

# AUDITOR GENERAL TORONTO

## AUDIT AT A GLANCE

### Audit of Winter Road Maintenance Program – Leveraging Technology and Improving Design and Management of Contracts to Achieve Service Level Outcomes

#### WHY THIS AUDIT MATTERS

Because the contractors perform the majority of winter road maintenance activities for the City, it is critical that the Division properly designs and manages the contracts. If contractors do not meet their required service levels during winter snow events, the Division may not be able to ensure public and road safety and the transportation network's reliability.

#### BY THE NUMBERS

- **\$90M:** 2019/20 annual budget for winter road maintenance program
- **\$411M:** total amount spent in last 5 years on winter road maintenance for the City
- **7 days:** average days with snowfall > 5 cm in Toronto
- **57% or \$47M:** of annual budget spent on average for contractors' standby payments
- **\$237M:** total amount spent in last 5 years for contractors' standby payments
- **\$24M:** estimated amount that could have been saved over 5 years if express terms of contract applied to standby payments, so that standby not paid in addition to working time payments for the same hours of work
- **\$7.1M:** estimated overpayment over 5 years to contractors for work not performed as required
- **27% (227 of 850):** % of GPS devices sampled that were not functioning
- **153:** # of GPS devices inactive since 2019 or before, and still paid, for an estimated cost of \$50,000 over 5 years.

#### HOW RECOMMENDATIONS WILL BENEFIT THE CITY

Implementing the recommendations will help to modernize Transportation Services' management of winter operations, including improving the efficiency and effectiveness of the winter road maintenance program, resolving contract management and contractor performance issues, and measuring and meeting the Council-approved service levels.

#### WHAT WE FOUND

##### A – Using Technology to its Fullest Potential

Inefficient manual processes at the Division have resulted in errors, poor documentation, and contractor performance issues not being identified and monitored closely. The Division can more efficiently and effectively manage the contracts and service levels by fully leveraging GPS technology and modernizing its processes.

##### B – Contract Management Needs Improving

###### a) Issues with Contractor Performance:

- Late starts
- Claiming more hours than worked
- Excessive stop times

###### Total Estimated Financial Impact of Audit Issues

Type of issue	Instances out of 850 Samples	%	Projected over 5 years
Late starts	83	10%	\$3.8M
Claimed more hours than worked	171	20%	\$1.2M
Excessive stop time	178	21%	\$1.3M
Vehicle not available for operations	17	2%	\$0.8M
GPS not working	227	27%	
Call-out time not documented	447	53%	
Inaccurate departure and return	213	25%	
Other issues	295	35%	
<b>Total instances</b>	<b>1631</b>		
GPS vendor billing errors			\$0.05M
Estimated Financial impact of standby issue			\$24M
<b>Total estimated financial</b>			<b>\$31M</b>

*\*Samples included individual salting and plowing trips, and standby payments for selected days.*

###### b) Contract Requirements Need to be Clear regarding:

- responsibilities and timelines for reporting and resolving GPS issues
- reasonable stop and break times
- liquidated damages

###### c) Verification of Work and Monitoring of Contracts:

- Use GPS information and verify contractor's work before payment
- Use standardized processes to monitor contracts and apply liquidated damages
- Manage and apply the express terms of the contract, including the standby payment provisions

##### C – Key Performance Indicators (KPIs) Not Tracked

Service is not measured against KPIs to ensure service outcomes approved by City Council are achieved. There is a need to develop KPIs to measure outcomes to ensure contractors meet the required service levels.