



OFFICE of INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION

GOVERNANCE:

Quality Control Review of the Independent Audit of Amtrak's
Consolidated Financial Statements for
Fiscal Year Ended 2018

OIG-A-2019-007 | May 2, 2019


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Memorandum

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

Swati Sharma
Acting Chief Financial Officer and Treasurer

From: Kevin H. Winters 
Inspector General

Date: May 2, 2019

Subject: *Governance: Quality Control Review of the Independent Audit of Amtrak's Consolidated Financial Statements for Fiscal Year Ended 2018*
(OIG-A-2019-007)

Amtrak (the company) contracted with the independent certified public accounting firm of Ernst & Young LLP to audit its consolidated financial statements as of September 30, 2018, and for the year then ended, and to provide a report on internal control over financial reporting and on compliance and other matters. Because the company receives federal assistance, it must obtain an audit performed in accordance with generally accepted government auditing standards.

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 monitoring focused on two Ernst & Young reports and disclosed no instances in which Ernst & Young did not comply, in all material respects, with generally accepted government auditing standards. We reached this conclusion by monitoring Ernst & Young's audit activities, which included reviewing its reports, auditor independence and qualifications, audit plans, detailed testing results, summary work papers, and quality controls. We also attended key meetings.

Ernst & Young's first report was its audit of the company's consolidated financial statements for fiscal year (FY) 2018. In a report dated January 28, 2019,¹ Ernst & Young concluded that the company's consolidated financial statements were presented fairly, in all material respects, in accordance with U.S. generally accepted accounting

¹ Ernst & Young LLP, *Fiscal Year 2018 Consolidated Financial Statements*, Report of Independent Auditors, January 28, 2019.

principles. Further, the report emphasized that, without receipt of federal government funding, the company will not be able to continue in its current form, and significant operating changes, restructurings, or bankruptcy might occur.

In its second report, the FY 2018 *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* (FY 2018 report), Ernst & Young continued to identify a longstanding significant deficiency² in the design and operation of the company's information systems controls.

Ernst & Young acknowledged in its FY 2018 report that Amtrak has taken various actions to address this deficiency, including enhancing the design of these controls. Nevertheless, it concluded that Amtrak's aggregated information systems control deficiencies continue to "result in a significant deficiency in the operation of information system access controls" and made several recommendations. In response, management agreed that the company needs to make further progress to complete the remediation and stated that it is confident it is taking the appropriate corrective actions.

Ernst & Young identified other deficiencies in internal controls over financial reporting that did not rise to the level of a significant deficiency, which it provided in a separate management letter issued to the company on February 15, 2019.

While our review disclosed no instances in which Ernst & Young did not comply, in all material respects, with generally accepted government auditing standards, we note that our monitoring activities were not intended to enable us to express an audit opinion in accordance with generally accepted government auditing standards. Accordingly, we do not express an opinion on the company's consolidated financial statements or conclusions about the effectiveness of internal controls and compliance with laws and regulations. As such, Ernst & Young is responsible for its reports and the conclusions expressed in those reports.

If you have any questions, please contact me at Kevin.Winters@amtrakoig.gov or at 202-906-4600.

² A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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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