



OFFICE OF THE
City Auditor

Fleet Services Branch Audit

September 24, 2015



**The Office of the City Auditor
conducted this project in accordance
with the *International Standards for
the Professional Practice of Internal
Auditing***

Fleet Services Branch Audit

Table of Contents

Executive Summary	i
1. Introduction	1
2. Background	1
2.1. Branch Overview and Structure	1
2.2. Branch Resources.....	2
3. Risk Assessment.....	3
4. Audit Objectives, Scope, and Methodology.....	3
4.1. Audit Objectives	3
4.2. Audit Scope & Methodology	3
5. Observations and Recommendations	4
5.1. Transit Fleet Maintenance – Use of Resources	4
5.1.1. Bookout rate	4
5.1.2. Bus-to-mechanic ratio.....	5
5.1.3. Direct vs. indirect labour	7
5.2. Municipal Fleet Maintenance Effectiveness	7
5.2.1 Meeting clients’ needs	8
5.2.2 Planned work vs. unplanned work	10
5.2.3 Preventative maintenance program compliance.....	11
5.3. Municipal and Transit Fleet Maintenance Training Program	12
5.3.1. Training identification and tracking	13
5.3.2. Training prioritization	13
5.4. Procurement Process Effectiveness	15
5.4.1. Roles and responsibilities.....	15
5.4.2. Procurement process.....	16
6. Conclusion	19

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Executive Summary

The Fleet Services Branch is one of the Branches of the Corporate Services Department. The Branch is responsible for ensuring that the City's vehicles (light and heavy duty trucks, transit buses, waste trucks, ice resurfacers, police cars, fire trucks, etc.) and other pieces of equipment are available, maintained, and safe for use by the City of Edmonton.

The Branch maintains over 5,000 vehicles and pieces of equipment valued at over \$600 million. In 2015, its operating budget was approximately \$191 million.

Our objectives for this audit were to: determine if the Transit Fleet Maintenance section is using resources efficiently and effectively; assess the effectiveness of the Municipal Fleet Maintenance section; determine if the training program for Transit and Municipal Fleet Maintenance staff is adequate and appropriate; and determine if the procurement process is effective.

Transit Fleet Maintenance – Use of Resources

Transit Fleet Maintenance provides repair, customized fabrication, preventative maintenance, and seasonal overhauls to all Edmonton Transit vehicles and equipment (not including LRT trains). It is also responsible for cleaning and refueling the buses on a daily basis.

Overall, we found that Transit Fleet Maintenance is using resources efficiently and effectively to meet its operational needs.

There were three key findings, among others, that support our overall conclusion:

1. The bookout rate has been 99 percent or higher for the past three years;
2. The bus to mechanic ratio has been within the optimal staffing range of 5 to 10 buses per mechanic for the past five years; and
3. The proportion of indirect to direct labour time in shops has been above the target of 85 percent for the past 3 years.

Municipal Fleet Maintenance Effectiveness

Municipal Fleet Maintenance provides fleet repair, customized fabrication, preventative maintenance, and seasonal overhauls to all City of Edmonton vehicles and equipment (except Edmonton Transit vehicles and equipment), as well as to contracted clients (EPCOR and Alberta Health Services).

Based on our review of the results of Municipal Fleet Maintenance section's key performance measures relating to its effectiveness over the past three years, we found that it is generally effective.

We found that it is meeting client needs in terms of fleet availability and adherence to budget. We also found that its ratio of planned work to unplanned work is improving and it is meeting its preventative maintenance targets.

We made one recommendation for the Section to enhance its customer feedback process so it can better assess the satisfaction of direct users of its services.

Training Program Adequacy

We assessed the training program provided by the Branch for Municipal and Transit Fleet Maintenance staff. We found that the training process could be enhanced by formalizing the processes with a focus on the training requirements of individual employees.

We made one recommendation to formalize and document the process for identifying individual training needs, prioritizing those needs, planning when training will occur, and tracking the training each employee has taken to support program consistency and continuity.

Procurement Process Use of Resources

In 2014, the Branch helped City Departments to procure approximately 377 different vehicles and pieces of equipment. We assessed the procurement process used by the Client and Vendor Services section and found that the Section is not adhering to all the controls in the procurement process.

We made one recommendation to help clarify roles and responsibilities by updating the procurement guide and one recommendation to help increase compliance with controls.

Fleet Services Branch Audit

1. Introduction

The Fleet Services Branch ensures that over 5,000 City vehicles and pieces of equipment (light and heavy duty trucks, transit buses, waste trucks, ice resurfacers, police cars, fire trucks, graders, etc.) are well maintained, safe, and reliable for use on a daily basis. The City's fleet and associated infrastructure are valued at more than \$600 million.

The Office of the City Auditor (OCA) included a value-for-money audit of the Fleet Services Branch in its *2015 Annual Work Plan*. Value-for-money audits determine whether a department, service, or program operates efficiently, effectively, and economically and whether risks are appropriately managed.

2. Background

2.1. Branch Overview and Structure

The Fleet Services Branch (the Branch) is one of the branches in the Corporate Services Department. To meet its objectives, the Branch is divided into the following five service sections:

- 1. Municipal Fleet Maintenance** - Provides fleet repair, customized fabrication, preventative maintenance, and seasonal overhauls to all City of Edmonton vehicles and equipment (except Edmonton Transit vehicles and equipment), as well as to contracted clients (EPCOR and Alberta Health Services). This Section operates out of 15 garage locations and is responsible for approximately 4,100 vehicles and pieces of equipment.
- 2. Transit Fleet Maintenance** - Provides repair, customized fabrication, preventative maintenance, and seasonal overhauls to all Edmonton Transit vehicles and equipment (not including LRT trains). It is also responsible for cleaning and refueling the buses daily. This Section operates out of 6 dedicated facilities and is responsible for 936 buses.
- 3. Engineering & Planning** - Provides advice for clients on fleet safety, alternative fuels, emission standards, and legislative requirements. This Section also provides a broad range of services including: analysis and advice for equipment/vehicles; engineered modifications; Computer Aided Design (CAD) services; failure analysis; oil analysis and interpretation; and fleet safety programs.

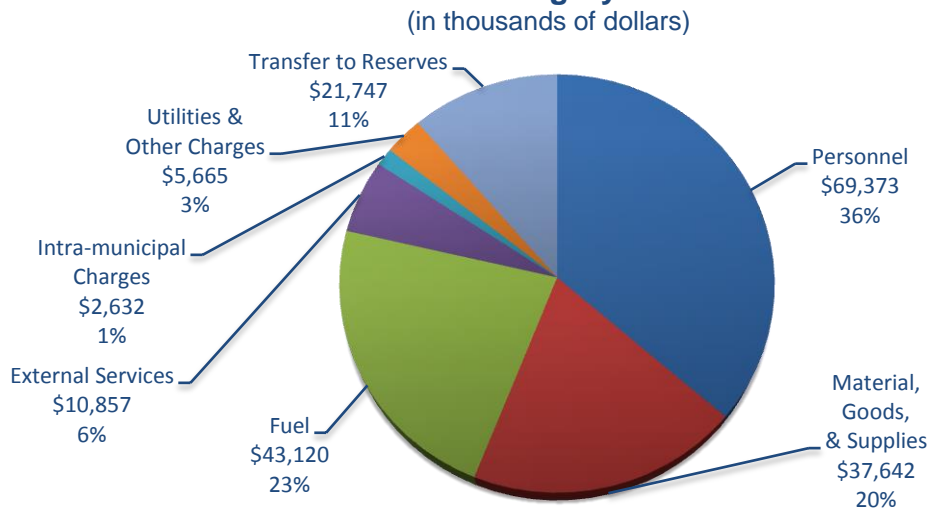
- 4. **Systems & Services** - Supports the system used by the Branch for labour tracking, asset management, work order/maintenance management, and reporting. It also provides support for performance measurement, operational reporting, financial variance analysis, and budget development. The Section provides staff with fleet-related technical, safety and operational training, manages and reports on staffing positions, develops internal policies and hiring strategies, and provides oversight of the apprenticeship program.

- 5. **Client & Vendor Services** - Ensures internal and external client needs are addressed through service delivery and reporting, capital planning, life cycle maintenance planning, and capital fleet procurement. In 2014, the Section helped City Departments procure approximately 337 different vehicles and pieces of equipment.¹The Section also manages vendor activities through contract negotiations, warranty claims, and vendor performance monitoring.

2.2. Branch Resources

In 2015, the Branch had an operating budget of approximately \$191 million. Figure 1 shows the distribution of the Branch’s 2015 budgeted operating expenditures by category.

Figure 1 – Fleet Services Branch 2015 Budgeted Operating Expenditures by Category



The largest expense category for the Branch is Personnel. In 2015, the Branch budgeted for 749 full-time equivalent positions (FTEs).

The Branch’s capital budget for 2015 to 2018 is \$132.2 million. The majority of this budget is for vehicle and equipment replacement (\$103.1 million).

¹ This excludes EPS, Library, and external clients who pay for contracted services using their own operating budgets.

3. Risk Assessment

We performed a risk assessment of the entire Branch. This involved:

1. Interviews with management teams from each section to gain an understanding of their business environments and risks.
2. Reviewing Branch performance measurement results.
3. Surveying the Branch's clients to determine which aspects of the business have met or exceeded their expectations and which could be improved.
4. Reviewing recent consultant reports.

Due to the scope of operations within the Branch, we used the results of the risk assessment to help determine the areas of the Branch on which to focus our audit work.

4. Audit Objectives, Scope, and Methodology

4.1. Audit Objectives

The overall objective of this branch audit was to assess the effectiveness, efficiency, and economy of the services provided by the Branch. We divided the overall objective into the following four objectives:

1. To determine if the Transit Fleet Maintenance Section is using resources efficiently and effectively to meet its operational needs.
2. To assess the effectiveness of the Municipal Fleet Maintenance Section.
3. To determine if the training program is adequate and appropriate to meet the operational needs of the Transit and Municipal Fleet Maintenance Sections.
4. To determine if the procurement process is effective in meeting client needs.

4.2. Audit Scope & Methodology

The scope of this audit covered the documentation, processes, and controls that were in place at the time we completed the fieldwork for this audit, from April until June 2015. Most of the performance measures analysis we did was for the period of 2012 to 2014 a new vehicle maintenance system was implemented in 2012. When additional data was available, we showed 5 years of results.

We used the following methods to gather evidence to conclude on the above objectives:

- Reviewing documentation;
- Gathering and reviewing performance measure information;
- Discussions with management and supervisory staff;
- Analysis of data; and
- Testing samples relating to staffing, technical training, and procurement.

5. Observations and Recommendations

5.1. Transit Fleet Maintenance – Use of Resources

In 2014, a consulting company completed a comprehensive review of Edmonton Transit. As part of that review, they looked at the asset management program for transit buses.

The review found that based on existing processes and procedures, there was no need to change the governance structure relation to the maintenance of transit buses or the asset management program. The review also found that Fleet Services demonstrated that it met transit and other customer needs in an effective and efficient way.

As the consultant review focused on the governance model and the overall effectiveness of the Transit Fleet Maintenance section, we chose to focus our audit on the effectiveness and efficiencies of resource utilization by the Section.

Overall, we found that Transit Fleet Maintenance is using resources efficiently and effectively to meet its operational needs.

There were three key findings, among others, that support our overall conclusion:

1. The bookout rate has been 99 percent or higher for the past three years;
2. The bus to mechanic ratio has been within the optimal staffing range for the past three years; and
3. The proportion of indirect to direct labour time in shops is above the target.

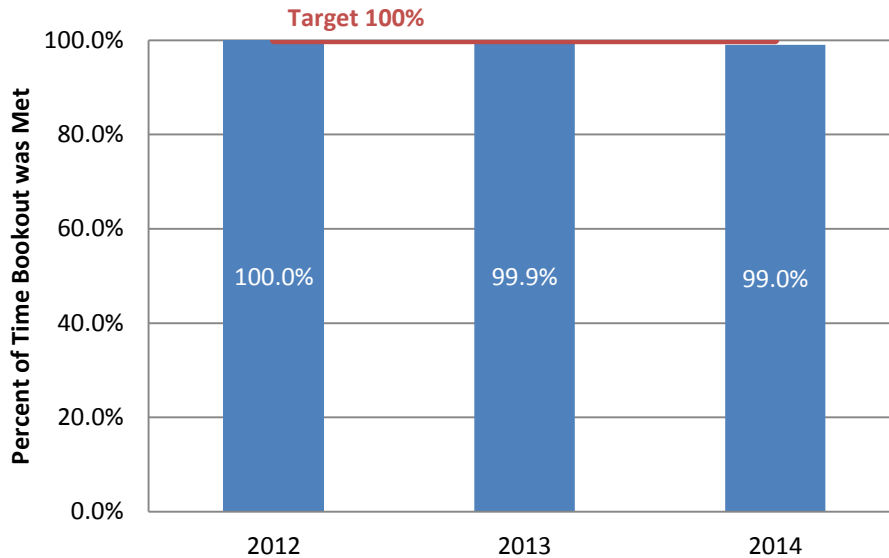
5.1.1. Bookout rate

Bookout is the number of buses that Edmonton Transit has scheduled to be in-service and on the road available to pick up passengers. Transit Fleet Maintenance must make the required bookout twice a day. Bookout is considered as 'missed' when scheduled buses are late leaving their garage. Some reasons for missing bookout are:

- A higher than anticipated number of buses requiring repairs.
- An unanticipated shortage of fleet staff to prepare buses for service.
- Issues discovered upon arrival of ETS driver close to bookout time that need immediate repair or bus substitution.

Making bookout is one of the indicators of effective and efficient use of facilities and equipment by Transit Fleet Maintenance. Figure 2 shows the bookout rates for the past three years.

Figure 2 – Bookout Rate



The slight decrease in making bookout in 2014 is due to a change in the bookout rate methodology. In 2014, Transit Fleet Maintenance started counting a bus as missing bookout if it was delayed for longer than 3 minutes. This was a decrease from the prior standard of 15 minutes.

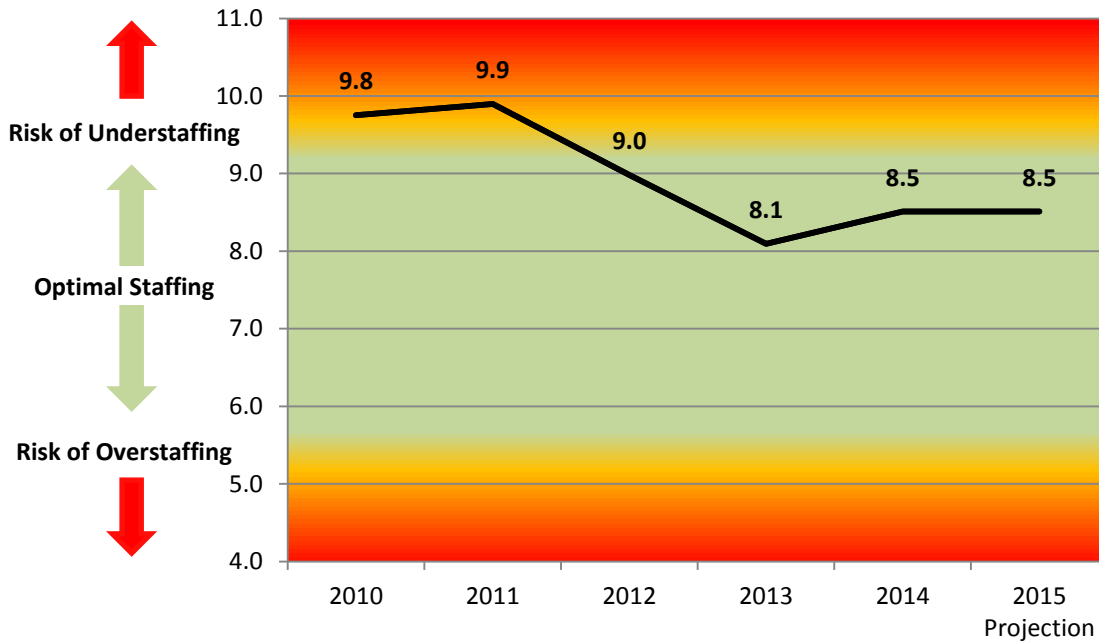
In our discussions with Transit Fleet Maintenance employees, we found that their focus on making bookout was very consistent. Supervisors and foremen described making bookout as the expectation, not just something they work towards. When they described making bookout it was consistently tied to Transit Fleet Maintenance's impact on the community (e.g., buses need to show up to get kids to school on time).

5.1.2. Bus-to-mechanic ratio

One of the indicators of appropriate staff utilization is the bus-to-mechanic ratio. The optimal range is from 5 to 10 buses per mechanic.² Having fewer than 5 buses per mechanic suggests possible overstaffing. Having more than 10 buses per mechanic suggests possible understaffing. Figure 3 shows the bus to mechanic ratio for Transit Fleet Maintenance for the past five years, plus the projected ratio for 2015.

² The optimal range is from a review conducted for the City by an external consultant specializing in transit operations and maintenance.

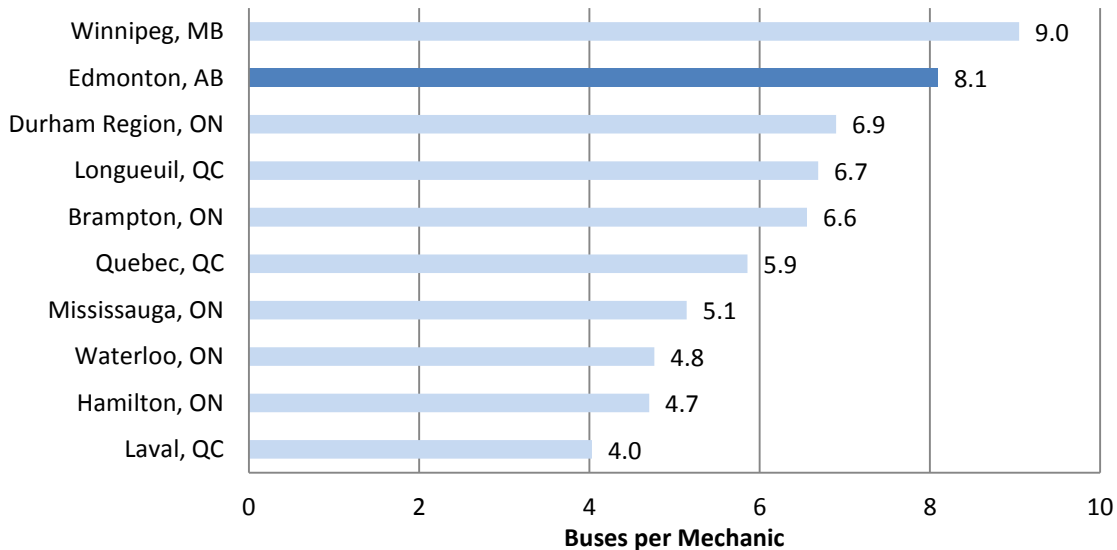
Figure 3 – Bus-to-Mechanic Ratio



Transit Fleet Maintenance has been within the optimal staffing range for the past five years.

We also compared Edmonton’s bus-to-mechanic ratio to that of other cities with similar populations.³ Figure 4 shows that comparison.

Figure 4 – Bus-to-Mechanic Ratio Compared to other Cities (2013)

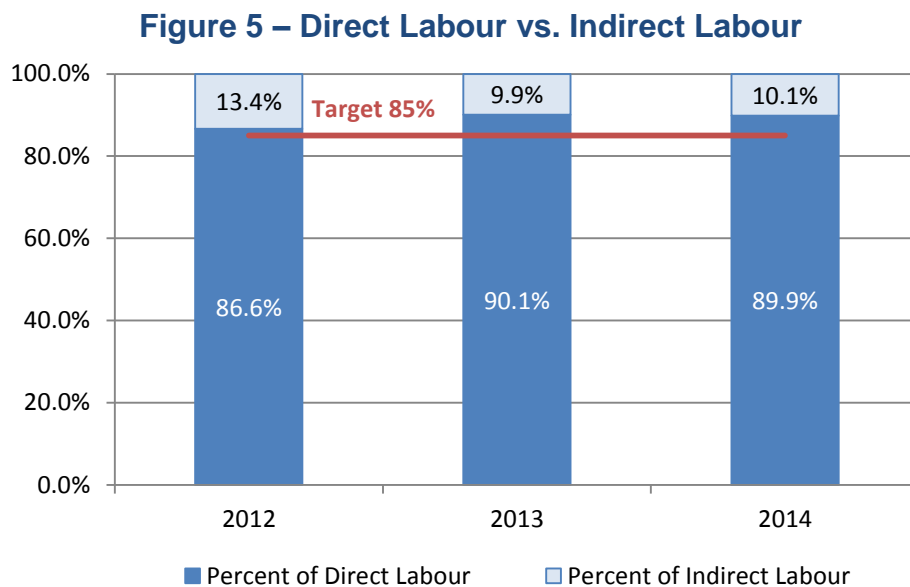


³ We used 2013 as the comparison year due to the availability of benchmark data. We compared to other cities with similar populations and who do not have LRT’s, as Edmonton’s numbers do not include LRT mechanics.

In 2013, Edmonton had a higher bus to mechanic ratio than most of the comparable cities. Having a higher ratio of buses to mechanics demonstrates efficiency but increases the risk of understaffing due to turnover, sick leave, vacations, etc.

5.1.3. Direct vs. indirect labour

Another measure of the effectiveness and efficiency of staff utilization is the percent of staff time spent on direct labour versus indirect labour. Direct labour is any time spent doing a specific task or repairs (preventative maintenance, repairs, etc.). Indirect labour is everything else - such as training, clerical work, and breaks.⁴ Transit Fleet Maintenance has established a target of 85 percent direct labour. Figure 5 shows the percentage of direct labour time and indirect labour time for the past three years.



5.2. Municipal Fleet Maintenance Effectiveness

In 2013, consultants completed a review of current operations in the Municipal Fleet Maintenance Section. They developed recommendations to optimize efficiencies in fleet facilities.

As this review focused on efficiencies and Municipal Fleet Maintenance managers indicated that they have implemented a number of the recommendations, we chose to focus our audit on the effectiveness of the Municipal Fleet Maintenance section.

Based on our review of the results of Municipal Fleet Maintenance section's key performance measures relating to its effectiveness over the past three years, we found that it is generally effective.

⁴ Transit Fleet Maintenance does not include vacation and sick time as part of this calculation.

Specifically we found that:

- It is meeting client needs in terms of fleet availability and adherence to budget, however, it is not consistently assessing client satisfaction;
- The ratio of planned work to unplanned work is improving; and
- It is meeting its preventative maintenance targets.

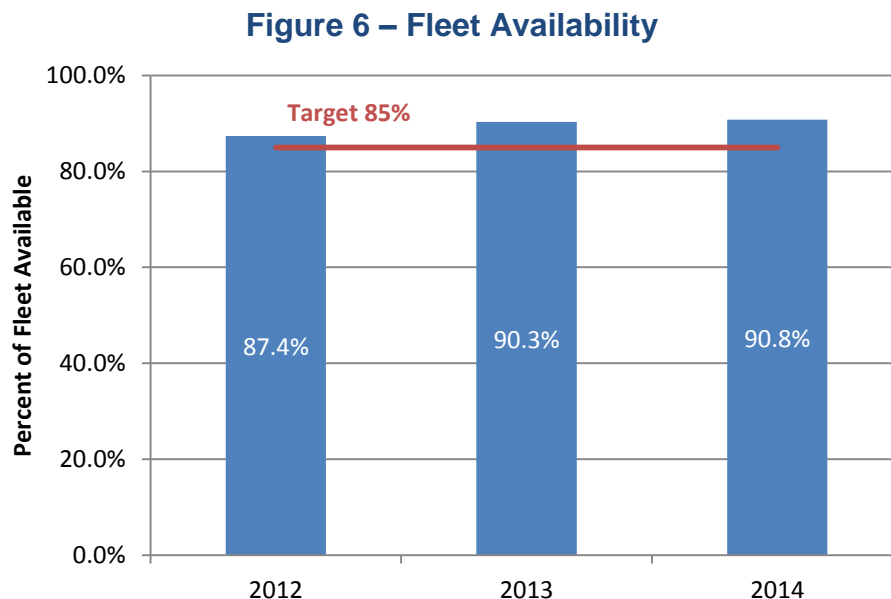
5.2.1 Meeting clients' needs

To determine if Municipal Fleet Maintenance is meeting its clients' needs, we looked at its achievement of fleet availability goals, adherence to budget, and customers' satisfaction levels.

Fleet availability

Fleet availability is an overall measure of Fleet Maintenance's readiness and program effectiveness. It measures the ability of the Section to ensure regular availability of fleet units for clients. They calculate this measure as the total number of hours vehicles are in service divided by total number of vehicle hours available in a year for all vehicles. Municipal Fleet Maintenance has set a target of 85 percent.

Municipal Fleet Maintenance has been consistently above its target of 85 percent. Figure 6 shows the fleet availability results over the past 3 years.



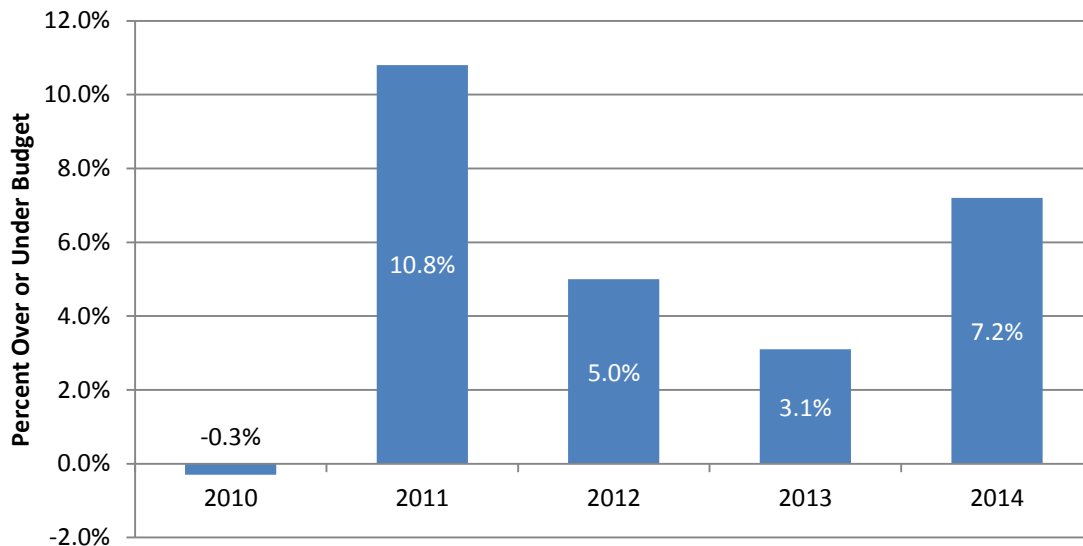
Consistently adhering to budget

Municipal Fleet Maintenance prepares a budget for expenses relating to the repair and maintenance of client vehicles and equipment each year. Its ability to adhere to this budget is a representation of overall effectiveness. However, there are uncontrollable factors that affect Municipal Fleet Maintenance's ability to adhere to its budget. These include: weather (a large snow event will increase snow removal equipment usage and thus increase required maintenance), parts pricing (large fluctuations in pricing will

affect the cost of parts), fluctuations in the Canadian dollar (changes will affect the price of parts), and accidents (an unusual amount of accidents will increase the amount of repairs required).

Overall, Municipal Fleet Maintenance has been within 10 percent of their budgeted expenses for 4 of the past 5 years. Figure 7 shows the percent Municipal Fleet Maintenance was over or under budget in each of the past 5 years.

Figure 7 – Budget Performance (2010 to 2014)



As per management, the reason for the higher variance from budget in 2011 and 2014 was mainly due to higher than expected maintenance costs attributed to use of the fleet to address significant snow events, weather impacts, and additional seasonal work.

Customer service

Municipal Fleet Maintenance is providing services to customers. The perceived quality of those services can be an indicator of their effectiveness.

Most of Municipal Fleet Maintenance's customers are City staff, such as vehicle operators and coordinators in the various City departments and branches. Municipal Fleet Maintenance also has contracts with EPCOR and Alberta Health Services to maintain their vehicles.

On a quarterly basis, Municipal Fleet Maintenance convenes the Fleet Advisory Committee. This is a governance committee made up of Branch Managers and/or Directors reliant upon services from Municipal Fleet Maintenance. The Committee reviews business cases for new technologies, budgets, availability of the fleet, and discusses operational and service concerns.

In addition, three Fleet Services' staff are also embedded within client operations and connect with them regularly, both formally and informally, about client and operational requirements.

Currently Municipal Fleet Maintenance is not collecting direct feedback from customers to assess their satisfaction with the services they received.

Receipt of ongoing feedback from direct users would assist Fleet Maintenance to continue to evolve and improve their services:

- Ensure a consistently high level of client satisfaction over time;
- Continuously learn from both positive and negative customer service experiences;
- Determine potential training areas for staff; and
- Assess the overall effectiveness of the operation.

Recommendation 1 – Municipal Fleet Maintenance Customer Feedback

The OCA recommends that the Fleet Services Branch Manager enhance the customer feedback process for the Municipal Fleet Maintenance section by implementing a feedback mechanism for direct users of the service.

Management Response and Action Plan

Accepted

Comments:

Fleet Services is currently developing a robust customer survey platform with Corporate Communications. The platform and formal survey tool will be used to gather feedback from multiple Fleet Services user groups including front line operators and drivers to better understand user needs and potential service improvements.

The platform will be rolled out in late 2015 and will be completed annually to further enhance Fleet Services' current business model.

Planned Implementation Date: March 31, 2016

Responsible Parties: Director, Client and Vendor Services and Director, Municipal Fleet Maintenance

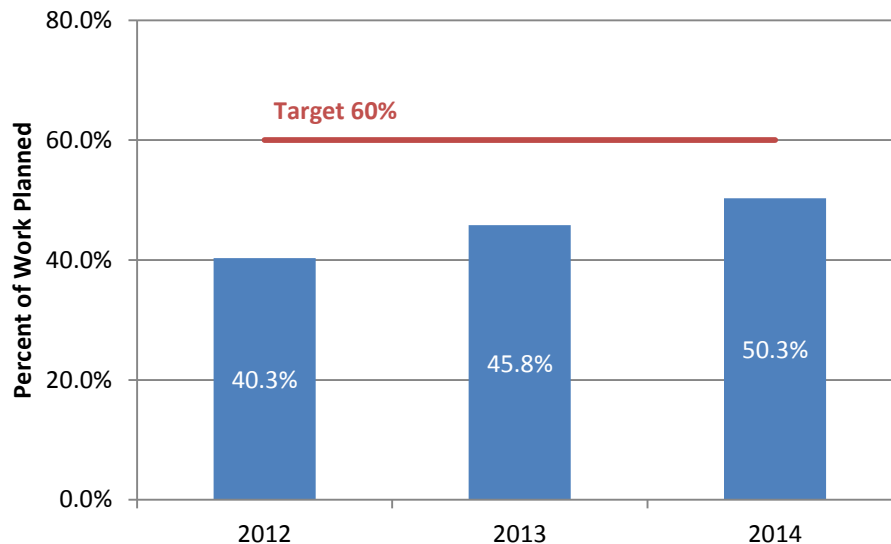
5.2.2 Planned work vs. unplanned work

Municipal Fleet Maintenance does both planned and unplanned work. An example of planned work is maintenance completed at a pre-scheduled time and location – such as scheduled brake replacements. An example of unplanned work is a vehicle breakdown that needs immediate attention (e.g., a snow plow during a major storm event).

Planned work is more cost-effective than unplanned work as the Section can ensure parts and staff are available. However, unplanned work cannot be avoided completely as it is required to: ensure vehicles are available for operational needs; address any safety related, critical repairs as required or reported by operators; and ensure priority vehicles are ready for service. Municipal Fleet Maintenance's target is for 60 percent of its work to be planned.

As shown in Figure 8, Municipal Fleet Maintenance is not currently meeting its target for planned work vs. unplanned work, but has been improving the percent of planned work over the past three years.

Figure 8 – Percent of Work Planned (2012 to 2014)



The improvement in the amount of planned work is in part due to Municipal Fleet Maintenance working with clients to more consistently plan for routine maintenance work. For example, if a vehicle comes to the express service for an oil change, it may be found to require additional work (that is not safety related). Instead of performing the work right away at the express service bay (unplanned), the client is asked to make an appointment to have the work performed (planned).

5.2.3 Preventative maintenance program compliance

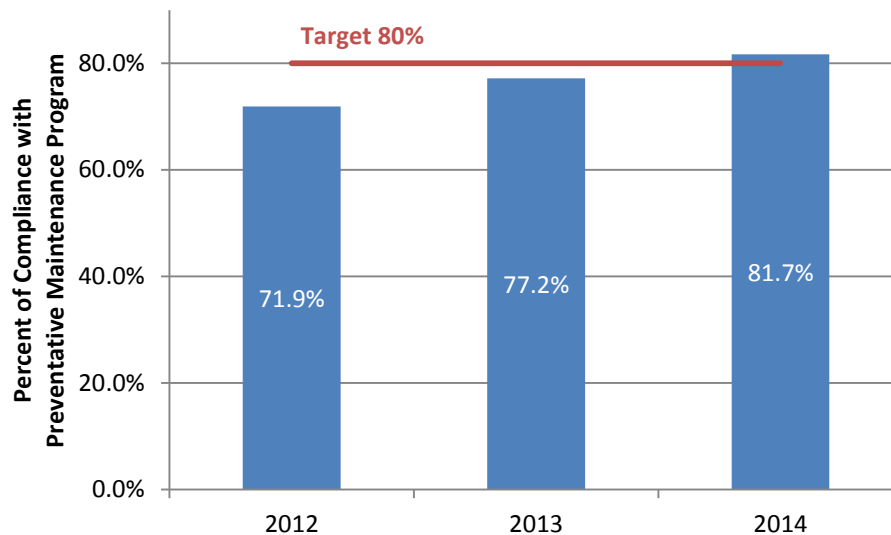
The preventative maintenance program is set up to ensure that vehicles are serviced at intervals that enhance the life of the vehicle and improve the safety of both the vehicle and the operator. Preventative maintenance activities include services such as changing oil and torquing wheel nuts.

Municipal Fleet Maintenance provides clients with bi-weekly reports indicating their vehicles' due dates for preventative maintenance based on each vehicle's preventive maintenance program. As it is not fully in control of when operators bring in vehicles, Municipal Fleet Maintenance has set a target of 80 percent compliance with the

preventative maintenance program. When there is non-compliance with a vehicle's preventative maintenance program, it has a procedure to escalate concerns.

Figure 9 indicates that Municipal Fleet Maintenance and its customers have improved preventative maintenance performance over the past three years and is currently exceeding the preventative maintenance compliance target.

Figure 9 – Compliance with Preventative Maintenance Program



The increase in compliance with the preventative maintenance program can be attributed to increased reporting and the persistent effort of shop staff in booking units for appointments.

5.3. Municipal and Transit Fleet Maintenance Training Program

The Branch has a training program in place for Municipal and Transit Fleet Maintenance staff. This program covers courses relating to technical and legislated safety training for all shop staff. Fleet Services employs a team of dedicated training staff. In 2014, they provided 11,400 hours training to Municipal and Transit Fleet Maintenance staff (approximately 18.8 hours per employee).

We found that there are areas to improve the training program, specific to Transit and Municipal Fleet Maintenance staff.

The Foremen and Supervisors we interviewed did not identify any skills or competencies that the training program was not addressing and indicated that the training their staff received was valuable.

However, we found that there was a lack of formal process and documentation related to identifying training needs, prioritizing those needs, planning when training will occur, and tracking the training each employee has taken. The training process could be

enhanced by formalizing the processes with a focus on the training needs of individual employees.

5.3.1. Training identification and tracking

The Branch has a training matrix that aligns specific positions/roles to training requirements. As well, training requirements are maintained in the training records management system. However, the Branch does not have a formal, documented process for identifying the training needs of each staff member and ensuring they are up-to-date and tracked.

We attempted to determine the training needs of a sample of staff members and found that without a significant amount of manual work, it was not possible to accurately identify the specific training needs of an employee. We found the following issues when we tried to determine training needs for the employees in our sample:

- The training requirements in the training record management system were not up to date. The identification of training requirements is currently a work-in-progress for the training group.
- When the City or training staff introduce new courses, it is not clear whether or not existing employees should be taking these courses.
- Some employees are justifiably exempt from mandatory requirements. This is not identified in the training record management system (e.g., an employee may be in a position with non-standard duties and does not require specific training).

Without being able to determine the employee's individual training requirements, we were unable to determine whether training requirements were up-to-date for each employee.

Without formal, documented processes to identify and track training there is a risk that:

- Individual employee training records in the training record management system may not be complete.
- Knowledge will be lost in the event of staff turnover in the training program area.
- It will not be possible to easily assemble a training history record for a Fleet Services Branch employee.

(See Recommendation 2.)

5.3.2. Training prioritization

The Branch does not currently have a formal, documented process for prioritizing and planning training for employees. Currently foremen register staff in courses when they are offered rather than taking a more planned, systematic approach that will help ensure that employee training time is first allocated to priority training (such as safety-related training). This increases the risk that non-priority courses will be taken because they are offered at a more convenient time than priority ones. This does not imply that priority training is not happening, but that the controls are not in place to ensure that it is.

In its current state, the process does not allow for a comprehensive planning process that ensures that the training that each employee is receiving is appropriately prioritized.

Recommendation 2 – Training Process

We recommend that the Fleet Services Branch Manager formalize and document the process for identifying individual training needs, prioritizing those needs, planning when training will occur, and tracking the training each employee has taken.

Management Response and Action Plan

Accepted

Comments:

Fleet Services is working to further formalize and document the existing training process. The process will include identification of training needs, development of a prioritization methodology, scheduling of training, and tracking training provided to each staff member.

Human Resources is currently leading an implementation of a Corporate Learning Management Portal, which Fleet Services anticipates launching in mid-2016. Once it is implemented, the City will be able to better manage, analyze, and report on all types of training (online, classroom, blended learning, testing, external training, etc.) and facilitate knowledge management in the organization.

We anticipate that the Learning Management Portal will assist to effectively manage the learning and development for Fleet Services staff. Supervisors will be able to view and manage the training and development of their employees, ensure mandatory or compliance training is completed in a timely manner, identify and manage training gaps and generate reports that will allow them to provide effective oversight of upcoming training requirements and costs. Employees will have the ability to search for training opportunities, register with the appropriate approvals, view their training record, track training that they have taken, and plan future training and development. Trainers will have user-friendly tools to manage training content, surveys and assessments and receive feedback about their training content through the system. The portal will facilitate and streamline many of Fleet Services' training administration processes, such as program and course creation, enrollment, management of wait lists, communication, and provides administrators with the ability to create custom reports.

Planned Implementation Date: June 30, 2016

Responsible Party: Director, Systems and Services

5.4. Procurement Process Effectiveness

We found that Client and Vendor Services section was not fully effective in adhering to the procurement process.

Specifically we found that Client and Vendor Services:

- Has clearly defined the roles and responsibilities of the procurement process. However, the documentation is outdated and not well known to stakeholders.
- Can improve its consistency in adhering to the requirements of the City's procurement process.
- Can improve the accuracy and completeness of its procurement data.

To help in our assessment, we tested the procurement process for 40 of the 337 units Client and Vendor Services procured in 2014. We also sent a questionnaire to the 16 department vehicle coordinators responsible for the procurement of these 40 units to obtain feedback on their procurement experiences.

5.4.1. Roles and responsibilities

Based on our discussion with Client and Vendor Services staff and our review of documents including policies, administrative directives, agreements, and guides, we concluded that the roles are clear and duties are distinct between the three main groups involved in the procurement process (Client and Vendor Services, Corporate Procurement and Supply Services Branch, and the Client Departments).

One of the main tools Client and Vendor Services uses to identify its roles and responsibilities is the *Vehicle Procurement Guide* that was last updated in 2009. It covers the vehicle procurement process for light and heavy duty vehicles and could be extended for all equipment categories as the processes are similar. We found that 54 percent of the vehicle coordinators (staff who work for the Client Departments) who responded to our survey were aware of this guide. Client and Vendor Services staff also procure equipment, services, and facilitate internal fabrications.

An up-to-date Procurement Guide that extends to all vehicle and equipment categories would be useful in confirming roles and responsibilities in the procurement process.

Recommendation 3 – Procurement Guide

We recommend that the Fleet Services Branch Manager ensure that Client and Vendor Services staff develop a Procurement Guide that includes all the types of procurement services it provides, is reviewed on a regular basis, and is shared with its client Departments.

Management Response and Action Plan**Accepted****Comments:**

The current procurement guide is being updated and will be completed by December 31, 2015. The guide will be more robust in providing details on the specifics of multiple types of procurement strategies and will be rolled out to City departments and user groups in late 2015, ahead of the 2016 capital budget purchases.

To further communicate the process requirements, the guide will be posted on One-City, sent out in the client newsletter and will be discussed with Departments during scheduled quarterly meetings.

Planned Implementation Date: December 31, 2015

Responsible Party: Director, Client and Vendor Services

5.4.2. Procurement process

Client and Vendor Services is responsible for acquiring new vehicles, equipment, and accessories through both procurement and in-house manufacturing (done by Fleet Services Branch). Client and Vendor Services has a formal procurement process that includes the following five main phases:

- 1. Project Scope and Approval** - Develop a replacement plan and/or a growth plan, and obtain client's approval for initiation of the procurement.
- 2. Engineering, Design, and Specification** - Finalize vehicle design, estimate time lines, determine operating life cycle, and obtain sign-off on a concurrence letter.
- 3. Purchasing** - Determine the type of purchase, co-operate with Corporate Procurement and Supply Services to pursue tenders, and obtain signature from both the vendor and the City on the purchase orders.
- 4. Construction and Receiving** - Initiate the construction process, document any change orders, record vehicle information, attend applicable inspections, and obtain proof of delivery.
- 5. Closing** - Arrange applicable operator and maintenance training, enter unit information into tracking system, and obtain signed *Into Service Notice*.

In each of the phases, there are controls in place to ensure that Client and Vendor Services staff have obtained the proper authorization and approvals from their clients so that Corporate Procurement and Supply Services Branch staff can make decisions and purchases on their behalf.

We found that Client and Vendor Services staff need to improve their consistency in adhering to procurement process requirements. As well, there was an opportunity to improve the accuracy and completeness of procurement data input into the tracking system.

In particular, we found the following results relating to each phase of the procurement process during our testing:

1. Project Scope and Approval
 - 83 percent of sampled procurements had proof of Department authorization. Client and Vendor Services staff indicated that authorization for the rest of the units may have been through verbal discussion or not kept in the file. Maintaining proof of Department authorization is an important control because it is what gives Client and Vendor Services the authority to begin working with the Department to decide what they should purchase.
2. Engineering, Design, and Specification
 - 48 percent of sampled procurements had a signed concurrence letter. The concurrence letter includes what is being purchased and the cost. Once signed by the Department, Client and Vendor Services has the authority to proceed with the actual purchase of the vehicle or equipment. Client and Vendor Services staff indicated that authorization for the rest of the units may have been through verbal discussion or not kept in the file.
3. Purchasing
 - 41 percent of sampled procurements had the proper signatures on their purchasing agreements. By signing purchasing agreements, Client and Vendor Services and the vendor are signifying that they agree to all the terms including unit description and prices in the agreements.
4. Construction and Receiving
 - 67 percent of sampled procurements with change orders had the proper authorization. By signing the change orders Client and Vendor Services and the vendor are signifying that they agree with all the changes.
 - Required inspections and results were not formally documented and retained in the procurement files. This does not mean Client and Vendor Services and clients are not performing inspections, only that they are not retaining the results in the procurement file. Client and Vendor Services staff indicated that they share inspection results verbally with vendors and through follow-up emails. Without documented inspection, it is difficult for Client and Vendor Services to ensure and prove that all identified deficiencies are resolved.
5. Closing
 - 74 percent of sampled procurements had signed *Into-service Notices*. By signing the *Into-service Notice*, the client acknowledges that it is satisfied with the units they received.

- 86 percent of replacement dates in the tracking system were correct. If the replacement date in the system is incorrect, there is risk that the unit will not be replaced at the appropriate time. This risk may be mitigated by the client department initiating a replacement request. The corresponding lifecycle and depreciation records that are kept in the City's financial system (SAP) and the Branch's policy not replace equipment until it has been fully depreciated also help mitigate this risk.

Although there were instances where Client and Vendor Services did not consistently adhere to all of the procurement process requirements, our survey of client vehicle coordinators did not point to any major concerns regarding the procurement process. We found that:

- 100 percent of respondents acknowledged that Client and Vendor Services staff provided appropriate guidance throughout the procurement process;
- 77 percent of respondents were satisfied with their procurement experiences; and
- 94 percent of respondents were satisfied with how their input was considered during the procurement process.

However, Client and Vendor Services should consistently adhere to their controls in order to provide clients with consistent procurement experiences and appropriately support all procurement decisions. It is also important to ensure all required information is maintained and entered correctly in the tracking system. This will ensure future decisions made are based on accurate and complete information.

Recommendation 4 – Procurement Process Controls

We recommend that the Fleet Services Branch Manager ensure Client and Vendor Services management improve their monitoring controls to ensure staff are consistently adhering to the controls in the procurement process.

Management Response and Action Plan

Accepted

Comments:

The current procurement process is being updated to include specific audit criteria, schedules and enhanced controls throughout the process based upon the data and process requirements.

Several controls, including: hard stops at several points in the process to ensure approved documentation is in place, implementation of a formal Vehicle Inspection Form and regular data audits have already been implemented.

Planned Implementation Date: March 31, 2016

Responsible Party: Director, Client and Vendor Services

6. Conclusion

Overall, we found that the Transit Fleet Maintenance Section is using its resources efficiently and effectively to meet the City's operational needs. Based on our review of key performance indicators, we also found that the Municipal Fleet Maintenance Section is effective. We made one recommendation to enhance the customer feedback process.

Our review of the training program found areas for improvement in the formalization and documentation of the training program. We made one recommendation to formalize and document the process for identifying training needs, prioritizing those needs, planning when training will occur, and tracking the training each employee has taken.

Our review of the procurement process found that there is an opportunity to improve the monitoring controls over the process. We made one recommendation to update the procurement guide and one recommendation to improve monitoring the controls over the procurement process.

We thank the management and staff of the Fleet Services Branch for their cooperation and assistance during this audit.