



Improvements in Amtrak's procurement practices could have saved nearly \$10 million in fiscal year 2019

For Immediate Release

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WASHINGTON – Amtrak's Office of Inspector General, in a new report released Friday, identified gaps in Amtrak's procurement practices that resulted in up to \$9.9 million in funds that could have been better used if the company had identified lower cost suppliers for the same materials and negotiated better terms on its purchases.

While the company has taken steps to get better prices, the OIG found a variance of more than 10 percent in costs Amtrak paid to different vendors for the same materials. If the company had purchased materials at the lowest price, it could have saved up to \$4.5 million in FY 2019. In one example from the report, the company was buying Freon—a cooling agent—from a higher priced vendor since FY 2016. In May 2019 it found a vendor who provided the same material at price lower by 93 percent. Had the company analyzed its data sooner, it potentially could have saved \$891,000 between FY 2016 through FY 2019 for the cooling agent.

The OIG also found that the company could benefit from negotiating early payment discounts from vendors. The company already negotiates extended payment terms of up to 60 days, which allows the company to apply funds against interest-bearing loans to save on interest. The OIG estimated the company saved about \$1.1 million in FY 2019 by using extended payment terms.

Industry standards, however, call for negotiating both early payment discounts and extended payment terms with vendors and to take the option that is best for the company if the vendor does not agree for both. Because Amtrak was paying low interest rates on its loans, it could have achieved even more savings had it negotiated early payment discounts on its payments. Extended payment options are more beneficial when interest rates are high, the report said. If the company had negotiated 1 percent discount for early payments rather than extended payment terms, it could have saved as much as \$5.4 million versus \$1.1 million it saved by extending payments in FY 2019.

The OIG made several recommendations that will help improve the company's procurement practices. Amtrak officials said they agreed with the recommendations and outlined plans to implement them.

More details are available in the full report, located on the OIG's website:
<https://go.usa.gov/xvNqh>.

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