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## Management Advisory Report

# ASSET MANAGEMENT: Observations on Vehicle Fleet Management

Report No. OIG-MAR-2016-001 | October 16, 2015



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**To:** Bernard Reynolds, Vice President/Chief of Procurement and Logistics

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

**Date:** October 16, 2015

**Subject:** *Asset Management: Observations on Vehicle Fleet Management*  
(Management Advisory Report No. OIG-MAR-2016-001)

Amtrak (the company) has a fleet of about 2,500 vehicles to support its operations. These vehicles range from standard sedans, sport utility vehicles, and pickup trucks to railroad-specific vehicles, such as vehicles fitted with HyRail equipment.<sup>1</sup> The fleet of leased and owned vehicles is dispersed company-wide to provide a variety of construction, maintenance, security, and general transportation services. In fiscal year (FY) 2014, the company spent about \$3.1 million to acquire vehicles and about \$25 million to operate the fleet, based on data in its financial management system.<sup>2</sup> The company's departments—principally Operations and Police—and the Automotive division—in Procurement and Logistics of the Finance department—share responsibility for managing the vehicle fleet program.

In April 2015, we briefed you on our observations on the company's management of its vehicle fleet. This report discusses those observations and is based on work from our ongoing review of the company's management of construction and specialized equipment and vehicles. We are providing you our observations now because your office is considering approaches to improving vehicle fleet management and trust that the information will be useful as you finalize your approaches.

Our reporting objective was to provide observations on the effectiveness of certain vehicle fleet management controls processes.

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<sup>1</sup> These vehicles are fitted with steel wheels for use on railroad tracks.

<sup>2</sup> SAP Enterprise Resource Planning system

*Amtrak Office of Inspector General*  
**ASSET MANAGEMENT: Observations on Vehicle Fleet Management**  
Management Advisory Report No. OIG-MAR-2016-001, October 16, 2015

## SUMMARY OF OBSERVATIONS

In the past few years, the company has experienced recurring weaknesses in vehicle fleet management. These weaknesses have been discussed in our reports, company monthly vehicle management exception reports, and an internal management review. These reports and recent data trends on the use and management of the vehicle fleet raise questions about the adequacy of vehicle fleet management controls in certain areas. For example:

- **The fleet has grown while some vehicles appear underutilized.** From April 2008 through June 2015, the size of the fleet increased by 28 percent. At the same time, 153 vehicles appear to be underutilized (6 percent of the fleet), as evidenced by fuel purchase records for May 2015.
- **Take-home vehicles have increased.** Since 2012, the number of “alternate garaging” agreements, which allow employees to take vehicles home, has increased by about 20 percent. The company has not established criteria for approving alternate garaging.
- **Some vehicle inspections are not being done as required.** Some critical safety and regulatory inspections of vehicles and drivers are past due because user department managers did not follow through on notices of the need for inspections.
- **Some vehicle costs appear high.** The company has entered into commercial leases for some vehicles that appear to be available for lease from the General Services Administration (GSA) at a lower cost. For example, in 2012, the company leased nine stake trucks from a commercial vendor at a monthly cost of \$3,215 per vehicle; GSA had what appeared to be identical trucks available at a monthly cost of \$314 per vehicle—about one-tenth the cost. Automotive division managers stated that they use commercial vendors only when GSA cannot provide a requested type or quantity of vehicle, or when they cannot provide it within the requested timeframe.
- **Lease decisions are not always based on cost-benefit analysis.** The company does not require that a cost-benefit analysis be performed as part of the decision-making process on whether to lease or purchase a new vehicle. In some cases, constrained capital budgets sometimes result in the company using operating

*Amtrak Office of Inspector General*  
**ASSET MANAGEMENT: Observations on Vehicle Fleet Management**  
Management Advisory Report No. OIG-MAR-2016-001, October 16, 2015

funds to lease a vehicle even though purchasing it would be more cost-effective in the long run.

Our work also shows inattention to previously identified control weaknesses and potential vulnerabilities to fraud, waste, and abuse. For example:

- **Lack of action on internal reviews.** The company has taken little action in response to management and control weaknesses identified by internal management reports. For example, the company did not respond to a 2013 review conducted by the Finance department's Business Processes and Management Controls group<sup>3</sup> that identified significant control weaknesses in the company's processes for vehicle requisitioning, fleet utilization, fuel card oversight, and leasing. In addition, user department management also appears to be providing limited attention to monthly exception reports detailing fuel card anomalies, expired registrations, and other indicators of policy non-compliance.
- **Fuel tank overfills raise questions.** In April and May 2015, Engineering employees purchased significantly more fuel than the capacity of their vehicle's fuel tank (overfills) on 23 separate occasions. In addition, in February 2015, we reported on nine cases of employees fraudulently using fuel cards for non-fuel purchases or buying fuel for non-company vehicles from July 2008 through February 2015.<sup>4</sup>
- **Outdated policies and procedures.** The company's vehicle fleet management policies and procedures are out of date, inaccurate, and have not been rigorously enforced, as evidenced by our February 2015 report.
- **Personal driving records are not being checked.** The company does not have a policy to check the driving records of employees operating non-commercial vehicles, which represent about 80 percent of the company's fleet.

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<sup>3</sup> The Business Processes and Management Controls group is now the Amtrak Controls group in the Internal Controls Office of the Finance Department.

<sup>4</sup> 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, and *Fuel Card Misuse*, OIG-I-2015-507 (Summary), July 29, 2015.

*Amtrak Office of Inspector General*  
**ASSET MANAGEMENT: Observations on Vehicle Fleet Management**  
 Management Advisory Report No. OIG-MAR-2016-001, October 16, 2015

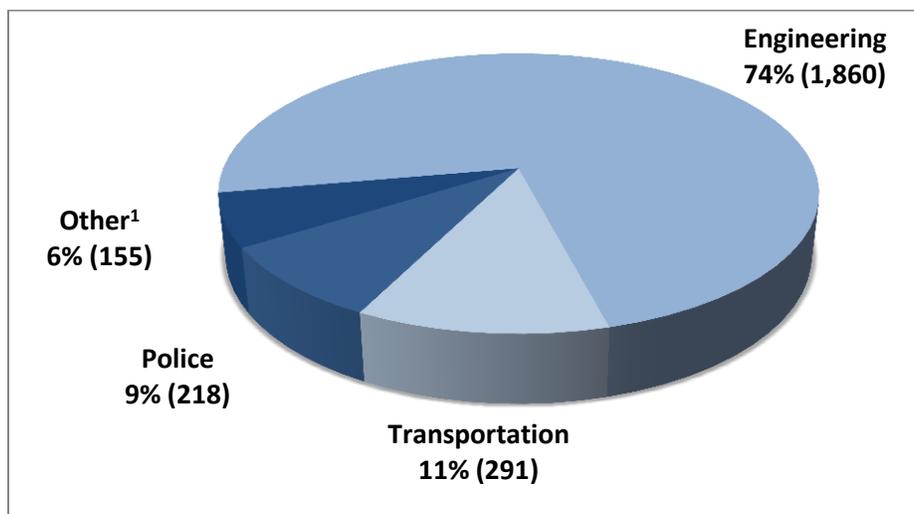
Recognizing some of the recent trends and recurring management control weaknesses, Procurement and Logistics is evaluating centralizing all vehicle fleet management functions within its organization to improve program controls and oversight. The observations presented in this report can help to inform the ongoing evaluation. We are recommending that, as you consider alternatives for improving vehicle fleet management, you evaluate the need to address the potential management control weaknesses identified in this report.

## VEHICLE FLEET MANAGEMENT RESPONSIBILITIES

A number of departments have responsibilities for vehicle fleet management. The Automotive division in Procurement and Logistics acquires vehicles from GSA and commercial vendors; monitors vehicle and driver registration, licensing, insurance, maintenance, and inspections; develops automotive policies for the company; and collects and distributes fleet utilization data to the departments in monthly scorecards.

Engineering accounts for about 74 percent of the total fleet, and the Police department accounts for about 9 percent, as shown in Figure 1.

**Figure 1. Vehicle Fleet Users, July 2015<sup>a</sup>**



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

<sup>a</sup>Numbers of vehicles are noted in parentheses.

<sup>1</sup>Includes nine other user groups, including Human Capital, Marketing and Sales, and Procurement and Logistics.

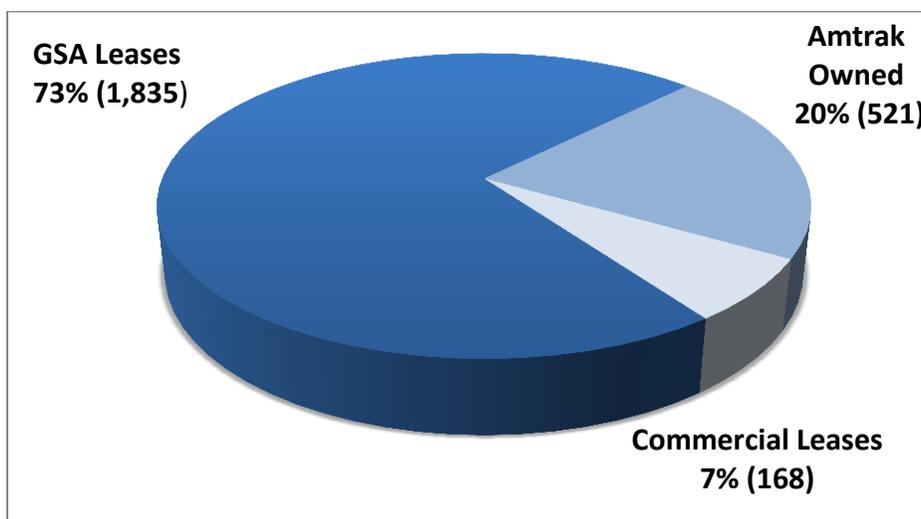
Engineering and the Police control their own vehicle budgets, including decisions whether to use capital funds to purchase vehicles or use their operating budgets to lease

*Amtrak Office of Inspector General*  
**ASSET MANAGEMENT: Observations on Vehicle Fleet Management**  
 Management Advisory Report No. OIG-MAR-2016-001, October 16, 2015

them. The Automotive division manages the vehicle budgets for other departments and organizations, including Transportation, Mechanical, and Marketing and Sales. The department using the vehicles is responsible for assigning vehicles for use, enforcing vehicle use policies, and taking disciplinary actions when needed.

The company leases about 80 percent of its fleet vehicles and owns about 20 percent. In July 2015, the company was leasing about 73 percent of its vehicles from GSA and about 7 percent from commercial vendors, as shown in Figure 2.

**Figure 2. Sources of Vehicle Fleet, July 2015<sup>a</sup>**



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

<sup>a</sup>Numbers of vehicles are noted in parentheses.

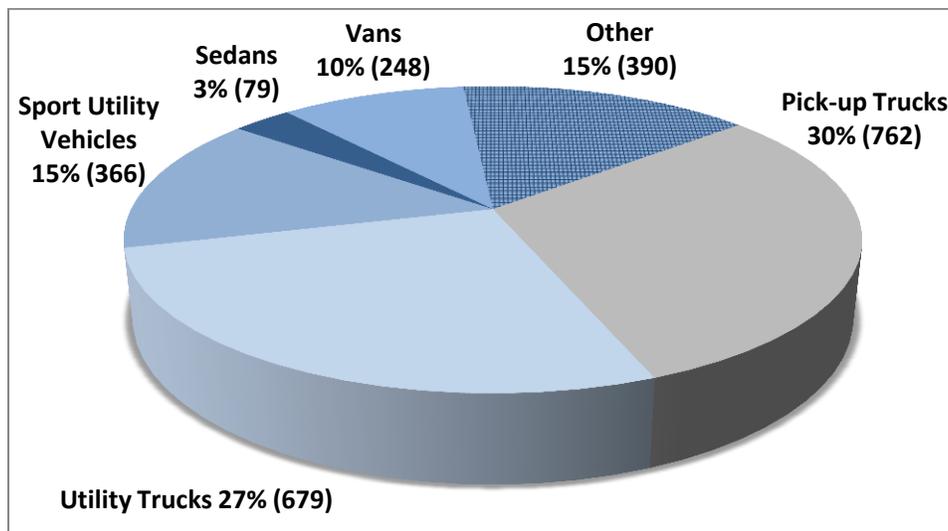
About 85 percent of the vehicles the company uses are pickup trucks, sport utility vehicles, sedans, trucks, and vans,<sup>5</sup> as shown in Figure 3. The 15 percent in the Other category are more unique vehicles such as refrigerated trucks, grapple trucks, and railroad-specific vehicles—for example, vehicles fitted with HyRail equipment.

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<sup>5</sup> Utility trucks include 3-man or 6-man 1-ton trucks with 8-foot beds that have organized storage space and 2-wheel or 4-wheel drive capability.

*Amtrak Office of Inspector General*  
**ASSET MANAGEMENT: Observations on Vehicle Fleet Management**  
 Management Advisory Report No. OIG-MAR-2016-001, October 16, 2015

**Figure 3. Vehicle Fleet by Type, July 2015<sup>a</sup>**



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

<sup>a</sup>Numbers of vehicles are noted in parentheses.

## VEHICLE FLEET TRENDS AND PRACTICES INDICATE WEAKNESSES IN MANAGEMENT CONTROLS

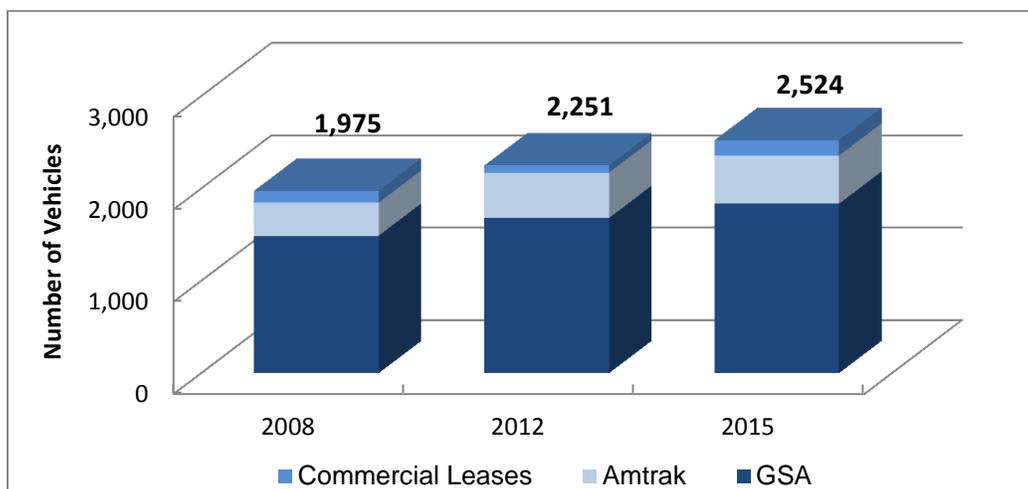
Recent trends in fleet size growth, underutilized vehicles, increased approval of off-site garaging agreements, past-due inspections, and costly leasing practices indicate weaknesses in management controls.

### Fleet Size Is Increasing

Over the last seven years, the company has increased its fleet size, as shown in Figure 4. From April 2008 through June 2015, the company added 549 vehicles to its fleet, an increase of 28 percent.

*Amtrak Office of Inspector General*  
**ASSET MANAGEMENT: Observations on Vehicle Fleet Management**  
 Management Advisory Report No. OIG-MAR-2016-001, October 16, 2015

**Figure 4. Changes in Vehicle Fleet Size, April 2008-June 2015**



Source: Amtrak OIG analysis of company's 2015 Maximo database and 2013 Business Processes and Management Controls group report

In contrast, other entities have been downsizing their fleets to control costs. In response to fiscal pressures, many entities that rely on public funding are moving to downsize or “right size” their fleets by identifying underutilized vehicles and eliminating or re-purposing them. In May 2009, for example, Delaware mandated a 20-percent fleet reduction and put state vehicles up for auction. In addition, in 2011, California announced its intent to reduce its vehicle fleet by half. As of August 2015, the state had eliminated about 6,900 of its 11,000 vehicles, exceeding its goal of reducing 5,500 cars and trucks, as reported by its Department of General Services. Following presidential directives in 2009 and 2011,<sup>6</sup> federal agencies also have been reducing their fleets to save money and reduce their environmental footprint.<sup>7</sup>

### Some Vehicles Are Potentially Underutilized

In May 2015,<sup>8</sup> the company purchased less than 15 gallons of fuel for each of 153 vehicles—or 6 percent of its fleet. The Automotive division's monthly scorecard reports

<sup>6</sup> Executive Order 13514, October 5, 2009, and Presidential Memorandum—Federal Fleet Performance; May 24, 2011.

<sup>7</sup> U.S. Government Accountability Office, *Federal Vehicle Fleets: Adopting Leading Practices Could Improve Management*, GAO-13-659, July 2013.

<sup>8</sup> May 2015 is the most recent month for which data are available.

*Amtrak Office of Inspector General*  
**ASSET MANAGEMENT: Observations on Vehicle Fleet Management**  
 Management Advisory Report No. OIG-MAR-2016-001, October 16, 2015

provide data on no or low fuel purchases as an indicator of low utilization. For example, the May 2015 scorecard report for the Police department showed that no fuel or less than 15 gallons of fuel had been purchased for 26 vehicles, as shown in Table 1. Although the 26 vehicles include infrequently used vehicles such as the Police command bus, the list also includes sport utility vehicles and sedans that are expected to be driven an average of 800–1,000 miles a month.<sup>9</sup>

**Table 1. May 2015 Police Vehicles with Less Than 15 Gallons of Fuel Purchased**

Vehicle Type	# Vehicles	# Gallons
5-Passenger Sport Utility Vehicle	18	0 - 7.37
5-Passenger Sport Utility Vehicle, K-9	3	0 - 5.28
5-Passenger 4-Door Sedan	2	0
Special Weapons and Tactics Van	2	0
Command Bus–Police Department	1	0
<b>Total Vehicles</b>	<b>26</b>	

*Source:* Amtrak OIG analysis of Automotive division’s May 2015 scorecard report for the Police department

## Number of “Take Home” Vehicles Has Increased

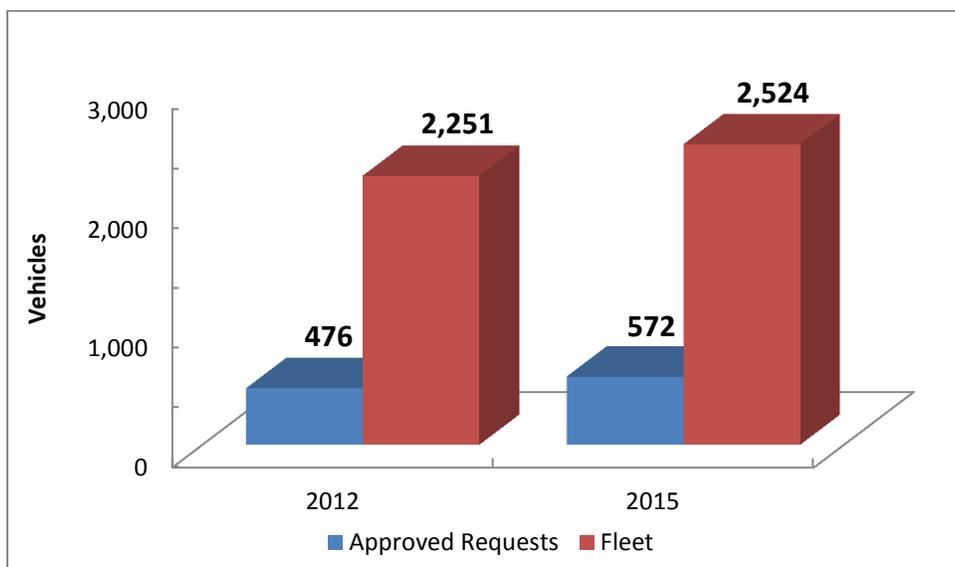
Since 2012, the number of vehicles that employees take home when off-duty—alternately garaged vehicles—increased about 20 percent, from 476 to 572 vehicles. During this same period, the fleet has grown 12 percent, from 2,251 to 2,524 vehicles, as shown in Figure 5.

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<sup>9</sup> For federal agencies obtaining vehicles through GSA’s fleet program, 41 CFR 39.01 identifies the minimum mileage requirements necessary to justify an agency’s vehicle assignment. The minimum requirements for passenger vehicles are 12,000 miles per year, or 3,000 miles per quarter; light trucks and general-purpose vehicles are expected to log 10,000 miles per year.

*Amtrak Office of Inspector General*  
**ASSET MANAGEMENT: Observations on Vehicle Fleet Management**  
 Management Advisory Report No. OIG-MAR-2016-001, October 16, 2015

**Figure 5. Growth in Approved Alternate Garaging Requests Compared to Fleet Growth**



Source: Amtrak OIG analysis of Automotive division and 2013 Business Processes and Management Controls group reports

In contrast, other entities have curbed the use of take-home vehicles. For example, in 2011, the Governor of California pledged to eliminate wasteful spending by reducing the number of permits for take-home vehicles by half. As of August 2015, the state had eliminated 3,218 of its 7,545 take-home vehicle permits (about 43 percent), according to the state Department of General Services.

Department managers can allow certain employees to permanently<sup>10</sup> take company vehicles home or to another location off company property. For example, Police department officials told us that K-9 police officers take their police dogs home and require a K-9 vehicle for transport. To get an alternate garaging arrangement approved, employees are required to submit an electronic application to their department manager through the company's eTrax system. The application requires employees to provide a "justification" explaining why the request is in the company's best interest. However,

<sup>10</sup> A permanent alternate garaging agreement approved by the user department authorizes an employee to take a vehicle home for up to a year before a new request/justification must be submitted. The company also has temporary agreements that allow employees to take vehicles home for up to five days as needed.

*Amtrak Office of Inspector General*  
**ASSET MANAGEMENT: Observations on Vehicle Fleet Management**  
Management Advisory Report No. OIG-MAR-2016-001, October 16, 2015

the company has no formal criteria or guidelines for managers to use in evaluating the justification and approving the request.

### **Some Federally Required Safety Inspections are Past Due**

The Automotive division monitors critical regulatory and safety issues, such as vehicle registrations, maintenance, commercial driver licensing, driver medical certifications, and commercial vehicle inspections. When these requirements are about to lapse or are past due, the division notifies the responsible departments. For example, on April 1, 2015, the Automotive division provided an inspection report to Engineering's Northeast Division that identified 17 vehicles with expired Department of Transportation, HyRail, or crane safety inspections. The report showed that some inspections were just a few weeks overdue, but three were overdue since November 2014 and one was overdue since October 2014.

Until recently, the Automotive division had no authority to take action to enforce vehicle inspection requirements. However, in May 2015, the Automotive division and Engineering, the largest operator of commercial vehicles, agreed that the Automotive division can suspend fuel cards for vehicles with past-due inspections. Since the agreement went into effect, the number of past due inspections for vehicles assigned to Engineering decreased from 109 to 25, a reduction of 77 percent, according to data provided by the Automotive division.

### **Costly Leasing Practices can Drive up Company Costs**

In some cases, the company's commercial leasing of vehicles identical to vehicles in GSA's inventory suggest that the company has opportunities to take better advantage of GSA's more economical vehicle lease program, according to the 2013 Business Processes and Management Controls group report. Automotive division managers also reported that constrained capital budgets sometimes override lease/purchase analyses indicating that purchasing a vehicle may be the better financial alternative.

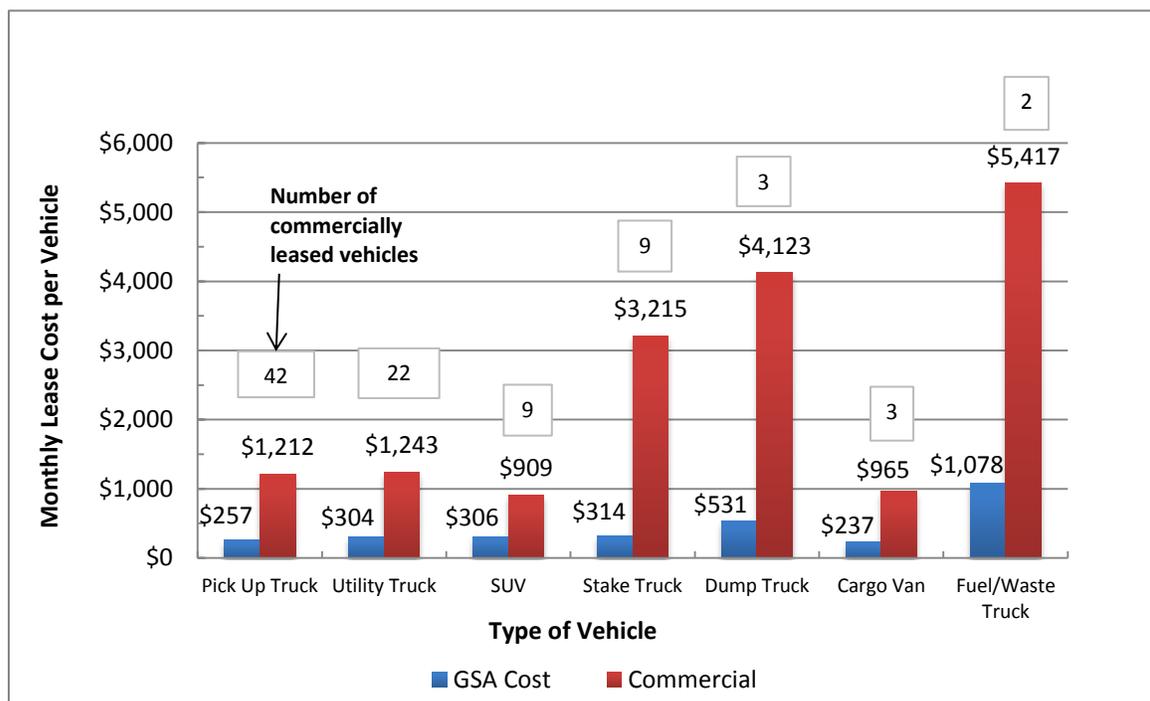
#### ***Company leased some vehicles commercially that GSA could have provided at lower cost***

In 2013, the controls group completed a review of internal management controls that identified about \$437,000 in net 2012 costs associated with leasing vehicles commercially that were identical or nearly identical to those offered through the GSA lease program. Figure 6 identifies significant differences in monthly lease costs between GSA and commercial vendors for some common vehicles in the company's fleet. For

*Amtrak Office of Inspector General*  
**ASSET MANAGEMENT: Observations on Vehicle Fleet Management**  
 Management Advisory Report No. OIG-MAR-2016-001, October 16, 2015

example, the controls group reported that in February 2013, the company was leasing nine stake trucks from a commercial vendor at a monthly cost of \$3,215 per vehicle; GSA had what appeared to be identical trucks available at a monthly cost of \$314 per vehicle—about one-tenth the cost. Figure 6 also shows the number of commercially leased vehicles in the fleet at the time of the internal controls review.

**Figure 6. Comparison of GSA and Commercial Lease Costs for Common Vehicles in the Company's Fleet, February 2013**



Source: 2013 Business Processes and Management Controls group report

Commercial leases may offer more flexible terms and be negotiated on shorter notice than leases with GSA, but they are generally much more costly than GSA. The Automotive division managers state that they use commercial vendors only when GSA cannot provide a requested type or quantity of vehicle, or when they cannot provide it within the requested timeframe. However, they told us that departments do not always forecast their needs with enough lead time to take full advantage of the GSA program; as a result, the only option available on short notice is a higher-cost commercial vendor.

***Lease decisions not always based on cost-benefit analysis***

The company does not require that a cost-benefit analysis be performed as part of the decision-making process on whether to lease or purchase a new vehicle. Procurement

*Amtrak Office of Inspector General*  
**ASSET MANAGEMENT: Observations on Vehicle Fleet Management**  
Management Advisory Report No. OIG-MAR-2016-001, October 16, 2015

managers stated that constrained Engineering capital budgets sometimes result in the company using operating funds to lease a vehicle even though purchasing it would be more cost-effective in the long run. The company's May 2015 commercial lease report identified 20 expired vehicle leases with a combined monthly cost of \$53,950. Although some of the leases had recently expired, five vehicles were six months or more beyond their original lease termination dates.

## **RECURRING VEHICLE FLEET MANAGEMENT WEAKNESSES RAISE THE RISK OF FRAUD, WASTE, AND ABUSE**

Our reports, company monthly vehicle management exception reports, and an internal management review have documented recurring control weaknesses in vehicle fleet management. Questionable fuel card purchases continue, vehicle policies remain outdated and sporadically enforced, and limited driving record checks put the company at increased risk of fraud, waste, and abuse.

### **Inattention to Identified Weaknesses**

The company has taken little action in response to management and control weaknesses identified by internal management reports. For example, the 2013 Business Processes and Management Controls group review identified significant control weaknesses—including underutilized vehicles, improper purchases on vehicle fuel cards, and costly leasing practices—that the controls group concluded represented significant cost impacts for the company. The review recommended that the responsible departments update automotive policies and procedures; develop a centralized, company-wide process for fleet planning and budgeting process; and prepare and disseminate exception reports to highlight non-compliance with corporate policies.

The responsible departments have taken little action to address the management and control weaknesses identified by the review. Although a cross-departmental vehicle advisory group was created after the report was issued, the group was disbanded after just a few months because of poor attendance, according to the Director of the Automotive division. He also noted that the obsolete policies had been revised but had not yet been approved as of July 2015, and that capital budgeting and planning for vehicles are still largely performed at the departmental level.

In response to the controls group's findings, the Automotive division began preparing monthly exception reports that provide detailed summaries and supporting transaction details for fuel overfills, low or no fuel use, expired or expiring inspections, past-due

*Amtrak Office of Inspector General*  
**ASSET MANAGEMENT: Observations on Vehicle Fleet Management**  
Management Advisory Report No. OIG-MAR-2016-001, October 16, 2015

driver records, and other metrics. These monthly scorecards are sent to Engineering, Procurement, Mechanical, Marketing, Police, and Transportation. Automotive division managers do not have the authority to take corrective action on these reports and, therefore, expect department managers to use the information to follow up on flagged transactions. Such action may include investigating questionable purchases, disciplining employees who have violated company policies, and ensuring that vehicles are inspected before inspections expire. However, according to the Automotive managers, there has been a varied level of responsiveness to these reports.

### **Questionable Fuel Card Purchases Have Occurred**

In February 2015, we reported a number of cases documenting widespread fraud in the fuel purchase card program. The report identified nine instances in which employees purchased fuel amounts above the vehicle tank capacity, used the cards to purchase fuel while not in possession of a company vehicle, conducted back-to-back fuel transactions, and purchased fuel while on medical leave. We concluded that there were systemic weaknesses in internal controls over vehicle fuel purchase cards and recommended that the Executive Vice President for Operations review the adequacy of the company's policies for the use, control, and accountability of fuel cards and revise them as needed to prevent further misuse.<sup>11</sup> In June 2015, the Executive Vice President concurred with our recommendations and stated his intent to complete an assessment of the fuel credit card policies and develop processes to better manage and control the use of fuel cards. He indicated that a preliminary assessment would be completed by September 30, 2015.

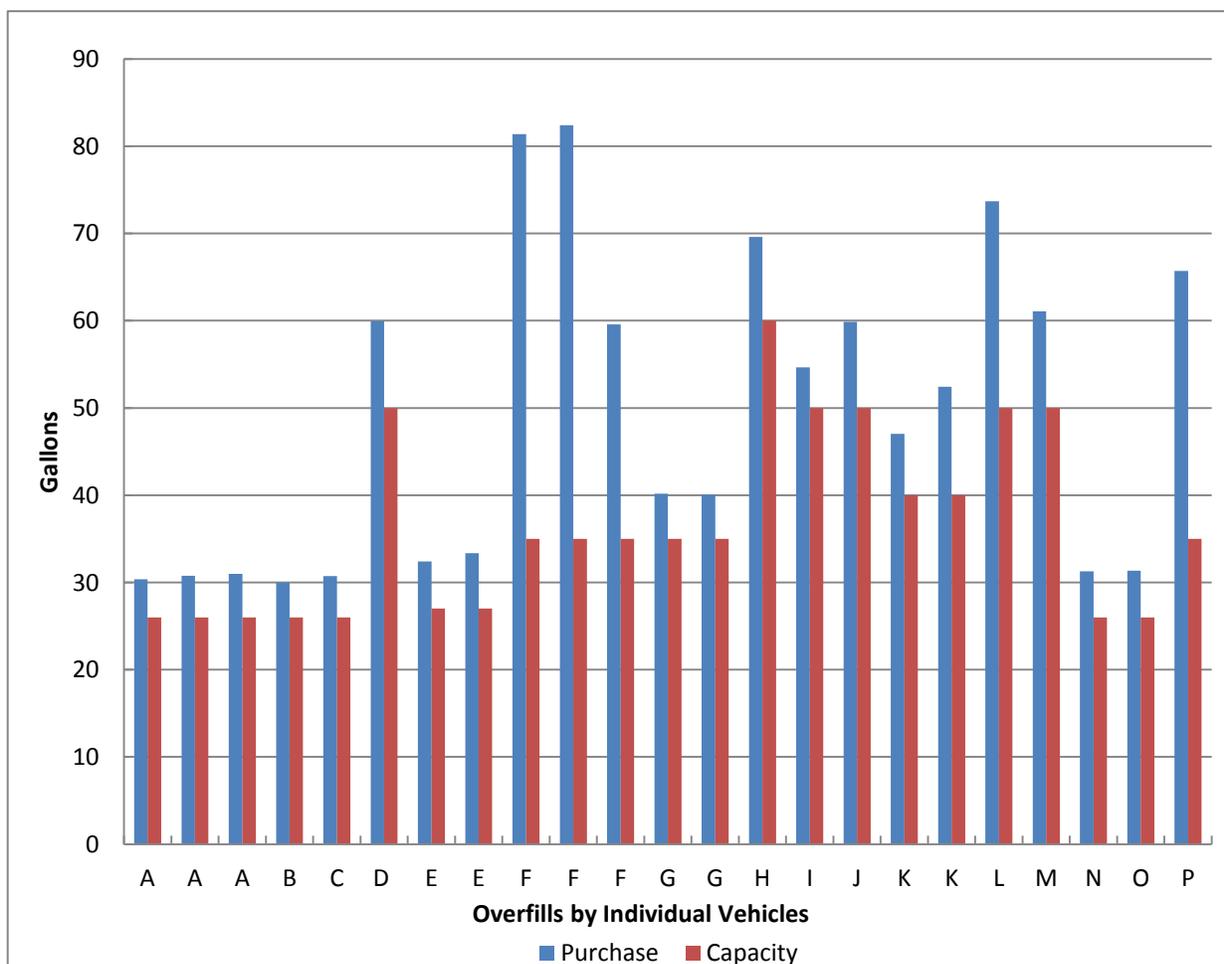
In 2013, the controls group reported similar problems; it identified more than 1,100 fuel fill-ups in 2012 that exceeded the capacity of the vehicle's fuel tank. In our review of monthly exception reports, we also noted that these fuel purchase anomalies seem to be continuing. In April and May 2015, the Automotive division scorecard reports identified 23 instances in which Engineering employees purchased fuel amounts that significantly exceeded the capacity of the fuel tank, as shown in Figure 7. These overfills involved sixteen vehicles; two of these—vehicles A and F—were filled in excess of their fuel tank capacity on three separate occasions. In five instances, the fuel amount purchased exceeded the tank's capacity by more than 20 gallons—vehicles F, L, and P.

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<sup>11</sup> OIG-I-2015-507 (Confidential) and OIG-I-2015-507 (Summary).

*Amtrak Office of Inspector General*  
**ASSET MANAGEMENT: Observations on Vehicle Fleet Management**  
 Management Advisory Report No. OIG-MAR-2016-001, October 16, 2015

**Figure 7. Engineering Fuel Overfills in April and May 2015**



Source: Amtrak Automotive division report

In August 2015, the Chief of Procurement and Logistics noted that the additional fuel amounts could represent fuel purchased for equipment like compressors, but added that such equipment is supposed to be fueled using a separate fuel card. Company policy stipulates that a vehicle fuel card is to be used exclusively for the vehicle to which it is assigned.

Additionally, some employees appear to have used fuel cards for transactions prohibited by corporate policy. The control group's review identified 1,550 fuel card transactions for non-fuel purchases and 44,000 gallons of premium gas purchases. Under company policy, employees must purchase either diesel fuel or gas that has an octane rating of 87 or lower. Although these purchases appear to violate company policy, some may have been for legitimate purposes. According to the Chief of

*Amtrak Office of Inspector General*  
**ASSET MANAGEMENT: Observations on Vehicle Fleet Management**  
Management Advisory Report No. OIG-MAR-2016-001, October 16, 2015

Procurement and Logistics, non-fuel purchases may have been for vehicle washings and oil changes, and premium gas may have been purchased because non-premium fuel was unavailable. Although the Automotive division monitors and records these anomalies, its staff has no authority to question employees or to reinforce company policies on the use of fuel cards. Employee discipline is the responsibility of departmental managers who oversee the day-to-day use of company vehicles.

### **Vehicle Policies are Outdated and Inconsistently Enforced**

The 2013 control group's review also found that the company's vehicle fleet management policies were out of date and provided unclear and sometimes inaccurate information regarding the management of motor vehicles and fuel cards. The review team concluded that the policies and procedures were not consistently enforced or closely monitored, resulting in "inconsistent vehicle requests and usage, inappropriate fuel card usage, and lack of company-wide view of fleet program." Automotive division managers said that, although the division had revised the policies to correct deficiencies and improve controls in 2010, the former Chief of Logistics did not review and approve them. The current Chief of Procurement and Logistics stated that the revised policies are now being considered as part of an overall evaluation of vehicle fleet management controls.

### **Limited Checks of Driving Records**

The company does not have a policy to check the driving records of employees operating non-commercial vehicles. These vehicles represent about 80 percent of the company's fleet. The Automotive division periodically reviews state motor vehicle records as required by the U.S. Department of Transportation for commercial vehicle drivers, but the division has no authority to do so for drivers of non-commercial vehicles. Those drivers are subject only to the general company-wide background and criminal screening conducted during the pre-employment process.

Fleet safety experts<sup>12</sup> recommend routine driver checks as a best safety practice. Automotive division managers told us that not following this best practice places the

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<sup>12</sup> The Network of Employers for Traffic Safety, a public/private partnership to improve employee traffic safety, recommends that employers periodically check the motor vehicle records of employees who drive for work purposes to screen out high-risk drivers.

*Amtrak Office of Inspector General*  
**ASSET MANAGEMENT: Observations on Vehicle Fleet Management**  
Management Advisory Report No. OIG-MAR-2016-001, October 16, 2015

company at financial risk for injuries or damages caused by undetected, high-risk drivers.

## **CONCLUSIONS AND RECOMMENDATION**

Our observations, based on our and company analyses of recent vehicle fleet data and trends, suggest the company lacks effective management controls over certain areas of its vehicle fleet program. These weaknesses could place the company at an increased risk of fraud, waste, and abuse. The company is aware of these weaknesses and is evaluating actions to improve program controls. Therefore, we recommend that, as you consider alternatives for improving vehicle fleet management, you evaluate the need to address the potential management control weaknesses identified in this report, such as the lack of criteria for approving alternate garaging requests and outdated vehicle and driver policies.

## **MANAGEMENT COMMENTS AND OIG ANALYSIS**

In a letter commenting on a draft of this report, the Chief of Procurement and Logistics generally agreed with our observations and recommendation. He cited detailed actions that the company is taking or plans to take. He identified estimated completion dates to address the potential management control weaknesses identified in this report and other planned vehicle fleet management improvements. These actions meet the intent of our recommendation. For management's response, see Appendix B.

*Amtrak Office of Inspector General*  
**ASSET MANAGEMENT: Observations on Vehicle Fleet Management**  
Management Advisory Report No. OIG-MAR-2016-001, October 16, 2015

**Appendix A**

**SCOPE AND METHODOLOGY**

This management advisory report provides our observations about the company's management of its vehicle fleet. The information we are providing is from our ongoing audit of the company's management of construction and specialized equipment and vehicles. We performed our work from December 2014 to September 2015.

Our scope of work includes vehicle and related data for FY 2008 through August 2015. We analyzed vehicle and vehicle operator records in the company's Maximo automated data system. The Automotive division uses this system to help manage the vehicle fleet. In addition, we reviewed the division's analyses of vehicle data from eTrax<sup>13</sup> and SAP<sup>14</sup> automated systems. The Finance department's Business Processes and Management Controls group also used these data in its FY 2013 review of management business processes, and the Automotive division uses these data to develop monthly scorecard reports. We did not verify the accuracy of the data reported by these groups or attempt to replicate their analyses. We verified that our methodology for extracting data from Maximo was consistent with protocols used by the Automotive division staff in preparing monthly fleet reports.

We interviewed officials from Procurement and Logistics and its Automotive division in the Finance department; representatives from Engineering, Customer Service/Food and Beverage Services, and Mechanical within the Operations department; and the Police department. We discussed the scope, methodology, observations, and company response to the control group's review with the Vice President/Chief of Procurement and Logistics, Director of Procurement for Acquisition Management and Capital Equipment, Director of the Automotive division, other Procurement and Logistics management officials, and the control group's Senior Director. We obtained policies and procedures from the Automotive division's intranet portal and used public domain reports of trends in private- and public-sector vehicle fleet management as reference points to illustrate certain aspects of the company's vehicle fleet program.

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<sup>13</sup> eTrax is the automated system the company uses to process payments, travel authorizations and expense reports, requisitions, customer service requests, fuel invoicing, and other administrative processes requiring approval.

<sup>14</sup> The company's SAP Enterprise Resource Planning system collects and stores its operating cost data, including expenditures on its vehicle fleet program.

*Amtrak Office of Inspector General*  
**ASSET MANAGEMENT: Observations on Vehicle Fleet Management**  
Management Advisory Report No. OIG-MAR-2016-001, October 15, 2015

We conducted this analysis in accordance with standards we developed for alternative products.

### **Internal Controls**

We did not review the company's management controls over its vehicle fleet or systems used to track and report data on vehicle procurement, management, utilization, and other metrics. Therefore, our control observations apply to the specific areas we address in the report and not the overall system of controls.

### **Use of Computer-Processed Data**

We relied on computer-processed data in Maximo. We did not verify the accuracy, completeness, or reliability of these data, but we did assess the data to determine their suitability for our analyses. Although we noted that data appeared to be missing in some Maximo fields, all data fields used in our analysis appeared complete. Based on tests we conducted, we concluded that the data were sufficiently reliable for reporting observations about the company's management of its vehicle fleet.

### **Prior Reports**

Two OIG reports are relevant to this report:

- *Fuel Card Misuse* (OIG-I-2015-507 [Summary], July 29, 2015)
- *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)

*Amtrak Office of Inspector General*  
**ASSET MANAGEMENT: Observations on Vehicle Fleet Management**  
 Management Advisory Report No. OIG-MAR-2016-001, October 16, 2015

**Appendix B**

**COMMENTS FROM AMTRAK'S MANAGEMENT**



## Memo

Date	<i>10/6/2015</i>	From	<i>Bernard Reynolds, Vice President, Chief Procurement &amp; Logistics Officer</i>
To	<i>David R. Warren Assistant Inspector General, Audits</i>	Department	<i>Finance</i>
		Subject	<b><i>ASSET MANAGEMENT: Observations on Vehicle Fleet Management.</i></b>
		Cc	<i>Gerald Sokol Jr., Chief Financial Officer Matthew Gagnon, Senior Director, Amtrak Controls, William Herrmann, VP and Managing Deputy General Counsel</i>

This memorandum provides Procurement & Logistics' (P&L) response to the OIG September 4, 2015, Management Advisory Report for Project No. 004-2015: "*ASSET MANAGEMENT: Observations on Vehicle Fleet Management.*"

P&L generally agrees with the OIG's observations and recommendation, as discussed in the action plan below.

**Management Response/Action Plan:**

**Overview**

Amtrak plans to centralize management of its vehicle fleet. This will provide for an enterprise-wide approach and full vehicle fleet utilization. To achieve this objective, Procurement & Logistics will direct and manage a staged, incremental improvement plan. P&L will also consider an outsourcing component to this strategy based on extensive review of organizational needs and capabilities. Any outsourced model will be subject to the review and evaluation by the newly established *Vehicle Fleet Governance Council*.

**• Short Term:**

- Run a pilot program to provide better reporting for user groups
- Develop user department requirements
- Provide improved compliance oversight of all drivers and vehicles

*Amtrak Office of Inspector General*  
**ASSET MANAGEMENT: Observations on Vehicle Fleet Management**  
Management Advisory Report No. OIG-MAR-2016-001, October 16, 2015



- Perform an in-depth assessment and risk evaluation and provide steps for a transition to a potential centrally managed/outsourced model

- Develop requirements for a RFP for an outsourced solution provider

- **Intermediate Term:**

- Initiate the Vehicle Fleet Governance Council

- Develop detailed organizational transition plan

- Update policies and procedures, job descriptions for reorganized vehicle fleet management group

- **Long Term:**

- Complete transition to centrally managed/outsourced model (12-18 months).

A detailed response, including time-line for implementation of this plan, is provided for each observation in **Appendix A**.

A handwritten signature in blue ink, appearing to read "B Reynolds".

Bernard F Reynolds  
VP/Chief – Procurement & Logistics Officer

*Amtrak Office of Inspector General*  
**ASSET MANAGEMENT: Observations on Vehicle Fleet Management**  
Management Advisory Report No. OIG-MAR-2016-001, October 16, 2015

**Appendix C**

**ABBREVIATIONS**

FY	fiscal year
GSA	General Services Administration
OIG	Amtrak Office of Inspector General
The company	Amtrak

*Amtrak Office of Inspector General*  
**ASSET MANAGEMENT: Observations on Vehicle Fleet Management**  
Management Advisory Report No. OIG-MAR-2016-001, October 16, 2015

**Appendix D**

**OIG TEAM MEMBERS**

David P. Bixler, Senior Director, Audits

Leila Kahn, Senior Audit Manager

Al Murray, Senior Auditor, Lead

Dottie James, Contractor

## OIG MISSION AND CONTACT INFORMATION

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