



**National Railroad Passenger Corporation
Office of the Inspector General**

10 G Street, N.E.
Washington, D.C. 20002

Final Audit Report 504-2009 – Issued December 22, 2010

[Incurred Cost Audit: Amtrak's Track Replacement and Related Improvements Contracts](#)

[Audit Identified a Total of \\$351,205 in Questioned and Unsupported Costs](#)

The information below provides a summary of the final audit report 504-2009. The final report contains contractor proprietary information that should not be publicly released. We have summarized below the major findings, conclusions, recommendations, management comments, and audit response.

Amtrak awarded two cost reimbursable plus fee contracts up to a combined guaranteed maximum price of over \$11 million to perform work related to track replacement and related improvements. Our audit objective was to determine the accuracy and acceptability of costs invoiced by the Contractor.

***We identified
\$351,205 in
questioned and
unsupported costs.***

We identified \$221,925 in net questioned costs and \$129,280 in unsupported costs for a total of \$351,205 that could potentially be recovered. The questioned costs were primarily the result of overstated labor and labor add-ons, such as benefits, and district shop expenses, equipment costs, safety awards, and certain subcontractor costs that were not in accordance with the contract or specifically allowed by the contract. We found that the Contractor did not provide adequate support for business managers' labor and labor add-ons, and for related equipment costs invoiced to Amtrak.

We also found that Amtrak's Department of Procurement and Materials Management (Procurement) did not ensure that all costs invoiced by the Contractor were in compliance with contract provisions. Amtrak's Procurement office and project manager did not ensure that the Contractor's invoices were adequately and appropriately supported.

Our draft report recommended that Amtrak take steps to recover overpayments and remind staff to ensure that costs are adequately supported before paying vendor invoices. Amtrak Management's response to the draft report disagreed with most of the questioned and unsupported costs, and with the recommendation to remind staff to ensure costs are supported before paying vendor invoices. Management's response, however, did not contain sufficient facts or rationale to rebut the validity of the findings. Management's response in this case indicates a lack of appropriate attention to management controls over payments.

Given this lack of attention, we addressed our final report and recommendations to a higher level Amtrak official. We recommend Amtrak's Chief Financial Officer direct staff to initiate negotiations with the Contractor to recover the questioned and unsupported costs we identified, and to remind staff to ensure that costs are adequately supported before paying vendor invoices.