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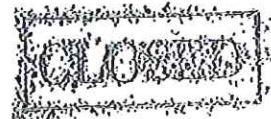
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**NATIONAL RAILROAD PASSENGER CORPORATION  
OFFICE OF INSPECTOR GENERAL  
OFFICE OF INVESTIGATIONS  
INVESTIGATIVE REPORT**

**TITLE:** FUEL  
**CASE NUMBER:** 04-102  
**DATE OF REPORT:** November 24, 2009  
**REPORT PREPARED BY:** SSA [redacted] and SSA [redacted]  
**Other Activity (Describe):** Closing Report



**Allegation**

System-wide proactive inquiry into Amtrak's locomotive fueling systems, vendors, and operations.

**Findings**

**Chicago and New Orleans Product Substitution - \$423,223.86 Recovery**

Gas City Limited (GCL), of [redacted], contracted with Amtrak to supply our [redacted], diesel fuel storage tanks with low sulfur diesel fuel (LSD) pursuant to a contract commencing January 2, 2006. In July 2007, [redacted] Executive Vice President [redacted] contacted Amtrak's Senior Contracting Agent for Fuels and Lubricants [redacted] and told her that GCL was having difficulty obtaining LSD from [redacted] area refiners. [redacted] obtained [redacted] agreement for GCL to supply, and be paid for, ultra low sulfur fuel (ULSD), which usually costs a few cents a gallon more than LSD. [redacted] supplied information that in March 2008 she became suspicious that GCL may have been supplying LSD to Amtrak in [redacted] rather than the contracted for, and more expensive, ULSD.

An audit of [redacted] fuel receipts by OIG Senior Auditor [redacted] revealed that between July 2, 2007 and March 28, 2008, GCL made eight hundred fifty-one (851) deliveries of diesel fuel to Amtrak's storage tank in [redacted]; of these eight hundred twenty (820) deliveries were of LSD. This resulted in Amtrak being over billed by GCL a total of \$421,518.78. Including \$54,856.55 recovered by [redacted] from a bill due GCL, and Amtrak billing and arithmetic errors discovered by [redacted] - GCL was determined to owe Amtrak the sum of \$411,616.61. [redacted] also audited [redacted] fuel receipts and discovered that between October 2, 2007 and March 29, 2008, GCL made eighty-eight (88) deliveries of diesel fuel to Amtrak's storage tank in [redacted], fifty-nine (59) of these deliveries were LSD. This resulted Amtrak being over billed a total of \$11,607.25 in this time frame. This indicated a total fraud loss to Amtrak of \$433,126.03. Between the amount recovered by [redacted] and various billing errors made by Amtrak, GCL overbilled Amtrak a calculated total of \$423,223.86.

OIG subpoenaed the records of GCL, Dupre Trucking (GCL's common carrier in [redacted]), Murphy Oil, Exxon Oil, and Chalmette Refinery, and conducted interviews in [redacted] and [redacted]. The United States Attorney's Office of the Southern District of [redacted] accepted OIG

product substitution case against GCL but then declined it after GCL made a \$423,223.86 restitution payment to Amtrak on September 3, 2008, the full amount of the fraud alleged by OI.

**OIG Global Fuel Receipt Tracking Policy Revision Implemented**

OI and OIG Audit made a joint recommendation to Amtrak's Procurement Department (PD) that Amtrak personnel responsible for inputting fuel receipts into eTrax would be responsible to include the type/grade of fuel (ULSD, LSD, et al) received, from the fuel deliverers bill of lading cross-referenced with the delivery manifests. Effective January 1, 2009, the PD placed a new diesel fuel verification policy into effect.

Part of these revisions included the institution of a Fuel Invoicing Delivery Ticket Detail - Contract Fuel Type Mismatches Exception Report (Fuel Exception Report) which tracks type of fuel delivered versus type of fuel contracted for.

Searching Fuel Exception Reports in eTrax, [redacted] discovered that six (6) direct to locomotive diesel fuel vendors had apparently provided Amtrak with LSD when they had contracted for ULSD. OI investigated these findings and discovered that in four (4) cases Amtrak personnel had made clerical errors in entering fuel receipt data into eTrax, but in two (2) cases ([redacted], [redacted] and [redacted]) there was product substitution.

**[redacted], Product Substitution - \$133,658.69 Recovery**

[redacted] began her own audit of fuel deliveries in [redacted] and supplied OI with information that Quality Rail Services (QRS) had been the long standing direct to locomotive diesel fuel vendor at Amtrak's [redacted] facility. Their original contract called for the delivery of high sulfur diesel (HSD). In April 2007, QRS started to deliver LSD since HSD was not being processed by the refineries. QRS then switched to ULSD when LSD became unavailable. During this time, QRS notified the PD of the fuel type availability situations and adjustments were made to the purchase order, with the contract now calling for the provision of ULSD only. In January 2009, Savage Services Corporation (SSC) bought QRS and began delivering fuel at [redacted]. In reviewing eTrax fuel type exception reports, [redacted] discovered that SSC had been delivering LSD instead of ULSD. [redacted] contacted SSC and learned that QRS had been delivering LSD to Amtrak when SSC acquired them.

After OI subpoenaed SSC's records regarding the type of fuel provided to Amtrak by SSC or QRS, SSC contacted [redacted] and accepted financial responsibility for QRS' actions (i.e. the delivery of LSD instead of the contracted ULSD). [redacted] performed an analysis of 6,791 Amtrak eTrax fuel invoice system fuel delivery tickets from June 7, 2007, through and including March 29, 2009; resulting in a finding that QRS/SSC had delivered 4,279,605 gallons of LSD with a price difference of \$133,658.69 between LSD and ULSD. On May 26, 2009, Amtrak received a \$ [redacted] settlement from SSC.

**██████████ Produce Substitution – \$11,447.02 Recovery**

A review of the Fuel Exception Reports for Sevier Valley Oil Company, Incorporated (SVO) of ██████████, revealed that between January 19, 2009, and March 31, 2009, SVO provided Amtrak with a total of \$284,746 gallons of LSD on 287 occasions, when Amtrak paid for ULSD, which SVO had contracted to supply us. ██████████ conducted a price analysis of ULSD versus LSD for the January 4, 2008 through March 31, 2009 time period; resulting in a finding of \$11,447.02 in overcharging by SVO.

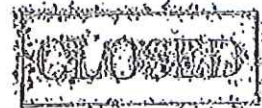
OI subpoenaed SVO's and Ron Osborne Trucking (SVO's common carrier) records for this time frame and interviewed SVC's president, ██████████ and Ron Osborne Trucking's owner, ██████████. Shortly after, ██████████ contacted ██████████ and agreed to pay the \$11,447.02 amount she had determined SVO overbilled Amtrak. On July 20, 2009, SVO made the full \$11,447.02 restitution


Comments

As a result of OIG actions, Amtrak has recovered a total of \$568,329.57 in cases involving diesel fuel product substitution, and the PD has revised Amtrak's OTrax tracking of diesel fuel deliveries – a revision which indirectly resulted in \$145,105.71 of the \$568,329.57 recovery.

Recommendations

Close case pending development of further information.



Regional Supervisor's Signature: \_\_\_\_\_ 

Deputy Inspector General/Counsel's Signature: \_\_\_\_\_ 