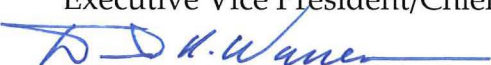




Memorandum

To: Gerald Sokol, Jr.,
Executive Vice President/Chief Financial Officer


From: David R. Warren,
Assistant Inspector General, Audits

Date: March 11, 2015

Subject: *Audit Engagement Memo: Accounting for Business Lines of Operation*
(Project Code: 011-2015)

We are initiating an audit of the company's cost accounting and financial reporting related to the accumulation and allocation of costs for the company's business lines of operation. The Passenger Rail Investment and Improvement Act of 2008 required the company to implement an improved cost accounting and reporting system to track and report on all its revenues and costs by route, major activity, and line of business. In keeping with the act's provisions, the company reorganized into business lines to improve its financial performance, a key strategic goal.

The company's FY 2015 - FY 2019 Strategic Plan reports that the company has adopted a business line strategy and organizational structure which will be managed to generate the best corporate outcomes. In addition, the company's FY 2016 General and Legislative Annual Report presents the Funding and Reauthorization Request based on the line of business requirements.

Our audit objective is to review the effectiveness and efficiency of the company's financial systems and data supporting the accumulation and allocation of costs for the company's business lines of operation. We will assess also whether the company has implemented prior recommendations made by the DOT-OIG in its March 27, 2013 report to improve the effectiveness of the company's cost accounting system, Amtrak Performance Tracking. Among other things, we will test management controls, interview company officials, and analyze documents related to accounting for the lines

of business operations. In addition to the finance department, we plan to do work in the company's three major operations departments. We will work to minimize disruptions to the company by coordinating interviews and site visits with staff in advance.

We will perform our audit work in accordance with Generally Accepted Government Auditing Standards. Our interactions with the company will be consistent with the company's Policy and Instruction Manual, Procedure 2.1.3, which sets forth the relationship between the company and the OIG. In particular, section 7.0 establishes protocols for coordination between company officials and the OIG on audits and evaluations. To view this policy see:

<http://wiki.corp.nrpc/download/attachments/3586/OIG=Relationship+Policy+111101.pdf?version=1>

We request that your office arrange an entrance conference for us with appropriate company officials at the earliest possible date. We will keep you advised of the status of our work and any material changes in our audit objective.

If you have any questions concerning this engagement, please contact me at 8-777-4742, (david.warren@amtrakoig.gov) or Earl Hedges, Senior Director, Audits, at 8-777-4718, (earl.hedges@amtrakoig.gov). Staff from CliftonLarsonAllen LLP will be used on this engagement under Mr. Hedges' supervision.

cc: DJ Stadtler, Executive VP/Chief Operations Officer
Eleanor D. Acheson, Executive VP/Chief Legal Officer, General Counsel
William Herrmann, VP, Deputy Managing General Counsel
Michael J. DeCataldo, Jr., SVP & General Manager, NEC
Louis J. Commer, SVP & General Manager, State Supported Operations
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