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Quality Control Review:

Single Audit Report, National Railroad Passenger Corporation and
Subsidiaries, Year Ended September 30, 2013

OIG-A-2015-004 | February 9, 2015





Memorandum

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

Gerald Sokol, Jr.
Executive Vice President and Chief Financial Officer

From: Tom Howard
Inspector General

Tom Howard

Date: February 9, 2015

Subject: *Quality Control Review of Single Audit Report, National Railroad Passenger Corporation and Subsidiaries, Year Ended September 30, 2013 (OIG-A-2015-004)*

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, 2013 and 2012, and for the years then ended, and to provide a report on internal control over financial reporting and compliance with laws and regulations and other matters. The contract also required Ernst & Young to perform a Single Audit of the company's federal grants for the year ended September 30, 2013, in accordance with Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Because the company receives federal funding, it must obtain an audit performed in accordance with generally accepted government auditing standards. The objective of the Single Audit was to test internal control over compliance with major federal program requirements and determine whether the company complied with the laws, regulations, and provisions of contracts or grant agreements that may have a direct or material effect on its major federal programs.

Major federal programs are those with the largest grant fund expenditures determined using guidance in the OMB Circular A-133. The company's major federal programs are:

- Department of Transportation (DOT) National Railroad Passenger Corporation Grants
- American Recovery and Reinvestment Act of 2009 High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants

- DOT Fiscal Year 2013 Hurricane Sandy Disaster Relief Grants
- Department of Homeland Security Rail and Transit Security Grant Program

As authorized 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 review disclosed no instances in which Ernst & Young did not comply, in all material respects, with generally accepted government auditing standards and OMB Circular A-133 requirements. The key aspects of Ernst & Young's report¹ are discussed below.

Ernst & Young concluded that the company did not fully comply with the requirements for the DOT National Railroad Passenger Corporation Grants major program and issued a qualified compliance opinion. Ernst & Young issued an unmodified compliance opinion on its other three major federal programs. Ernst & Young reported that the Schedule of Expenditures of Federal Awards was fairly stated in all material respects in relation to the company's financial statements as a whole. Also, Ernst & Young reported the following material weaknesses and significant deficiencies in internal control over compliance related to the DOT National Railroad Passenger Corporation Grants major program:

- Equipment and Real Property Management (Significant Deficiency)
- Cash Management (Material Weakness)
- Statement of Compliance—Certified Payrolls (Material Weakness)
- Reporting (Significant Deficiency)

The following significant deficiency was identified for all four major programs:

- Untimely Submission of Data Collection Form and Single Audit Reporting Package

Ernst & Young made several recommendations to correct the material weaknesses and significant deficiencies. The company agreed with all of the recommendations and provided action plans to address them.

We monitored Ernst & Young's audit activities by reviewing its reports, audit plans, detailed audit testing results, summary workpapers, audit quality controls, and auditor independence and qualifications forms. We also attended key meetings.

Our monitoring activities, as differentiated from an audit in accordance with generally accepted government auditing standards, were not intended to enable us to express an audit opinion. We do not express an opinion on compliance for each major program, conclusions about the effectiveness of internal control over compliance, or whether the

¹ Ernst & Young report titled *Report of Independent Auditors on Compliance for Each Major Federal Program, Report on Internal Control Over Compliance, and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133*, dated January 16, 2015.

Schedule of Expenditures of Federal Awards is fairly stated. Ernst & Young is responsible for its report dated January 16, 2015, and the conclusions expressed in the report.

We appreciate the courtesies and cooperation that representatives of the company and Ernst & Young extended to us during this review. If you have any questions, please contact me (Tom.Howard@amtrakoig.gov) or David R. Warren, Assistant Inspector General, Audits (David.Warren@amtrakoig.gov) at [202-906-4600](tel:202-906-4600).