OFFICE of INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION

Before the Subcommittee on Transportation and Public Assets,
Committee on Oversight & Government Reform
House of Representatives

Vehicle Fleet Management: Opportunities to Improve Utilization, Leasing Practices, and Fuel Card Oversight

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Chairman Mica, Ranking Member Duckworth, and Members of the Subcommittee:

I am pleased to be here today to discuss our recent work on issues relating to Amtrak's vehicle fleet management.

In the past year, we issued three reports identifying recurring problems with the management and oversight of the vehicle fleet.[1] Although the focus of these reports was vehicle fleet management, the root cause of the specific issues we identified were weaknesses in Amtrak's management controls, issues we have repeatedly identified as the cause of operational and programmatic deficiencies throughout the company. The management control weaknesses affecting the vehicle management program are similar to those we have noted elsewhere in the company—ineffective internal control processes, inadequate policies and procedures, and fragmented oversight responsibilities.

My testimony today focuses on three areas where we believe that Amtrak has opportunities to improve its vehicle fleet management: fleet growth and utilization, costly leasing practices, and fuel card oversight.

- **Fleet growth and utilization.** The size of the vehicle fleet is increasing: from 2008 through June 2015, the company added 549 vehicles to its fleet, which now totals more than 2,500 vehicles. At the same time the fleet is expanding, we note that some vehicles appear underutilized. In May 2015, we identified 153 vehicles that consumed less than 15 gallons of fuel for the month, a strong indicator of underutilization. Redeploying underutilized vehicles to meet other departmental needs could help reduce the need to procure new vehicles.
- **Costly leasing practices.** We see opportunities for Amtrak to reduce costs by taking better advantage of the General Services Administration's (GSA) federal

[1] Amtrak OIG, *Asset Management: Observations on New Jersey High-Speed Rail Improvement Program (NJ HSRIP) Vehicle Management,* OIG-MAR-2016-005, February 19, 2016; Amtrak OIG, *Asset Management: Observations on Vehicle Fleet Management,* OIG-MAR-2016-001, October 16, 2015;; and Amtrak OIG, *Management Information Report: Violations of Amtrak Corporate Policies and Federal and State Criminal Laws by Amtrak Employees and Others,* OIG-I-2015-507 (Confidential), February 19, 2015. A public version of this report was also made available dated July 29, 2015.

fleet program—especially if it is able to use GSA vehicles to replace higher-priced, commercially leased vehicles. For example, GSA charges about $320 per month for the same make and model of eight trucks that Amtrak is leasing from a commercial vendor for the New Jersey High-Speed Rail Improvement Program (NJ HSRIP) at a cost of $1,200 per month.

More rigorous lease-purchase analyses at the start of projects could help Amtrak avoid entering into costly long-term vehicle lease agreements. On the NJ HSRIP, we noted that the company could have saved more than $127,000 by purchasing, rather than leasing, 8 utility trucks for 44 months.

- **Strengthening fuel card oversight.** We identified systemic weaknesses in the internal controls for fuel procurement cards that resulted in more than $95,000 in fraudulent fuel card transactions. The control weaknesses included departments not using sign in/sign out sheets for fuel cards, drivers not keeping vehicle use logs, and supervisors failing to retrieve fuel cards and vehicle keys from departing employees. We noted 23 instances in Spring 2015 of employees purchasing fuel that significantly exceeded the capacity of their vehicles' fuel tanks—red flags for fraud, waste, and abuse.

Amtrak has developed, and is in the process of implementing, a company-wide vehicle fleet action plan to improve the management of its fleet and address many of the issues we raised in our recent reports. At a high level, the plan includes a number of activities: establishing a Vehicle Fleet Governance Council, consolidating vehicle management responsibilities currently dispersed across several Amtrak divisions and operating units, improving budgeting and vehicle utilization practices, and updating policies and procedures. We are encouraged by the development of the plan and Amtrak's efforts to date; however, work on the activities in the plan is in the very early stages. Effective implementation will require management's sustained long-term attention and commitment to changing the status quo.

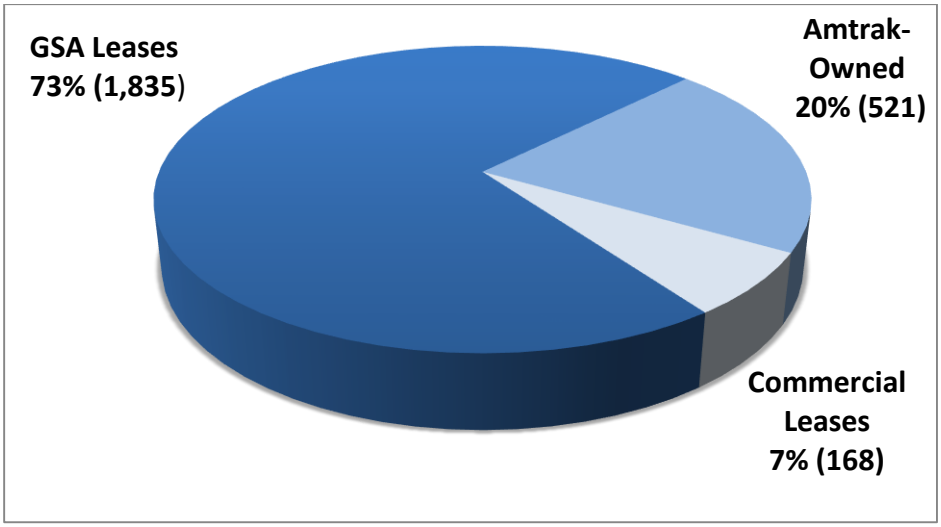
BACKGROUND

Amtrak manages a fleet of 2,524 vehicles to support operations such as construction, maintenance of way, security and policing, commissary operations, and general transportation. The vehicles range from standard sedans, sport utility vehicles, and

pickup trucks to railroad-specific vehicles, such as vehicles fitted with "Hy-Rail" equipment that can operate over the road and on railroad tracks.

Amtrak owns about 20 percent of the vehicle fleet and leases about 80 percent. Approximately 73 percent of its vehicles are leased from GSA, and 7 percent are commercially leased from car rental agencies and specialty rail equipment providers. The sources of the fleet vehicles are shown in Figure 1.

Figure 1. Sources of Vehicle Fleet, July 2015 (number of vehicles)



Source: Amtrak OIG analysis of Amtrak's Maximo database, July 2015

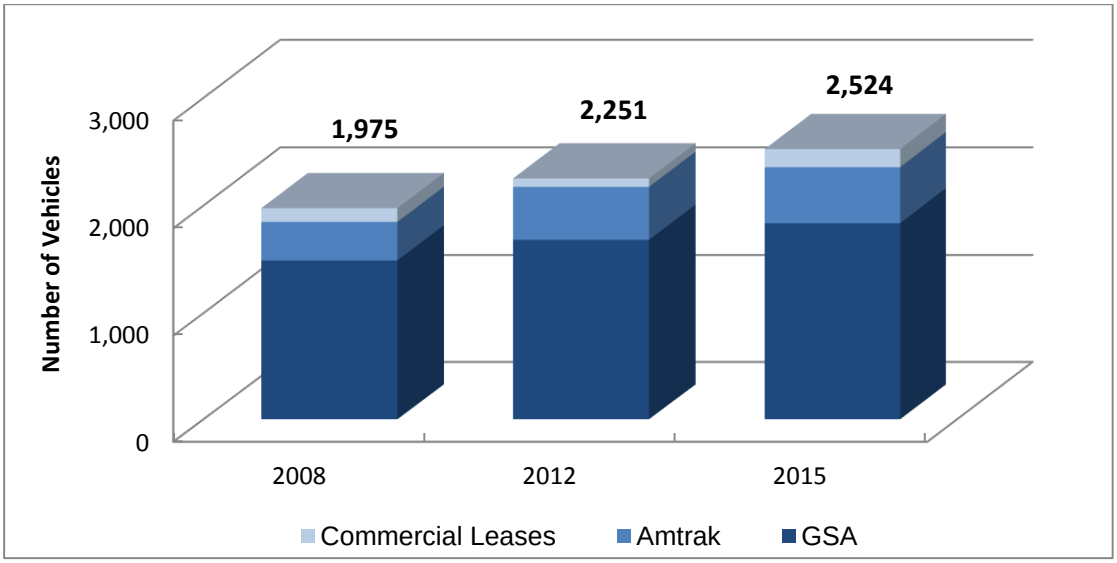
Responsibility for managing the vehicle fleet is shared across business units. The departments, such as Engineering and the Police department, determine their vehicle needs, manage day-to-day vehicle use, approve take-home vehicle requests, and oversee compliance. The Automotive division in Amtrak's procurement office works with the departments to fulfill vehicle needs by identifying available vehicles in the existing fleet, purchasing new vehicles, or leasing from GSA or commercial vendors. The Automotive division also monitors and reports on company-wide fleet issues, such as maintenance costs, fuel card charges, past-due vehicle inspections, commercial drivers licensing, and accidents.

OPPORTUNITIES EXIST TO REDUCE COSTS BY MANAGING FLEET SIZE AND VEHICLE UTILIZATION

Our recent work identified a growing vehicle fleet and low vehicle utilization resulting in costs that are higher than necessary. In addition, a lack of criteria to evaluate the need for take-home vehicles leaves Amtrak vulnerable to fraud, waste, and abuse. The Finance department first raised many of these issues in a 2013 internal controls review. We found little evidence of Amtrak's attempts to address the report's findings and note that these same issues persist today. The company now has an opportunity to address these issues as part of its ongoing efforts to improve company-wide vehicle management.

Size of Amtrak's vehicle fleet is increasing. From April 2008 through June 2015, the company added 549 vehicles to its fleet, an increase of 28 percent, as shown in Figure 2.

Figure 2. Changes in Amtrak's Vehicle Fleet Size, April 2008-June 2015



Source: Amtrak OIG analysis of July 2015 Maximo data; and 2013 Business Processes and Management Controls group report

Amtrak has added vehicles in support of discrete capital projects such as the NJ HSRIP, but it is unclear what factors are driving this expansion and whether the overall fleet growth is fully justified by operational needs. Even as Amtrak's fleet is increasing, the Government Accountability Office reports that other federal agencies have reduced their fleets to save money—such as the United States Air Force and the Department of

the Interior.[2] Amtrak reports that its fleet operating costs total almost $23 million per year, which includes vehicle leases, maintenance, fuel, accidents, insurance, supplies, registrations, and licensing. Amtrak's overall fleet costs declined slightly in 2015, driven in large part by a reduction in GSA lease rates and lower fuel costs, according to the Automotive division director. For FY 2016, Amtrak projects fleet costs to average about $9,300 per vehicle.

Better utilization of existing vehicles could help reduce the need for new vehicles. Even as Amtrak's fleet has been growing, we noted that some vehicles are not being fully utilized. For example, in May 2015, the company purchased less than 15 gallons of fuel for each of 153 vehicles—about 22 percent of the 689 vehicles Amtrak owns and commercially leases. We would expect some vehicles to have limited usage—for example, the Police command bus—but the list of vehicles with low fuel usage also included 21 sport utility vehicles and 7 utility trucks. Procurement officials told us that more centralized control of the vehicle fleet would allow the company to redeploy underutilized vehicles to fill needs in other locations or departments.

Our recent review of vehicles assigned to the NJ HSRIP offered an example of how the company could reduce costs through better utilization of vehicles. Last spring, NJ HSRIP project managers identified a need for a specialty vehicle to support overhead electrical work and identified what they believed was an idle crane truck assigned to the Engineering department. They were told that the truck was not available; however, we verified through fuel purchase records that the vehicle in question had been fueled just twice in two years—an indication that the truck was being used only nominally. In January 2016, an Engineering department manager told us that the company has future plans to use the vehicle. Consequently, the NJ HSRIP leased a comparable vehicle at a cost of $9,500 per month through May 2017, for a total projected cost of $171,000. If the Amtrak vehicle had been made available to the project during its period of no/low utilization, the length of this lease could have potentially been shortened, or the lease may have been altogether unnecessary.

[2] Government Accountability Office, *Federally Leased Vehicles: Agencies Should Strengthen Assessment Processes to Reduce Underutilized Vehicles*, GAO-16-136, January 2016; and Government Accountability Office, *Federal Fleets: Overall Increase in Number of Vehicles Masks that Some Agencies Decreased Their Fleets*, GAO-12-780, August 2012.

Criteria for justifying take-home vehicles are not defined. Since 2012, the number of vehicles that employees take home when off duty has increased by about 20 percent, from 476 to 572 vehicles—about 23 percent of the total fleet. In contrast, other public entities have curbed the use of take-home vehicles. For example, from 2011 to 2015, the California state government eliminated 3,218 of its 7,545 take-home vehicle permits, a reduction of about 43 percent.

Given Amtrak's expansive operations, there would be instances when it is in the company's interest to allow some employees to take their vehicles home—for example, those who have emergency response duties. Ascertaining the rationale for take-home vehicles is difficult because Amtrak's criteria are not defined. For example, company policy requires employees to justify their need for a take-home vehicle every year, but there are no criteria for managers to evaluate these justifications—such as operational requirements, cost savings, or efficiency. Without clear and supportable rationale for allowing take-home vehicles, Amtrak becomes vulnerable to fraud, waste, and abuse.

OPPORTUNITIES TO IMPROVE COSTLY LEASING PRACTICES

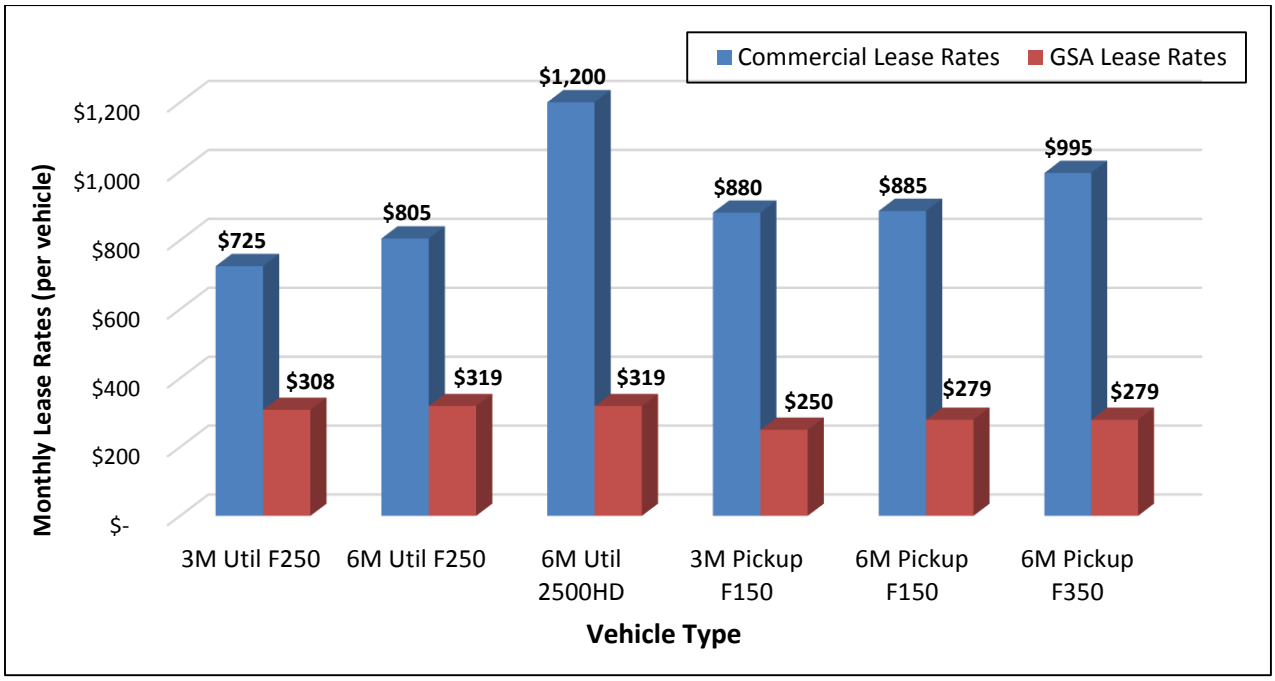
Amtrak has missed opportunities to save money by procuring common vehicles from GSA. Amtrak has also entered into costly commercial leases on vehicles that would have been more economical to purchase outright.

Taking full advantage of GSA's fleet program could result in significant savings. Although most of the fleet consists of GSA vehicles, Amtrak leases 168 vehicles from commercial vendors. Amtrak's 2013 internal controls review found that the company could have saved about $437,000 in net 2012 costs if it had leased vehicles from GSA instead of from commercial vendors.

More recently, our analysis of vehicle costs on the NJ HSRIP found that Amtrak could have saved as much as $212,000 per year by leasing common vehicles such as pickup trucks and utility trucks from GSA. The company is commercially leasing 38 of the 54 total vehicles assigned to the NJ HSRIP. Of these, 26 appear to be identical to vehicles offered through GSA's federal fleet program at significantly lower costs. For example, Amtrak is leasing 8 utility trucks from a commercial vendor at a per-vehicle monthly cost of $1,200. GSA has identical vehicles in its inventory at a monthly cost of $319, and in fact, Amtrak is leasing 530 of these same trucks from GSA for use elsewhere in the

company. Figure 3 shows the significant differences in monthly lease costs between GSA and commercial vendors for common vehicles assigned to the NJ HSRIP.

Figure 3. Difference between Commercial and GSA Monthly Lease Rates for Common Vehicles Assigned to NJ HSRIP



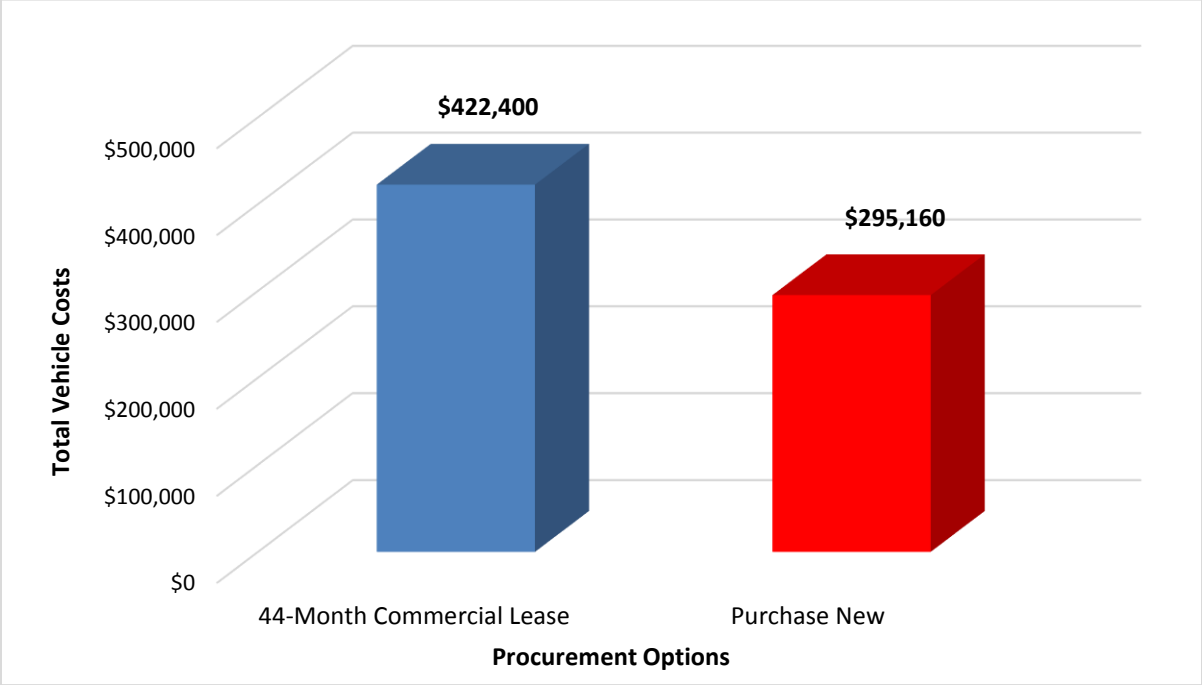
Source: OIG Analysis of December 2015 Maximo data and GSA's Fiscal Year 2015 vehicle lease rates

Although GSA offers more economical terms on many vehicles in Amtrak's fleet, GSA may not always be the best option to meet Amtrak's needs, according to company officials. Automotive division managers told us that GSA cannot always provide a requested type or quantity of vehicle, or it may not be able to do so within the requested timeframe.

Purchasing vehicles instead of leasing could have resulted in more than $127,000 in cost savings. Amtrak has no policy requiring that a cost-benefit analysis be performed as part of the process to decide whether to lease or purchase a new vehicle. Procurement officials told us that even when it is clearly more cost-effective to purchase a vehicle, tight departmental capital budgets often result in the decision to lease vehicles.

In our review of vehicles leased for the NJ HSRIP program,[3] we noted that Amtrak could have saved more than $127,000 by purchasing, rather than leasing, some vehicles. The NJ HSRIP leased eight Chevrolet 2500HD utility trucks beginning in November 2013 and later extended these leases through July 2017, for a total of 44 months. At $1,200 per month, the total cost over the life of each lease will be $52,800, or $422,400 for the eight vehicles. By comparison, purchasing the same vehicles new in November 2013 would have cost just under $37,000 each— $295,160 for all eight vehicles. Purchasing all eight vehicles would have saved the company an estimated $127,240. For the estimated projected costs associated with purchasing or leasing these vehicles, see Figure 4.

Figure 4. Comparison of Total Projected Costs for Eight Chevrolet 2500HD Utility Trucks, by Procurement Option



Source: OIG analysis of the company's December 2015 Maximo data and purchase data provided by the Automotive division

We have reported previously on the NJ HSRIP's growing cost overruns and reduced project scope; both outcomes will ultimately affect Amtrak's long-term financial position. The following three actions would free up project funds that could be put to

[3] The NJ HSRIP is not funded through the company's annual general capital grant. In 2011, Amtrak received a grant through special legislation for the purpose of improving a 23-mile section of track in support of higher maximum train speeds.

better use: (1) better utilizing existing vehicles, (2) procuring vehicles from GSA instead of commercial vendors, and (3) purchasing vehicles when it is more cost-effective than long-term leases.

OPPORTUNITIES EXIST TO STRENGTHEN FUEL CARD OVERSIGHT

In February 2015, we summarized the results of nine investigations into Amtrak's fuel card abuses, which found systemic weaknesses in the internal controls for their use. In total, we identified more than $95,000 in fraudulent fuel card transactions, which resulted in employee terminations, financial restitution, and criminal charges. The specific control weaknesses included departments not using sign in/sign out sheets for fuel cards, drivers not keeping vehicle use logs, and supervisors failing to retrieve fuel cards and vehicle keys from departing employees.

Employees were able to exploit these weak controls for personal gain. For example, we found that one Engineering department employee purchased nearly $10,000 in fuel between 2008 and 2012 while on medical leave following an accident and injury. Another employee used fuel cards to sell fuel to other people. In two of our investigations, additional misuses occurred because management did not take action to improve controls after being informed of misuse. In several cases, control weaknesses prevented successful prosecution because although it was evident that abuse had taken place, Amtrak's controls were so weak that investigators could not determine who had access to the vehicle cards when the fraud occurred.

In April and May 2015, we noted 23 instances in which Engineering employees purchased fuel amounts that significantly exceeded the capacity of their vehicle's fuel tank. In 5 of these instances, the fuel purchased exceeded the tank's capacity by more than 20 gallons. The Automotive division identifies these red flags and reports them to the responsible departments; however, the Automotive division does not have the authority to question employees or take action if policies have been violated. Departmental managers have responsibility for ensuring compliance.

As discussed in our recent reports as well as Amtrak's own internal review, the company's policies covering personal use of vehicles, vehicle and fuel card security, and vehicle requests are outdated and do not provide adequate controls. Amtrak's proposed action plan includes revising and updating policies. We agree that this is a positive step

because well-defined policies and procedures are a fundamental cornerstone to building a strong internal controls framework.

CONCLUSIONS

Amtrak lacks effective management controls over certain areas of its vehicle fleet program, placing the company at an increased risk of fraud, waste, and abuse.

Amtrak can help improve its bottom line and ensure that resources are being used in an efficient and effective manner by verifying that the size, type, and deployment of the fleet are in the best business interests of the company; sourcing vehicles from the lowest-cost vendor; and improving management controls to reduce the risk of fraud, waste, and abuse.

For the short term, we have identified potential opportunities for Amtrak to reduce costs by changing the fleet mix on the NJ HSRIP. Because the project funds will not expire until June 2017, Amtrak may have some additional opportunities to change out some high-cost, commercially leased vehicles with GSA vehicles.

In the longer term, Amtrak has developed and begun to implement an action plan to address these issues, and we are encouraged by the company's efforts to date. However, work on the activities in the plan is in the very early stages, and effective implementation will require management's sustained attention and long-term commitment to changing the status quo.

Mr. Chairman, Ranking Member Duckworth, and other members of the subcommittee, this concludes my testimony, and I welcome your questions.

Tom Howard

Tom Howard was appointed as Amtrak's Inspector General on February 4, 2014 after serving as Deputy Inspector General since April 26, 2010. Mr. Howard has more than 40 years of experience in the federal accountability community, including 8 years as Deputy Inspector General at the National Aeronautics and Space Administration (NASA), where he assisted the Inspector General (IG) in leading the office's diverse audit and investigative programs. While at NASA, he also served as the Acting Inspector General for 7 months.

From 1998 to 2002, Mr. Howard served as Deputy Assistant Inspector General for Maritime and Surface Safety Issues at the Department of Transportation. As a senior executive, he provided leadership for the office's audit oversight of all Coast Guard and Maritime Administration activities, motor carrier and vehicle safety programs, and multibillion-dollar highway and transit infrastructure projects.

Prior to joining the IG community, Mr. Howard had a 24-year career with the Government Accountability Office (GAO); his last position was Assistant Director for National Security and International Affairs Audits. Throughout his career, he was involved in the oversight of numerous federal programs and a variety of issues, including program management, procurement, information technology, and international affairs.