Fiscal Year 2006 Audit Reports

Smart Associates
Audit Report Number 223-2004, 11/15/2005 Semiannual Report #33
Identified Costs, Savings, or Funds Put to Better Use: $12,825

The OIG questioned $12,825 of the $160,000 proposed costs for consulting and implementation of the Ariba Invoice Module. The questioned costs were the result of overestimating overhead and G&A expenses.

Recommendation: The OIG recommended Management use the OIG findings to negotiate a new price.

Management Response: Management agreed and renegotiated a new contract with Smart.

Kiewit Pacific Company – Oakland Maintenance Facility **Kiewit Pacific Company - Seattle Holgate**
Audit Report Number 502-2005, 12/21/2005 Semiannual Report #33 **Audit Report Number 503-2005, 07/11/2006 Semiannual Report #34**
Identified Costs, Savings, or Funds Put to Better Use: $574,700

The OIG reviewed a contract modification awarded to Kiewit Pacific Company for the construction of a roof over the Service and Inspection Facility and track at Amtrak's Oakland Maintenance Facility in West Oakland, CA. The contract change was for a firm fixed price of $2.96 million, subject to downward revision based upon an Amtrak audit. The audit identified $329,753 (11-percent of the total proposal) in questioned costs primarily related to the direct and indirect labor, subcontractor work, equipment costs, and associated overhead and profit additives.

The OIG conducted an audit of the base contract and a contract modification awarded to Kiewit Construction Company for Phase 1 work related to Amtrak's Holgate Street Improvement Project, and Phase II work south of Holgate in Seattle, Washington. Of the net proposed total of $4.1 million, the OIG audit identified $244,947 in questioned costs related to overstated or overestimated proposed costs for subcontractor work, jobsite overhead, allowances, insurance and bonds, and associated overhead and profit additives.

Recommendations: The OIG recommended that Management recover the questioned costs in accordance with the terms of the contracts.

Management Response: Management agreed and negotiated a settlement with Kiewit. At Kiewit's request, both the Seattle and Oakland projects were settled together at a total of $417,383.90.

STV/HMM Audit

Audit Report Number 211-205, 01/05/2006 Semiannual Report #33

Identified Costs, Savings, or Funds Put to Better Use: $29,677

Audit reviewed a sample of invoices billed totaling $87,097 and determined the audited amount to be $57,420, thus questioning $29,677.

Recommendation: The OIG recommended Management use the audit finds to reach a negotiated settlement with contractor.

Management Response: Management agreed, but the negotiations resulted in only a $574 cost reduction.

Termination Proposal Related to a Superliner I Overhaul Program

Audit Report Number 219-2005, 01/05/2006 Semiannual Report #33

Identified Costs, Savings, or Funds Put to Better Use: $63,184

The OIG questioned $3,629 of the amount paid by the contractor and $59,555 of unpaid vendor balances for a Superliner I overhaul program at Beech Grove, Indiana. The total questioned costs amounted to $63,184.

Recommendation: The OIG recommended that management recover the costs.

Management Response: Management agreed with the OIG findings and sent a final offer to the contractor of $31,441 and the vendors were offered 50 percent of their open balances.

Pirelli Construction Services

Audit Report Number #205-2005, 01/06/2006 Semiannual Report #33

Identified Costs, Savings, or Funds Put to Better Use: $201,401

The OIG completed a post award audit of a contractor’s cost proposal to install cable inside Union Tunnel, Baltimore, Maryland. The OIG questioned $201,401 of the cost proposal due to numerous differences between the cost proposal and actual costs.

Recommendations: The OIG recommended that the questioned costs be recovered in accordance with the terms of the contract.

Management Response: Management agreed to accept the OIG findings. The contractor agreed as well and a change order was issued and the contract price was reduced by the identified amount.

W/A Chester. L.L.C
Audit Report Number 224-2005, 02/10/2006 Semiannual Report #33
Identified Costs, Savings, or Funds Put to Better Use: $20,505

The OIG reviewed the contractor proposed cost of $284,258 to repair the transmission line in the B&P tunnel. An audited cost of $263,753 was established resulting in questioned costs of $20,505. Questioned costs consisted of proposed labor rates that were improperly calculated, the cost of small tools, and unexplained markups.

Recommendation: The OIG recommended that management consider the OIG findings when determining the payment to the contractor.

Management Response: Management agreed with the OIG findings. Management stated a notice was sent to the Contractor on March 20, 2006 stating that if no additional supportive documentation was supplied to Amtrak for the questioned cost then a unilateral change order would be issued to the purchase order. After numerous follow-ups with the contractor for the supporting documentation, the contractor issued a rebuttal to the audit report on June 28, 2006. There is no record of final action by management.

Amtrak Equipment Accountability
Audit Report Number 302-2005, 02/13/2006 Semiannual Report #33
Identified Costs, Savings, or Funds Put to Better Use: N/A

The OIG reviewed internal controls over the accountability and safeguarding of Amtrak's non-rolling stock equipment and determined that internal controls needed strengthening. Existing procedures did not provide reasonable assurance that equipment was properly accounted for or safeguarded and inventory records were found to be materially inaccurate with many items in the inventory missing, as well as, a number of instances in which property found was not included in the inventory records.

The OIG noted that inventories were not always required, equipment property custodians were not assigned, and that the Amtrak Equipment Manager was organizationally placed in a position that did not have authority over most of the Departments that were required to properly account for equipment.

Many pieces of equipment did not have Amtrak assigned numbers. The OIG found that existing conditions could result in unnecessary costs to Amtrak since equipment could easily be misplaced or stolen.

- **Recommendation:** The OIG made a series of recommendations focusing on improving inventory controls and accountability.

Management Response: Management agreed and provided an action plan indicating that all corrective action would be complete by April 31, 2006. The action plan included the following:

- Establish overall responsibility for oversight of Amtrak owned non-rolling stock equipment.
- Establish clear definitions for items that should be in the inventory and procedures to track and locate equipment.
- Establish clear guidelines regarding authority and custodial responsibility over equipment.
- Require periodic inventories with formal procedures to add or delete equipment.
- Ensure that all equipment purchases are placed on the inventory.
- Reconcile Departmental inventories to the Capital Accounting equipment ledger.

CPR/SOO – On-Time Performance Incentives Audit
Audit Report Number 401-2005, 03/27/2006   Semiannual Report #33
Identified Costs, Savings, or Funds Put to Better Use: $111,004

The OIG reviewed the Canadian Pacific Railway billings for on-time-performance incentives for the period January 2001 through December 2001 to determine the accuracy, reasonableness, and validity of the charges and found $111,004 in excessive and unsupported billings.

Recommendation: The OIG recommended that management seek recovery of all costs.

Management Response: Management and CPR agreed with the $111,004 amount due Amtrak.

METRA Billing Audit
Audit Report Number 410-2003, 03/30/2006   Semiannual Report #33
Identified Costs, Savings, or Funds Put to Better Use: $50,075

The OIG reviewed the Northeast Illinois Regional Commuter Railroad Corporation (METRA) billings from April 1997 through September 2003 to determine whether all claims were properly supported in compliance with the contract. The OIG questioned costs of $11,167 for prior period adjustments and $11,840 for rates that were not adjusted in accordance with the agreement, totaling $23,007.

The OIG also identified $27,068 in funds that could have been put to better use by Amtrak for the under-utilized Glenview station parking spaces.

Recommendations: The OIG recommended that management seek recovery of questioned costs and excessive billing costs; and, that the allotment of parking spaces be reduced or eliminated.

Management Response: Management agreed to seek recovery of the questioned costs and excess billings. METRA agreed and issued separate checks in settlement of these findings. Management further agreed to reduce reserved parking at Glenview from twelve to four spaces.

CPR/SOO – On-Time Performance Items Audit
Audit Report Number Report #405-2005, 05/16/2006 Semiannual Report #34
Identified Costs, Savings, or Funds Put to Better Use: $33,056

The OIG reviewed the Canadian Pacific Railway billings for on-time-performance incentives for the period January 2002 through May 2004 to determine the accuracy, reasonableness, and validity of the charges and found $33,056 in excess and unsupported billings.

Recommendation: The OIG recommended that management seek recovery of all costs.

Management Response: Management agreed with the finding and CPR paid Amtrak on September 26, 2006 for the full amount identified.

Canadian Pacific Railway Non-OTP
Audit Report Number 407-2005, 06/02/2006 Semiannual Report #34
Identified Costs, Savings, or Funds Put to Better Use: $1,910,812

The OIG performed an audit of Canadian Pacific Railway (CPR) for all billable accounts except on time performance incentives for the period January 1, 2000 through May 31, 2004. The audit sample represented $5,300,793 or 95 percent of the total amount billed for these items.

The OIG found that the payments of $1,910,812 for services or activities did not conform to the terms of the agreement.

Recommendation: The OIG recommended that management discontinue the practice of misstating account costs and authorizing payments outside the terms of the agreement and take the appropriate steps to collect $1,910,812 for services not performed as prescribed in the agreement.

Management Response: Management agreed that the basis for payment of administrative costs was misleading under the agreement, and has subsequently renegotiated a revised agreement that modifies the payments rendered.

OIG Comment: Based on management's response and discussions with the Law Department, it was determined that of the $1,910,812 identified, $563,522 pertained to the audit period does not appear to be collectable and will be categorized as funds to be put to better use; $370,060 pertained to the period subsequent to the audit period will be revisited in the next CPR audit of the new contract; and $977,230 pertaining to the questioned NRPC Officer payments from 1991 to May 2004 are covered by a separate agreement between Amtrak and CPR, that should be addressed by a separate audit.

Bombardier First Class Car Repairs – Costs Were Overstated
Audit Report Number 202-2006, 09/25/2006 Semiannual Report #34
Identified Costs, Savings, or Funds Put to Better Use: $23,593

The purpose of the review was to verify the accuracy and acceptability of the cost and pricing data shown on Bombardier's final invoice of $882,294 for the repair of an Acela First Class Car. The OIG questioned $19,776 of the costs due to currency conversion errors and also questioned the application of the material overhead to the "package and transportation overhead". The audit found $12,928 of the package and transportation overhead and related profit unsupported because documentation for the rate had not been provided.

Recommendations: The OIG recommended that management recover the questioned and unsupported costs in accordance with the terms of the contracts.

Management Response: Management agreed with the $19,776 in questioned costs and negotiated the unsupported costs of $12,928 down to $3,817, because of a previous audit where the OIG found Bombardier's material overhead to be higher than the rate Bombardier proposed. Therefore, the proposed price was reduced by $23,593.

Attleboro Agreement
Audit Report Number 217-2005, 09/29/2006 Semiannual Report #34
Identified Costs, Savings, or Funds Put to Better Use: N/A

The OIG reviewed the contract administration and management of the Attleboro Agreement in which Amtrak provides maintenance of way and dispatching services on the MBTA portion of the Northeast Corridor. The Agreement required that Amtrak submit an annual report to the MBTA listing the recommended capital improvement projects for MBTA funding in each of the five years following the date of the report.

In accordance with the Agreement, the MBTA is responsible for securing funding for the projects. Amtrak has been inconsistent in submitting the required information and in obtaining response from the MBTA. Amtrak requested a "2004 Capital Requirements for the Attleboro Line" outlining the proposed capital projects to be completed over the next year.

Amtrak submitted a more formal recommendation for a recapitalization report that covers FY 2006 through FY 2010 proposed capital projects. A request for FY 2005 capital improvements was not submitted. In addition, Amtrak had not received a response from MBTA to either request for capital improvements. As a result, Amtrak continued to incur all the capitalization costs for the Attleboro Line.

The OIG estimated that during the two-year period (FY 2004 and FY2005), it cost Amtrak approximately $22.7 million to operate and maintain, including capital improvements, the Attleboro Line. Approximately $13.9 million of the costs consisted of capital improvements. Amtrak proceeded with capital improvements without requesting funding from the MBTA as required by the Attleboro Agreement.

Recommendation: The OIG recommended that management seek payment from MBTA for any capital improvements that Amtrak makes to the Attleboro line.

Management Response: Management agreed that a five-year recapitalization report must be submitted annually to the MBTA and that a response be sought from the MBTA with respect to that report. Additionally, management recommended a review be made to identify items of specific benefit to the MBTA before the request is made.