Fleet Services Operational Review – Phase Two
Stronger Asset Management Needed

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Asset Management Activities in Fleet Services (Phase 2)

- Fleet Services
  - Asset Management
    - Procurement
    - Disposal
  - Maintenance
    - Ongoing assessment of vehicle conditions
  - Contract Services
    - Warranty
    - Rental
A. Better Procurement Planning Needed

• Vehicle procurement lead time varies widely:

<table>
<thead>
<tr>
<th></th>
<th>Light Duty (More Standardized)</th>
<th>Heavy Duty (More Customized)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract available</td>
<td>6-8 months</td>
<td>1-1.5 years</td>
</tr>
<tr>
<td>No contract</td>
<td>1 year</td>
<td>2-3 years</td>
</tr>
</tbody>
</table>

• Vehicles may not arrive until more than a year later than recommended replacement timelines.
A. Better Procurement Planning Needed

- Staff often have to keep vehicles in operations past their expected useful life due to procurement delays, incurring costly maintenance.

<table>
<thead>
<tr>
<th>Vehicle Type</th>
<th>Annual Cost</th>
<th></th>
<th></th>
<th>Difference ($)</th>
<th>Difference (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>During</td>
<td>Past</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Expected Life</td>
<td>Expected Life</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Light Duty</td>
<td>$2,450</td>
<td>$2,650</td>
<td>$200</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>Medium Duty</td>
<td>$4,400</td>
<td>$6,450</td>
<td>$2,050</td>
<td>47%</td>
<td></td>
</tr>
<tr>
<td>Heavy Duty</td>
<td>$12,500</td>
<td>$18,200</td>
<td>$5,700</td>
<td>46%</td>
<td></td>
</tr>
</tbody>
</table>

- Procurement should begin earlier depending on the type of vehicle to provide sufficient lead time.
A. Better Procurement Planning Needed

• The City spent $875,000 to keep 69 units on the road in their final year of service, only to sell them for $428,000 within a year.

• Some examples are shown below:

<table>
<thead>
<tr>
<th>Unit #</th>
<th>Final Year Repair Cost</th>
<th>Sale Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit #1</td>
<td>$50,873</td>
<td>$3,865</td>
</tr>
<tr>
<td>Unit #2</td>
<td>$42,688</td>
<td>$6,290</td>
</tr>
<tr>
<td>Unit #3</td>
<td>$39,107</td>
<td>$3,349</td>
</tr>
</tbody>
</table>

• We did not identify any potentially inappropriate activity. Rather, the costs were incurred to meet operational needs while waiting for replacement vehicles to arrive.
B. Improve End of Life Decision-making

1. Better process needed to flag vehicles for disposal

The data-driven process is not always reliable.

Current vehicle condition assessments need improving, in timing, quality, and documentation.
B. Improve End of Life Decision-making

2. Lack of standard practices in removing vehicles from service when too costly to fix (“beyond economic repairs”)

- Too often, these decisions were made too late
- Half of the time, at the time of disposal, vehicles have incurred life-time maintenances costs in excess of their purchase cost
B. Improve End of Life Decision-making

3. Stronger oversight needed for vehicle redeployments

- 164 out of 333 (49%) vehicles have been redeployed for > 3 years
- Many of them should have been disposed much sooner
- Only 38 out of 450 redeployment requests were kept on file.
C. Maintain an Accurate Inventory

As of July 2019, there were 101 units in the City’s fleet inventory unaccounted for. The total cost of these units was $1.9 million.
D. Improve Rental Process and Oversight

1. Staff should improve rental pick-up/drop-off logistics to eliminate delays and unnecessary costs

   • City pays $30 per day in rental charges regardless of whether the vehicle is being used

Diagram:
- Delivery by Vendor: 7 day delay
- Pickup by User
- Fleet Informs Vendor
- Return by User: 1 day delay

$79k/yr in idling rental costs
D. Improve Rental Process and Oversight

2. Lack of monitoring of repeated rentals resulted in uneconomical decisions for the City

- 27 cases since 2010 where users rented vehicles from 2 to 6 years.

<table>
<thead>
<tr>
<th>Division</th>
<th>Number of times</th>
<th>Avg. years rented</th>
<th>Cost to rent (actual)</th>
<th>Cost to buy* (projected)</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parks, Forestry &amp; Recreation</td>
<td>11</td>
<td>3.30</td>
<td>$410,000</td>
<td>$261,000</td>
<td>$149,000</td>
</tr>
<tr>
<td>Toronto Water</td>
<td>8</td>
<td>2.84</td>
<td>324,000</td>
<td>176,000</td>
<td>148,000</td>
</tr>
<tr>
<td>Transportation Services</td>
<td>3</td>
<td>2.93</td>
<td>92,000</td>
<td>37,000</td>
<td>55,000</td>
</tr>
<tr>
<td>Facilities Mgmt. &amp; Real Estate</td>
<td>2</td>
<td>3.45</td>
<td>90,000</td>
<td>53,000</td>
<td>37,000</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
<td>2.57</td>
<td>74,000</td>
<td>32,000</td>
<td>42,000</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>27</strong></td>
<td></td>
<td><strong>990,000</strong></td>
<td><strong>559,000</strong></td>
<td><strong>431,000</strong></td>
</tr>
</tbody>
</table>

- Savings could be higher if analysis includes repeated rentals by different operating units within a division or City-wide.
D. Improve Rental Process and Oversight

Example of a repeated rental

- Savings from purchasing the vehicle: $18,000+
- Vehicle has been rented since July 2015. As of October 9, the vehicle is still active
E. Strengthen Warranty Administration

1. Set performance targets
2. Analyze denied warranties
3. Identify missed warranty opportunities
4. Revise staff reporting structure
5. Establish warranty threshold
6. Improve information in M5
7. Use Warranty Claims Manager
F. Strengthen Fleet’s Central Oversight Role

• The City needs an overseer with an organization-wide perspective to manage its fleet assets effectively

In our view, it is important that Fleet Services move from playing an administrator’s role to driving policies and decisions and to overseeing user groups to ensure compliance.
Repairs due to “Negligence /Vandalism”
Not All Operators Handle Their Vehicles with Care

$2.8M (7.8%) of all repairs due to operator error or unreported accidents over 18 months

Work Order Date: May 25, 2018 -
“Excessive salt build-up” per mechanic notes
Cost Per Repair Comparison

negligence/vandalism: $467

other repairs: $252

85% higher
Driver’s Manual Requires Weekly Cleaning of City Vehicles

“Good housekeeping practices must also be maintained by keeping the interior and exterior of the vehicles reasonably clean.”

“Whenever possible, vehicles should be given an exterior wash, at a wash bay, at least once per week. All vehicles should be washed when bringing the vehicle in for service, especially the undercarriages.”
Some Divisions Require Cleaning Prior to Each Shift

"Blow out dust and remove any debris from radiator, engine compartment/exhaust, from under the lifting arms, etc. (and leave clean for next shift)"

"Clean and service equipment at end of each day"

PF&R Parks Branch Operations Handbook
Example #1

Garbage packed up underneath cylinder causing damage

Two damaged cylinders cost $40,650 to repair
Example #2

A dump truck came on August 8, 2019 for the end of season maintenance, “still covered in salt”

– M5 job notes
Example #3

“Debris laying against the cooling package that has accumulated over time”
– Garage Staff
Garage Staff Notify the Supervisor of the Vehicle Operator When They See Negligence / Vandalism

“ask for your help to reinforce with your staff the importance of cleaning the equipment”

“This repair may not have been needed with proper cleaning & care”

“most of our heavy equipment is not being cleaned properly on a regular basis”
City-Wide Oversight Needed

• Current practice: Fleet notifies and bills user groups for negligence /vandalism monthly.

• AG’s Recommendation: The City Manager should implement a process to effectively identify, report, and deter vehicle damages resulting from operating vehicles without care.

• Every 10% reduction in negligence / vandalism represents $180,000 in cost savings to the City.
Conclusion

• The report provides **20 recommendations** to
  • help improve procurement planning,
  • ensure consistent and economical end-of-life decision making,
  • improve rental processes and oversight,
  • and strengthen warranty administration.

• Some changes will result in cost savings, and an overseer role for Fleet will help ensure the most economical solution for the City as a whole.