



OFFICE of INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION

GOVERNANCE:

Quality Control Review of Amtrak's Single Audit for
Fiscal Year 2016

OIG-A-2017-015 | August 17, 2017



Memorandum

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

William N. Feidt
Executive Vice President and Chief Financial Officer

From: Tom Howard
Inspector General

A handwritten signature in blue ink that reads "Tom Howard".

Date: August 17, 2017

Subject: *Governance: Quality Control Review of Amtrak's Single Audit for Fiscal Year 2016*
(OIG-A-2017-015)

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, 2016, and for the year 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, 2016, in accordance with the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 award requirements and determine whether the company complied with the laws, regulations, and provisions of contracts or grant agreements that may have a direct and material effect on its major federal programs.

Major federal grant programs are those with the larger and highest risk grant fund expenditures, as determined using the Uniform Guidance. In fiscal year 2016, the company had four such grant programs: the Department of Transportation (DOT) National Railroad Passenger Corporation Grants, DOT ARRA¹-High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants, DOT Fiscal Year 2013 Hurricane Sandy Disaster Relief Grants to the National Railroad Passenger

¹ American Recovery and Reinvestment Act of 2009.

Corporation, and 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 Uniform Guidance requirements. The key aspects of Ernst & Young's report² are discussed below.

Ernst & Young issued an unmodified compliance opinion on each major federal grant program it reviewed. However, Ernst & Young identified a significant deficiency³ in internal control over compliance relating to Equipment and Real Property Management for the DOT National Railroad Passenger Corporation Grant. Ernst & Young made several recommendations to correct the significant deficiency. The company agreed with the recommendations and provided a detailed corrective action plan 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 observed Ernst & Young's equipment testing at selected field locations and 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. Therefore, we do not express an opinion on compliance for the major program, conclusions about the effectiveness of internal control over compliance, or whether the Schedule of Expenditures of Federal Awards is fairly stated. Ernst & Young is responsible for its report dated August 1, 2017, 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 Stephen Lord, Assistant Inspector General, Audits, at (Stephen.Lord@amtrakoig.gov) or 202-906-4600.

² 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 the Uniform Guidance, dated August 1, 2017.*

³ A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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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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