



**National Railroad Passenger Corporation**  
**Office of Inspector General**  
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Washington, D.C. 20002

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## **Final Audit Report 219-2010 – Issued January 12, 2011**

[Price Proposal Audit: Amtrak Should Negotiate a Price Adjustment to a Major Acquisition Contract](#)

[Audit Identified More Than \\$16.6 Million in Cost Reductions](#)

**The information below provides a summary of the final audit report 219-2010. The final report contains contractor proprietary information that should not be publicly released. We have summarized below the major findings, conclusions, recommendation, management comments, and audit response.**

Amtrak awarded an acquisition contract for a sum not to exceed nearly \$500 million. Given the contract's significant dollar value, we undertook an audit of the contractor's price proposal. Our audit objectives were to determine whether (1) the data were current, accurate, and complete; (2) the contractor's internal controls were adequate, to the extent that they affect the price proposal; and (3) the contractor's estimating system was applied in a reasonable manner.

***We identified more than \$16.6 million in a potential price adjustment.***

We identified more than \$16.6 million in costs for which Amtrak should seek a price adjustment. We determined, with few exceptions, that the contractor's data were current, accurate, and complete. The contractor's internal controls with respect to the price proposal were adequate. We found no basis to question the vast majority of costs in the contractor's price proposal.

However, we determined that the contractor did not reasonably apply its estimating system to several cost categories where Amtrak could realize cost reductions through negotiations with the contractor. Specifically, the contractor duplicated profit, misapplied labor and training rates, overstated general and administrative costs, and included warranty and risk costs that we found to be unreasonable.

In comments on a draft of this report, Amtrak agreed with our recommendation that Amtrak management use the information contained in this report as a basis to negotiate a price adjustment to this contract and to support future negotiations regarding contract options and modification. Amtrak also proposed corrective action and a date for completion. Further, Amtrak sent a letter to the contractor requesting additional information on the cost items that we identified in the draft report. Amtrak's planned actions are responsive to our recommendation.