

Thames River Bridge Project
Audit Of
Contract Modification [REDACTED]
Pier Modifications

Final Report



**Thames River Bridge Project
Audit of Contract Modification [REDACTED]**

Final Report

Report Addressed To:

**Gary E. Eckenrode
Senior Director - Procurement
30th Street and Market Streets
Philadelphia, PA 19104**

Report Issued By:

**NATIONAL RAILROAD PASSENGER CORPORATION
OFFICE OF INSPECTOR GENERAL - AUDITS
10 G STREET, N.E.
WASHINGTON, DC 20002**

**DATE OF REPORT: June 3, 2009
REPORT NUMBER: 302-2009**

This document shall become available to the public on August 3, 2009

Thames River Bridge Project

Audit of Contract Modification [REDACTED]

Executive Summary

We completed an audit of contract modification [REDACTED]. This agreement modified contract number [REDACTED] between Amtrak and [REDACTED] which Amtrak executed for the rehabilitation of the Thames River Bridge located in New London, Connecticut. Amtrak approved the modification (Modification No. [REDACTED] in [REDACTED] for required additional work on two bridge piers including additional reinforcing steel, and increased concrete strengthening. The modification was executed for a not-to-exceed amount of [REDACTED].

Our audit objective was to determine if the cost or pricing data submitted by [REDACTED] in support of the modification cost was accurate, complete, and current. The audit was performed in the winter of 2008 at [REDACTED] regional office in [REDACTED]. The audit scope encompassed all cost accounting and financial information necessary to complete the audit objective. In accomplishing the audit objective, we reviewed incurred cost for cost elements submitted for the contract modification.

The results of our review indicated that [REDACTED] submitted cost or pricing data was not entirely accurate, complete, or current. We identified adjustments that increased and decreased [REDACTED] submitted costs resulting in a conclusion that Amtrak is due a net decrease in the cost of the modification in the amount of \$7,638.

Thames River Bridge Project
Audit of Contract Modification [REDACTED]

[REDACTED] Report # 302-2009

TABLE OF CONTENTS

	PAGE
I. BACKGROUND	1
II. OBJECTIVE	1
III. SCOPE	2
IV. SPECIAL CIRCUMSTANCES AFFECTING THIS EVALUATION.....	2
V. METHODOLOGY	2
VI. EVALUATION OF INTERNAL CONTROLS	2
VII. PRIOR AUDIT COVERAGE.....	2
VIII. FINDINGS AND RECOMMENDATIONS	3
Appendix A:.....	4

I. BACKGROUND

In July 2005, Amtrak personnel assigned to the Thames River Bridge rehabilitation project asked [REDACTED] to obtain the services of a geotechnical consultant for the purpose providing recommendations for arresting unexpected movement of two bridge piers. [REDACTED] entered into agreement with [REDACTED] to perform this task. [REDACTED] investigated possible solutions for the stabilization of the piers throughout the second half of calendar year 2005. As a part of its investigation, [REDACTED] developed theoretical loads for the existing piers and proposed pile foundations for the two piers. [REDACTED] proposal was presented to the project designer, [REDACTED] which made several significant revisions to the original contract drawings and specifications. The revisions resulted in a need to modify the bridge rehabilitation project to increase reinforcing steel, post tensioning, and strengthen concrete for two piers.

[REDACTED] performed the additional work and submitted an invoice to Amtrak in [REDACTED]. The submitted invoice which totaled [REDACTED] was prepared on a cost plus basis as prescribed in the contract between Amtrak and [REDACTED]. Amtrak executed modification number [REDACTED] in [REDACTED] and paid [REDACTED] for the extra work.

II. OBJECTIVE

The objective of this audit was to determine if the cost or pricing data that [REDACTED] submitted in support of the price [REDACTED] of contract modification no. [REDACTED] was accurate, complete and current and to determine if Amtrak is entitled to a reduction in the modification price. A clause included in Amtrak's contract with [REDACTED] entitled "Changes in the Work" (Section 41.8) requires the prime contractor and subcontractors to certify that the cost or pricing data submitted in support of a modification is accurate, complete, and current. This clause also states that in the event that contractor certified cost or pricing data is subsequently found to be inaccurate, incomplete, or not current, Amtrak is entitled to a reduction in the modification price equal to the difference between the modification price and the price that the change order would have been, had the contractor submitted accurate, complete, and current data.

Thames River Bridge Project
Audit of Contract Modification [REDACTED]
Final Report

Report#302-2009

III. SCOPE

The scope of our audit of contract modification [REDACTED] encompassed [REDACTED] [REDACTED] submission of documentation supporting [REDACTED] of costs for the extra work performed to modify two bridge piers.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

IV. SPECIAL CIRCUMSTANCES AFFECTING THIS EVALUATION

We considered [REDACTED] letter dated [REDACTED] recommending payment of [REDACTED] as [REDACTED] acceptance of the technical and quantitative aspects of [REDACTED] submission.

V. METHODOLOGY

Our methodology included a review of documentation submitted in support of the claimed costs, as well as, interviews of Amtrak project personnel and [REDACTED] representatives.

VI. EVALUATION OF INTERNAL CONTROLS

We did not review [REDACTED] system of internal controls. We concluded that the audit objective could be achieved more efficiently by performing substantive audit testing. We also determined that [REDACTED] cost system provided adequate segregation of costs incurred for the extra work performed from costs incurred for ongoing base contract work.

VII. PRIOR AUDIT COVERAGE

This Office of Inspector General completed an audit of a [REDACTED] contract modification (Audit Report Number 306-2006) which was executed to perform concrete borings needed to evaluate bridge piers. [REDACTED] submitted cost data for the concrete boring modification was not considered entirely accurate, complete, or current. We questioned \$16,000 which included overstated material, labor, equipment and subcontractor costs. We are currently auditing a [REDACTED] proposed modification for a grouting project to stabilize two bridge piers. Preliminary results of the audit of grouting costs of include findings pertaining to overstated subcontractor costs; extended overhead labor costs; and, unallocable performance bond costs.

VIII. FINDINGS AND RECOMMENDATIONS

Finding 1 [REDACTED] Submitted Cost or Pricing Data Was not Fully Compliant with Contract Terms.

Discussion

[REDACTED] submitted cost or pricing data used to support the costs of the bridge pier modification price of [REDACTED] was not considered entirely accurate, complete, or current as required by General Provisions Section 41.8. We identified adjustments that increased and decreased Cianbro's submitted costs resulting in a conclusion that Amtrak is due a net decrease in the cost of the modification in the amount of \$7,638. Details of the recommended adjustments are presented in the Appendix of this report.

Recommendation

Amtrak should pursue a price reduction of contract modification [REDACTED] in the amount of \$7,638 in accordance with contract general provisions section 41.8.

Management Response

The Contracting Agent, Contracting and Materials Management responded to the draft report by stating that "No exceptions are taken to your findings and/or conclusions at this point in time."

This concludes our report.

Audit Staff:

[REDACTED], Supervisor - Audits



Roy P. Wiegand
Senior Director -- Audits

Thames River Bridge Project
 Audit of Contract Modification [REDACTED]

Final Report

Report#302-2009

Appendix A:

Contract Modification [REDACTED]
 Analysis of Modification Price

Audit

<u>Cost</u>	[REDACTED]	<u>Costs</u>	<u>Recommended</u>	
<u>Element</u>	<u>Submission</u>	<u>Questioned</u>	<u>Costs</u>	<u>Notes</u>
Direct Material	\$ [REDACTED]	[REDACTED]		1
Direct Labor				
Labor Indirect Costs				
Costs Owned Equipment				
Subtotal		[REDACTED]		
Overhead @		[REDACTED]		2
Subtotal		[REDACTED]		
Profit [REDACTED]		[REDACTED]		3
[REDACTED] Own Costs		[REDACTED]		
Subcontractor		[REDACTED]		4
Mark-up on Subs @		[REDACTED]		5
Rental Equipment				
Totals		<u>7,638.12</u>		

*Differs from submitted costs by \$.01 due to rounding

Notes:

1. The submitted costs represent paid invoices for the pier modifications. The upward adjustment in the amount of [REDACTED] represents material costs which were incorrectly submitted as subcontract costs. See note 4 Subcontract costs.
2. The submitted costs were based on applying the % overhead rate per contract terms to submitted direct costs. The cost questioned upward adjustment amount of [REDACTED] represents the difference between the submitted costs of [REDACTED] and audit determined amount of [REDACTED].
3. The submitted costs were based on applying the % profit rate per contract terms to submitted direct and overhead costs. The cost questioned upward adjustment amount of [REDACTED] represents the difference between the submitted costs of \$ [REDACTED] and audit determined amount of [REDACTED].
4. The submitted costs of [REDACTED] represent subcontract costs for [REDACTED] and material costs incorrectly submitted as subcontract costs. The cost questioned amount represents the difference between the submitted amount and audit determined amount of [REDACTED] for subcontractor costs. We considered [REDACTED] of the amount questioned to be material costs incorrectly submitted as subcontractor costs. See note 1.
5. The submitted costs were based on applying the % mark-up rate per contract terms to submitted subcontractor costs. The cost questioned amount of [REDACTED] represents the difference between the submitted amount of [REDACTED] and the audit determined amount of [REDACTED] which was derived by applying the mark-up rate of % to the audit determined subcontractor costs of [REDACTED].