



**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 2015**

**OIG-A-2016-012 | September 29, 2016**


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## 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

**Date:** September 29, 2016

**Subject:** *Governance: Quality Control Review of the Independent Audit of Amtrak's Consolidated Financial Statements for Fiscal Year Ended 2015 (OIG-A-2016-012)*

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, 2015, 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 August 3, 2016, that the consolidated financial statements fairly presented, in all material respects, the consolidated financial position of the National Railroad Passenger Corporation and subsidiaries at September 30, 2015, and the consolidated results of their operations, and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles (GAAP). Ernst & Young's report also emphasized that without receipt of federal funding, the company will not be able to continue in its current form, and significant operating changes, restructurings, or bankruptcy might occur.

In its FY 2015 *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 two significant deficiencies that when aggregated, resulted in a material weakness in the design and operation of Information Systems controls. The two significant deficiencies relate to Information Technology (IT) general controls; specifically, user access and change management controls. The material weakness impacted all classes of transactions significant to financial reporting.

Ernst & Young made several recommendations to correct the material weakness, and the company agreed with all of them. In responding to the recommendations, management stated the company has implemented several corrective action plans to address the root causes and will continue to implement the corrective actions required to remediate the remaining findings. In its report on the FY 2014 consolidated financial statements E&Y reported three material weaknesses—Capital Lease Accounting, Documentation, and Analysis; Income Tax Accounting; and Financial Reporting—that were remediated during FY 2015.

Ernst & Young identified other deficiencies in internal control over financial reporting, which it provided in a management letter on September 28, 2016.

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 August 3, 2016, and the conclusions expressed in those reports.

We appreciate the courtesies and cooperation that representatives of the company and Ernst & Young extended to us during our work. 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](tel:202-906-4600).

# 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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