

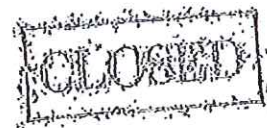
**NATIONAL RAILROAD PASSENGER CORPORATION  
OFFICE OF THE INSPECTOR GENERAL  
OFFICE OF INVESTIGATIONS  
INVESTIGATIVE REPORT**

**TITLE:** Mismanagement of Equipment Purchase      **CASE NUMBER:** 08-019

**DATE OF REPORT:** September 2, 2009

**REPORT PREPARED BY:** SSA [REDACTED]

**OTHER ACTIVITY:** Closing Report



**ALLEGATION:**

[REDACTED], [REDACTED], reported that in 2001, Amtrak ordered switchboard equipment from Potomac Testing Incorporated (PTI), and Amtrak has never received that equipment. The equipment cost over \$66,000.

**FINDINGS OF FACT:**

In 2001, [REDACTED] submitted a project for upgrades to a switching station in Ivy City. [REDACTED] sent out request for proposal and received bids from PTI and General Electric. Because of the proposal, Amtrak purchased a switchboard from PTI for \$66,090.

In October 2001, PTI billed, and Amtrak paid, \$66,090 for the equipment. Agents were unable to find a prepayment authorization. Amtrak paid PTI prior to taking delivery of the equipment.

Agents found [REDACTED] did not check on receipt of the equipment until late in 2006. [REDACTED] said he became involved with other projects and had not followed up on the order. In 2007, [REDACTED] inquired to [REDACTED], sales manager of PTI, as to the location of the equipment.

[REDACTED] checked the storage warehouse utilized by PTI and there was no equipment, and no indication that the warehouse received the equipment. [REDACTED] discovered the company that was to build the switchboard, IEM, had gone bankrupt in 2001 or 2002. The bankruptcy was after PTI had ordered the equipment for Amtrak and sent IEM payment.

Agents were able to obtain a copy of the electronically archived contract for Purchase Order number S05571422. A review of the contract showed the following:

On August 3, 2001, PTI submitted a proposal for a Smith Building substation addition. This proposal

included an IEM switchboard for a quoted cost of \$66,090. The proposal included an equipment list from IEM. [REDACTED] wrote the proposal.

On August 28, 2001, Purchase Order number S 055 71422 was issued for the switchboard for \$66,090. The ship to address originally listed as Amtrak at 30<sup>th</sup> Street Station, Philadelphia, PA, had black lines through it. Because the address was blacked out, [REDACTED] arranged to have the switchboard shipped to a warehouse PTI utilized for storage.

On September 6, 2001, PTI sent their invoice number 3796wc to Amtrak for payment of \$66,090 for an item listed as Switchboard for Smith Building.

On October 9, 2001, Amtrak issued check number 00724917 to PTI for payment of \$85,710. This check included the payment of \$66,090 as billed by PTI.

On October 31, 2001, [REDACTED] sent a letter to [REDACTED] referencing PTI's job number 3796, stating the switchboard was released for manufacture and that [REDACTED] would confirm a delivery date with Cabrey.

[REDACTED], sales representative for PTI, told agents that PTI did not build the equipment, but had contracted with IEM to build the switchboard. The cost to Amtrak was \$66,090. [REDACTED] provided agents with a copy of an IEM invoice sent to PTI for a switchboard at a cost of \$57,786. The date on the invoice was December 7, 2001. The invoice mentioned the job name as Amtrak Unit Substation. The shipper was listed as [REDACTED]. Agents were unable to obtain any information on [REDACTED] as a shipper. (Exhibit 1)

[REDACTED] said he had assumed Amtrak had received the switchboard years ago because he had not heard any complaints from Cabrey until recently. [REDACTED] reported he checked the warehouse and could not find the switchboard, or any records that the warehouse had received the switchboard.

[REDACTED] admitted that PTI received payment of \$66,090 from Amtrak for the switchboard, and admitted Amtrak never received the switchboard, because PTI never received it from IEM.

On November 12, 2008, Agents sent a management referral to [REDACTED] suggesting the following:

Management should:

1. Work with PTI management to obtain comparable equipment or credit in amount of \$66,090 for equipment not received.
2. Familiarize subordinates with section 2.20 of the Procurement Overview and Planning manual that says in part "...no prepayment to vendors without written consent of the Vice-President of Procurement and Materials."

- 3. Implement a policy or procedure to assure the receipt and acceptance of materials purchased and received, and the timely follow-up on problems with payment or delivery.

On December 11, 2008, [REDACTED] replied to the referral with the following actions:

- 1. Engineering will request assistance from Procurement and Legal to recover funds or receive credit from PTI.
- 2. Engineering will direct its managers and their subordinates to review the Procurement Manual regarding prepayment to vendors.
- 3. Engineering has a procedure to pay invoices that requires verification services have been received and approved from payment. The Deputy Chief of Engineer- Structures has directed his staff not to order equipment or services for work their department is not managing.
- 4. Engineering recommends that the process where invoices are submitted directly to Accounts Payable be reviewed and safeguards implemented so that none will be paid without authorization from the buyer and/or the receiver.

On August 21, 2009, Amtrak's Managing Deputy General Counsel [REDACTED] and PTI Owner/President [REDACTED] signed a Confidential Settlement Agreement stating [REDACTED]

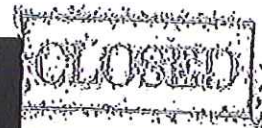
On August 25, 2009, [REDACTED], Associate General Counsel-Litigation advised Agent [REDACTED] that [REDACTED]

**RECOMMENDATIONS:**

Based on Engineering's response to proposals, and the settlement agreement between Amtrak and PTI, [REDACTED] recommendation is to close this case, unless new or additional informational is received.

Supervisor's Signature: \_\_\_\_\_

[REDACTED]



Regional Supervisor's Signature: \_\_\_\_\_

*[Handwritten signature]*

Deputy Inspector General/Counsel's Signature: \_\_\_\_\_

*[Handwritten signature]* 9/16/2009