by the company. The U.S. District Court for the Northern District of Illinois ordered her to pay \$69,091 in restitution to the U.S. Department of Agriculture and sentenced her to two years of probation. On May 23, 2017, the employee resigned from the company after our investigation confirmed that she had overcharged a customer and kept the excess cash. On November 15, 2017, she pleaded guilty in the Marion Superior Court in Indianapolis, Indiana, to one misdemeanor count of theft, and was sentenced to

Significant Activities

365 days of probation and ordered to pay \$100 in restitution to the victim. In addition, she was also ordered to perform 32 hours of community service.

Corruption and Gratuities

January 2018 (Investigation)

On January 30, 2018, a supervisor was dismissed after an administrative hearing found that he violated company policy by accepting gifts and gratuities from Bayway Lumber (Bayway), a former Amtrak-approved vendor based in Linden, New Jersey.

The supervisor accepted gifts and solicited donations from this vendor and other company vendors for a charity auction on behalf of his then-fiancée's charitable organization. This investigation was part of a widespread corruption case that resulted in criminal convictions of five individuals and significant monetary recoveries for the company.

Violation of Company Policies

February 2018 (Investigation)

We initiated an investigation after receiving an allegation that employees at Chicago Union Station wrongfully kept approximately \$1,700 in cash that was turned in to the ticket counter to be processed as "lost and found." While our investigation could not substantiate that the employees kept the money, the cash was never accounted for and remains missing. Our investigation determined that a supervisor and another employee violated company policies and procedures by failing to log receipt of the cash and to ensure it was accounted for. On February 14, 2018, the supervisor was dismissed from the company and another employee was suspended.

Employee Theft of Cash

February 2018 (Investigation)

Four ticket agents resigned in February and March 2018, prior to their administrative hearings, for stealing money from their cash drawers at Los Angeles Union Station. Our investigation determined that three of the employees would wait until train conductors electronically scanned passengers' tickets and would then reset the tickets'

status as if it had not been scanned at all. This process of resetting the tickets' status allowed the tickets to be refunded or exchanged. Subsequently, the employees processed the tickets for cash refunds, taking and keeping the money from their cash drawers.

Governance: Quality Control Review of the Independent Audit of Amtrak's Consolidated Financial Statements for Friday Year Ended 2017

(Report No. OIG-A-2018-004, March 12, 2018)

The company contracted with the independent certified public accounting firm of Ernst & Young to audit its consolidated financial statements as of September 30, 2017, and for the year then ended, and to provide a report on internal control over financial reporting and on compliance and other matters. Because the company receives federal funding, it must obtain an audit performed in accordance with generally accepted government auditing standards.

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

Governance: Opportunities to Improve Controls over Medical Claim Payments

(Report No. OIG-A-2018-005, March 14, 2018)

The company is self-insured; therefore it bears the risk of improper health care payments resulting from potential fraud. This report identified the extent to which the company's controls mitigate the risk of fraud in claims for medical services made by individual medical service providers.

From calendar years 2013 through 2015, the company paid about \$692 million in medical costs for agreement employees and their dependents from its operating budget. This included \$167 million (about 24 percent) in claims paid to 151,000 individual medical service providers, such as physicians, nurses, and physical therapists. In June 2017, the Department of Justice charged one of these providers—who had

Significant Activities

received about \$1.2 million in claim payments under the company’s medical plan—with eight counts of health care fraud and three counts of money laundering.

Our audit found that the company appeared to be identifying only a small portion of potentially fraudulent medical claims made by individual medical service providers. For example, the company’s primary claim administrator identified less than one percent of the claims it processed from 2013 through 2015 as fraudulent. In contrast, we found that about 14 percent of the medical claims we examined for the same period had billing patterns indicative of potential fraud. We also found that the company’s contracts with the claim administrators did not include key fraud prevention practices used in the private- and public-sector, such as “performance guarantees” to help ensure that the contractor performs its key obligations at or above the established threshold in the contract.

As a result, we recommended that the company develop a cost-effective plan that:

- requires claim administrators to design and implement fraud detection controls tailored to the company’s medical plan,
- includes performance guarantees in claim administrators’ contracts to prevent and detect fraud,
- requires regular assessments to gauge the effectiveness of claim administrators’ fraud prevention and detection controls, and
- systematically analyzes and documents assessments of the plan’s medical claims data for indicators of fraud.

We also recommended that the company consider reviewing the providers we identified as at risk for potential fraud and seek recovery—to the extent cost effective and practical—of the \$23.4 million in potentially improper payments we identified. The company’s Vice President of Human Resources agreed with all of our recommendations and described actions the company plans to take to address them.

Unauthorized Release of Confidential Passenger Information

March 2018 (Investigation)

Two Customer Service Representatives were dismissed from service on March 20, 2018, and March 21, 2018, in Joliet, Illinois and Omaha, Nebraska, and two others are facing disciplinary action for the unauthorized release of passenger information.

Our investigation determined the employees violated company policy when they accessed company computer systems to provide confidential passenger information to a law enforcement agency without prior approval from the company.

Seven other employees, who also provided confidential passenger information to law enforcement but without accessing company computer systems, were counseled for their actions.

Violation of Company Policies

March 2018 (Investigation)

A Baggage Foreman in Newark, New Jersey, was dismissed from the company on March 21, 2018, and an Usher/Gateman in Wilmington, Delaware, received a three-day suspension on March 15, 2018, for violating company policies related to shipping boxes on Amtrak trains. Our investigation determined the Baggage Foreman shipped five boxes on a train without collecting and remitting the shipping fees to the company. The Baggage Foreman also received a cash payment from the individual for whom he shipped the boxes. The Usher/Gateman and the Baggage Foreman violated company policy when they shipped boxes for individuals who were neither company employees nor passengers on the train.

Theft of Company Property

March 2018 (Investigation)

A Carman Journeyman in Chicago, Illinois, was dismissed from the company on March 26, 2018, following an administrative hearing for stealing company property from trains in the Chicago Yard. Our investigation determined the employee stole the items from rail cars while he worked at the yard.

Significant Activities

Ongoing Work—Governance

Top Management and Performance Challenges. This project updates our prior reports on management and performance challenges. Those reports summarized our assessment of the top challenges facing the company and the company’s progress in addressing them.

Acquisition and Procurement

Acquisition and Procurement: Contracts Included Key Provision to Reduce Risks, but the Company Lacks an Efficient and Effective Contract Management System

(Report No. OIG-A-2018-003, February 22, 2018)

The company relies on contractors to support various parts of its business, including manufacturing locomotives and rail cars, delivering fuel, and providing information technology support. From fiscal year (FY) 2015 through FY 2017, the company committed an average of \$2 billion per year to new contracts. However, recent high-value contracts have experienced performance issues that resulted in significant schedule delays and cost increases. Given the company’s extensive reliance on contractors, the large expenditures involved, and recent high-profile contracting problems, this report assessed whether key contract provisions aimed at mitigating legal and financial risks were included in high-value, high-risk active contracts. We also assessed the company’s contract record-keeping practices to identify opportunities, if any, for improvement.

We found that all 20 of the high-value, high-risk contracts we reviewed contained key contract provisions that successful organizations commonly use to mitigate risks. However, we also found that the company relies on inefficient contract record-keeping methods that are decentralized, ad hoc, manually driven, and sometimes paper-based.

To address this internal control weakness and reduce the company’s financial and legal risks, we recommended that the company document and initiate a plan for the timely completion of the steps necessary to fully define user requirements for a contract

management system; determine how best to meet those requirements; establish roles and accountability for system implementation; secure the needed resources; and establish a project monitoring process to implement a cost-effective solution for enhancing the management and oversight of its contracts. The Vice President, Senior Managing Deputy General Counsel, stated that the company agreed with our recommendations.

False Statements Related to Contract Steering

February 2018 (Investigation)

A former Superintendent of Transportation at Chicago Union Station, Benjamin Sheets, was sentenced on February 27, 2018, in the Federal District Court of Northern Illinois after pleading guilty to making false statements to our agents in violation of 18 U.S.C. § 1001(a)(1). Sheets was sentenced to serve two years of federal probation and three months of community confinement, and ordered to pay a \$100 special assessment fee. Our investigation found that Sheets violated company conflict of interest policies by steering a contract to a family member for personal gain and, when questioned about his conduct, made false statements to our agents.

Ongoing Work—Acquisition and Procurement

Audit of Contracting Oversight. The objective is to assess the effectiveness of the company’s policies and practices for overseeing contractor performance from contract award to completion, and to identify possible areas for improvement.

Human Capital Management

Policy Violation—Failure to Disclose Criminal History

March 2018 (Investigation)

On October 4, 2017, we received information that a Yard Engineer in Washington, D.C., failed to disclose to the company two criminal convictions—one in 2012 and the other in 2017.

Significant Activities

The employee's failure to disclose his 2012 and 2017 convictions violated various company policies, which require truthful, honest, and ethical conduct, in addition to a requirement for reporting criminal convictions to Human Resources within three days.

On March 15, 2018, the company removed the employee from service, and on March 20, 2018, the employee submitted his resignation in lieu of facing an administrative hearing.

Employee Suspended for Inappropriate Social Media Post

March 2018 (Investigation)

An employee in Perryville, Maryland, received a 10-day suspension March 27, 2018, after posting an image on social media that violated company policy. After receiving an anonymous complaint in October 2017, we found that the employee violated multiple company policies by posting an inappropriate image on Facebook. The employee's Facebook page identified him as working for Amtrak at the time and linked to Amtrak's official Facebook page.

Information Technology

Information Technology: Improving Security of Publicly Accessible Websites Could Help Limit Cyber Risk

(Report No. OIG-A-2018-001, October 23, 2017)

Given the sensitive nature of this report's information, we summarized our findings in a public version of the report. The company uses numerous information technology applications accessible to the public via the Internet. Given the company's reliance on publicly accessible websites, we compared its practices for website security to leading practices from the private and public sectors, including those of the National Institute of Standards and Technology. We identified areas where the company's website security practices could be improved and recommended specific security improvements to management. The company's Executive Vice President for Planning, Technology, and Public Affairs agreed with our recommendations and described planned corrective actions that, if fully implemented, will address our recommendations.

Ongoing Work—Information Technology

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

Audit of Train Control Systems Security. The objective is to assess the status and effectiveness of company efforts to address identified security vulnerabilities in the train control systems.

Train Operations and Business Management

Train Operations: The Acela Express 2021 Program Faces Oversight Weaknesses and Schedule Risks

(OIG-A-2018-002, November 16, 2017)

In August 2016, the company received a federal loan to purchase 28 new high-speed trainsets for \$1.6 billion and undertake 10 infrastructure improvements needed to operate and maintain these trains for \$850 million. Collectively, these projects—called the Acela Express 2021 program—represent the company's largest single investment in its 46 years of service. The new equipment will replace the 20 Acela trainsets currently providing high-speed service on the Northeast Corridor, allowing the company to increase service frequency between Washington, D.C., and Boston, Massachusetts. Our report assessed the company's oversight of the program and identified potential risks, if any, to completing the program on time.

We found that the company took important steps to help manage the Acela Express 2021 program and mitigate risks, such as putting a management structure in place and developing risk management tools to manage the trainset purchases. However, nearly a year into the program, it faced some significant oversight challenges and risks to completing the program on time. In particular, management oversight and risk management tools were only partially in place. In addition, Alstom—the trainset contractor—and the company had not resolved a disagreement over a potential three-

Significant Activities

month delay in delivering the trainsets. The 10 infrastructure projects also faced additional schedule risks because of the limited availability of company labor and uncertainties with projects managed by external stakeholders. We concluded that successfully addressing these challenges and risks in the next several months would be critical to ensuring that the trainsets enter revenue service as planned in 2021.

We recommended that the company improve program oversight, including clarifying decision-making authorities in the program charter, developing an integrated master schedule that identifies the program's critical path, and developing a program risk register and risk mitigation plans. We also recommended that the Chief Engineer take steps to staff a team to manage the 10 infrastructure projects, determine the labor required to complete the infrastructure projects on time, and reach agreement with external stakeholders on schedules for projects they manage to mitigate potential delays.

The company's Executive Vice President, Chief Operating Officer; Executive Vice President, Chief Administration Officer; and Executive Vice President, Chief Commercial Officer agreed with our recommendations and identified planned actions that addressed the intent of our recommendations. We are continuing to monitor this program to determine how the company is continuing to identify and mitigate risks.

Ongoing Work—Train Operations and Business Management

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

Audit of Private Railcar Services. The objective is to assess the extent to which the company is identifying and billing private rail car owners for the full costs associated with the movement, storage, and support services provided to private rail cars.

Audit of Mechanical Department Maintenance Activities. The objective is to assess the extent to which the Mechanical department has opportunities to better manage and monitor maintenance activities, focusing on preventative maintenance and service and inspection activities.

Safety and Security

Ongoing Work— Safety and Security

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

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

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

Asset Management

Ongoing Work— Asset Management

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

Significant Activities

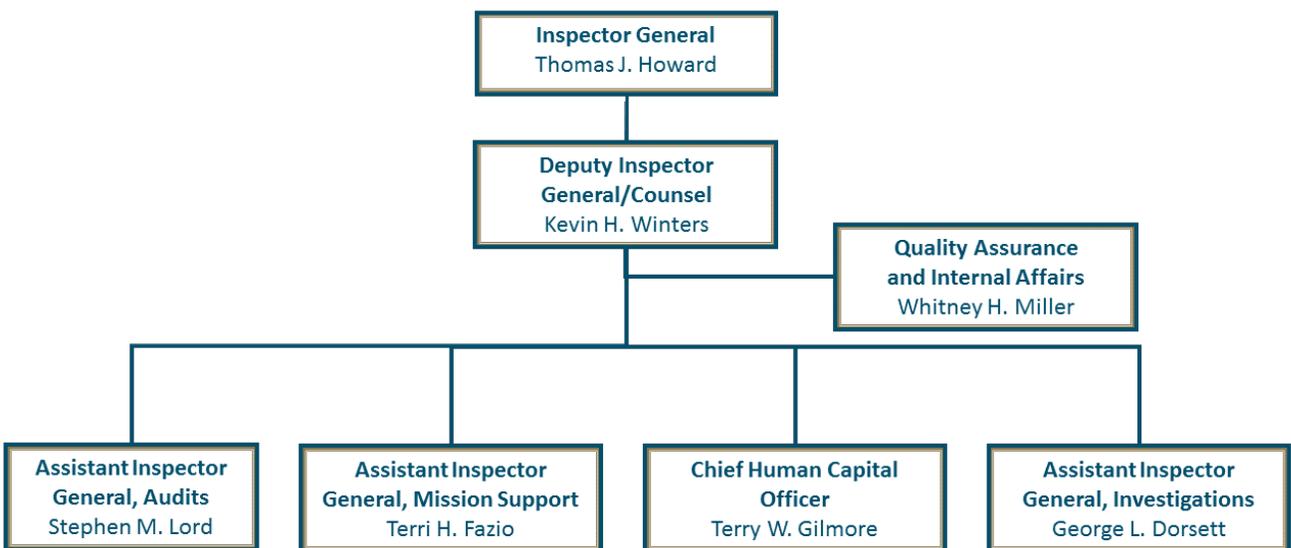
Audit of Real Property Management. The objective is to determine whether opportunities exist to increase cost-effectiveness by reducing, consolidating, and/or monetizing owned and leased properties.



OIG Organization

OIG Organization

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



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

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

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

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

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

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



Appendix 1 Fiscal Year 2018 Performance Measures (10/1/2017 – 3/31/2018)

<i>Audit Results</i>	
Products Issued	5
Questioned Costs	\$23,400,000
Funds Put to Better Use	\$—

<i>Advisory Functions</i>	
FOIA ^a Requests Received	22
FOIA Requests Processed	21
Referred to Amtrak	10
Response Pending	1
FOIA Appeals Received	—
FOIA Appeals Processed	—
Legislation Reviewed	1
Regulations Reviewed	4
Outside Agency Consultation	—

Note:

^a Freedom of Information Act

Appendix 1

Investigative Results	
Financial Impact	
Recoveries/Restitution	\$1,308,908
Cases Opened	
Major Misconduct and General Crimes	43
Contract and Procurement Fraud	7
Health Care Fraud	5
Judicial and Administrative Actions	
Criminal Referrals to U.S. Department of Justice ^a	10
Criminal Referrals to State and Local Prosecuting Authorities ^b	8
Criminal Referrals Declined	3
Arrests	15
Indictments/Informations ^c	14
Convictions	14
Investigative Reports Issued ^d	8
Administrative Actions	27
Investigative Workload	
Investigations Opened	55
Investigations Closed	49
Investigations of Senior Employees Closed and Not Disclosed to the Public	—
Hotline Contacts/Referrals	
Referred to Amtrak Management	114
Referred to Customer Service	30
Referred to Other Agency	—
Referred for Investigation	21
No Action Warranted	25
Referred to Amtrak Police Department	4
Request from Other Agency	—

Notes:

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

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

^c Indictments/Informations include all indictments and informations, sealed and unsealed, of individuals who were charged during this reporting period by federal, state, and local prosecutors. Of the 14 indictments/informations reported during this reporting period, three were referred for prosecution this reporting period and nine were referred for prosecution in a prior reporting period.

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

Appendix 2 Audit Products

(10/1/2017 – 3/31/2018)

Audit Products						
Date Issued	Report Number	Report Title	Focus Area	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
10/23/17	OIG-A-2018-001	Improving Security of Publicly Accessible Websites Could Help Limit Cyber Risk	Information Technology	\$—	\$—	\$—
11/16/17	OIG-A-2018-002	The Acela Express 2021 Program Faces Oversight Weaknesses and Schedule Risks	Train Operations and Business Management	—	—	—
2/22/18	OIG-A-2018-003	Contracts Included Key Provisions to Reduce Risks, but the Company Lacks an Efficient and Effective Contract Management System	Acquisition and Procurement	—	—	—
3/12/18	OIG-A-2018-004	Quality Control Review of the Independent Audit of Amtrak's Consolidated Financial Statements for Fiscal Year Ended 2017	Governance	—	—	—
3/14/18	OIG-A-2018-005	Opportunities to Improve Controls over Medical Claim Payments	Governance	23,400,000	—	—
Total (\$)				\$23,400,000	\$—	\$—

Appendix 2

<i>Ongoing Audit Projects</i>	
Project Status	Number of Projects
Audit Projects In-process, as of 9/30/2017	12
Audit Projects Canceled	2
Canceled Audit Projects Not Disclosed to the Public	—
Audit Projects Started Since 9/30/2017	7
Audit Products Issued Since 9/30/2017	5
Audit Projects In-process, as of 3/31/2018	12

Appendix 3 Questioned Costs

(10/1/2017 – 3/31/2018)

Audit Reports Issued with Questioned Costs			
Category	Number	Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period	—	\$—	\$—
B. Reports issued during the reporting period	1	23,400,000	—
Subtotals (A+B)	1	23,400,000	—
Less			
C. For which a management decision was made during the reporting period	—	—	—
(i) dollar value of recommendations agreed to by management	1	23,400,000	—
(ii) dollar value of recommendations not agreed to by management	—	—	—
D. For which no management decision has been made by the end of the reporting period	—	—	—

Appendix 4

Appendix 4 Funds Put To Better Use (10/1/2017 – 3/31/2018)

Audit Reports Issued with Funds to be Put to Better Use

Category	Number	Dollar Value
A. For which no management decision has been made by the commencement of the reporting period	—	\$—
B. Reports issued during the reporting period	—	—
Subtotals (A+B)	—	—
Less		
C. For which a management decision was made during the reporting period		
(i) dollar value of recommendations that were agreed to by management	—	—
(ii) dollar value of recommendations that were not agreed to by management	—	—
D. For which no management decision has been made by the end of the reporting period	—	—

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

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

Report^{a,b}	Report Number/Date	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
Food and Beverage Service: Further Actions Needed to Address Revenue Losses Due to Control Weaknesses and Gaps	E-11-03 June 23, 2011	\$—	\$—	\$—
Americans with Disabilities Act: Leadership Needed to Help Ensure That Stations Served By Amtrak Are Compliant	109-2010 September 29, 2011	—	—	—
Management of Overtime: Best Practice Control Can Help in Developing Needed Policies and Procedures	OIG-A-2013-009 March 26, 2013	—	—	—
Food and Beverage Service: Potential Opportunities to Reduce Losses	OIG-A-2014-001 October 31, 2013	—	—	154,200,000 ^c
Acquisition and Procurement: Improved Management Will Lead to Acela Parts Contract Cost Savings	OIG-A-2015-008 March 10, 2015	—	—	19,000,000
Acquisition and Procurement: Adequate Competition for Most Contracts Awarded Under Americans with Disabilities Act Program but Procurement Policies Could be Improved	OIG-A-2016-008 June 8, 2016	—	—	—
Train Operations: Adopting Leading Practices Could Improve Passenger Boarding Experience	OIG-A-2016-011 September 7, 2016	—	—	—
Acquisition and Procurement: Opportunities Exist to Improve Management of Technical Support Services Contracts	OIG-A-2016-013 September 30, 2016	—	—	—

Appendix 5

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

Report ^{a,b}	Report Number/Date	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
Acquisition and Procurement: Adopting Additional Leading Practices to Manage the Baltimore Penn Station Redevelopment Could Help Mitigate Project Risks	OIG-A-2017-002 December 14, 2016	—	—	—
Governance: Addressing Remaining Shortcomings Would Lead to a Budget Development Process More Fully Aligned with Leading Practices	OIG-A-2017-004 January 17, 2017	—	—	—
Acquisition and Procurement: Improved Management and Oversight of GE Diesel Locomotive Service Contract Could Lead to Savings	OIG-A-2017-005 February 3, 2017	—	—	5,300,000
Acquisition and Procurement: Master Services Agreements Are Not Strategically Managed, and Award and Oversight Processes Can Be Improved	OIG-A-2017-006 February 22, 2017	—	—	18,000,000
Information Technology: Operations Foundation Program—Restructuring Could Help Control Costs and Limit Risks	OIG-A-2017-011	—	—	71,000,000
Governance: Better Adherence to Leading Practices for Ethics Programs Could Reduce Company Risks	OIG-A-2017-012	—	—	—
Acquisition and Procurement: Improved Management of Diesel Fuel Program Could Lead to Cost Savings	OIG-A-2017-013	—	—	27,600,000
TOTAL		\$—	\$—	\$295,100,000

Notes:

^a We received comments for all audit reports within 60 days.

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

^c \$51.4 million annually, projected over three years.

Appendix 6 Review of Legislation, Regulations, and Major Policies

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

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

Appendix 7

Appendix 7 Peer Review Results

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

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

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

During the period, we completed a CIGIE peer review of the Smithsonian Institution OIG’s audit organization for the year ended March 31, 2017. The Smithsonian Institution OIG received a “pass” rating. The report was released September 22, 2017.

Appendix 8 Glossary of Terms, Acronyms, and Abbreviations¹

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

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

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

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

¹ All definitions are from the Inspector General Act of 1978, as amended.

Appendix 8

Acronyms and Abbreviations

CIGIE	Council of the Inspectors General on Integrity and Efficiency
FY	Fiscal Year
OIG	Office of Inspector General

Appendix 9 Reporting Requirements Index

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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.

Obtaining Copies of Reports and Testimony

Available at our website www.amtrakoig.gov

Reporting Fraud, Waste, and Abuse

Report suspicious or illegal activities to the OIG Hotline

www.amtrakoig.gov/hotline

or

800-468-5469

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