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Highlights

Highlights of GAO-06-145, a report to the Chairman, Committee on Transportation and Infrastructure, House of Representatives

October 2005

AMTRAK MANAGEMENT

Systemic Problems Require Actions to Improve Efficiency, Effectiveness, and Accountability

Why GAO Did This Study

Amtrak has struggled since its inception to earn sufficient revenues and operate efficiently. In June 2002, Amtrak's new president began major efforts to improve efficiency. However, the financial condition of the company remains precarious, requiring a federal subsidy of more than $1 billion annually. Capital backlogs are now about $6 billion, with over 60 percent being attributable to its mainstay Northeast Corridor service. GAO reviewed Amtrak's (1) strategic planning, (2) financial reporting and financial management practices, (3) cost containment strategies, (4) acquisition management, and (5) accountability and oversight.

What GAO Recommends

GAO makes recommendations in all five areas reviewed. These are designed to improve the strategic planning process; improve financial information; strengthen controls over costs and acquisition of goods and services; and strengthen transparency, accountability, and oversight. GAO also suggests that Congress ensure that future legislation for intercity passenger rail service contains clear goals and stakeholder roles, and incentives for results and accountability. Department of Transportation officials, in general, agreed with the report's findings. Amtrak's president was not convinced GAO's recommendations would achieve the results GAO expects but, in general, did not comment on specific recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-06-145.

To view the full product, including the scope and methodology, click on the link above. For more information, contact JayEtta Z. Hecker at (202) 512-2834 or heckerj@gao.gov.

What GAO Found

Amtrak's basic business systems need to be strengthened to help achieve financial stability and meet future operating challenges. Recently, Amtrak's management has taken positive steps to instill some discipline and control over operations. However, fundamental improvements beyond these efforts are needed to better measure and monitor performance, develop and maintain financial controls, control costs, acquire goods and services, and be held accountable for results. Several key themes emerged across all five areas GAO reviewed.

- Amtrak lacks a meaningful strategic plan that provides a clear mission and measurable corporatewide goals, strategies, and outcomes to guide the organization. Also absent is a comprehensive strategic planning process, characteristic of leading organizations GAO has studied. Also, while Amtrak has recently taken steps to improve its acquisition function, GAO found that some major departments independently made large purchases and did not always adhere to Amtrak's procurement policies and procedures. Amtrak lacks adequate data on what it spends on goods and services, preventing it from identifying opportunities to leverage buying power and potentially reduce costs. Similarly, while Amtrak has recently reduced costs, revenues are declining faster than costs, leading to operating losses exceeding $1 billion annually. These losses are projected to grow by 40 percent within 4 years; no effective corporatewide cost containment strategy exists to address them.

- Financial reporting and financial management practices are weak in several areas. Financial information and cost data for key operations, while improved, remain limited and often unreliable. For example, Amtrak's on-board food and beverage service lost over $160 million for fiscal years 2002 and 2003. Amtrak's poor management and enforcement of its food and beverage contract (an outside contractor is responsible for procuring and distributing food and beverages for most of Amtrak's trains) may have contributed to this loss. Regarding financial reporting, GAO found that Amtrak had omitted or misallocated key expenses in several areas, substantially understating operating expenses in reports that managers use to assess performance. Similarly, Amtrak has not developed sufficient cost information to target potential areas to cut costs, accurately measure performance, and demonstrate efficiency.

- Developing transparency, accountability, and oversight is critical for achieving operational success. Since Amtrak is neither a publicly traded private corporation nor a public entity, it is not subject to many of the mechanisms that provide accountability for results. Mechanisms that do apply, such as oversight by the board of directors and the Federal Railroad Administration, are limited or have not been implemented effectively. Current congressional review of Amtrak offers an opportunity for addressing these transparency and accountability issues.