

**TESTIMONY OF
JOE BOARDMAN
PRESIDENT AND CEO**

**AMTRAK
60 MASSACHUSETTS AVENUE, NE
WASHINGTON, DC 20002**

**BEFORE THE
SUBCOMMITTEE ON TRANSPORTATION AND PUBLIC
ASSETS**

**HEARING ON
“FEDERAL MANAGEMENT: OVERSIGHT OF LEASED
VEHICLES”**

**FRIDAY, FEBRUARY 26, 2016
2:00 P.M.
2154 RAYBURN OFFICE BUILDING**

Mr. Chairman, Ranking Member, good morning.

As you probably know, Amtrak is America's Railroad – a 21,100 mile system that operates more than 300 daily trains and maintains the nation's only high speed rail infrastructure. At any given moment, an Amtrak train is on the move somewhere in the United States, but on a network this big, lots of things can happen, and we maintain a vehicle fleet in our Transportation organization so that our managers can respond quickly to incidents "out on the road." We also run a police department of more than 400 folks, with national responsibilities, and in our Engineering Department we have an organization that undertakes construction and maintenance work not only on 400 miles of the Northeast Corridor, but on more than 200 miles of railroad in Michigan, and at several major terminals across the country, and in many spots, we also perform work for other rail providers. These 'footprints' can be quite substantial; for example, in Northern Florida, we have several station facilities and the *Auto Train* facility at Sanford, where we do maintenance work on contract for Sunrail. Amtrak's vehicle fleet includes 2,568 vehicles, 531 of them Amtrak-owned. The majority of our vehicles – more than 1,800 of them – are supplied by GSA leases, while about 7% of the fleet is commercially leased, although GSA is always our first choice. The annual cost to operate this fleet is roughly \$25 million.

In the fall of last year, at the request of management, OIG reviewed our vehicle fleet management program and noted some issues with the internal control and monitoring processes for our vehicle fleet. These were ultimately memorialized in the OIG report published in October, which identified a set of weaknesses in the way in which our vehicle fleet is managed, as well as specific control weaknesses and vulnerabilities to fraud, waste and abuse. There was some underutilization of portions of the fleet, not all required inspections were being completed,

and leasing decisions needed improvement. Alternate garaging and fuel overfills were also identified as areas of concern.

In discussing our response to these findings, I would like to start by stressing a couple of important points. We have worked closely with OIG as they developed their findings, and this partnership has helped us to work collaboratively to develop the very specific response plan which has been reviewed in detail with your staff, and which I will outline for the Committee. In a more global sense, this partnership is a key component of a much larger framework of control, audit, and risk management functions that we have worked to implement at Amtrak over the past four years. This system of enterprise risk management has been a particular priority of mine, and it stems in part from a recommendation of our inspector general that Amtrak should develop an enterprise risk management function.

Our “Management Control Framework” provides the company with a formal process for ensuring that we identify risks to both the business and the enterprise within the context of our strategic objectives and our business process objectives. A systematic and disciplined approach to risk management and control is a leading practice of many of the most highly regarded and successful American corporations, and we have tried to leverage the best practices that private industry has developed for enterprise risk management to build our framework. The foundation of our framework is a system of risk assessments, undertaken by the Controls organization that we have created to implement the Management Control Framework.

The Framework itself provides a consistent methodology for identifying control improvement opportunities, documenting them, and managing the organizational response to ensure that we have a consistent and effective response and implementation across our organization. We have

also sought to incorporate external review and audit processes into the framework, because I believe they bring a different perspective, and this helps us to identify and address potential risks. OIG reports and recommendations are captured and tracked through this process. Our plan to address the management challenges with our vehicle fleet should be understood within the context of the Management Control Framework. It's not just that we have created a plan to address an identified issue – there is now a mechanism for facilitating plan development, monitoring progress, and ensuring that the identified risks are addressed and properly closed out.

We are moving toward a centralized program management structure to better accommodate the Management Control Framework process. Our centralized program will transfer most of the responsibility for compliance and enforcement to the line managers, where it rightfully belongs.

We've benchmarked BNSF's centralized vehicle fleet program and see many opportunities to improve our program. In the near term, we are in the process of assessing the risks and opportunities for a pilot program to centralize management and establish appropriate controls.

We have created an action plan to improve compliance oversight for drivers and vehicles, and we are in the process of updating our policies and procedures. We have moved through the first phase of the pilot program, the implementation of improvements to the vehicle fleet which supports our transportation department, and we are now in the process of implementing improved management programs for our Police and Engineering Departments. We anticipate completion of rollout to all three departments by June of this year, and are in the process of creating a Governance Council to oversee the vehicle management program, and determine whether Amtrak should ultimately continue to administer the program or to outsource some or all of the program to a third party through a competitive process.

Amtrak is a large organization with a budget of more than \$4 billion. While we have taken strong strides to reduce the operating needs of our system. We are dedicated to doing whatever is necessary to ensure that our company is run efficiently. I think it's important to emphasize that this plan is not something that we will pursue in isolation. There is a system of controls in place, and an organization that is empowered to monitor and oversee the implementation of new processes. We also have a system of independent checks, including external audits and our inspector general, to provide effective oversight. Creation of a system of this type is, I think, the most important single action we could take to address weaknesses of the type addressed in the OIG report, and I am confident we will be able to use it to ensure that issues there are properly addressed, and that the overall efficiency of our company is sustained and continually improved.



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Joseph H. Boardman

President and Chief Executive Officer



Joseph H. Boardman was appointed President and Chief Executive Officer by the Amtrak Board of Directors, effective November 26, 2008. A record 31.2 million passengers traveled on Amtrak in FY 2012 on more than 300 daily trains that connect 46 states, the District of Columbia and three Canadian Provinces. Prior to his appointment, Mr. Boardman was a member of the Amtrak Board of Directors and served as the U.S. Federal Railroad (FRA) Administrator, part of the U.S. Department of Transportation, since April 28, 2005. As administrator, Mr. Boardman was responsible for overseeing all aspects of operations for the organization. This includes managing comprehensive safety programs and regulatory initiatives; enforcement of FRA safety regulations; development and implementation of national freight and passenger rail policy; and oversight of diverse research and development activities in support of improved railroad safety.

Prior to joining the FRA, Mr. Boardman served as the Commissioner of the New York State Department of Transportation (NYSDOT) beginning July 1997 and led a major transformation effort that has better enabled the agency to respond to the challenges associated with an ever-expanding global marketplace. He has served in the transportation industry for over 30 years with experience in city, county, state and federal government. In addition, he owned his own transportation management company. He is a former chairman of both the Executive Committee of the Transportation Research Board (TRB) and the American Association of State Highway and Transportation Officials (AASHTO) Standing Committee on Rail Transportation (SCORT).

Mr. Boardman is a native of New York State and is the second of eight children born and raised on a dairy farm in Oneida County. In 1966, he volunteered for military service in the U. S. Air Force, serving in Vietnam in 1968 - 1969. Upon receiving an honorable discharge from the Air Force, he received a Bachelor of Science degree in agriculture economics from Cornell University and a Master of Science degree in management science from the State University of New York at Binghamton.

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