

## **Fleet Services Operational Review, Phase Two – Stronger Asset Management Needed**

**Date:** October 10, 2019

**To:** Audit Committee

**From:** Auditor General

**Wards:** All

### **SUMMARY**

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This report presents the results of Phase Two of the Auditor General's operational review of the Fleet Services Division. The objective of this review was to assess the Division's asset management practices of the City's fleet.

A separate Phase One report, titled "Fleet Services Operational Review - Phase One: Lengthy Downtime Requires Immediate Attention", was presented to the Audit Committee on May 3, 2019.

The key findings from the audit are:

1. The City's fleet often remains in operation for longer than optimal, which increases the risk of failure and costly repairs. New units should be procured on a timely basis to ensure that replacements arrive when needed.
2. Fleet Services should strengthen its decision-making processes to ensure that vehicles near their end of life remain in operation for only as long as economical to the City. This includes supplementing its analysis to flag units for disposal, improving the quality of vehicle condition assessments, and removing units that have been redeployed for extended periods of time.
3. Improving the logistics for rental vehicles will reduce the delays in pick-up and drop off. These delays are currently costing the City \$79,000 per year in rental costs for units that are not in operation. Additionally, the City could have saved an estimated \$45,000 per year by purchasing certain units that have been rented for prolonged periods of time.
4. New vehicles usually come with standard manufacturer warranty. This warranty was not always being taken advantage of, resulting in unnecessary costs. Many improvements are needed. Strengthening the processes in this area will help Fleet to realize additional warranty claim opportunities.

5. The City needs a central oversight function in Fleet Services to ensure the most economical decision making for the City as a whole. The City manager should examine Fleet Services' role, responsibilities, and authority in order to enable it to act effectively as a steward of the City's fleet assets.

This report provides 20 recommendations to help achieve efficiencies, improve warranty administration, and strengthen oversight of the City's fleet assets.

## **RECOMMENDATIONS**

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The Auditor General recommends that:

1. City Council request the General Manager, Fleet Services Division, to revise the timing for replacement vehicle purchases to take into account the time required to acquire complex and specialized units.
2. City Council request the City Manager, in consultation with the General Manager, Fleet Services Division, to take steps to assess and where needed, address the vehicle replacement backlog to prevent expensive repairs towards the end of a unit's life span.
3. City Council request the General Manager, Fleet Services Division, to assess the tendering needs for heavy duty units and where feasible, streamline the procurement process through the use of multi-year contracts.
4. City Council request the General Manager, Fleet Services Division, to take steps to improve the consistency and reliability of its decision-making process for vehicles at or near the end of life, including:
  - a. Supplementing the lifecycle cost analysis with vehicle condition assessments (PMVs); and
  - b. Revising the PMV form, process, timing and frequency of vehicle condition assessments to better inform asset replacement decisions.
5. City Council request the General Manager, Fleet Services Division, to develop a policy to formalize the process for declaring units beyond economic repair, including the threshold and the criteria to consider, and required level of documentation.
6. City Council request the General Manager, Fleet Services Division, to take steps to review and address the issue of extended redeployment. Steps to be taken should include, but not be limited to:
  - a. Consistently tracking all relevant redeployment information;
  - b. Reviewing business cases to ensure proper justification is provided for redeployments; and
  - c. Regularly monitoring redeployed assets and removing them when it is no longer economical to keep them in service.

7. City Council request the City Manager to forward this report to Division Heads and request them to review their respective use of redeployment assets to ensure they are still operationally effective and economical.

8. City Council request the General Manager, Fleet Services Division, to take steps to improve management of the City's fleet inventory, including:

- a. Perform inventory reviews on a regular basis moving forward;
- b. Revise the process to receive ongoing inventory information updates for greater efficiency, and ensure that user groups have a clear understanding of expectations and the process;
- c. Work with user groups to ensure that Fleet Services is notified of inventory changes as they occur;
- d. Work with user groups to improve physical inventory management practices, particularly for attachments and other off-road equipment which may have a higher risk of loss; and
- e. Ensure appropriate document retention practices for vehicle returns and disposals.

9. City Council request the General Manager, Fleet Services Division, to formalize communication channels between Fleet Maintenance and Fleet Asset Management, particularly relating to acquisition and disposal of fleet assets.

10. City Council request the City Manager, in consultation with the General Manager, Fleet Services Division, to establish formal communication channels to ensure that operating requirements of user groups both at the frontline and leadership level are clearly communicated to Fleet Services Division in a timely manner.

11. City Council request the General Manager, Fleet Services Division, to revise rental vehicle processes with a view to minimizing unnecessary costs, including:

- a. Streamline pick-up and drop-off logistics to minimize delays and unnecessary costs;
- b. Explore opportunities to increase coverage of rental duties;
- c. Analyze and monitor rentals regularly, including length of time rented, to ensure that rental decisions are economical to the City; and
- d. Explore opportunities to identify and minimize low utilization rental vehicles.

12. City Council request the General Manager, Fleet Services Division, to provide garage staff and vehicle operators with contact information of available free roadside assistance services and guidance on when to use this program.

13. City Council request the General Manager, Fleet Services Division, to take steps to strengthen vehicle warranty administration. Such steps should include but not be limited to:

- a. Ensuring all warranty information for vehicles, equipment, and related add-ons and attachments are entered into the M5 system in a timely manner;
- b. Establishing a threshold to guide garage staff on when to pursue warranty claims, considering both downtime and repair costs; and
- c. Ensuring work order notes contain sufficient details and evidence to allow staff to effectively pursue warranty claims.

14. City Council request the General Manager, Fleet Services Division, to revise the warranty administration reporting structure to allow effective communication of warranty related issues to Asset Management.

15. City Council request the General Manager, Fleet Services Division, to utilize the Warranty Claims Manager module in the M5 system to automate the tracking and reporting of warranty claims.

16. City Council request the General Manager, Fleet Services Division, to track warranty work order statuses and periodically review work orders for missed warranty opportunities.

17. City Council request the General Manager, Fleet Services Division, to establish internal warranty claim submission and success rate targets, and to measure and report actual performance against these targets.

18. City Council request the General Manager, Fleet Services Division, to take steps to establish service agreements with its warranty service providers at the time of procurement, to ensure timely and uninterrupted maintenance for vehicles requiring service above and beyond its warranty coverage.

19. City Council request the City Manager, in consultation with the General Manager, Fleet Services Division, to take steps to effectively identify, report, and deter damages caused from operating without care to avoid unnecessary costs to the City.

20. City Council request the City Manager to consider the appropriate role of Fleet Services in the management and oversight of the City's fleet assets, and provide the Fleet Services Division with authority to act accordingly.

## **FINANCIAL IMPACT**

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The implementation of recommendations in this report will improve the management of the City's fleet assets, and will likely result in cost savings from improved warranty administration and reduced operating costs. The precise financial impact is not determinable at this time.

## **DECISION HISTORY**

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The Auditor General included an audit of Fleet Services Division in her 2018 Audit Work Plan. The work plan is available at:

<https://www.toronto.ca/legdocs/mmis/2017/au/bgrd/backgroundfile-107813.pdf>

The objective of the audit was to assess the effectiveness, efficiency, and economy of the Fleet Services Division's operations.

## **COMMENTS**

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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 20 recommendations.

## **CONTACT**

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## **SIGNATURE**

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Beverly Romeo-Beehler  
Auditor General

## **ATTACHMENT**

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Attachment 1: Fleet Services Operational Review, Phase Two – Stronger Asset Management Needed