




Memorandum

Date: February 24, 2023

Subject: INFORMATION: Audit Announcement | FTA Oversight of the Southern Eastern Pennsylvania Transportation Authority's Compliance with Buy America Requirements for Rolling Stock | Project No. 23Z3001Z000
Federal Transit Administration

From: Carolyn J. Hicks 
Assistant Inspector General for Acquisition and Procurement Audits

To: FTA Administrator

Last year, three then-Ranking Members of the House Transportation and Infrastructure Committee¹ raised concerns about the Southeastern Pennsylvania Transportation Authority (SEPTA)—specifically, SEPTA's compliance with the Federal Transit Administration's (FTA) Buy America requirements.² In 2017, SEPTA awarded a \$138 million contract to the state-owned China Railway Rolling Stock MA Corporation (CRRC MA)³ for 45 new passenger railcars with an option for an additional 10 railcars.⁴ The Committee Members questioned whether CRRC MA had met FTA's Buy America requirements for rolling stock procurements over the course of this contract and will continue to do so as the contract progresses.

Given their concerns, the Committee Members asked our office to initiate an audit of SEPTA's ongoing contract with CRRC MA. As such, our objective for this audit is to assess FTA's oversight of SEPTA's compliance with Buy America standards for its rolling stock contract with CRRC MA. Specifically we will examine FTA's oversight of (1) SEPTA's certification of CRRC MA's adherence to FTA's Buy America requirements for rolling stock and (2) SEPTA's calculation of the total

¹ Letter to the Inspector General from Representatives Sam Graves, Eric "Rick" Crawford, and Rodney Davis of the House Committee Transportation and Infrastructure and its Subcommittees on Highways and Transit and Railroad, Pipelines, and Hazardous Materials, dated September 21, 2022.

² Per FTA's Buy America requirements, the cost of the components and subcomponents for rolling stock produced in the United States must total more than 60 percent for fiscal years 2016 and 2017, more than 65 percent for fiscal years 2018 and 2019' and more than 70 percent for fiscal year 2020 and beyond. In addition, final assembly of rolling stock must occur in the United States.

³ The Committee's letter noted that "CRRC MA is a subsidiary of CRRC Corporation Limited (CRRC), an entity previously designated as a company tied to the Chinese military by the Department of Defense."

⁴ As of January 19, 2023, current project costs are estimated to be \$174.3 million.

value of foreign components for the purpose of determining compliance with FTA's Buy America rolling stock requirements.

We plan to begin the audit in the coming weeks and will contact your audit liaison to schedule an entrance conference. If you have any questions, please contact me or Darren Murphy, Program Director.

cc: DOT Audit Liaison, M-1
RFCO-1 FTA Audit Liaison, TBP-30