



**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 2017

**OIG-A-2018-004 | March 12, 2018**

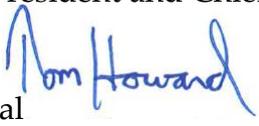
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## Memorandum

**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

**Date:** March 12, 2018

**Subject:** *Governance: Quality Control Review of the Independent Audit of Amtrak's Consolidated Financial Statements for Fiscal Year Ended 2017*  
(OIG-A-2018-004)

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, 2017, 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 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. The key aspects of the Ernst & Young reports are discussed below.

In its audit of the company's consolidated financial statements, Ernst & Young concluded, in its report dated January 26, 2018, that the consolidated financial statements presented fairly, in all material respects, the consolidated financial position of the National Railroad Passenger Corporation and subsidiaries at September 30, 2017, and the consolidated results of their operations and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles. Ernst & Young's report also 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 fiscal year 2017 *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*, Ernst & Young identified a significant deficiency<sup>1</sup> in the design and operation of Information Systems controls. The significant deficiency relates to Information Technology (IT) general controls—specifically, user access and operations controls. The significant deficiency impacted application controls and IT-dependent manual controls, including management review controls relying on electronic data across transactions that were significant to the financial reporting process.

Ernst & Young made several recommendations to correct this significant deficiency. In response to the recommendations, management stated the company has identified the appropriate corrective measures to remediate the information technology general control deficiencies and is in the process of implementing them.

Ernst & Young identified other deficiencies in internal controls over financial reporting, which it provided in a management letter issued on February 23, 2018.

We monitored Ernst & Young's audit activities by reviewing its reports, auditor independence and qualifications, audit plans, detailed testing results, summary work papers, and quality controls. 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 the company's consolidated financial statements or conclusions about the effectiveness of internal controls and compliance with laws and regulations. Ernst & Young is responsible for its reports dated January 26, 2018, and the conclusions expressed in those reports.

If you have any questions, please contact me ([Tom.Howard@amtrakoig.gov](mailto:Tom.Howard@amtrakoig.gov)) or Kevin Winters, Deputy Inspector General/ Counsel ([Kevin.Winters@amtrakoig.gov](mailto:Kevin.Winters@amtrakoig.gov)) at 202-906-4600.

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<sup>1</sup> 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. 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.

# OIG MISSION AND CONTACT INFORMATION

## Mission

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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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or

800-468-5469

## Contact Information

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