### Fiscal Year 2007 Audit Reports

#### Physical Inventory of ACELA High-Speed Rail Parts

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<tr>
<td>Identified Costs, Savings, or Funds Put to Better Use:</td>
<td>$222,186</td>
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The OIG assisted the Materials Management Department in counting the Acela “parts” inventory. The OIG also performed a pricing review of Bombardier/Alstom OEM invoices for Acela spare parts. Based on the audit of vendor invoices, the OIG identified $222,186 in questioned costs.

**Recommendation:** The OIG recommended that management seek recovery of all costs and withhold 10 percent from the purchase order.

**Management Response:** Management agreed to recover the costs and withhold ten percent from the purchase order.

#### Union Pacific Audit

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<tr>
<td>Identified Costs, Savings, or Funds Put to Better Use:</td>
<td>$144,659</td>
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The OIG reviewed the Union Pacific Railroad Company (UP) billings and identified a net adjustment of $144,659. The OIG found erroneous billings in 10 of the 14 items selected for audit, $230,282 overbilled and $85,623 under-billed for a net total of $144,659 due Amtrak.

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

**Management Response:** Management and UP agreed with the $144,659 amount due.

#### Review of Locomotive Fuel Charges Processed through eTrax

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<tr>
<td>Identified Costs, Savings, or Funds Put to Better Use:</td>
<td>$105,000</td>
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The OIG audited the locomotive fuel purchases processed through eTrax to determine the level of compliance with Amtrak’s policies and procedures. The audit disclosed varying degrees of
noncompliance with locomotive fuel deliveries, approvals and the payment process resulting in more than $105,000 in duplicate or erroneous payments to fuel vendors in the first half of FY 2006.

In addition, under agreements with railroads where Amtrak rents locomotives from those railroads, the rental rate paid by Amtrak includes locomotive fuel. During the course of the OIG review, the OIG identified 26 instances where Amtrak paid local fuel vendor charges for the locomotives and did not seek reimbursement from the railroad.

**Recommendation:** The OIG recommended that:

- Locomotive fuel policies and procedures reflecting management’s current needs and controls should be widely communicated and posted.
- Fuel Coordinators or other designated individuals should ensure that fueling sites receive the vendor receipts (meters, tickets, etc.) called for in the contracts and that data is entered in accordance with eTrax instructions.
- The Fuel Contract Manager should be enlisted to bring fueling sites in compliance, including monitoring the quality of the fuel data entries on an exception basis.
- The Fuel Contract Manager post relevant material on the eTrax home page. Such fueling could be designated as “fuel irregularities” in the eTrax instructions and receive better visibility.
- All fuel contracts when renewed should be treated consistently. All state or local taxes not payable by federal entities should be challenged based on Amtrak’s tax exempt status. All taxes requiring to be reimbursed need to be well documented by the fuel vendors, incorporated in the contract, and made part of the contract file.

**Management Response:** Management agreed that an approved fuel policy be posted and communicated, and that unbilled fuel charges be billed to the appropriate railroads.

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**CSX New York High Speed Line Agreement**

**Audit Report Number 212-2006, 06/07/2007  Semiannual Report #36**

**Identified Costs, Savings, or Funds Put to Better Use: $64,037**

The OIG evaluated the accuracy and reasonableness of billings pertaining to the use of Track 2 of the North East Corridor (NEC) by CSX Corporation, Inc., freight trains. The OIG identified $64,037 that CSX owed to Amtrak as a result of CSX freight trains using portions of dedicated Amtrak tracks without notifying Amtrak or paying for such usage.

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

**Management Response:** Management and CSX agreed with the $64,037 amount due Amtrak.
The OIG completed an audit of the proposed cost of $418,000 to manufacture and install an escalator at New York Penn Station. The contractor agreed to an actual cost audit on the first escalator to determine the cost reasonableness of future work at New York Penn Station, which needed 14 escalators replaced.

The OIG determined the proposed costs and pricing data was reasonable. However, the proposal included an unsupported labor burden contingency cost that is generally unallowable under the Federal Acquisition Regulation System.

**Recommendation:** The OIG recommended the labor burden contingency cost be disallowed unless it could be supported by the contractor’s cost records.

**Management Response:** Management agreed with the OIG findings and requested that the contractor support the labor contingency rate. The contractor disagreed. After several negotiations, the contractor agreed with eliminating $12.50 from the hourly labor rate. However, the contractor wanted additional overhead to offset the high material cost. The contractor stated in the negotiating meetings that material costs were rising due to the value of the exchange rate (Euro). Management allowed the contractor to increase the overhead rate of material costs.

The OIG completed an audit of a contract for the purchase of low foam cleaner for air brake cleaning machinery. The audit objective was to verify the accuracy and acceptability of the cost and pricing data shown on the contractor’s estimated cost breakdown. This was a non-competitive, two-year firm fixed-price contract.

As a result of the audit, the OIG questioned $1.29 and $4.88 of unsupported costs of the proposed total cost per gallon. This occurred because of inconsistent costing methodologies, unallowable costs under the Federal Acquisition Regulations (FAR), and incorrect account coding. Chemcoa failed to provide supporting documentation covering 64 percent of various cost components and the proposal included a profit margin which the OIG considered excessive.

**Recommendation:** The OIG recommended Management use the OIG audit report to negotiate a settlement with the contractor.

**Management Response:** Management agreed and negotiated a $0.18 per gallon reduction in cost resulting in a $11,000 savings per year.