

Fleet Services Operational Review - Phase One: Lengthy Downtime Requires Immediate Attention

Date: April 26, 2019
To: Audit Committee
From: Auditor General
Wards: All

SUMMARY

The Auditor General has completed Phase One of its audit of the Fleet Services Division. Its findings are presented in two reports. This report focuses on vehicle service downtime and how it affects the City's day to day operations. A separate report addresses vehicle utilization and whether the City's fleet is being effectively utilized.

The key findings from the audit are:

Downtime is the amount of time a vehicle is out of service due to maintenance or repair. From 2015 to 2018, the City fleet's downtime remained lengthy and far from Fleet Services' own targets. In particular, one-fifth of the medium and one-third of the heavy duty vehicles were out of service daily in January and February 2019.

Delays in receiving parts is a major reason causing prolonged downtime. Fleet Services buys approximately \$6 million per year in parts from its parts supplier. Only 21 per cent of parts requested were supplied at the point of purchase - significantly lower than the 85 per cent stipulated in the contract. Fleet staff sometimes needed to wait for more than a week to receive parts.

We recognize that the M5 Parts Request Module was implemented in July 2018, and there could be fine-tuning of data in subsequent months. However, in our view, the extent of the discrepancy observed is so significant that it points to issues beyond system fine-tuning.

The process to acquire maintenance services from external vendors is cumbersome due to delays in scheduling service, approving estimates by Fleet staff, vehicle pickup and drop-off, and invoice payment. These delays and inefficiencies add to vehicle downtime.

Of the \$680,000 worth of parts that failed within their warranty terms, only 10 per cent were claimed for warranty by Fleet Services. If it had claimed warranties for 80 per cent of the parts and a portion of its labour costs, it could have potentially saved \$400,000 per year.

This report provides 14 recommendations to help reduce vehicle downtime, strengthen warranty administration, and improve the efficiency and effectiveness of the City's overall fleet maintenance operations.

RECOMMENDATIONS

The Auditor General recommends that:

1. City Council request the General Manager, Fleet Services Division, to take the necessary steps to shorten vehicle and equipment downtime and achieve the downtime target set out in the Division's 2016 Alternate Service Delivery model report.
2. City Council request the General Manager, Fleet Services Division, to take steps to improve its preventive maintenance ratio to reduce overall fleet maintenance cost.
3. City Council request the General Manager, Fleet Services Division, to take the necessary steps to improve the fill rates by the parts supplier to help reduce vehicle downtime. Steps to be taken should include, but not be limited to:
 - a. ensuring the supplier's calculation of fill rate is consistent with requirements specified in the contract
 - b. periodically reviewing the part inventory to ensure that frequently used parts are stocked to shorten vehicle turnaround time
 - c. regularly monitoring the part supplier's inventory fill rate and enforce the incentive/disincentive clause of the part contract
 - d. making sure future contracts for parts procurement incorporate an effective penalty clause to encourage contract compliance.
4. City Council request the General Manager, Fleet Services Division, to explore ways that can help reduce vehicle downtime including an assessment of:
 - a. internal staffing capacity to meet work demands
 - b. options that will help expedite service times for minor repairs, particularly for City yards with a large number of concentrated vehicles.
5. City Council request the General Manager, Fleet Services Division, to implement processes to identify and monitor repair quality issues, to reduce repeated repairs and downtime.
6. City Council request the General Manager, Fleet Services Division, to review and address the logistics issues in procuring and approving contracted maintenance and repair services to reduce vehicle downtime. Steps to be taken should include:

- a. setting customer turnaround time target for responding to service request
- b. clarifying vehicle delivery and return procedures, and providing additional guidance or communication to the divisions and garage staff
- c. negotiating with vendors to expand shuttle service to designated City yards to facilitate direct transportation of vehicles to / from vendors where feasible
- d. expediting the estimate approval process by Fleet staff
- e. improving the ease of providing vehicle maintenance history to external vendors.

7. City Council request the General Manager, Fleet Services Division, to consider running a pilot program to assess the feasibility and merits of realigning Contract Coordinator and Research Analyst shift schedules with external vendor and internal user group operating hours.

8. City Council request the General Manager, Fleet Services Division, to expedite clearing of the Division's backlog of outstanding invoice payments.

9. City Council request the General Manager, Fleet Services Division, to work with Corporate Accounts Payable to design and implement a process that balances control risks with the City's need to pay invoices in a timely manner.

10. City Council request the General Manager, Fleet Services Division, to review its contracted capacity and work demand with a goal to retain a sufficient number of qualified vendors to effectively meet its vehicle service needs.

11. City Council request the General Manager, Fleet Services Division, to monitor its external vendor spending and where opportunities are identified, initiate tendering processes to obtain more competitive rates.

12. City Council request the General Manager, Fleet Services Division, to provide additional guidance on the vendor audit process including target coverage, selection method, audit process, and results tracking, to ensure the consistency and effectiveness of the process.

13. City Council request the General Manager, Fleet Services Division, to take steps to maximize warranty claims for parts and labour costs. Steps to be taken should include, but not be limited to:

- a. setting a performance target for warranty claims and periodically measuring warranty effort against the target
- b. allocating appropriate staff resources to adequately review and monitor the parts supplier's administration of aftermarket part and labour warranty claims

- c. making sure the warranty data in M5 are accurate and complete
- d. providing training to Fleet maintenance staff on policies and procedures pertaining to warranty claims.

14. 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 recommendations that are relevant to their respective operations.

FINANCIAL IMPACT

The implementation of recommendations in this report will likely result in reduced downtime for City vehicles and equipment as well as savings from better parts and labour warranty claim process. The precise financial impacts from implementing the recommendations in this report are not determinable at this time.

DECISION HISTORY

The Auditor General included an audit of the Fleet Services Division in her 2018 Audit Work Plan. The objective of the audit was to assess the Division's vehicle and equipment repair and maintenance functions (current Phase One), as well as acquisition and management of the fleet inventory (Phase Two).

COMMENTS

A high level summary of the key audit findings are provided in the one-page Audit at a Glance.

The attached audit report provides the Audit Committee and members of Council with the detailed audit results and recommendations together with management's response. Management has agreed to all 14 recommendations.

CONTACT

Jane Ying, Assistant Auditor General, Auditor General's Office
Tel: 416-392-8480, Fax 416-392-3754. E-mail: Jane.Ying@toronto.ca

Claire Fang Mu, Senior Audit Manager, Auditor General's Office
Tel: 416-392-0057, Fax 416-392-3754. E-mail: Clairefang.Mu@toronto.ca

SIGNATURE

Beverly Romeo-Beehler
Auditor General

ATTACHMENT

Attachment 1: Fleet Services Operational Review - Phase One: Lengthy Downtime
Requires Immediate Attention