



OFFICE *of* INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION

GOVERNANCE:

Quality Control Review of Amtrak's Single Audit for
Fiscal Year 2020

OIG-A-2021-010 | May 27, 2021

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Memorandum

To: Jeffrey R. Moreland
Chairman, Audit and Finance Committee, Amtrak Board of Directors

Tracie A. Winbigler
Executive Vice President and Chief Financial Officer

From: Kevin H. Winters 
Inspector General

Date: May 27, 2021

Subject: *Governance: Quality Control Review of Amtrak's Single Audit for Fiscal Year 2020 (OIG-A-2021-010)*

Amtrak (the company) contracted with the independent public accounting firm of Ernst & Young LLP to audit its consolidated financial statements as of and for the fiscal year then ended, September 30, 2020, and to provide a report on internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters, which they issued on December 17, 2020.¹ Because the company receives federal financial assistance, it must obtain an audit performed in accordance with U.S. generally accepted government auditing standards.

The contract also required Ernst & Young to perform a Single Audit of the company's federal financial assistance for the fiscal year ended September 30, 2020, in accordance with the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The objective of the Single Audit was to test internal control over compliance with major federal program award requirements and determine whether the company complied with the laws, regulations, and provisions of contracts or grant agreements that may have a direct and material effect on its major federal programs.

¹ Ernst & Young LLP, *Fiscal Year 2020 Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*, dated December 17, 2020.

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Major federal programs are those with the larger and highest-risk expenditures, as determined using the Uniform Guidance. In fiscal year 2020, the company had two such programs: the Department of Transportation's (DOT) National Railroad Passenger Corporation Grants and the Department of Homeland Security's Rail and Transit Security Grant.

On May 21, 2021, Ernst & Young issued an unmodified compliance opinion on the major federal programs it reviewed, concluding that "Amtrak complied, in all material respects, with the types of compliance requirements . . . that could have a direct and material effect on each of its major federal programs" for the period covered by its report.² Ernst & Young identified, however, two significant deficiencies³ in the company's internal control over compliance for the DOT National Railroad Passenger Corporation Grants. The first was a longstanding finding in the area of Equipment and Real Property Management, and the second was a finding from the prior year related to the company's preparation of the Schedule of Expenditures of Federal Awards. Ernst & Young also identified another deficiency in internal control over compliance that it determined did not rise to the level of a significant deficiency, which it communicated to the company on May 20, 2021.

As required 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 U.S. generally accepted government auditing standards and Uniform Guidance requirements.

We monitored Ernst & Young's audit activities by attending key meetings and reviewing its reports, audit plans, detailed audit testing results, summary workpapers, audit quality controls, auditor independence, and qualifications. At selected field locations, we also observed Ernst & Young's testing of the company's internal controls and compliance for its management of equipment and real property.

Our monitoring activities, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, were not intended to enable us to

² Ernst & Young LLP, *FY 2020 Report of Independent Auditors on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance*, dated May 21, 2021.

³ A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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express an audit opinion. Therefore, we do not express an opinion on compliance for the major programs, conclusions about the effectiveness of internal control over compliance, or whether the Schedule of Expenditures of Federal Awards is fairly stated. Ernst & Young is responsible for its report dated May 21, 2021, and the conclusions expressed in the report.

If you have any questions, please contact me (Kevin.Winters@amtrakoig.gov) or James Morrison, Assistant Inspector General, Audits, at (James.Morrison@amtrakoig.gov) or 202-906-4600.

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.

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