



Fleet Services Operational Review

Phase One: Stronger Corporate Oversight Needed for Underutilized Vehicles

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Background

The City of Toronto maintains a fleet of just under 5,000 vehicles and equipment with a value of approximately \$330 million. These are used by various City divisions, agencies, and corporations to deliver programs and services to Torontonians.

The City's Fleet Services Division is tasked with the important responsibility of keeping these units on the road so that frontline staff can carry out their duties.

Our audit has two phases. The current Phase One focuses on vehicle maintenance, and our findings are presented in two separate reports:

This report focuses on light duty City vehicles that are underutilized

- This report looks into whether the City's light duty vehicles are being effectively used.
- A separate report focuses on downtime reduction, a critical factor in keeping City vehicles on the road on a day-to-day basis.

Phase Two will focus on asset management and other aspects of fleet management, and is expected to be completed in fall 2019.

Our analysis did not include certain large City agencies such as TTC and the Police

Fleet Services provides full fleet management for most City divisions and some City agencies and corporations. The Toronto Transit Commission (TTC) and Toronto Police Service manage their fleets independently from the City. In addition, Toronto Paramedic Services, Fire Services, Toronto Zoo, and Exhibition Place maintain their respective fleet to varying degrees. Our analysis therefore did not include these agencies and City divisions.

Vehicle utilization issues noted since 2004

Underutilized vehicles create a cost burden and take up maintenance resources

Every vehicle needs to be serviced periodically, regardless of usage, in order to keep them in a safe and reliable condition. Vehicles that are underutilized create a cost burden and take up maintenance resources that could be better used on other vehicles.

The Auditor General noted the City's vehicle underutilization issue as early as in 2004

The Auditor General previously conducted a Fleet Operations Review in 2004. The audit identified a lack of central monitoring of vehicle utilization, which resulted in a number of vehicles with low usage. Since then, the Auditor General has noted this issue in multiple audits for the City and its agencies and corporations.

What is considered "underutilized"

The City's current fleet includes approximately 1,900 light duty vehicles, including around 90 rental units. Light duty vehicles consist of two Classes – Class 1 are sedans and SUVs, while Class 2 are minivans and pickup trucks. Both are considered light duty vehicles, are less specialized and likely suitable for many purposes¹. Therefore, utilization analysis is usually focused on these two classes of vehicles.

Analyzed vehicles with less than 5,000 km driven in a year

The Fleet Services Division defines light duty vehicles driven less than 7,000 km or 175 engine hours in a year as underutilized. Since a number of vehicles are driven within the downtown core, we performed our analysis using a more conservative threshold of 5,000 km or 125 engine hours. We also excluded rental vehicles and units purchased during the same year.

This report provides a look into the status of vehicle utilization 15 years after our initial audit, and whether actions taken by Fleet Services and divisions since then have been effective.

Analysis of kilometrage data

We analyzed vehicle utilization using kilometrage data tracked in Fleet Services' M5 system as provided by Fleet staff. According to staff, the data is regularly updated and reviewed by Fleet Services to ensure accuracy. Within the scope of our audit, we did not undertake steps to physically confirm the accuracy of vehicle kilometrage.

¹ However, some units may have attachments to support a particular operation.

Audit Results

A. High Number of Underutilized Vehicles

See video link for an example of a City vehicle that has not been used for a long time.

<https://youtu.be/vB2tj-yQDa0>



Example of a Class 1 vehicle

Fleet Services has implemented a policy to identify underutilized vehicles and follow up with user divisions, agencies and corporations. Under the current practice, staff generate and send a list of underutilized vehicles to divisions, agencies, and corporations every year. Divisions are required to comment on why they continue operating these vehicles. The list is currently only limited to Class 1 light duty vehicles.

We analyzed the utilization for Class 1 vehicles using our threshold of 5,000 km or 125 engine hours and observed the following in **Table 1** below:

Table 1: Underutilized Active Class 1 City Owned Light Duty Vehicles, 2017 and 2018

Division/Agency	2017			2018		
	Underutilized Vehicles	Total Vehicles	% of Total	Underutilized Vehicles	Total Vehicles	% of Total
Parks, Forestry & Recreation	22	90	24%	20	72	28%
Municipal Licensing & Standards	9	94	10%	17	91	19%
Toronto Water	24	84	29%	17	86	20%
Transportation Services	25	85	29%	12	72	17%
Toronto Community Housing Corporation (TCHC)	19	97	20%	11	77	14%
Facilities Management & Real Estate	4	23	17%	4	25	16%
Solid Waste Management	2	25	8%	4	19	21%
Other Divisions	8	50	16%	12	57	21%
Total	113	548	21%	97	499	19%

In 2017 and 2018 there were 548 and 499 underutilized vehicles respectively. Although there was a small reduction of underutilized vehicles from 2017, the percentage of underutilized vehicles remains high for some divisions.

Decision on keeping the underutilized vehicles lies with divisional, agency, and corporation management

Although Fleet Services is responsible for analyzing vehicle usage and providing their results to divisions for comment, the decision on whether to continue to own and maintain these vehicles lies with divisional/agency management. We reviewed responses for 2017 (responses for 2018 are still pending), and found that common responses provided were that these vehicles were needed for travelling short distances, site visits, or meetings.

Current list does not include Class 2 vehicles

Additionally, Fleet Services' list of underutilized vehicles does not include Class 2 light duty vehicles. We analyzed utilization for these vehicles, as shown in **Table 2** below:

Table 2: Underutilized Active Class 2 City Owned Light Duty Vehicles, 2017 and 2018

Division/Agency	2017			2018		
	Underutilized Vehicles	Total Vehicles	% of Total	Underutilized Vehicles	Total Vehicles	% of Total
Parks, Forestry & Recreation	18	143	13%	36	180	20%
Toronto Water	21	156	13%	24	169	14%
Transportation Services	4	151	3%	16	164	10%
Toronto Community Housing Corporation (TCHC)	9	31	29%	16	65	25%
Facilities Management & Real Estate	6	44	14%	15	64	23%
Municipal Licensing & Standards	1	28	4%	10	45	22%
Solid Waste Management	6	62	10%	6	70	9%
Other Divisions	5	39	13%	10	51	20%
Total	70	654	11%	133	808	16%



Example of a Class 2 vehicle

Unlike the Class 1 vehicles, the number of underutilized Class 2 vehicles increased significantly from 70 in 2017 to 133 in 2018. It will be beneficial for Fleet Services to amend its policy to analyze and include Class 2 light duty vehicles in its annual list of underutilized vehicles for user divisions to review.

Table 3 below shows the number of underutilized vehicles for all light duty vehicles, Class 1 and 2 combined, and the estimated annual maintenance cost:

Table 3: Underutilized Active Class 1 and 2 City Owned Light Duty Vehicles, 2017 and 2018

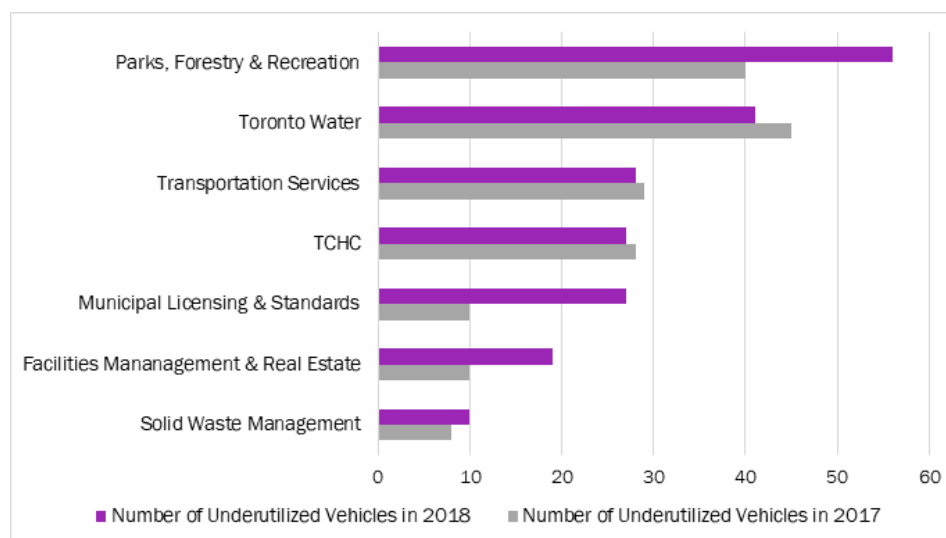
Division/Agency	2017				2018			
	Underutilized Vehicles	Total Vehicles	% of Total	Maintenance Cost	Underutilized Vehicles	Total Vehicles	% of Total	Maintenance Cost
Parks, Forestry & Recreation	40	233	17%	\$58,000	56	252	23%	\$85,000
Toronto Water	45	240	19%	\$85,000	41	255	16%	\$44,000
Transportation Services	29	236	12%	\$43,000	28	236	12%	\$34,000
Toronto Community Housing Corporation (TCHC)	28	128	22%	\$32,000	27	142	19%	\$44,000
Municipal Licensing & Standards	10	122	8%	\$15,000	27	136	20%	\$38,000
Facilities Management & Real Estate	10	67	15%	\$12,000	19	89	22%	\$31,000
Solid Waste Management	8	87	9%	\$19,000	10	89	11%	\$8,000
Other (9 divisions)	13	89	15%	\$14,000	22	108	20%	\$30,000
Total	183	1202	15%	\$278,000	230	1307	18%	\$314,000

18% of the City's light duty fleet is underutilized

In total, there were 183 and 230 underutilized light duty vehicles in 2017 and 2018 respectively. This is an increase from 15 per cent of the total fleet in 2017, to 18 per cent in 2018.

Figure 1 shows the divisional trend from 2017 to 2018. In most cases, the pattern in both years is similar. However, in three divisions – Parks, Forestry & Recreation, Municipal Licensing & Standards, and Facilities Management, the number of underutilized vehicles in 2018 increased significantly from 2017.

Figure 1: Number of Underutilized Vehicles by Division, 2017 and 2018



\$314,000 in maintenance in 2018, plus \$10M in acquisition costs

Based on data in Fleet Services' M5 system, the City incurred about \$314,000 in 2018 to maintain these underutilized vehicles. In addition, the City paid approximately \$10 million to purchase these vehicles.

Some underutilized vehicles may be justified due to unique operational needs

There may be valid reasons for divisions and the agency to keep the underutilized vehicles. For example, some of these could be older vehicles that the divisions/agency are still operating due to delayed replacement. There may also be specific staff functions that justify limited travel distances. Nonetheless, it is important for management to review the list of underutilized vehicles and to identify fleet reduction options.

B. High Amount of Kilometrage Claims

City and TCHC paid staff \$3.7M in kilometrage reimbursement in 2018

Under the City policy, staff who use their personal vehicles for business are reimbursed for kilometrage (2018 rate of \$0.54 per km). In 2017 and 2018, the City paid a total of \$3.3 million and \$3.2 million, respectively, to staff for this purpose. In addition, Toronto Community Housing Corporation (TCHC) paid approximately \$0.4 million for kilometrage reimbursement in each year.

Several City divisions identified in **Table 3** with underutilized light duty vehicles also paid a substantial amount of kilometrage reimbursement to their staff. This is shown in **Table 4** below:

Table 4: Employee Kilometrage Reimbursement Costs for Divisions with Underutilized Light Duty Vehicles

Division/Agency	# of Underutilized Vehicles	Number of Staff Claimed		2018 Total Km Reimbursement Costs**
		3,000 - 5,000 km	> 5,000 km	
Parks, Forestry & Recreation	56	66	15	\$467,000
Toronto Water	41	26	11	\$231,000
Transportation Services	28	9	12	\$159,000
Toronto Community Housing Corporation (TCHC)	27	33	34	\$414,000
Municipal Licensing & Standards	27	21	14	\$146,000
Facilities Management & Real Estate*	19	6	6	\$66,000
Solid Waste Management	10	9	0	\$40,000
Total	208	170	92	\$1,523,000

*M5 data does not differentiate between Facilities Management and Real Estate Services; staff from Real Estate Services did not have claims with 3000 km or more.

**Total divisional reimbursement, including all employees with kilometrage claims.

92 City employees claimed 5,000 km or more in 2018

A total of 170 staff members claimed between 3,000 and 5,000 km in 2018, averaging \$2,000 each. An additional 92 claimed more than 5,000 km, averaging \$3,600 each. The total reimbursement paid for all employees from these divisions totalled \$1.5 million.

The City's policy on *Kilometrage Reimbursement for Use of Personal Vehicle for City Business* requires the following:

"The Division Head should monitor, on a regular basis, the kilometrage claimed and ensure that a claim in excess of 1,000 km per month per employee is investigated. Alternative lower cost options (such as the use of a City pooled vehicle) should be reviewed in consultation with Fleet Services and implemented if appropriate. If the employee continues to use a personal vehicle then this practice should be documented and justified.

The Pension, Payroll and Employee Benefit Division (PPEB) will provide all Division Heads with a quarterly report showing kilometrage claimed per employee. Reports can be provided more frequently upon request."

Better managed City vehicles and employee km expenses can result in potential cost savings

We acknowledge that in some situations, the most practical solution may be for the division to allow employees to drive their own vehicle and subsequently claim reimbursement. However, the substantial kilometrage reimbursement, combined with the number of underutilized vehicles, show that better management and coordination are needed to ensure that the City is not incurring unnecessary costs.

C. Stronger Corporate Oversight Required

The issue of underutilized City vehicles was raised by the Auditor General on multiple previous occasions:

Table 5: Summary of Auditor General's Observations Related to Underutilized Vehicles

Audit Report	Report Year	Observations
Fleet Operation Review – Phase One	2004	<p>The Auditor General initially identified this issue in 2004, noting a lack of central monitoring of vehicle utilization which resulted in a number of vehicles with low usage. The audit made recommendations to:</p> <ul style="list-style-type: none"> • Develop quarterly vehicle usage reports • Provide the reports to divisions, requesting explanation and suggested action where necessary • Identify opportunities for pooling vehicles. <p>The recommendations were verified to have been implemented by management during the Auditor General's 2006 follow-up process.</p>
Toronto Community Housing Corporation (TCHC) Fleet Management – Lack of Central Oversight Has Led to Control Deficiencies	2012	<p>The audit identified vehicles which had been sitting idle for a period of time, even when TCHC paid significant mileage claims for employees operating their own personal vehicles.</p>
Reliable Data is Needed for Effective Fleet Management	2013	<p>The Auditor General again pointed out that some City vehicles remained underutilized. Although Fleet Services produced and distributed a quarterly low utilization report to user divisions, divisions were not required to provide responses.</p>
Review of Toronto Transit Commission (TTC) Bus Maintenance and Shops Department, Phase Two: Non-Revenue Fleet and Equipment Management and Maintenance	2015	<p>The audit identified that approximately 18 percent of TTC's non-revenue vehicles had been driven for an average of less than 10,000 km per year.</p>

Based on 2017 and 2018 data, it appears that the issue still persists today. Although Fleet Services has implemented previous audit recommendations to provide vehicle utilization information to user divisions, the decision on whether to procure additional vehicles or to continue to own and maintain the underutilized vehicles ultimately lies with individual user divisions.

Stronger corporate oversight is needed

In our view, there is a need for a stronger corporate oversight to ensure the most cost-effective fleet options are used across the City, and maximize the use of car-sharing and pooling options, where feasible.

Fleet Services currently has contracts with two vendors to provide car-sharing services

We noted that Fleet Services has initiated steps to address this issue. In 2016, Fleet Services signed contracts with two vendors to provide on-demand car-sharing services to City staff who require vehicles for business use. These contracts provide City staff with an alternative to City pool vehicles or personal vehicles for work-related travel (i.e. off-site meetings, site visits). According to Fleet staff, as of the end of 2018, over 250 City staff from over 20 City divisions and agencies have enrolled in the car-sharing program.

Fleet Services is also conducting a pilot program to assess the use of car-share technology directly on City-owned vehicles.

In addition to the above, Fleet Services should work with relevant divisions to reduce the number of underutilized vehicles by considering other options, including:

Each division should maximize car sharing and pooling among its own staff and with other divisions

- Encouraging divisions to, where feasible, and not impacting operations, arrange for vehicle sharing or pooling among its own staff members.
- Identifying vehicles that can be made available for car-share programs with other divisions.
- Assessing vehicles with persistent low usage for removal from circulation.

Management should regularly review existing fleet options to manage kilometrage reimbursement expenses

Responsibility for this issue should not be confined to the Fleet Services Division. For operating divisions, management needs to regularly assess the feasibility for staff with significant travel needs to use available fleet options. At the City level, sharing and reducing underutilized vehicles will reduce costs, promote inter-divisional cooperation, and free up maintenance resources.

Recommendations:

1. **City Council request the City Manager, in consultation with the General Manager, Fleet Services Division, to take steps to:**
 - a. **review and minimize the number of underutilized vehicles, including implementing car share and pooling programs, using City-owned vehicles where cost and operationally effective; and**
 - b. **maximize the use of the City's available fleet.**
2. **City Council request the General Manager, Fleet Services Division, to amend its policy to include Class 2 light duty vehicles in its annual analysis and list of underutilized vehicles for user divisions to review and comment.**
3. **City Council request the City Manager to forward this report to Division Heads and Chief Executive Officers of City agencies and corporations with fleet management operations, and request them to review and consider implementing the recommendation relevant to their respective operations.**

Conclusion

As part of our Phase One review of Fleet Services' maintenance operations, we noted the issue of underutilized light duty City vehicles. Some City divisions appear to have a considerable number of underutilized vehicles while also paying significant amounts of kilometrage reimbursements to employees who use their own vehicles for work.

Persistent issue of underutilized City vehicles calls for stronger corporate oversight

The issue of underutilized City vehicles was raised in previous Auditor General reports on multiple occasions. There is a need for a stronger corporate oversight in this area to ensure the most cost-effective fleet options are used across the City.

This report contains three recommendations to help minimize underutilized City vehicles through improving corporate oversight, and maximizing the use of car sharing and pooling opportunities.

Audit Objectives, Scope and Methodology

Audit was part of Auditor General's 2018 Work Plan

The Auditor General's 2018 Audit Work Plan included an operational review of Fleet Services.

Audit Objective and Scope

The objective of the audit is to assess the effectiveness, efficiency, and economy of the Fleet Services Division's operations. The audit is performed in two phases:

- Phase One focused on vehicle maintenance, including parts management, warranty administration, and services performed by City garages as well as contracted providers.
- Phase Two will review asset management and other aspects of fleet management.

The Phase One audit covered the period from 2015 to 2018. Preventive maintenance scheduling and compliance has been excluded from this audit, as Fleet Services Division revised its preventive maintenance intervals in 2018 and sufficient time has not passed for us to assess its effect.

Audit Methodology

Our audit methodology pertaining to this report included the following:

- Review of relevant City of Toronto and Fleet Services Division policies and procedures
- Interviews with staff
- Analysis of vehicle usage data and financial information
- Review of previous audits and recommendations

Compliance with generally accepted government auditing standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix 1: Management's Response to the Auditor General's Report Entitled: "Fleet Services Operational Review, Phase One: Stronger Corporate Oversight Needed for Underutilized Vehicles"

Recommendation 1: City Council request the City Manager, in consultation with the General Manager, Fleet Services Division, to take steps to:

- a. review and minimize the number of underutilized vehicles, including implementing car share and pooling programs using City owned vehicles where cost and operationally effective; and
- b. maximize the use of the City's available fleet.

Management Response: Agree Disagree

Comments/Action Plan/Time Frame:

Fleet Services, in consultation with the City Manager, will identify underutilized vehicles and implement car share and pooling programs where cost and operationally effective, to minimize the number of underutilized vehicles and maximize the use of the City's available fleet (Q3 2020).

Recommendation 2: City Council request the General Manager, Fleet Services Division, to amend its policy to include Class 2 light duty vehicles in its annual analysis and list of underutilized vehicles for user divisions to review and comment.

Management Response: Agree Disagree

Comments/Action Plan/Time Frame:

Fleet Services will amend its policy to include Class 2 light duty vehicles in its annual analysis and list of underutilized vehicles for user divisions to review and comment.

Recommendation 3: City Council request the City Manager to forward this report to Division Heads and Chief Executive Officers of City agencies and corporations with fleet management operations, and request them to review and consider implementing the recommendation relevant to their respective operations.

Management Response: Agree Disagree

Comments/Action Plan/Time Frame:

Fleet Services, in consultation with the City Manager will communicate the recommendations identified in this report to the Division Heads and Chief Executive Officers of City agencies and corporations with fleet management operations.

Fleet Services will further include this for review as part of the Fleet Management Steering Committee meetings, which include all City agencies and corporations with fleet management operations.

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