

Final Audit Report 503-2009 – Issued December 13, 2010

Incurring Cost Audit: Amtrak's Design/Build Improvements Contract

Audit Identified a Total of \$926,276 in Questioned and Unsupported Costs

The information below provides a summary of the final audit report 503-2009. The audit 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 a cost reimbursable plus fee contract up to a guaranteed maximum price of over \$2 million to perform work related to design/build improvements. Our audit objective was to determine the accuracy and acceptability of costs invoiced by the Contractor.

We identified a total \$926,276 in questioned and unsupported costs.

We identified \$17,694 in net questioned costs and \$908,582 in unsupported costs for a total \$926,276 that could potentially be recovered. The questioned costs were primarily the result of the Contractor's billing of relocation, insurance, and General and Administration costs that were not in the accordance with the contract or specifically allowed by the contract. We found that

the Contractor did not provide adequate support for salaried staff costs and salaried staff vehicle 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, and to remind staff to ensure that costs are adequately supported before paying vendor invoices. We further recommend that the Chief Financial Officer review the adequacy of internal controls over the vendor invoice process, including the control environment, and implement improvements as needed.