



Office of the Auditor General / Bureau du vérificateur général

**AUDIT OF COSTS RELATED TO THE PROPOSED
CONTRACTING-OUT OF LUBE, OIL, AND FILTER WORK**

2007

Chapter 19

**VÉRIFICATION DES COÛTS DE LA PROPOSITION VISANT À
CONFIER EN SOUS-TRAITANCE LES TRAVAUX DE VIDANGE
D'HUILE, DE LUBRIFICATION ET DE CHANGEMENT DE FILTRE**

2007

Chapitre 19

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EXECUTIVE SUMMARY

Introduction

This audit was conducted as a result of report to the Fraud and Waste Hotline. It was not originally identified in the 2007 Audit Plan that was presented to Council.

Background

In May 2007 the Office of the Auditor General received a report via the Fraud and Waste Hotline advising that the City had provided correspondence to CUPE Local 503 (the Union) regarding a proposal to outsource oil, lube, and filter work currently conducted by the City's Fleet Services staff. The report alleges that the cost estimates provided by the City are inaccurate and include costs that are not related to the work indicated.

Audit Objectives

The objectives of the audit were to determine whether:

1. The City followed the appropriate process for outsourcing, and,
2. The appropriate internal costs were included in the analysis.

Audit Scope

We investigated these issues with Labour Relations and Human Rights and Employment Equity Division, Legal Services Branch, Supply Management Division, and Fleet Services Branch. The issue relates to oil, lube, and filter work only. We investigated the process followed and reviewed only those costs provided by management to the Union in support of the outsourcing plan as well as reviewed the derivation of the loaded labour rate.

Summary of Key Findings

1. The City followed the appropriate process in its plan to outsource the oil, lube, and filter work currently done internally.
2. The information provided to the Union supporting the City's plan to outsource the work contained unrelated costs.
3. There were errors in the work orders for the above work which maintenance supervisors did not discover. Consequently, staff could be charging costs to work orders after the supervisors have reviewed them and the M5 system has inadequate internal controls to prevent this.
4. There does not appear to be a consistent review done when excessive time is charged to a work order, as there were multiple examples of this in the sample reviewed.

Recommendations and Management Responses

Recommendation 1

That management ensure that information used to make decisions and to inform the Union is applicable and accurate.

Management Response

Management agrees with this recommendation.

Review and correction of data commented on by the Auditor did not result in material change to the cost of oil, lube and filter work. Therefore, the cost for oil, lube and filter work submitted by the City has fulfilled the obligation under the Collective Agreement to supply the Union with meaningful data for them to construct an alternate proposal to be submitted to the Director. Management will continue to provide meaningful data to the Union.

Recommendation 2

That Fleet Services instruct maintenance supervisors to review all work orders thoroughly prior to closing them.

Management Response

Management agrees with this recommendation.

The sample reviewed by the Auditor showed an acceptable error rate of 0.2%, which represents less than 0.7% of Municipal Fleet Maintenance division's annual business. Supervisors are presently following the procedure recommended by the Auditor. Fleet Services also provides additional processes that would catch any significant errors such as monthly billing reports and quarterly reports to clients.

Recommendation 3

That Fleet Services instruct mechanics to charge work to a line item on a work order that only pertains to that line item and to charge break time to a non-productive time account rather than a line number on a work order.

Management Response

Management agrees that work charged to a line time should only pertain to that line item. On-going education and training of technicians continues to reinforce that process.

Management disagrees that break times should be charged to a non-productive time account rather than a line number on a work order. This issue was reviewed at amalgamation and it was determined to be a best practice to charge break time to the work in progress as opposed to the extra work of signing off and back on to the job.

Recommendation 4

That Fleet Services ensure that if excessive time is taken to do certain work, maintenance supervisors discuss the problem with the applicable mechanic.

Management Response

Management agrees with this recommendation.

This is part of the current process and will be more closely monitored in the future.

Recommendation 5

That the City consider modifying the M5 system so that if a work order has been modified after it is closed, it is automatically forwarded to the maintenance supervisor for review and approval.

Management Response

Management disagrees with this recommendation.

All access to M5 is password protected, once a work order is closed it is impossible to change any of the original information. Currently, additions can be made for parts, labour, and external repairs. When additions take place, M5 provides an auditing function, which forces the user to provide the reason for the addition which M5 records. Further, the M5 will also record the date and the user's name.

Fleet Services Branch will run this audit report monthly and will submit the results to the appropriate manager for scrutiny and follow-up. The M5 system has been modified so that labour additions can only be made by a supervisor; thus removing the risk. With respect to external repairs, additions occur very rarely.

Staff also consulted with Maximus Asset Solutions, the City's M5 supplier. The supplier indicated that this is not a common practice in the industry and was the first time that this request had been made in North America. Therefore, costs would be required to engage Maximus in providing a quotation on the required work for the system. Given the current built in protections in the M5 system, no further costing has been explored.

Recommendation 6

That Fleet Services Branch review the inaccuracy of the recording of oil usage to determine how broad it is and what its impact is on lubricant balances and reconciliations and determine whether an alternate approach would be more accurate.

Management Response

Management agrees with this recommendation.

Municipal Fleet Maintenance and Automotive Stores will review the recording of oil usage and the reconciliation process and will determine the appropriate approach to ensure adequate balance and reconciliation before the end of Q1 2008.

Conclusion

The City plans to outsource the oil, lube, and filter work currently done internal by City mechanics who are members of CUPE Local 503.

The City followed the appropriate process for obtaining external costs and notifying the Union of its intentions including cost information and rationale. However, the information provided to the Union contained costs that did not pertain to the work in question. In addition, the work orders supporting the information provided to the Union indicated that there were inconsistencies and potential errors in recording the internal costs of the work.

Other issues were identified in the audit which relate to accuracy of recording costs to work orders, their review by supervision and the internal controls provided by the M5 system.

Acknowledgement

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.

RÉSUMÉ

Introduction

La présente vérification fait suite à la réception d'un rapport adressé à la Ligne directe fraude et abus et ne figure pas dans le plan de vérification de 2007 soumis au Conseil municipal.

Contexte

En mai 2007, le Bureau du vérificateur général a reçu, par l'entremise de la Ligne directe fraude et abus, un rapport alléguant que la Ville aurait transmis des renseignements à la section locale 503 du Syndicat canadien de la fonction publique (SCFP) concernant une proposition visant à confier en sous-traitance les travaux de vidange d'huile, de lubrification et de changement de filtre qui sont actuellement effectués par le personnel de Services du parc automobile de la Ville. Selon le rapport, les devis estimatifs fournis par la Ville sont inexacts et incluent des coûts qui n'ont aucun rapport avec les travaux en question.

Objectifs de la vérification

La présente vérification avait pour objectifs de déterminer :

1. si la Ville a suivi le processus approprié en matière de sous-traitance;
2. si les coûts internes contenus dans la proposition sont exacts.

Portée de la vérification

Nous avons fait enquête sur ces questions auprès de la Division de relations de travail et droits de la personne et équité en matière d'emploi, Direction des services juridiques, Division de la gestion de l'approvisionnement et de la Direction des services du parc automobile. La présente vérification porte uniquement sur les travaux de vidange d'huile, de lubrification et de changement de filtre. Nous avons fait enquête sur le processus suivi et n'avons examiné que les coûts fournis par la Ville au SCFP au sujet du projet de sous-traitance. Nous nous sommes également penchés sur le calcul des frais de main-d'œuvre spécialisés.

Sommaire des principales constatations

1. La Ville a suivi le processus approprié pour son projet visant à confier en sous-traitance les travaux de vidange d'huile, de lubrification et de changement de filtre actuellement effectués par le personnel municipal.
2. Les renseignements fournis au SCFP à propos du projet de sous-traitance comprenaient des coûts qui ne concernaient pas les travaux.
3. Les ordres de travail touchant les travaux susmentionnés comportaient des erreurs qui n'ont pas été relevées par les superviseurs de l'entretien. Par contre, le personnel

pourrait ajouter des coûts aux ordres de travail après que les superviseurs les ont examinés, et le système M5 n'est pas muni de fonctions de surveillance interne adéquates qui permettent d'empêcher cela.

4. Il ne semble pas qu'un examen soit réalisé chaque fois qu'un nombre excessif d'heures travaillées est inscrit à un ordre de travail, car de nombreux cas de ce genre ont été trouvés dans l'échantillon examiné.

Recommandations et réponses de la direction

Recommandation 1

Que la direction veuille à ce que les renseignements utilisés pour prendre des décisions et informer le SCFP soient pertinents et exacts.

Réponse de la direction

La direction est d'accord avec cette recommandation.

L'examen et la correction des données qui ont fait l'objet de commentaires de la part du vérificateur n'ont pas mené à des changements concrets aux coûts des travaux de vidange d'huile, de lubrification et de changement de filtre. Par conséquent, la Ville a tout de même rempli son obligation, aux termes de la convention collective, de fournir au SCFP des données valables permettant à ce dernier de préparer et de soumettre au directeur une proposition concurrente pour la réalisation des travaux. La direction continuera de fournir au SCFP des renseignements valables.

Recommandation 2

Que la Direction des services du parc automobile donne aux superviseurs de l'entretien la consigne d'examiner attentivement tous les ordres de travail avant de les fermer.

Réponse de la direction

La direction est d'accord avec cette recommandation.

Dans l'échantillon examiné, le vérificateur général a relevé un taux d'erreur acceptable de 0,2 p. 100, ce qui est inférieur au taux d'erreur annuel de 0,7 p. 100 de la Division de l'entretien du parc automobile municipal. À l'heure actuelle, les superviseurs suivent la procédure recommandée par le vérificateur. En outre, d'autres processus mis en place par Services du parc automobile permettent de repérer toute erreur significative, notamment dans les rapports de facturation mensuels et les rapports trimestriels aux clients.

Recommandation 3

Que la Direction des services du parc automobile donne aux mécaniciens la consigne de s'assurer que tout travail inscrit dans un champ de l'ordre de travail se rapporte

uniquement à ce champ et que les pauses soient imputées à un compte de temps improductif plutôt que de faire l'objet d'un point distinct de l'ordre de travail.

Réponse de la direction

La direction est d'accord avec le fait que tout travail inscrit dans un champ de l'ordre de travail devrait se rapporter uniquement à ce champ. La sensibilisation et la formation des mécaniciens à cet égard se poursuit.

La direction n'est pas d'accord pour comptabiliser les pauses à titre de temps non productif plutôt que de les inscrire dans un champ de l'ordre de travail. Cette question a été examinée lors de la fusion et il a été déterminé que la méthode à privilégier consistait à imputer les pauses aux travaux en cours plutôt que de noter chaque fois l'heure à laquelle l'employé prend sa pause et l'heure à laquelle il revient.

Recommandation 4

Que la Direction des services du parc automobile veille à ce que si un nombre excessif d'heures est employé pour un travail en particulier, que les superviseurs de l'entretien rencontrent le mécanicien en cause pour en discuter.

Réponse de la direction

La direction est d'accord avec cette recommandation.

Cette façon de procéder est en vigueur et fera l'objet d'une surveillance accrue à l'avenir.

Recommandation 5

Que la Ville considère la modification du système M5, de sorte qu'un ordre de travail fermé qui a été modifié soit automatiquement soumis à l'examen et à l'approbation du superviseur de l'entretien.

Réponse de la direction

La direction n'est pas d'accord avec cette recommandation.

Le système M5 est accessible au moyen d'un mot de passe et une fois l'ordre de travail fermé, il est impossible de modifier les données qui y ont été inscrites à l'origine. À l'heure actuelle, seuls des ajouts concernant les pièces, la main-d'œuvre et les réparations externes peuvent être faits aux ordres de travail et, dans ce cas, M5 fournit une fonction de vérification qui oblige l'utilisateur à justifier cet ajout. Ces renseignements, de même que la date et le nom de l'utilisateur, sont consignés dans le système.

Le personnel de Services du parc automobile exécutera tous les mois le rapport de vérification et en présentera les constatations au gestionnaire pertinent, qui les examinera et y donnera suite. Le système M5 a été modifié pour que les ajouts relatifs

à la main-d'œuvre ne puissent être faits que par un superviseur, ce qui élimine les risques. Les ajouts concernant des réparations externes sont très rares.

Par ailleurs, le personnel municipal a consulté le fournisseur du système M5 de la Ville, Maximus Asset Solutions. Selon cette entreprise, la pratique mentionnée n'est pas courante dans l'industrie et c'est la première fois qu'une telle demande est faite en Amérique du Nord. Par conséquent, la fourniture par Maximus Asset Solutions d'une offre de prix pour la réalisation des travaux entraînerait des coûts pour la Ville. Vu les fonctions de protection actuelles du système M5, aucun autre coût n'a été évalué.

Recommandation 6

Que la Direction des services du parc automobile passe en revue les erreurs sur l'utilisation d'huile consignées dans le système soient examinées afin de calculer leur taux de fréquence et de déterminer si elles se répercutent sur le solde des huiles de graissage et le rapprochement des comptes et s'il est nécessaire d'envisager une méthode plus rigoureuse.

Réponse de la direction

La direction est d'accord avec cette recommandation.

La Division de l'entretien du parc automobile municipal et la Section des magasins de produits automobiles examineront les données sur l'utilisation d'huile ainsi que le processus de rapprochement des comptes utilisé et détermineront la méthode à utiliser pour veiller à ce que les comptes soient équilibrés, et ce, avant la fin du premier trimestre de 2008.

Conclusion

La Ville entend confier en sous-traitance les travaux de vidange d'huile, de lubrification et de changement de filtre actuellement effectués par des mécaniciens de la Ville qui sont membres de la section locale 503 du Syndicat canadien de la fonction publique

La Ville a suivi le processus approprié afin d'obtenir le coût de ces travaux à l'externe et d'aviser le SCFP de ses intentions notamment en lui fournissant des renseignements sur le prix et les raisons de sa décision. Les renseignements transmis au syndicat contenaient cependant des coûts qui ne se rapportaient pas aux travaux en question. En outre, les ordres de travail justifiant l'information soumise au syndicat ont révélé des incohérences et des erreurs potentielles dans la consignation des coûts internes associés aux travaux.

D'autres questions ont été soulevées au cours de la présente vérification, notamment l'exactitude des coûts inscrits dans les ordres de travail, leur examen par les superviseurs et les fonctions de surveillance interne du système M5.

Remerciements

Nous tenons à remercier la direction de sa bienveillante collaboration et de l'aide qu'elle a apportée à l'équipe de vérification.

1 INTRODUCTION

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2 BACKGROUND

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3 AUDIT OBJECTIVES

The objectives of the audit were to determine whether:

1. The City followed the appropriate process for outsourcing, and,
2. The appropriate internal costs were included in the analysis.

4 AUDIT SCOPE

We investigated these issues with Labour Relations and Human Rights and Employment Equity Division, Legal Services Branch, Supply Management Division, and Fleet Services Branch. The issue relates to oil, lube, and filter work only. We investigated the process followed and reviewed only those costs provided by management to the Union in support of the outsourcing plan as well as reviewed the derivation of the loaded labour rate.

5 APPROACH

Our approach was as follows:

1. Conducted interviews in the following areas:
 - a) Interviewed Labour Relations and Human Rights and Employment Equity Division to determine if the process followed was in accordance with the Collective Agreement;
 - b) Interviewed Legal Services Branch with respect to the same items in a) above to obtain their perspective;
 - c) Interviewed Supply Management Division to determine whether the appropriate process was followed for the contemplated outsourcing;
 - d) Interviewed Fleet Services Branch staff to establish the methodology used to calculate the internal costs; and,

- e) Interviewed the Union to determine the issues from their perspective and to understand their alternate proposal.
2. Obtained and reviewed a copy of the applicable clauses of the Collective Agreement;
3. Obtained and reviewed the Request for Tender for the planned outsourcing;
4. Obtained, reviewed and analyzed the information provided to the Union by the City; and,
5. Obtained samples of work orders used in the calculations and examined and analyze their content.

6 DETAILED OBSERVATIONS, FINDINGS, AND RECOMMENDATIONS

Our detailed findings are grouped into the following areas:

1. Did the City follow the appropriate process for outsourcing?
2. Were the appropriate internal costs included in the analysis?

6.1 Did the City follow the appropriate process for outsourcing?

Observations

Article 22 of the Collective Agreement allows the City to outsource work, provided that it does not result in a layoff or reduction of hours of members of the bargaining unit. The Article goes on to require that before the work is outsourced, the City is to provide two months notice along with all relevant and available information, specifications, costs, and rationale concerning the proposed contracting out so that the Union has the opportunity to submit a written proposal to the Director responsible for the work or services.

A Request for Tender (RFT) closed on October 11, 2006 asking for bids to do oil, lube, filter and A and B inspections. The low bid responses were \$28.99 and \$29.95 for the work with Class A and B inspections for cars and trucks, respectively. On the date this audit commenced, the City had not awarded the tender. On February 27, 2007 and March 30, 2007, the City submitted information to the Union containing the underlying costs and rationale on oil, lube, and filter work that it was considering outsourcing. The Union responded on May 29, 2007, stating that the information was insufficient for them to properly understand the rationale and requesting a meeting with the Director to discuss the matter further. The Union's response went on to dispute the accuracy of the costs.

The preparation of the RFT was in conformance with the City's policy for letting this type of work to an outside firm. Notification to the Union met the requirements of the Article 22 of the Collective Agreement.

6.2 Were appropriate internal costs included in the analysis and provided to the Union?

Observations

We obtained a copy of the document sent to the Union containing the costs, which Fleet Services attributed to oil, lube, and filter work. This document purported that the average internal cost for this work was \$115.53, consisting of an average of \$34.80 for parts and 1.17 hours, or \$80.73 for labour at a rate of \$69 per hour. We verified the calculations in the summary and determined that the average labour was \$80.27 and average material was \$34.56, for a total average cost per the summary list of \$114.83.

The summary list of work orders supporting the calculations was examined, and it was determined that there were 147 work orders. We selected a sample of 7 work orders from the list consisting of all work orders with oil, lube, and filter parts \$100 or greater, and selected a sample of 12 from the remaining 140 items. From the first sample, we examined the parts charged to oil, lube and filter work and excluded from them parts that were clearly not oil, lube, and filter parts. It should be noted that labour for work clearly not related to oil, lube, and filter was charged to the same line item as the oil, lube and filter work, and therefore the total and average costs for oil, lube and filter work could not be determined for this sample.

Table 1: Sample of Work Orders \geq \$100

Unit #	Work Order #	Oil, Lube Labour Hrs ¹	Oil, Lube Labour Cost ¹	Oil, Lube Parts Cost	Total Oil, Lube Cost ¹	Non Oil Lube Labour Cost ¹	Non Oil Lube Parts Cost	Commercial Cost	Total Non Oil, Lube Cost ¹	Total Work Order Cost
Sample of 7										
A1-1031	108235			43.87			206.51	756.59		3188.97
A1-1034	109388			42.61			2536.71	212.54		4300.66
A1-1035	109397			91.52			1796.85	256.45		3364.97
A1-1132	110543			43.98			3150.29	548.42		4599.44
A1-1301	114791			41.33			615.95	0		903.38
A1-1304	110095			20.63			270.39	0		578.37
A2-9923	99091	0.60	40.25	117.98	158.23	200.10	121.25	0	321.35	479.58

Note: 1. Oil, lube labour hours and cost not determinable due to other work charged into same line item.

In the second set of samples, we determined that five work orders were for oil, lube, filter, A or B inspection and fluid top-ups only. The labour hours for these ranged from 0.6 to 2.1 with an average of 1.38 hours or \$41.40 to \$144.90, while parts including top-ups, ranged from \$9.25 to \$18.66. For these five work orders, there was overall average of \$95.22 for labour and \$11.98 for parts, for a total average cost of \$107.20. The average for the total sample of 12 work orders below was 1.63 hours labour or \$112.51 and \$14.08 for parts and top-ups for a total average of \$126.59.

Table 2: Sample of Remaining Work Orders

Work Order	Labour hour	Labour \$	Oil & top-up Materials	Total Lube oil \$	Non lube Labour	Non lube Material	Commercial Charges	Total Materials	Total Labour	Total w.o.
112987	2.3	158.70	41.17	199.87	305.90	117.70	0.00	158.87	464.60	623.47
98398	2.4	165.60	10.96	176.56	219.65	88.55	228.31	99.51	385.25	713.07
118754	2.4	165.60	14.96	180.56	51.75	105.76	0.00	120.72	217.35	338.07
109670	0.9	62.10	9.69	71.79	2.30	0.00	0.00	9.69	64.40	74.09
103314	1.5	103.50	10.18	113.68	212.75	29.18	35.00	39.36	316.25	390.61
99788	2.1	143.75	9.23	152.98	0.00	0.00	44.24	9.23	143.75	197.22
108655	0.6	41.40	11.38	52.78	2.30	5.18	0.00	16.56	43.70	60.26
102569	1.3	89.70	10.18	99.88	175.95	50.30	0.00	60.48	265.65	326.13
106139	1.4	96.60	10.92	107.52	77.05	8.36	249.91	19.28	173.65	442.84
107030	1.2	81.65	10.93	92.58	0.00	0.00	0.00	10.93	81.65	92.58
104890	2.1	144.90	18.66	163.56	1.15	0.00	0.00	18.66	146.05	164.71
112526	1.4	96.60	10.70	107.30	170.20	58.10	0.00	68.80	266.80	335.60
Total	19.60	1350.10	168.96	1519.06	1219.00	463.13	557.46	632.09	2569.10	3758.65
<i>Average</i>	<i>1.63</i>	<i>112.51</i>	<i>14.08</i>	<i>126.59</i>	<i>101.58</i>	<i>38.59</i>	<i>46.46</i>	<i>52.67</i>	<i>214.09</i>	<i>313.22</i>
Range	0.6-2.4	41.40-165.60	9.23-41.17	52.78-199.87	0-305.90	0-117.70	0-249.91	9.23-158.87	43.70-464.60	60.26-713.07

We also observed that there were inaccuracies in recording on some work orders. For example, work order #109397 contained two entries of 5 litres each for synthetic oil, three entries for an oil analysis kit, and two entries for an oil filter. Management informed us that in this case, an engine with heavy sludge had to be flushed using one lot of oil and one filter, and then refilled with another lot of clean oil and one filter.

Another work order #99091 contained an entry for 47 litres of engine oil. All work orders examined except for the one with 47 litres of oil indicated that 5 litres of oil were used for each oil change, irrespective of whether the vehicle was a Chevrolet Cavalier, Ford Focus or Volkswagen Golf. Research indicated a range of 4.0-4.7 litres for a Cavalier, 3.8-4.3 litres of oil for a Focus depending on the engine. The Golf turbo diesel indicated 4.5 litres. When the amount of engine oil used is recorded inaccurately, the cost for the work is overstated and the stores inventory for oil in M5 records would be understated compared with the physical inventory. This could, at minimum, result in a reconciling problem for lubricants and in the worst case present an opportunity for misdirection of City assets.

In many work orders, repair labour to do work other than just oil, lube and filter was charged to the same line item as the oil, lube and filter work. These inaccuracies and errors in recording do not allow management's analysis of work by type to be accurate and this makes managing the Fleet Services activity more difficult.

We also determined that there was a broad range of labour time required for oil, lube, filter and inspection work for the same type of vehicle. For example, on a Cavalier, work took 0.6 hours at Clyde and 2.1 hours at Swansea; and on a Focus 0.9 hours and 1.2 hours both at Swansea. While it is not determinable from the sample, it is possible

that some of the labour is skewed due to a procedure of charging work break time to the job line number the mechanic was working on when the break occurred. If break time were charged to a non-productive account, its cost could be allocated as part of the direct overhead.

The process is for work orders to be reviewed by the maintenance supervisors before being closed. The errors in charging parts and variances in labour should be detected at that point unless the additional material costs have been charged after the work order was closed. It is our understanding that the M5 system allows changes to a work order after it is closed with a notation to that effect being carried on the work order. However, the M5 system does not notify the supervisor, Fleet Services of this activity. Many of the work orders had changes noted on them. This is a weakness in the controls in the system.

Fleet Services advised us that they have redone the calculations previously presented to the Union, and excluded the work not related to oil, lube, and filter work, but this has not materially changed the total average cost. The update was provided to Labour Relations who confirmed its receipt. As of September 4, 2007, the updated material has not been provided to the Union.

The auditor also reviewed the supporting documentation for the loaded labour rate used to cost the labour for this work including the methodology and found the following cost components included:

- Direct labour;
- Direct benefits;
- Direct supervision labour;
- Direct supervision benefits;
- Indirect materials and supplies; and,
- Indirect purchased services.

This is the same rate that is used by the Fleet Services to charge out all its work to client departments.

There was no allocation for building depreciation, heat, light, power, equipment depreciation, general corporate overhead, etc. We verified the calculations, but did not audit the input data back to source.

The costs for the work also did not contain any allocation for staff time to bring vehicles to and from the garage.

6.3 Recommendations and Management Responses

Recommendation 1

That management ensure that information used to make decisions and to inform the Union is applicable and accurate.

Management Response

Management agrees with this recommendation.

Review and correction of data commented on by the Auditor did not result in material change to the cost of oil, lube and filter work. Therefore, the cost for oil, lube and filter work submitted by the City has fulfilled the obligation under the Collective Agreement to supply the Union with meaningful data for them to construct an alternate proposal to be submitted to the Director. Management will continue to provide meaningful data to the Union.

Recommendation 2

That Fleet Services instruct maintenance supervisors to review all work orders thoroughly prior to closing them.

Management Response

Management agrees with this recommendation.

The sample reviewed by the Auditor showed an acceptable error rate of 0.2%, which represents less than 0.7% of Municipal Fleet Maintenance division's annual business. Supervisors are presently following the procedure recommended by the Auditor. Fleet Services also provides additional processes that would catch any significant errors such as monthly billing reports and quarterly reports to clients.

Recommendation 3

That Fleet Services instruct mechanics to charge work to a line item on a work order that only pertains to that line item and to charge break time to a non-productive time account rather than a line number on a work order.

Management Response

Management agrees that work charged to a line time should only pertain to that line item. On-going education and training of technicians continues to reinforce that process.

Management disagrees that break times should be charged to a non-productive time account rather than a line number on a work order. This issue was reviewed at amalgamation and it was determined to be a best practice to charge break time to the work in progress as opposed to the extra work of signing off and back on to the job.

Recommendation 4

That Fleet Services ensure that if excessive time is taken to do certain work, maintenance supervisors discuss the problem with the applicable mechanic.

Management Response

Management agrees with this recommendation.

This is part of the current process and will be more closely monitored in the future.

Recommendation 5

That the City consider modifying the M5 system so that if a work order has been modified after it is closed, it is automatically forwarded to the maintenance supervisor for review and approval.

Management Response

Management disagrees with this recommendation.

All access to M5 is password protected, once a work order is closed it is impossible to change any of the original information. Currently, additions can be made for parts, labour, and external repairs. When additions take place, M5 provides an auditing function, which forces the user to provide the reason for the addition which M5 records. Further, the M5 will also record the date and the user's name.

Fleet Services Branch will run this audit report monthly and will submit the results to the appropriate manager for scrutiny and follow-up. The M5 system has been modified so that labour additions can only be made by a supervisor; thus removing the risk. With respect to external repairs, additions occur very rarely.

Staff also consulted with Maximus Asset Solutions, the City's M5 supplier. The supplier indicated that this is not a common practice in the industry and was the first time that this request had been made in North America. Therefore, costs would be required to engage Maximus in providing a quotation on the required work for the system. Given the current built in protections in the M5 system, no further costing has been explored.

Recommendation 6

That Fleet Services Branch review the inaccuracy of the recording of oil usage to determine how broad it is and what its impact is on lubricant balances and reconciliations and determine whether an alternate approach would be more accurate.

Management Response

Management agrees with this recommendation.

Municipal Fleet Maintenance and Automotive Stores will review the recording of oil usage and the reconciliation process and will determine the appropriate approach to ensure adequate balance and reconciliation before the end of Q1 2008.

7 CONCLUSION

The City plans to outsource the oil, lube, and filter work currently done internal by City mechanics who are members of CUPE Local 503.

The City followed the appropriate process for obtaining external costs and notifying the Union of its intentions including cost information and rationale. However, the information provided to the Union contained costs that did not pertain to the work in question. In addition, the work orders supporting the information provided to the Union indicated that there were inconsistencies and potential errors in recording the internal costs of the work.

Other issues were identified in the audit which relate to accuracy of recording costs to work orders, their review by supervision and the internal controls provided by the M5 system.

8 ACKNOWLEDGEMENT

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.