



*Office of the Auditor General / Bureau du vérificateur général*

**FOLLOW-UP TO THE 2006 AUDIT OF FLEET SERVICES**

**2009**

**SUIVI DE LA VÉRIFICATION DE LA DIRECTION**

**DES SERVICES DU PARC AUTOMOBILE DE 2006**



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## EXECUTIVE SUMMARY

### *Introduction*

The Follow-up to the 2006 Audit of Fleet Services was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2006 audit included:

- \$1.3 million in potential annual savings to the City of Ottawa's vehicle costs.
- Over \$900,000 in vehicle misuse and abuse as well as \$460,000 in possible fuel savings from enforcing the use of City fuelling stations.
- Low usage rates for many vehicles, however, management is not acting on these opportunities to reduce fleet size and costs.
- No corporate standards exist for the selection of vehicles and the decision to purchase is not always based on lowest cost.
- Mechanic productivity is not being measured, and improved preventative maintenance programs are required, including the use of a work order system and better monitoring of vehicle repairs.

### *Summary of the Level of Completion*

The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009.

#### Transit

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
NOT APPLICABLE		4, 9, 34, 35	4	9%
LITTLE OR NO ACTION	0 – 24	2a, 2b, 3, 10, 11c, 21	6	13%
ACTION INITIATED	25 – 49	1, 5a, 5b, 5c, 5d, 11e, 15	7	15%
PARTIALLY COMPLETE	50 – 74	2c, 6, 7a, 7b, 8, 11d, 17, 19, 22, 31	10	21%
SUBSTANTIALLY COMPLETE	75 – 99	23, 24	2	4%
COMPLETE	100	7c, 11a, 11b, 12,13,14, 16, 18, 20,25, 26, 27, 28, 29, 30, 32, 33, 36	18	38%
TOTAL			47	100%

## Fleet

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
NOT APPLICABLE		17,19,20, 21, 22, 25	6	13%
LITTLE OR NO ACTION	0 – 24	2a, 2b, 7a, 7b	4	8%
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SUBSTANTIALLY COMPLETE	75 – 99	3, 4, 5c, 5d, 6, 10, 35	7	15%
COMPLETE	100	5a, 5b, 7c, 11a, 11b, 11c, 12, 13,14, 16, 18, 23, 24, 26, 27, 28, 29, 30, 32, 33, 36	21	45%
TOTAL			47	100%

### **Conclusion**

Both the Fleet and Transit organizations are undergoing dramatic transformation in the way they do business. Both have experienced significant management turnover over the last year. Both organizations have very specific, but divergent, strategies which must be taken into account in future, particularly in their use of business systems.

Both organizations were asked in 2006 to take on Life Cycle Cost Management (LCCM) as a central aspect of managing acquisitions, creating transparency of repairs and in the disposal of fleet. There is however no indication that there was any internal development of the skills needed to achieve this end. It would seem that, as at this point in the process, that this would be the major reason why these recommendations have not been achieved. That being said, it would appear that this limitation is now being overcome and both organizations are able to proceed with next steps.

At this time, the most significant issue affecting Transit and Fleet repair operations is the inability for stores to efficiently and cost effectively make parts available to the mechanics when they need them. Both organizations need to address this issue, in their own way, as a top priority.

Another issue that must be addressed is how the set up of the primary business system used by both organizations, M5 is being used. Its internal structure needs to be refined to capture clean data from a LCCM perspective. The current setup is designed to address a confused mix of financial needs, cost accounting requirements, and Human Resources (HR) related issues. In serving too many masters it does nothing well and the design needs to be normalized to meet the core strategic capability required to manage the fleets.

A fuel management system needs to be implemented and used by all City vehicles, including Transit. As noted by the Office of the Auditor General (OAG) in past

audits, the use of public fuelling facilities has a significant cost to the City, costs that are far in excess of the apparent direct or operational saving.

When fuelling occurs it is important to know who fuelled which vehicle, as well as how much fuel was acquired and when. The existing system used by Transit, with manual data entry of all data elements is not providing the accuracy needed by M5 with regards to meter readings and fuel consumption by unit.

The fuelling process is the one time when Fleet can ensure the ability to “touch” a vehicle and capture the information needed to provide a timely and accurate view of a vehicle and therefore provide the information needed to support both the preventative maintenance and LCCM programs. This information is lost when vehicles habitually fuel outside the system, degrading the overall capability to manage the fleet and driving up costs.

For the City of Ottawa to successfully implement the changes set out in the audit report of 2006, requires central support for transformation of both operational organizations. Neither organization has the capacity or capabilities required to make the necessary changes on their own and need the active and timely commitment of HR, Information Technology (IT), Materials Management, and Finance to achieve the desired outcomes.

Two examples make the nature of this apparent:

1. For Fleet to implement a lease-based system there are financial ramifications that need to be examined, documented and ultimately decisions made. Options with respect to the equipment reserve funding and operating accounts and other incidental financial reporting structures are essential to the success of this deliverable, yet work on this project is stalled. A study on this subject, which is a time sensitive hurdle that must be cleared, was requested four months ago and as yet no commitment by Fleet’s Financial Support Unit (FSU) has been provided as to when this will be available.
2. Transit has the fortune of having two major original equipment manufacturers (OEMs) that provide the bulk of their fleet assets. These OEMs are willing to work closely with OC Transpo in its operational transformation by providing supply chain alternatives aimed at improved repair performance and accountability. Although this type of cooperation is now industry standard, Material Management directives and culture seem to prevent collaboration of this type even though it is clearly in the best financial interest of the City to adopt such practices.

Examples like these show how narrow interests get in the way of transformative change that is clearly in the larger interest of the City.

To successfully engage with Fleet and Transit, the central departments must recognize the fundamental nature of the work at hand. They must understand the difference between organizations in a steady state versus organizations undergoing

transformation. In other words, central services must learn to balance their control roles with their service delivery functions when organizations are in the difficult position of transforming the way that they do business.

### **Overall Management Response**

In the past, management reported 100% completion for the status of some of the recommendations made in the 2006 Audit of Fleet Services. After further consideration and taking into account additional options that have since come to light, management agrees that more effort is required to ensure completion.

Many of the follow-up recommendations will be addressed through the Fleet Services' Service Excellence Plan as outlined in the management responses to the recommendations.

Some of the recommendations of the 2007 audit were not originally related to Transit Services. Where the OAG has applied a recommendation to Transit, management has confirmed applicability and agreement with the original recommendation prior to assessing the OAG's follow-up audit findings.

Management disagrees with some of the statements made in the Conclusion section of this audit report. The applicable section and management's comments are noted below.

*"At this time, the most significant issue affecting Transit and Fleet repair operations is the inability for stores to efficiently and cost-effectively make parts available to the mechanics when they need them."*

Stores are not responsible for the supply of parts for Transit. Further, this statement is not supported by defined measures or examples that would support the auditor's finding for Fleet.

*"Transit has the fortune of having two major original equipment manufacturers (OEMs) that provide the bulk of their fleet assets. These OEMs are willing to work closely with OC Transpo in its operational transformation by providing supply chain alternatives aimed at improved repair performance and accountability. Although this type of cooperation is now industry standard, Material Management directives and culture seem to prevent collaboration of this type even though it is clearly in the best financial interest of the City to adopt such practices."*

This statement is not supported by defined measures or examples that would support the auditor's statement.

*"Examples like these show how narrow interests get in the way of transformative change that is clearly in the larger interest of the City."*

*To successfully engage with Fleet and Transit, the central departments must recognize the fundamental nature of the work at hand. They must understand the difference between organizations in a steady state versus organizations undergoing transformation. In other words, central services must learn to balance their control roles with their service delivery*

*functions when organizations are in the difficult position of transforming the way that they do business.”*

Supply Management’s interests in this regard are solely as stipulated in the Purchasing By-law; that is “to obtain best value when purchasing goods, construction and services for the City while treating all suppliers equitably.”

### **ACKNOWLEDGEMENT**

We wish to express appreciation to the staff and management for their cooperation and assistance throughout the audit process.



## RÉSUMÉ

### *Introduction*

Le Suivi de la vérification de la Direction des services du parc automobile de 2006 était prévu dans le Plan de vérification du Bureau du vérificateur général de 2009.

Les constatations principales de la vérification initiale de 2006 sont les suivantes :

- Des économies annuelles de 1,3 million de dollars en coûts associés aux véhicules de la Ville d'Ottawa pourraient être réalisées.
- La Ville a perdu plus de 900 000 \$ en raison d'une mauvaise utilisation et d'un usage abusif des véhicules et elle aurait pu réaliser des économies de carburant de 460 000 \$ si elle avait imposé l'utilisation des postes de ravitaillement municipaux.
- Les taux d'utilisation de nombreux véhicules sont faibles; pourtant, la direction n'en profite pas pour réduire la taille du parc automobile et les coûts qui y sont associés.
- Aucune norme municipale ne régit la sélection des véhicules, et les décisions d'achat ne sont pas toujours prises en fonction des coûts les plus bas.
- La productivité mécanique n'est pas mesurée, et des programmes d'entretien préventif plus efficaces sont nécessaires, notamment un système de bons de travail et une surveillance accrue des réparations des véhicules.

### *Sommaire du degré d'achèvement*

Le tableau ci-dessous présente notre évaluation du degré d'achèvement de chaque recommandation à l'automne 2009 :

#### Services de transport en commun

CATÉGORIE	POURCENTAGE COMPLÉTÉ	RECOMMANDATIONS	NOMBRE DE RECOMMANDATIONS	POURCENTAGE DU TOTAL DES RECOMMANDATIONS
SANS OBJET		4, 9, 34, 35	4	9 %
PEU OU PAS DE MESURES PRISES	0 – 24	2a, 2b, 3, 10, 11c, 21	6	13 %
ACTION AMORCÉE	25 – 49	1, 5a, 5b, 5c, 5d, 11e, 15	7	15 %
COMPLÉTÉE EN PARTIE	50 – 74	2c, 6, 7a, 7b, 8, 11d, 17, 19, 22, 31	10	21 %
PRATIQUEMENT COMPLÉTÉE	75 – 99	23, 24	2	4 %
COMPLÉTÉE	100	7c, 11a, 11b, 12, 13, 14, 16, 18, 20, 25, 26, 27, 28, 29, 30, 32, 33, 36	18	38 %
TOTAL			47	100 %

### Services du parc automobile

CATÉGORIE	POURCENTAGE COMPLÉTÉ	RECOMMANDATIONS	NOMBRE DE RECOMMANDATIONS	POURCENTAGE DU TOTAL DES RECOMMANDATIONS
SANS OBJET		17,19, 20, 21, 22, 25	6	13 %
PEU OU PAS DE MESURES PRISES	0 - 24	2a, 2b, 7a, 7b	4	8 %
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PRATIQUEMENT COMPLÉTÉE	75 - 99	3, 4, 5c, 5d, 6, 10, 35	7	15 %
COMPLÉTÉE	100	5a, 5b, 7c, 11a, 11b, 11c, 12, 13,14, 16, 18, 23, 24, 26, 27, 28, 29, 30, 32, 33, 36	21	45 %
TOTAL			47	100 %

### Conclusion

Les Services de transport en commun et les Services du parc automobile subissent actuellement une transformation radicale de leur mode de fonctionnement. Ces deux services ont connu un roulement important du personnel de direction au cours de la dernière année. Tous deux ont adopté des stratégies très précises, bien que divergentes, dont il faut tenir compte à l'avenir, particulièrement en ce qui a trait à leur utilisation des systèmes d'affaires.

En 2006, nous avons demandé aux deux services d'adopter la gestion des coûts du cycle de vie (GCCV) en tant qu'élément central de la gestion des acquisitions, de la création de transparence des réparations et de la mise au rebut du parc automobile. Cependant, rien n'indique que les compétences nécessaires pour arriver à ces résultats ont été acquises à l'interne. Il semblerait, à cette étape-ci du processus, qu'il s'agit de la principale raison pour laquelle ces recommandations n'ont pas été achevées. Cela dit, cette restriction est sur le point d'être surmontée et les deux services sont en mesure de passer aux prochaines étapes.

En ce moment, le problème qui nuit le plus aux activités de réparation des Services de transport en commun et des Services du parc automobile est l'incapacité des magasins de fournir aux mécaniciens les pièces requises en temps opportun, de façon efficace et économique. Les deux services doivent régler ce problème à leur façon, et en faire une priorité absolue.

Une autre question qu'il faut aborder est la configuration du système d'affaires principal des deux services, M5. Il faut en préciser la structure interne pour recueillir des données GCCV nettes. La configuration actuelle est conçue pour répondre à un mélange confus de besoins financiers, d'exigences en matière de comptabilité analytique et d'enjeux liés aux ressources humaines. En voulant répondre à un trop grand nombre de besoins, ce système n'en comble aucun, et la conception doit être normalisée afin d'avoir la capacité stratégique de base nécessaire à la gestion du parc automobile.

Un système de gestion du carburant doit être mis en œuvre et utilisé par tous les véhicules municipaux, y compris ceux du transport en commun. Comme l'a noté le Bureau du vérificateur général lors de vérifications précédentes, l'utilisation des postes de ravitaillement publics entraîne des coûts importants pour la Ville, des coûts qui dépassent de loin les apparentes économies, directes ou d'exploitation.

Pour chaque ravitaillement, il est important de savoir à quel moment il a eu lieu, qui a fait le plein, pour quel véhicule et combien de carburant a été pompé. Le système actuel des Services de transport en commun, où toutes les données sont saisies manuellement, ne fournit pas de relevés d'instruments de mesure et de consommation de carburant par véhicule assez précis pour le système M5.

Le ravitaillement est la seule occasion où les Services du parc automobile ont le véhicule « en main » et il où peuvent recueillir les données nécessaires pour obtenir un aperçu précis et opportun et, ainsi, fournir les renseignements nécessaires aux programmes d'entretien préventif et de GCCV. Mais si les véhicules sont habituellement ravitaillés à l'extérieur du système, ces renseignements ne sont pas disponibles, ce qui nuit à la capacité de gestion globale du parc automobile et accroît les coûts.

Pour que la Ville d'Ottawa réussisse à mettre en œuvre les changements suggérés dans le rapport de vérification de 2006, il lui faut un soutien central afin de transformer les deux services opérationnels. Ni l'une ni l'autre n'a les capacités requises ou le potentiel pour effectuer seule les changements nécessaires, et toutes deux dépendent de l'engagement actif et opportun des Ressources humaines, de la TI, de la Gestion du matériel et des Finances pour atteindre les objectifs souhaités.

Deux exemples illustrent bien ce qui précède :

1. Pour que les Services du parc automobile mettent en œuvre un système par location, il faut examiner et documenter les ramifications financières, puis prendre des décisions. Les options qui concernent les comptes d'exploitation et le fonds de réserve pour l'équipement, de même que les autres structures d'information financière connexes, sont essentielles au succès de ce projet, mais les travaux sont en suspens. Une étude à ce sujet, qui représente un obstacle urgent qui doit être écarté, a été demandée il y a quatre mois, mais jusqu'ici, l'Unité du soutien financier des Services du parc automobile n'a pris aucun engagement quant à la date à laquelle les résultats seront disponibles.
2. Les Services de transport en commun ont la chance de compter sur deux grands fabricants d'équipement d'origine qui fournissent la majorité des actifs de leur parc. Ces fabricants sont prêts à collaborer étroitement à la transformation opérationnelle d'OC Transpo en lui suggérant des chaînes d'approvisionnement de rechange afin d'améliorer le rendement et l'imputabilité des réparations. Bien que ce type de coopération soit maintenant une norme du secteur, les directives

et la culture de la Gestion du matériel semblent l'empêcher, même s'il est évident que c'est dans l'intérêt financier de la Ville d'adopter de telles pratiques.

Des exemples comme ceux qui précèdent montrent comment des intérêts sectoriels nuisent à la transformation qui est manifestement dans l'intérêt de l'ensemble de la Ville.

Pour que les Services du parc automobile et les Services de transport en commun s'engagent avec succès dans le processus, les services centraux doivent reconnaître la nature fondamentale de la tâche à accomplir. Ils doivent comprendre la différence entre les services en état stable et ceux qui sont en transformation. Autrement dit, les services centraux doivent apprendre à concilier leurs rôles de contrôle avec leurs fonctions de prestation de service quand les services sont au cœur d'une difficile transformation de leur mode de fonctionnement.

### **Réponse globale de la direction**

Dans le passé, la direction a fait état d'un degré d'achèvement de 100 % pour certaines des recommandations formulées dans la vérification des services du parc automobile de 2006. Après réflexion et à la lumière d'options supplémentaires qui sont apparues depuis, la direction convient que d'autres efforts sont nécessaires pour en assurer l'achèvement.

Plusieurs des recommandations de suivi seront abordées dans le Plan d'excellence des services du parc automobile énoncé dans les réponses de la direction aux recommandations.

Certaines des recommandations de la vérification de 2007 ne concernaient pas à l'origine les Services de transport en commun. Dans le cas où le VG a appliqué une recommandation au Transport en commun, la direction a confirmé l'applicabilité et l'accord avec la recommandation originale avant d'évaluer les résultats du suivi de la vérification du VG.

La direction est en désaccord avec certaines des affirmations faites dans la section Conclusion de ce rapport de vérification. La section en question et les commentaires de la direction sont reproduits ci-dessous.

*« En ce moment, le problème qui nuit le plus aux activités de réparation des Services de transport en commun et des Services du parc automobile est l'incapacité des magasins de fournir aux mécaniciens les pièces requises en temps opportun, de façon efficace et économique. »*

Les magasins ne sont pas responsables de l'approvisionnement en pièces du Transport en commun. De plus, cette affirmation n'est pas étayée par des mesures ou des exemples définis à l'appui de la constatation du vérificateur en ce qui concerne le parc automobile.

« Les Services de transport en commun ont la chance de compter sur deux grands fabricants d'équipement d'origine qui fournissent la majorité des actifs de leur parc. Ces fabricants sont prêts à collaborer étroitement à la transformation opérationnelle d'OC Transpo en lui suggérant des chaînes d'approvisionnement de rechange afin d'améliorer le rendement et l'imputabilité des réparations. Bien que ce type de coopération soit maintenant une norme du secteur, les directives et la culture de la Gestion du matériel semblent l'empêcher, même s'il est évident que c'est dans l'intérêt financier de la Ville d'adopter de telles pratiques. »

Cette affirmation n'est pas étayée par des mesures ou des exemples précis à l'appui de la constatation du vérificateur.

« Des exemples comme ceux qui précèdent montrent à quel point des intérêts sectoriels nuisent à la transformation qui est manifestement dans l'intérêt de l'ensemble de la Ville.

*Pour que les Services du parc automobile et les Services de transport en commun s'engagent avec succès dans le processus, les services centraux doivent reconnaître la nature fondamentale de la tâche à accomplir. Ils doivent comprendre la différence entre les services en état stable et ceux qui sont en transformation. Autrement dit, les services centraux doivent apprendre à concilier leurs rôles de contrôle avec leurs fonctions de prestation de service quand les services sont au cœur d'une difficile transformation de leur mode de fonctionnement. »*

Les intérêts de la Gestion de l'approvisionnement sont à cet égard seulement ceux stipulés dans le Règlement municipal sur les achats; c'est-à-dire « d'obtenir le meilleur rapport qualité-prix dans l'acquisition de biens, de services et de travaux de construction par la Ville tout en traitant tous les fournisseurs équitablement ».

### **Remerciements**

Nous tenons à remercier la direction pour la coopération et l'assistance accordées à l'équipe de vérification.



## 1 INTRODUCTION

The follow-up to the 2006 Audit of Fleet Services was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2006 audit included:

- \$1.3 million in potential annual savings to the City of Ottawa's vehicle costs.
- Over \$900,000 in vehicle misuse and abuse as well as \$460,000 in possible fuel savings from enforcing the use of City fuelling stations.
- Low usage rates for many vehicles, however, management is not acting on these opportunities to reduce fleet size and costs.
- No corporate standards exist for the selection of vehicles and the decision to purchase is not always based on lowest cost.
- Mechanic productivity is not being measured, and improved preventative maintenance programs are required, including the use of a work order system and better monitoring of vehicle repairs.

## 2 KEY FINDINGS OF THE ORIGINAL 2006 AUDIT OF FLEET SERVICES

As a general statement, it would be fair to mention that Fleet Services has adopted many of the industry's best practices, for example:

### **Business model**

Most public fleet managers in North America would recognize the virtues of a Municipal Enterprise, a Special Operating Agency or any other form of internal business unit with a chargeback mechanism and zero based budgets. Ottawa Fleet Services, with its Centre of Expertise concept, operates under a very similar mode.

### **Asset management**

- **Lifecycle management:** Fleet understands the concept and apparently tries to apply the theory to its replacement programs
- **Replacement funding:** Fleet has implemented a replacement reserve concept to secure proper annual replacement funding
- **Remarketing:** Professional auctioneer services (Adesa) handle all municipal remarketing transactions which normally represents a good way to maximize resale revenues

### **Fuel management**

- **Automated fuel terminals:** Major project underway

**Maintenance management**

- **Off-hour shifts:** Some evening and night shifts in operation

**Parts management**

- Computerized inventory

**Systems**

- Data available for analysis

**Administration**

- Most process owners are clearly identified
- Organization is well documented
- Service Level Agreements are in place
- Self insurance

Many of the best practices are still not implemented. Performance has to be measured and compared and finally, many issues were raised during our interviews and confirmed with our analyses. These issues are as follows:

**Municipal Fleet Performance**

- **Vehicle Standards:** Vehicle standards need to be established and deviation from low-cost standards should not be made.
- **Fleet size:** The overall number of vehicles used by Ottawa as well as their average annual utilization fall within expectations but up to 259 cars are used less than their economical break-even point.
- **Fleet age:** The average age of the fleet is 6.5 years for vehicles and 5.2 years for machinery. While this may seem old to laymen, municipal fleets are typically much older and the age of the fleet from our surveyed municipalities ranged between 8 - 12 years. Since municipal vehicles are typically of low usage and relatively customized with low resale values, total lifecycle costing models tend to support long replacement cycles. Short replacement cycles might be economically sound but only if the extra amortization costs are offset by lower maintenance costs. Since the fleet is relatively younger, we expect lower maintenance costs.
- **Maintenance costs:** The maintenance costs are generally lower than average for most categories except medium and heavy trucks which are costing 15% more than our sample. This gap represents a potential savings of approximately \$574,000 per year compared to the benchmark.

- **Fuel costs:** A major project is underway for installing automated fuel sites across the City. Fuel is often the second largest fleet cost after depreciation so it needs to be tracked closely.
- **Vehicle abuse:** Over \$900,000 of expenses caused by misuse and abuse of equipment in 2005 without any specific actions undertaken to minimize this amount.
- **Preventive maintenance:** Breakdowns and operator reports represent 41% of the mechanics' workload. Only 46% of the maintenance expenses are of preventive nature whereas, ideally, up to 80% should be planned maintenance.
- **Outsourcing:** Ottawa outsources 32% of its fleet maintenance, which represents twice as much work as our benchmark survey, without any evidence of cost comparisons. Much of this outsourcing was done without a competitive procurement process.
- **Productivity:** Productivity of the mechanics is not measured even though the systems have the capacity to compile all the data.
- **Work Orders:** The work order system (M4 by Maximus) in place since 2001 is not fully utilized.
- **Inventory and parts management:** The inventory turnover is low at 1.2 times per year which is two to three times below the norm. Mechanics complain about waiting times at the counter. Mechanics have access to stores after hours and controls are weak, relying solely on self-reporting. Many parts are outside the inventory and outside control of stores.
- **Supervision and support:** The level of supervision and support is at 27%. This ratio is comparable with documented benchmarks.
- **Customer satisfaction:** Some customers are not satisfied with Fleet Services and have voiced their opinion during the audit, yet no means of collecting comments or measuring customer satisfaction are in place.
- **Accountability:** Accountability for fleet size and costs is shared between Fleet Services, its suppliers and its clients. Fleet Services perceives its role as a service provider serving clients' needs and relies mostly on chargeback as a self-regulating mechanism. The result is a fleet that may be larger than required, a budget overrun of \$10 million for 2005 and no one is really accountable.
- **Information systems:** Fleet Services is still debating whether it should use SAP, the standardized municipal ERP system currently used to manage Transit's maintenance or M4, a specialized fleet management software used for Municipal fleet maintenance. Fleet Services uses the two systems in parallel. This issue was previously raised in a 2003 audit conducted by the former Audit and Consulting Services Branch at the City.

### Transit Fleet Performance

Performance indicators are not tracked systematically. Nothing indicates a major performance gap in general but St. Laurent Depot (St. Laurent) may need more attention.

- **Bus utilization:** Transit Fleet's average utilization, at over 61,000 km/year/bus, is 16% higher than our benchmark survey and is over 35% higher than the cities of Quebec or Montreal.
- **Fleet age:** Transit Fleet's average age is comparable with other surveyed transit operators.
- **Staff size:** The number of buses per employee, at 2.8, is comparable with other transit operators.
- **Supervisor ratio:** The ratio of supervision at 6% is comparable to our survey.
- **Kilometre per employee:** Transit Fleet is getting over 172,000 km/employee/year, which is 19% better than our survey.
- **Shop space:** Transit has an average of 13.4 buses per bay, which is 30% higher than the norm.
- **Parts-labour ratio:** A ratio of 44%-56% is in line with expectations.
- **Cost/kilometre:** At \$0.85, Transit Fleet is higher than the global average of our survey but outperforms large operators like Quebec or Montreal cities.
- **Labour rate:** At \$31.76 per internal labour hour, the rate is within standards.

Even though overall performance is good, our analyses nonetheless revealed a few problems:

- **Missing data:** Data is not available to calculate downtime or reliability of the buses or productivity of the mechanics.
- **Parts management:** Inventory may be twice as large as comparable jurisdictions at \$13.6 million. Also, approximately \$1 million worth of new parts and reconditioned components lay around the St. Laurent shop and are outside of the official inventory.
- **Parts management:** There is a variance of \$19.4 million between Transit Fleet and Material Management regarding annual spending on parts.
- **Succession planning:** Lists of employees were not made available for analyses but interviews confirmed that the average age of mechanics is approaching 50 years and that succession has to be better prepared.
- **Maintenance practices:** A number of practices differ from best practices, namely:

- Preventive maintenance programs for bodies;
  - Engine failures and reconditioning;
  - Re-occurring bus fires,
  - Component reconditioning; and,
  - Bus refurbishing.
- **Bus Fires:** The number of documented bus fires (33) is a major concern. There is no documented risk assessment strategy to address this issue.

### Compliance Issues

The following issues have been identified:

- Some confusion on responsibilities of each party with respect to circle checks and repairs;
- Unclean and congested work environment at the St. Laurent facility;
- Array of legal issues arising from improper use of fleet facilities – All related to mechanics working on their personal vehicles;
- Statutory and regulatory interpretation – Employees accountable are not well versed on the meaning of the many regulations;
- Environmental Waste – Some confusion on who is responsible for what;
- Insufficient training, especially for equipment and heavy vehicle operators;
- Licensing requirements – Confusion on who is responsible for operator licensing;
- Driver abuse and accident management;
- Operating licenses for garages – Vast confusion on who is responsible; and,
- Labour issues – Supervisors and mechanics belonging to the same union.

### Financial Issues

Systems and processes in place certainly have the capacity to handle all financial aspects according to best practices. Yet, some issues were identified during analyses:

- **Budget variance:** The final budget adopted by Council in February 2005 showed a variance of \$13.6 million. At year end 2005, Fleet Services actually exceeded its budget by \$10.6 million which represents a variance of 7%, significantly more than the benchmark of 2.5%. Numerous reasons are given to explain the variance but ultimately, Fleet Services is not held accountable and future overruns are likely to reoccur.

- **External fuel:** Even though the City has a full network of on-site fuelling stations, over \$3.4 million worth of fuel is being purchased at retail stations at a premium cost of 8 to 13 cents per litre. This practice is costing the City over \$459,000 in additional fuel costs.

### **3 STATUS OF IMPLEMENTATION OF 2006 AUDIT RECOMMENDATIONS**

#### **2006 Recommendation 1**

**That Fleet Services continue reporting vehicle utilization regularly but focus on identifying units that are used less than their respective break-even point. Specifically,**

- Determine break-even points between owning a City vehicle and other transportation alternatives (minimum number of kilometres/year, number of days, etc.);**
- Fleet Services has determined thresholds for cars but that same exercise should be repeated with other vehicle categories;**
- That end users be held accountable to justify the identified low use vehicles directly to Council.**

#### **2006 Management Response**

1(a)/(b): Management agrees with these recommendations. These practices have been followed since amalgamation.

1(c): Management agrees with the recommendation. Fleet Services will provide the appropriate information, to Deputy City Managers, to enable them to take appropriate action.

#### **Management Representation of the Status of Implementation of Recommendation 1 at December 31, 2008**

*Management: % complete* *100%*

#### **OAG's Follow-up Audit Findings regarding Recommendation 1**

Both Transit and Fleet track vehicle utilization and generate a report for its customers comparing each unit's utilization to the City average for that vehicle type. However, this comparison is simplistic in nature and given the data available in the Fuel Management System (COENCORP) and the Fleet Management System (M5), it can be improved upon.

Fleet is collecting meter readings but not using this information to make the required decisions. As yet, Transit is not organized to collect the required information and therefore has not progressed as far as Fleet in this area.

Seasonal units need to be treated separately from their counterparts which are used year round. Seasonal unit statistics will skew City averages and comparing such units to year round units can lead to inaccurate decision-making. Seasonal units create cost sharing opportunities which need to be dealt with separately from their year round counterparts and these opportunities are often over looked given the current methodology used to determine 'low use' vehicles.

Currently there is no on-going Break Even / Comparative analysis being. This analysis is best done as a part of the vehicle replacement / acquisition process when actual replacement costs can be compared to expected utilization and an Own vs. Alternative analysis can be done with real data. Moving towards a leasing model would facilitate this type of analysis and when dealing with low utilization units then the current system the Life Cycle Cost Management (LCCM) model has much more flexibility.

Low utilization units are a part of all fleets, how best to cost effectively deal with these units is an important aspect of the Fleet's management function and appropriate resources need to be allocated to this function.

*OAG: % complete - Fleet* *50%*

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*OAG: % complete - Transit* *30%*

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**Management Representation of Status of Implementation of Recommendation 1 as of Winter 2010**

Fleet Services (FS):

FS management agrees with the OAG's follow-up audit finding.

FS is moving toward a leasing model to facilitate this type of analysis and towards the Life Cycle Cost Management (LCCM) model for fleet management. The start date is Q1 2011 with full operability and implementation expected by the end of Q4 2011.

Fleet Services is also committed to supporting users in dealing with low utilization units as part of the Fleet Efficiencies Program. Under that program, 2010 and 2011 are scheduled to improve the delivery of fleet services to enable a fleet reduction of 10% in 2012 by removing the need for a "Just in Case" Fleet. A preliminary Life Cycle Management review has identified units past their optimum replacement point and an accelerated replacement schedule will be submitted with the 2011 Municipal Fleet Replacement Plan report to Council.

*Management: % complete - Fleet* *50%*

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Transit:

Transit management disagrees with the OAG's recommendation and its applicability to Transit Services.

The majority of Transit Services fleet (buses and light vehicles) is very specialized and lease options would not be available or financially viable.

On April 28, 2010, Council approved Transit report ACS2010-TRA-0005 which articulated Transit's strategy for bus replacement and acquisition.

As a result of the Transit Strategic Branch Review (SBR), for Transit buses, availability has been determined to be the key driver of the business model. As part of this, availability targets have been set and annual reporting is conducted.

Transit Services fleet fuel and mileage data is loaded daily into M5. The M5 Maintenance program "Forecaster" utilizes this information daily when projecting required bus maintenance. All Transit Services light vehicles are fuelled at stations that have the COENCORP system. Fuel and mileage data is used to assess vehicle utilization and inform the lifecycle forecasting process.

*Management: % complete - Transit* *N/A%*

**2006 Recommendation 2**

**That Fleet Services:**

- a) **Revise its replacement criteria using total lifecycle costing, which may result in extended lifecycles;**
- b) **Elaborate a sustainable replacement plan based on documented criteria instead of theoretical lifecycles; and**
- c) **Quantify all impacts of delaying replacements.**

**2006 Management Response**

2(a)/(b): Management agrees with this recommendation. Management currently submits a sustainable vehicle replacement plan through the Long Range Financial Plan. Council determines affordable funding levels during annual budget cycles. Fleet Services vehicle lifecycles are based on industry standards; the City fleet is older than these standards as supported by independent analysis. There is a process of assessing replacement priority that considers age, usage, condition, cost and operational needs. Fleet Services will commence a process of determining economic life by implementing the equivalent annual cost (EAC) methodology through phases in 2007, starting with identifying the best opportunity for savings and priority identification by end of Q3 2007. This process may lead to shorter or longer lifecycles.

2(c): Management agrees with this recommendation. Since 2005 Fleet Services has identified impacts of delayed replacements in the annual replacement report to Council in advance of budget deliberations and will continue to do so.

**Management Representation of the Status of Implementation of Recommendation 2 at December 31, 2008**

*Management: % complete 2(a)(b)* 10%

*Management: % complete 2(c)* 50%

**OAG's Follow-up Audit Findings regarding Recommendation 2**

Transit and Fleet's status of implementation is accurate. Both have experienced delays in the implementation of this recommendation primarily because of a lack of resources knowledgeable in the Life Cycle Cost Management model and the leasing methodology recommended.

In the spring of 2009 a new Branch Manager Fleet Services was hired who has successfully implemented a similar program with the Winnipeg Fleet Management Agency. The new Branch Manager Fleet Services has begun a reorganization that will ensure that the needed resources and training are provided to the team responsible for this aspect of Fleet Services.

Neither Fleet nor Transit has developed a sustainable replacement plan. 81 Transit buses representing 7% of the fleet are well past 18 years of age which was quoted as the lifecycle for these assets. That being said, industry norms suggest that the appropriate life cycle for buses might be as low as 12 years. To implement this recommendation, Transit should do a study to determine the optimal lifecycle for its new buses. Unfortunately, Transit does not have the historical data needed for such a study and would have to rely on information from other Municipal Transit Fleets.

*OAG: % complete (a)* 10%

*OAG: % complete (b)* 10%

*OAG: % complete (c)* 50%

**Management Representation of Status of Implementation of Recommendation 2 as of Winter 2010**

Fleet Services (FS):

FS management agrees with the OAG's follow-up audit findings with regard to parts (a) and (b).

As part of Fleet Services' Service Excellence Plan, efforts are currently underway to develop a Life Cycle Cost Management model for all classes of vehicles and equipment. This will ensure age, usage, condition, cost and operational needs as Fleet Services moves towards a lease-based management system. Job descriptions have been modified and qualifications have been upgraded. In addition, staffing actions have been undertaken to secure personnel with the prerequisite knowledge and experience associated with the LCCM principles. The LCCM model will be implemented by Q4 2011.

Management agrees with the OAG's follow-up audit finding with regard to part (c). The study on the equipment reserve funding and operating accounts and other incidental financial reporting structures has been completed. Discussions are underway to put the financial structure in place to enable the initiation of the lease-backed system under the Life Cycle Cost Management methodology during the 2011 budget year.

<i>Management: % complete (a) - Fleet</i>	<b>10%</b>
<i>Management: % complete (b) - Fleet</i>	<b>10%</b>
<i>Management: % complete (c) - Fleet</i>	<b>50%</b>

Transit:

Transit management agrees with the OAG's audit recommendation and its application to Transit Services following the June 2008 transfer of management responsibilities from Fleet Services to Transit Services. Transit Services only assumed responsibility to implement this recommendation and track progress as a result of the follow-up audit in December 2009.

Transit management disagrees with the OAG's follow-up audit finding that little or no action has been taken to implement parts (a) and (b) and that part (c) is only partially complete.

On April 28, 2010, Council approved Transit report ACS2010-TRA-0005 which clearly articulated Transit's Fleet Acquisition Strategy and recommended the purchase of 226 New Flyer buses.

The data gathering, analysis and process utilized during the preparation of this purchase justification demonstrates that Transit Maintenance is now compliant in implementing a fleet replacement strategy, which addresses all three parts of this recommendation.

Transit management considers implementation of parts (a), (b) and (c) to be complete.

<i>Management: % complete (a) - Transit</i>	<b>100%</b>
<i>Management: % complete (b) - Transit</i>	<b>100%</b>
<i>Management: % complete (c) - Transit</i>	<b>100%</b>

**2006 Recommendation 3**

**That Fleet Services complete the implementation of its new fuel management system and start monitoring fuel consumption and identify and investigate vehicles consuming more than expected.**

### **2006 Management Response**

Management agrees with this recommendation and this practice has been underway since 2005. As well, Fleet Services is currently in the process of completing the standardized fuel management system for all City owned fuel sites, which will automatically perform checks relating to fuel consumption. The target date for completion is Q4 2007.

Since 2002, fuel usage per vehicle has been recorded and included in the monthly billing. High fuel consumption is noted, tracked and reported.

### **Management Representation of the Status of Implementation of Recommendation 3 at December 31, 2008**

<i>Management: % complete</i>	<i>100%</i>
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### **OAG's Follow-up Audit Findings regarding Recommendation 3**

Fleet has completed the implementation of Coencorp at all of its fuel sites and has integrated both Coencorp and the Commercial fuel products with M5. The Coencorp fuel database holds transactional history dating back to January 1998 for 31 individual fuel locations. However, the meter history associated with these transactions needs to be cleaned so that accurate fuel consumption trends can be monitored at the unit level.

Transit has done nothing to address the requirement to manage an annual budget of \$55 million of fuel. The Coencorp system is available for Transit to use but no progress has been made towards installing this system at any of the Transit fuelling locations.

<i>OAG: % complete Fleet</i>	<i>80%</i>
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<i>OAG: % complete Transit</i>	<i>0%</i>
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### **Management Representation of Status of Implementation of Recommendation 3 as of Winter 2010**

#### Fleet Services (FS):

FS management agrees with the OAG's follow-up audit finding.

A complete validation of fuel data will be completed by Q3 2010 and improvements to the fuel system will be implemented as part of the FS Service Excellence plan. The aim is to provide exception reporting on a regular and on-going basis to all fuel system users.

<i>Management: % complete - Fleet</i>	<i>80%</i>
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#### Transit:

Transit management agrees with the OAG's recommendation and its application to Transit Services following the June 2008 transfer of management responsibilities from Fleet Services to Transit Services. Transit Services only assumed responsibility

to implement this recommendation and track progress as a result of the follow-up audit in December 2009.

Transit management agrees with the OAG's follow-up audit finding.

Transit will continue its current review of available systems, including Coencorp's offerings, in conjunction with IT during 2010/11 and will request the necessary funding in the 2012 budget.

***Management: % complete - Transit*** ***0%***

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#### **2006 Recommendation 4**

**That Fleet Services review its maintenance and repair cost performance for heavy and medium trucks.**

#### **2006 Management Response**

Management agrees with this recommendation. In 2007 Fleet Services will expand its benchmarking efforts. On top of the internal performance measures and those included in OMBI, Fleet Services is going to be searching across Canada for additional national benchmarks. Over the course of the past two years, Fleet Services has been leading the benchmarking initiative for the Canadian Association of Municipal Fleet Managers (CAMFM). In the Q3 2007, CAMFM will mark its first year of comparing fleet measures across the nation.

#### **Management Representation of the Status of Implementation of Recommendation 4 at December 31, 2008**

***Management: % complete*** ***100%***

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#### **OAG's Follow-up Audit Findings regarding Recommendation 4**

This does not apply to Transit. Fleet's response is accurate and Fleet continues to lead the CAMFM in its pursuit of generating statistics which can be compared between municipal fleets. However, Ottawa and the other municipal fleets involved are still a long way away from achieving this end.

An analysis of the past seven years of Fleet work orders showed that Fleet does capture and track its repairs at the unit/system/component level as per the ATA standards. The next step will be to create KPIs or comparative statistics which it can measure these repairs against.

***OAG: % complete*** ***90%***

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#### **Management Representation of Status of Implementation of Recommendation 4 as of Winter 2010**

Fleet Services (FS):

FS management disagrees with the OAG's follow-up audit finding that implementation of this recommendation is only substantially complete.

As per the OAG's follow-up finding, management has implemented the actions noted in the management response from the 2006 Audit of Fleet Services.

As a further enhancement beyond what was originally recommended, FS has been seeking a relevant reference system and has recently narrowed its search on a product called Sentinel as it has KPI from 200 fleets. Management will validate the initial findings and use this system if validated. More information is available at <http://fleetcounselor.com/software.php>.

Management considers implementation of this recommendation to be complete.

***Management: % complete*** ***100%***

### **2006 Recommendation 5**

**That Fleet Services,**

- a) **Establish benchmarks, Key Performance Indicators (KPIs) and target performance levels, identify key success factors, identify gaps and investigate exceptions;**
- b) **Should implement a dashboard or balanced scorecard system to track all KPIs on a regular basis and increase accountability of the organization;**
- c) **Document vehicle abuses and elaborate strategies to minimize the costs related to misuse; and,**
- d) **Elaborate an action plan to reduce the number of breakdowns and operator reports by reviewing preventive maintenance programs and measuring work quality in terms of Mean Time Between Failures (MTBF) or downtime and drilling down per category, per garage or per user groups until the root causes are identified.**

### **2006 Management Response**

5(a)/(b): Management agrees with this recommendation and it has already been implemented. The branch has been and will continue to work with OMBI and CAMFM (Canadian Association Of Municipal Fleet Managers) to establish and report on fleet performance benchmarks. The branch presently reports on 17 performance measures with OMBI and 19 with CAMFM. Service performance is monitored and reported on a daily basis as part of our dashboard or scorecard system.

5(c): Management agrees with this recommendation and it has already been implemented. The branch has been reporting vehicle abuse to operating departments monthly since 2005, however it is the responsibility of the operating department to take corrective action. A new initiative is being launched in Q2 of 2007 by the Fleet Services branch to review monthly abuse statistics with client departments to find out the root cause of the abuse/misuse and take corrective

action. Both the Fleet Maintenance and Fleet Operator Training divisions will participate in these reviews.

5(d): Management agrees with this recommendation. Fleet Services currently does failure analysis on a case-by-case basis to meet known problems. With the implementation of the new FMIS, a systematic review of mean times between failures will be established. Implementation is scheduled for end of Q2 2008.

**Management Representation of the Status of Implementation of Recommendation 5 at December 31, 2008**

<i>Management: % complete (a)</i>	<b>100%</b>
<i>Management: % complete (b)</i>	<b>100%</b>
<i>Management: % complete (c)</i>	<b>100%</b>
<i>Management: % complete (d)</i>	<b>75%</b>

**OAG's Follow-up Audit Findings regarding Recommendation 5**

Fleet's status of implementation for 5a/b is accurate. However, the KPIs and the benchmarks being tracked are questionable as far as their usefulness goes. It is recommended that these KPIs and benchmarks be reviewed from the perspective of supporting LCCM and a Leasing Model to ensure that the statistics are used by, and are useful to, the management team given the new business model.

Fleet's status of implementation for 5c is not accurate. There is a stigma at the repair facility front line when classifying repairs as 'Misuse and Abuse' and this stigma has created an environment where certain repairs are not being correctly identified as 'Misuse and Abuse'. Fleet attempted to resolve this problem by using 'Preventable Damage' instead of 'Misuse and Abuse' but this just created a new stigma... This is a significant issue which needs to be dealt with prior to Fleet being able to move to a Lease Based system.

Transit is not as far along in implementing these recommendations.

In the short term, it is recommended that management streamline their repair classification system and train their Repair Technicians how to use the new system so that 'Non Operational Repairs' of which Misuse and Abuse are a subset can be correctly identified and tracked... this initial classification can then be further classified by the appropriate stakeholders after repairs have been completed and when all of the relevant information is available. The existing classification system is complex and tries to meet the needs of too many stakeholders. With the introduction of LCCM and a Lease based model the classification system will need to be modified to support the new business methodology.

<i>OAG: % complete (a) Fleet</i>	<b>100%</b>
<i>OAG: % complete (a) Transit</i>	<b>30%</b>

<b><i>OAG: % complete (b) Fleet</i></b>	<b>100%</b>
<b><i>OAG: % complete (b) Transit</i></b>	<b>30%</b>
<b><i>OAG: % complete (c) Fleet</i></b>	<b>75%</b>
<b><i>OAG: % complete (c) Transit</i></b>	<b>30%</b>
<b><i>OAG: % complete (d) Fleet</i></b>	<b>75%</b>
<b><i>OAG: % complete (d) Transit</i></b>	<b>30%</b>

**Management Representation of Status of Implementation of Recommendation 5 as of Winter 2010**

Fleet Services (FS):

FS management agrees with the OAG's follow-up audit finding.

With regard to part (c), FS will be implementing a lease-based system in Q1 2011 to fully address this recommendation. This new system will clearly identify and properly assign all costs. In addition, it will provide users with greater visibility of trends and performance of all assets at individual and aggregate levels. This will enable them to properly manage their fleet of vehicles. Completion of this initiative is scheduled for Q4 2011.

With regard to part (d), after further consideration and considering additional options that have since come to light, Management agrees that some progress has been made but more efforts are required to ensure completion.

FS plans on implementing a balanced scorecard system to track all KPI's on a regular basis and increase accountability of the organization by using all of M5's functionality. This will be completed by Q4 2011.

FS is committed to increasing the percentage of preventative maintenance versus corrective maintenance by reducing the number of breakdowns and operator reports. This will be done by reviewing preventive maintenance data in terms of Mean Time Between Failures (MTBF) or downtime and drilling down per category, per class and per user group until an effective program is in place. Partnering of Stores with a Third Party Logistics Service Provider is key to this endeavour as they hold valuable information on Mean Time Between Failure given they support tens of thousands of vehicles.

<b><i>Management: % complete (c) - Fleet</i></b>	<b>75%</b>
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<b><i>Management: % complete (d) - Fleet</i></b>	<b>75%</b>
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Transit:

Transit management agrees with the OAG's recommendation and its application to Transit Services following the June 2008 transfer of management responsibilities from Fleet Services to Transit Services. Transit Services only assumed responsibility

to implement this recommendation and track progress as a result of the follow-up audit in December 2009.

Transit management agrees with the OAG's follow-up audit finding for parts (a), (b) and (d).

Transit management has incorporated the implementation of parts (a) and (b) into its project plan for the Work Management System development project, which includes the establishment of KPIs in Q2 2010.

With regard to part (d), an internal review of the breakdown data is currently underway to determine the extent to which specific vehicle systems are contributing to the majority of the breakdowns. Completion of analysis is expected by Q4 2010. A review of the current preventative maintenance programs has begun based on data from the breakdown analysis project. Documentation of the PM programs and procedures is expected to be complete by the end of Q1 2011. Verification of the documentation and procedures will be an ongoing project as new buses and technologies are introduced into the Transit fleet.

With regard to part (c), Transit management disagrees with the OAG's follow-up audit finding that implementation of the recommendation is partially complete.

Currently, the Job Visit Reason codes do not identify misuse or abuse and cannot be tracked. In order to fully complete this recommendation, Vendor Maintenance Repair Standards (VMRS) codes need to be developed in M5. It is estimated that this will be completed by Q4 2010.

Transit management considers that little or no action has been taken to implement this recommendation.

<i>Management: % complete (a) - Transit</i>	<i>30%</i>
<i>Management: % complete (b) - Transit</i>	<i>30%</i>
<i>Management: % complete (c) - Transit</i>	<i>10%</i>
<i>Management: % complete (d) - Transit</i>	<i>30%</i>

### **2006 Recommendation 6**

That Fleet Services evaluate its level of outsourcing and undertake a comprehensive review of the workload of all the shops based on benchmarks and budgeted number of maintenance hours per year per vehicle categories. Even though that exercise may have been done at amalgamation, the level of outsourcing as well as the number of mechanics per vehicle differ from comparable organizations, the situation has evolved since amalgamation and accurate data is now available to verify the original estimates. The use of activity based costing methods is highly recommended to determine which activity should remain in-house.

### **2006 Management Response**

Management agrees with this recommendation. The recommendation will be reviewed as part of the Branch Process Review scheduled to be undertaken in 2007.

### **Management Representation of the Status of Implementation of Recommendation 6 at December 31, 2008**

*Management: % complete* *100%*

### **OAG's Follow-up Audit Findings regarding Recommendation 6**

Fleet's management response is accurate however the status of implementation is not accurate. The question of outsourcing is not so much about 'How Much' but rather how cost effective the current outsourcing is. Heavy mechanics changing oil on pick-up trucks will never be cost effective when compared to Jiffy Lube or similar private sector specialized service providers. An outsourcing strategy does not exist yet at Fleet but is a part of the new management's strategic agenda.

For Transit this is part of the new management business plan so it is accurate however, Transit lacks the detailed history that Fleet has available to it and has only a little more than a year of historical data to analyse.

*OAG: % complete Fleet* *90%*

*OAG: % complete Transit* *70%*

### **Management Representation of Status of Implementation of Recommendation 6 as of Winter 2010**

#### Fleet Services (FS):

FS management agrees with the OAG's follow-up audit finding.

FS is investigating the outsourcing of servicing during the warranty period of the light fleet and the outsourcing for unique/very specialized equipment. This will be completed by Q1 2011.

*Management: % complete - Fleet* *90%*

#### Transit:

Transit management agrees with the OAG's recommendation and its application to Transit Services following the June 2008 transfer of management responsibilities from Fleet Services to Transit Services. Transit Services only assumed responsibility to implement this recommendation and track progress as a result of the follow-up audit in December 2009.

Transit management agrees with the OAG's follow-up audit finding.

Transit management has incorporated this requirement into the project plans for the Planning Implementation project and the Build vs. Buy Team project, which will establish processes and implementation plans by Q2 2010. Results will be applied to operational requirements going forward.

*Management: % complete - Transit*

*70%*

### **2006 Recommendation 7**

That Fleet Services set productivity targets per mechanic in three ways:

- a) Establish Vehicle Equivalent (VE) standards per mechanic based on NAFA's averages. Allocate annual hour budgets per vehicle based on the same VE method and track budget variances;
- b) Establish standard times per major activity based on Mitchell's On Demand flat rate standards, American Trucking Association (ATA) standards or other recognized time estimating guides and track variances; and,
- c) Record and compile all billable and non-billable hours on work orders and set a target of at least 60% of paid hours.

### **2006 Management Response**

7(a): Management agrees with this recommendation. Fleet Services establishes the needs for mechanics based on an assessment of actual cost applied against growth equipment. This option will be examined for analysing our structure during the course of this year.

7(b): Management agrees with this recommendation. It was implemented in 2006.

7(c): Management agrees with this recommendation. Fleet Services has been recording billable/non-billable hours since 2001 and is well above the industry benchmark of 60%. The total 2006-year benchmark for this category is at 68%. No further action is required on this recommendation.

### **Management Representation of the Status of Implementation of Recommendation 7 at December 31, 2008**

*Management: % complete*

*100%*

### **OAG's Follow-up Audit Findings regarding Recommendation 7**

Transit has these standards and has committed to making use of these. Transit is still early in their implementation of these practices, which are a major part of the current strategic plan. Fleet has not progressed as far in addressing this recommendation and still lacks the information to set these standards.

For Fleet, currently, mechanic productivity at the Tech Spec / Job Code level is averaged by M5 automatically and reported directly on the Work Order. This average has nothing to do with NAFA standards or Mitchell's On Demand flat rate standards but instead compares the work that a mechanic has done on a specific job to the average that has occurred over the past for that same job.

The value of this information and a comparison of these 'M5 generated' averages to applicable published standards is an enormous project given the diversity of the

Fleet assets. However, for high value assets that require a great deal of repairs, such as Ambulances, such a project would have value.

Another important factor to consider when deciding whether to allocate resources to a project, is whether or not all of the fundamentals for Mechanic Productivity are in place. For example, an important aspect of mechanics' productivity is the efficient ordering, receipt and distribution of parts for which the mechanic is heavily reliant on support staff to fulfil. Currently this support is poor and needs to be improved before data being collected in M5 can be expected to be fruitful and before mechanic productivity at the Tech Spec / Job Code level can be accurately determined.

<i>OAG: % complete Fleet (a)</i>	<i>0%</i>
<i>OAG: % complete Transit (a)</i>	<i>50%</i>
<i>OAG: % complete Fleet (b)</i>	<i>10%</i>
<i>OAG: % complete Transit (b)</i>	<i>50%</i>
<i>OAG: % complete Fleet (c)</i>	<i>100%</i>
<i>OAG: % complete Transit (c)</i>	<i>100%</i>

**Management Representation of Status of Implementation of Recommendation 7 as of Winter 2010**

Fleet Services (FS):

FS management agrees with the OAG's follow-up audit finding.

A review will be conducted and appropriate Vehicle Equivalent (VE) standards per mechanic based on NAFA's averages will be developed. This will be completed by Q1 2011.

FS will investigate the possibility of establishing standard times per major activity based on Mitchell's On Demand flat rate standards, American Trucking Association (ATA) standards or other recognized time estimating guides and will track variances.

This recommendation deals with productivity targets for mechanics. It is management's opinion that the follow-up audit includes commentary outside of scope. The OAG's comment that parts support is poor provides no specific examples and is unfounded, unsupported and unqualified. Management requests that this comment be removed.

<i>Management: % complete Fleet (a)</i>	<i>0%</i>
<i>Management: % complete Fleet (b)</i>	<i>10%</i>

Transit:

Transit management agrees with the OAG’s recommendation and its application to Transit Services following the June 2008 transfer of management responsibilities from Fleet Services to Transit Services. Transit Services only assumed responsibility to implement this recommendation and track progress as a result of the follow-up audit in December 2009.

Transit management agrees with the OAG’s follow-up audit finding with regard to part (a).

The Maintenance Re-engineering project currently underway will ensure that the productivity of each technician is optimized based on the OEM’s VMRS standards. The project is set to close on September 2010. Maintenance will then be in a state of continuous improvement.

With regard to part (b), Transit management disagrees with the OAG’s follow-up audit finding that implementation of the recommendation is partially complete.

Transit does not currently have the ability to implement VMRS/ATA standardized coding due to a single shared instance of M5 between both Fleet and Transit. VMRS/ATA codes as well as Job Reason codes will need to be created in M5 to ensure standardized times are available for transit fleet maintenance tasks. Transit management considers that little or no action has been taken to implement this recommendation.

This recommendation deals with productivity targets for mechanics. It is management’s opinion that the follow-up audit includes commentary outside of scope. The OAG’s comment that parts support is poor provides no specific examples and is unfounded, unsupported and unqualified. Management requests that this comment be removed.

<i>Management: % complete (a) - Transit</i>	<i>50%</i>
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<i>Management: % complete (b) - Transit</i>	<i>10%</i>
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**2006 Recommendation 8**

**That Fleet Services, with Supply Management, optimize the supply chain and logistics of spare parts in order to increase the turnover ratio up to the standards.**

**2006 Management Response**

Management does not agree with this recommendation. The Auditor has correctly indicated that (parts) turnover rates are a controlling characteristic indicative of the performance of the supply chain process. However, Materials Management is concerned that the Auditor has too narrowly interpreted or misapplied the components of the equation yielding an incorrect turnover rate that would become a standard going forward in evaluating inventory performance. This will have very

real effects on service to the public if blindly implemented. Materials Management are of the opinion, that the rate should be evaluated against comparable sized fleets taking care to recognize clearly the fleet composition and characteristics.

**Management Representation of the Status of Implementation of Recommendation 8 at December 31, 2008**

*Management: % complete* *100%*

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**OAG's Follow-up Audit Findings regarding Recommendation 8**

Both Fleet and Transit appear to be 100% engaged in addressing this recommendation, however neither Fleet nor Transit have been able to optimize the supply chain and logistics of spare parts.

The ordering, receipt, storage and distribution of parts are key to the productivity of the Fleet maintenance shops. The parts area at the Swansea maintenance facility was found to be typical of many City-run parts distribution areas and lacks the efficiencies or effectiveness necessary for the Fleet maintenance facilities to be productive.

Transit parts are well organized, and the new management team has a mature parts philosophy which has the potential to address the parts performance and respond to this recommendation.

Fleet is actively pursuing a strategy to outsource the acquisition and management of parts, an approach that has worked for many cities and has proven to facilitate significant productivity gains while reducing the costs associated with parts storage and distribution dramatically.

*OAG: % complete Fleet* *50%*

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*OAG: % complete Transit* *50%*

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**Management Representation of Status of Implementation of Recommendation 8 as of Winter 2010**

Fleet Services (FS):

FS management agrees with the OAG's follow-up audit finding.

As part of the Fleet Efficiencies Program, and subject to all necessary approvals, FS is committed to having the deployment of a new outsourced parts provider operational by Q4 2011. FS, therefore, plans not only to assume the responsibilities for Parts Stores operations under the 2010 Efficiencies Initiative and the use of sound specifications, but also to secure the selection of a competent firm for parts services.

Through this initiative, the City will get:

- A parts operation optimized under widely accepted business principles.
- Improved parts fill-rates with built-in penalties for inadequate performance.

- Only 3-5 invoices each month to process instead of several hundred.
- Pricing based on volume discounts offered to a large supply house that purchases in large lots to service several customers instead of one.
- No inventory carrying cost since the City will be invoiced for only what it uses and not what ends up on the shelf.
- No ongoing cost to count physical inventory.
- No more obsolescence since the City will no longer have an inventory.
- Availability of parts matching our hours of operation.
- A cost-effective and efficient distribution system based on multiple customers as opposed to a single client.

The characteristics of this outsourcing initiative will enable FS to effectively address the concerns of the OAG which clearly specified the need for more controls in the area of inventory. The inventory will no longer belong to the City of Ottawa but will belong to the Third Party Logistics Service Provider. Normal purchasing controls will be in place as for the purchase of parts from an outside vendor.

***Management: % complete - Fleet*** ***50%***

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Transit:

Transit management agrees with the OAG's recommendation and its application to Transit Services following the June 2008 transfer of management responsibilities from Fleet Services to Transit Services. Transit Services only assumed responsibility to implement this recommendation and track progress as a result of the follow-up audit in December 2009.

Transit management agrees with the OAG's follow-up audit finding.

Transit management has incorporated this requirement into its project plan for the Material Plan project on Vendor Managed Inventory. This is directed at consolidation of parts into consignment kits, which will link to planning forecasts and schedules. The processes will be in place by Q2 2011.

***Management: % complete - Transit*** ***50%***

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**2006 Recommendation 9**

**That Fleet Services adopt a proactive approach and reduce interpretation by documenting the levels of service expected from each client and by measuring satisfaction levels more accurately.**

**2006 Management Response**

Fleet Management agrees with this recommendation and it is already the practice. Fleet Services management meets regularly with the management teams of their largest clients (Surface Operations, Fire Services, Transit Services and Paramedic Services). This presents a forum for discussion of upcoming issues as well as

resolution or identification of the way forward for any ongoing issues. In addition, the Service Level Agreements (SLA's) clearly outline the responsibilities and accountabilities of each party as well as documenting escalation processes for any unresolved issues.

**Management Representation of the Status of Implementation of Recommendation 9 at December 31, 2008**

*Management: % complete* *100%*

**OAG's Follow-up Audit Findings regarding Recommendation 9**

This does not apply to Transit. Fleet does meet with its clients regularly but has no documented service levels from which it is being measured. This seems to be a consistent situation with all of the different 'Service Excellence' providers as Material's Management, IT nor Finance have any service levels which they are being measured against by Fleet.

*OAG: % complete* *50%*

**Management Representation of Status of Implementation of Recommendation 9 as of Winter 2010**

Fleet Services (FS):

FS management agrees with the OAG's follow-up audit finding.

As part of the Fleet Services (FS) Service Excellence Plan, the organization is moving towards a leasing model that will have a clear Master Lease Agreement that will cover the services offered under the lease agreement. It will be supplemented with a second document produced for each vehicle client where additional services or tailored-made level of services can be specified. Under the supervision of the new Life Cycle Manager positions, the performance level will be consistently monitored. This initiative is part of the planned 2011 deployment of the lease-based system.

*Management: % complete - Fleet* *50%*

**2006 Recommendation 10**

**That Fleet Services assign an account manager to clients and produce accurate and timely reports measuring different parameters such as:**

- a) Days of downtime;
- b) Compliance to inspection schedules (preventive maintenance);
- c) Customer's survey and customer satisfaction levels; and,
- d) List of complaints received and actions taken.

**2006 Management Response**

Management agrees with this recommendation. Fleet Services retained KPMG in 2003 to build a client relationship model and perform a customer satisfaction survey. While no specific account manager was necessarily assigned, each functional area in the branch has a person assigned to the appropriate level in the client's branch.

A multitude of reports are provided to clients, monthly, quarterly, and at the end of each year. The information contained in these reports include: actual expenditures, budget forecasting, training provided, collisions tracked, fuel consumed, kilometres travelled, vehicle under utilization, and much more. For participating clients, monthly management meetings are held where issues are raised, addressed, and the outcomes documented. Fleet Services agrees another customer satisfaction survey is warranted and will schedule for completion in Q4 2008.

Transit has as yet not developed KPIs.

**Management Representation of the Status of Implementation of Recommendation 10 at December 31, 2008**

*Management: % complete* **100%**

**OAG's Follow-up Audit Findings regarding Recommendation 10**

Fleet's status of implementation is mostly accurate, however no account manager per se exists. Lots of data is collected and reported on but there is no specific account manager allocated. Fleet is currently re-organizing itself to meet the resource requirements for LCCM and leasing and the allocation of account managers for each of its clients is a part of this re-organization.

Transit has as yet not developed KPIs.

*OAG: % complete Fleet* **90%**

*OAG: % complete Transit* **0%**

**Management Representation of Status of Implementation of Recommendation 10 as of Winter 2010**

Fleet Services (FS):

FS management agrees with the OAG's follow-up audit finding.

As part, of FS's Service Excellence Plan, Life Cycle Managers will be assigned to clients and product lines to address these issues. This will be done by the end of Q4 2010.

*Management: % complete - Fleet* **90%**

Transit:

Transit management disagrees with the OAG's recommendation and its applicability to Transit Services.

The assignment of an account manager by Fleet to Transit Services is no longer relevant given the reorganization. Transit is now responsible for its own fleet. The reference to the development of KPIs is addressed in Recommendation 4.

*Management: % complete - Transit* *N/A%*

**2006 Recommendation 11**

**That Fleet Services join Materials Management in a combined effort to:**

- a) **Revise store staffing requirements;**
- b) **Improve training for storekeepers;**
- c) **Measure waiting times at the counter and set targets acceptable to Fleet Services;**
- d) **Document and eliminate clandestine inventory; and,**
- e) **Introduce performance measures for stores and include them in a service level agreement with Fleet Services.**

**2006 Management Response**

11(a): Fleet Management does not agree with this recommendation. Management agrees with the recommendation however it disagrees that it can be implemented within existing resources. Approval will be requested for an additional \$180K Operating Budget funding in 2008 in order to allow Municipal Materials Management to hire three (3) Purchasing Stores Clerks to support currently unattended technician shifts. Presently, there are not any available resources to transfer staff from a regular day shift to an evening or night assignment.

11(b): Management does not agree with this recommendation. Management agrees with the recommendation, however it disagrees that it can be implemented within existing resources. Training is required in order to maximize the efficiencies of SAP and improve training in other areas of concern to Fleet Services. Approval is required for an additional \$100K in the 2008 Operating Budget in order to allow Materials Management to complete this training by January 2009.

11(c): Management does not agree with this recommendation. Management agrees with the recommendation however it disagrees that it can be implemented within existing resources. Materials Management will request approval for one-time Capital Budget funding of \$60K in order to purchase an electronic queuing system and an on-going Operating Budget increase of \$7K is required to cover the life cycle costs for the continued use of the system. It will be completed six (6) months after the receipt of the 2008 budget approval.

11(d): Materials Management agrees with this recommendation. Materials Management will continue to assist Fleet Services by cataloguing and restocking parts that are presented to Materials Management by Fleet Services to be held in inventory.

11(e): Materials Management agrees with this recommendation. Materials Management, in conjunction with Fleet Services, will review requirements and establish service level performance measures.

**Management Representation of the Status of Implementation of Recommendation 11 at December 31, 2008**

<i>Management: % complete (a)</i>	<b>100%</b>
<i>Management: % complete (b)</i>	<b>100%</b>
<i>Management: % complete (c)</i>	<b>60%</b>
<i>Management: % complete (d)</i>	<b>60%</b>
<i>Management: % complete (e)</i>	<b>25%</b>

**OAG's Follow-up Audit Findings regarding Recommendation 11**

Fleet is addressing all these recommendations. Transit has made process on addressing these recommendations with the exception of c.

Material's Management status of implementation is accurate. There does seem to be some confusion around 'clandestine' inventory. Management's response is worded in such a way as to infer 'Un-controlled' inventory on the floor is being moved into stores where it can be properly managed and secured. However, there still exists a problem with 'clandestine' (hidden) inventory.

The clandestine inventory which we became aware of was there out of necessity and not for any nefarious reasons. Critical parts which are frequently needed by the repair technicians to facilitate the speedy turnaround of units are being kept by the mechanics at their bays because they have been unable to get these parts from stores in a timely manner. This clandestine inventory is a primary indicator of the inability of stores to support the repair technicians by providing the right parts to the right unit in a reasonable amount of time.

The outsourcing of the parts function would eliminate the need for repair technicians to maintain these clandestine inventories and remove the inefficiencies associated with such 'un-controlled' inventories.

<i>OAG: % complete Fleet (a)</i>	<b>100%</b>
<i>OAG: % complete Transit (a)</i>	<b>100%</b>
<i>OAG: % complete Fleet (b)</i>	<b>100%</b>
<i>OAG: % complete Transit (b)</i>	<b>100%</b>

<b><i>OAG: % complete Fleet (c)</i></b>	<b>100%</b>
<b><i>OAG: % complete Transit (c)</i></b>	<b>0%</b>
<b><i>OAG: % complete Fleet (d)</i></b>	<b>60%</b>
<b><i>OAG: % complete Transit (d)</i></b>	<b>60%</b>
<b><i>OAG: % complete Fleet (e)</i></b>	<b>25%</b>
<b><i>OAG: % complete Transit (e)</i></b>	<b>25%</b>

**Management Representation of Status of Implementation of Recommendation 11 as of Winter 2010**

Fleet Services (FS):

With regard to part (d), management disagrees with the OAG's follow-up audit finding that implementation of this recommendation is only partially complete.

The inventory is controlled. FS continues to work with Materials Management to ensure that parts issued, but found later not to be required, are returned to inventory. Parts returned to stock are accepted. Management does not support or condone the presence of clandestine inventory. The original auditor recommended that inventory is to be secured and controlled. The follow-up audit findings make no reference to the subject matter of the original recommendation and apply a new definition that is out of scope. The narration is unsubstantiated.

Management considers implementation of this recommendation to be complete.

***Management: % complete (d) - Fleet*** **100%**

With regard to part (e), management agrees with the OAG's follow-up audit finding.

As part of the Fleet Efficiencies Program, and subject to all necessary approvals, FS is committed to having the deployment of a new outsourced parts provider operational by Q4 2011 which will address all of the OAG's recommendations.

***Management: % complete (e) - Fleet*** **25%**

Transit:

Transit management agrees with the recommendation and its application to Transit Services following the June 2008 transfer of management responsibilities from Fleet Services to Transit Services. Transit Services only assumed responsibility to implement this recommendation and track progress as a result of the follow-up audit in December 2009.

Transit management agrees with the OAG's follow-up audit finding with regard to parts (d) and (e).

For part (d), Transit has commenced the cleanup of clandestine parts in the garages with the addition of more dedicated space to the secure storage of parts.

Management does not agree that outsourcing of parts would, by itself, remove the need for technicians to maintain hidden parts as proper planning and forecasting and necessary space allocation are necessary to in-house or outsourced supply operations. Space allocations and cleanup of hidden parts is to be completed by Q3 2010.

For part (e), management has incorporated this requirement into its project plan for the development of KPIs and implementation under its Material Plan by the end of Q2 2010.

With regard to part (c), Transit management disagrees with the OAG’s follow-up audit finding that there has been little or no action taken to implement this recommendation.

Fleet Stores have successfully implemented and tested this system with Transit to follow their installation. Transit has obtained the necessary electronic measuring equipment and installation is scheduled to be complete by the end of the Q2 2010.

Transit management considers that action has been initiated to implement this recommendation but it is not yet considered partially complete.

<i>Management: % complete (c) - Transit</i>	<b>40%</b>
<i>Management: % complete (d) - Transit</i>	<b>60%</b>
<i>Management: % complete (e) - Transit</i>	<b>25%</b>

**2006 Recommendation 12**

**That Fleet Services:**

- a) Ensure that vehicle log books are used especially for light passenger vehicles and perform random audits to determine how often the vehicle is required. Kilometres may not always represent a good indicator to validate whether a vehicle is justified or not. Unjustifiable vehicles should be reported to Council;**
- b) Facilitate vehicle pooling by adapting the chargeback model and transferring as many vehicles as possible to a daily rental mode;**
- c) Improve the “Fleet Analysis Reports” sent out to clients at each period. The reports should focus on performance indicators, identify benchmarks, highlight exceptions and require actions. Indicators may include: Fuel consumption, utilization statistics, misuse, accidents, etc.; and,**
- d) Establish vehicle standards per types of task and discourage deviations from the low cost standards by requiring approval from upper management or Committee of Council.**

### **2006 Management Response**

12(a): Fleet Management does not agree with this recommendation. Logbooks are a client responsibility. Fleet Services reports usage whereas the client determines the justification.

12(b): Fleet Management agrees with this recommendation. Fleet Services maintains a vehicle pool that clients can access for rental units.

12(c): Fleet Management agrees with this recommendation. Fleet Services has been providing reports to clients detailing all the indicators mentioned since 2002.

12(d): Fleet Management does not agree with this recommendation. Fleet Services uses best practices by developing vehicle specifications based on operational requirements of the client department. The client department is responsible to determine the capability requirement and Fleet Services is responsible to prepare a specification to meet that requirement in a cost-effective manner. The standard specification is for a base model in each category. Options are added depending on specific application or as a result of departmental request with justification and authorization. Options not supported by Fleet Services are escalated to the Executive Management Team, and if necessary, Council for approval.

### **Management Representation of the Status of Implementation of Recommendation 12 at December 31, 2008**

Implementation of these recommendations is 100% complete.

*Management: % complete* *100%*

### **OAG's Follow-up Audit Findings regarding Recommendation 12**

Transit and Fleet's status of implementation is accurate.

*OAG: % complete* *100%*

### **2006 Recommendation 13**

**That Fleet Services perform a basic survey to evaluate the number of daily calls in and out of the help desk. After statistics are compiled, a business case should be made to acquire an appropriate phone system and adjust staffing to cover the evening and night shifts.**

### **2006 Management Response**

Management agrees with this recommendation and it has been implemented. In conjunction with ITS, Fleet Services has investigated the number of calls to the City's Call Centre and the possibility of a call management system. From the analysis made on the light traffic pattern on the call centre, it was determined that the system is adequately equipped to handle the volume of calls and that the investment of \$19K in a call management system is not economically justifiable. However the situation will be continually monitored and the necessary action will

be taken should it become economically justifiable. No further action will be taken on this recommendation.

**Management Representation of the Status of Implementation of Recommendation 13 at December 31, 2008**

Implementation of this recommendation is 100% complete.

*Management: % complete* **100%**

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**OAG's Follow-up Audit Findings regarding Recommendation 13**

Transit and Fleet's status of implementation is accurate.

*OAG: % complete* **100 %**

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**2006 Recommendation 14**

**That Fleet Services make a decision between M4 and SAP as recommended in the 2003 audit.**

**2006 Management Response**

Management agrees with this recommendation. The decision has been made to move to a single Fleet Management Information System, M5. Implementation is currently underway and is planned to be completed by the end of Q4 2007.

**Management Representation of the Status of Implementation of Recommendation 14 at December 31, 2008**

Implementation of this recommendation is 100% complete.

*Management: % complete* **100%**

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**OAG's Follow-up Audit Findings regarding Recommendation 14**

Transit and Fleet's status of implementation is accurate.

Since this recommendation was made, Fleet Services and Transit have been split into two separate organizations. This split has allowed each organization to develop its own specific strategic direction which will ultimately challenge the existing M5 system to meet both organizations' operational needs simultaneously. Two instances of the same software are often a cost effective solution to these types of issues.

*OAG: % complete* **100%**

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**2006 Recommendation 15**

**That Fleet Services establish a series of performance indicators, track them systematically in a dashboard and be accountable for them.**

### **2006 Management Response**

Fleet Services agrees with this recommendation. Fleet Services already has some established performance indicators, namely those that are part of OMBI (Ontario Municipal CAO's Benchmarking Initiative) and some that are strictly internal to the City of Ottawa (including one dashboard measure). Fleet Services is leading the development of other indicators with CAMFM (Canadian Association of Municipal Fleet Managers). With the arrival of a single Fleet Management Information System, Fleet Services will be in a position in 2008 to expand the dashboard indicators.

### **Management Representation of the Status of Implementation of Recommendation 15 at December 31, 2008**

Implementation of this recommendation is 50% complete.

<i>Management: % complete</i>	<i>50%</i>
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### **OAG's Follow-up Audit Findings regarding Recommendation 15**

Fleet's status of implementation is accurate.

Transit has not developed a full set of KPIs and therefore has significant more work to do.

<i>OAG: % complete Fleet</i>	<i>50%</i>
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<i>OAG: % complete Transit</i>	<i>30%</i>
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### **Management Representation of Status of Implementation of Recommendation 15 as of Winter 2010**

Fleet Services (FS):

FS management notes that this recommendation did not relate to Fleet in the 2006 Audit.

This recommendation duplicates Recommendation 5 parts (a) and (b), for which the OAG assessed Fleet to be 100% complete. Recommendation 5 parts (a) and (b) recommended:

*"That Fleet Services,*

*a) Establish benchmarks, Key Performance Indicators (KPIs) and target performance levels, identify key success factors, identify gaps and investigate exceptions;*

*b) Should implement a dashboard or balanced scorecard system to track all KPIs on a regular basis and increase accountability of the organization."*

Transit:

Management disagrees with the OAG's follow-up audit finding that action has been initiated to implement this recommendation but it is not yet considered partially complete.

Transit management has incorporated this requirement into its project plan for the Work Management System development project, which includes the establishment of a KPI reporting Dashboard by Q4 2010.

Transit management considers implementation of this recommendation to be partially complete.

*Management: % complete - Transit* 50%

**2006 Recommendation 16**

**That Materials Management and Fleet Services reconcile their inventory numbers in terms of parts issued to Fleet and parts assigned to buses and municipal vehicles.**

**2006 Management Response**

Management agrees with this recommendation. An analysis of inventory issues against fleet receipts was completed in mid April 2007 that reconciled all variances between Materials Management and Fleet Services. In the course of the 2007 Audit of the Inventory Management Process, Management will provide additional analysis on specific items discussed in the variance reconciliation provided to the Auditor General.

**Management Representation of the Status of Implementation of Recommendation 16 at December 31, 2008**

Implementation of this recommendation is 100% complete.

*Management: % complete* 100%

**OAG's Follow-up Audit Findings regarding Recommendation 16**

Parts inventories were moved from the Fleet Management system (M4) into SAP which resolved this specific reconciliation issue but created other critical problems in the process. M5 is capable of managing part warranties and SAP is not. Through the management of part warranties overall part costs are minimized and important performance data is gathered. Not being able to manage these part warranties was one of the primary reasons that the CIO mandated that these inventories be moved back into the Fleet Management system (M5). The costs associated with moving this data from SAP into M5 could be avoided if the parts function is outsourced as the responsibility for the management of this inventory data falls to the 3rd Party Logistics service provider.

Another unfortunate side effect of the SAP inventory is the parts data entry lag. If the parts data is not entered in a timely manner, and then transmitted to M5 before

the specific work order is closed then an important double check gets missed. Normally, parts are entered as the work is actually done and then when the work is finished the work order is double checked for accuracy and closed. The current data entry lag for the parts information has created a sub optimal situation as work orders are being closed without all of the relevant part transactions allocated. Over the long run this will adversely affect the data collected for LCCM analysis.

It is recommended that the parts function for Fleet be outsourced to a 3rd Party Logistics provider.

***OAG: % complete*** ***100%***

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Fleet Services (FS):

FS management notes that this recommendation did not relate to Fleet in the 2006 Audit.

***Management: % complete*** ***100%***

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**2006 Recommendation 17**

**That Materials Management consolidate and repatriate all parts, new, used and remanufactured, within the official inventory.**

**2006 Management Response**

This recommendation does not relate to Fleet.

Transit Management does not agree with this recommendation. Management agrees with the recommendation, however it disagrees that it can be implemented within existing resources. Materials Management believes that the used and remanufactured material currently residing outside their span of control should be moved from Fleet Services control into a secure environment and recorded in the SAP system. The opportunity to create a secure and effective storage area will present itself with the opening of the Swansea Rebuild area under the Fleet CapaCity Optimization project. Three (3) new staff positions at a cost of \$183K were approved in the 2007 Operating Budget. Additional funding requests of \$140K are planned for 2008 for racking and equipment to create a clean, safe and controlled storage environment. Materials Management will assume control and movement of the materials in 2007, where appropriate, following a risk assessment and cost-benefit analysis. Full and secure control of the appropriate stock will occur by the end of 2008 following budget approval.

**Management Representation of the Status of Implementation of Recommendation 17 at December 31, 2008**

Implementation of this recommendation is 60% complete.

***Management: % complete*** ***60%***

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**OAG's Follow-up Audit Findings regarding Recommendation 17**

Material Management's status of implementation is accurate.

*OAG: % complete* *60%*

**Management Representation of Status of Implementation of Recommendation 17 as of Winter 2010**

Transit management agrees with the OAG's follow-up audit finding.

Transit has commenced the cleanup of clandestine parts in the garages with the addition of more dedicated space to the secure storage of parts. Space allocations and entry of all parts into inventory is to be completed by Q4 2010.

*Management: % complete - Transit* *60%*

**2006 Recommendation 18**

**That Fleet Services and Employee Services develop a strategy for succession planning as Transit may have a shortage of qualified mechanics within a few years.**

**2006 Management Response**

Management agrees with this recommendation. This skill shortage is an industry-wide issue. The ongoing replacement of mechanics has already been identified as a component of the City's Succession Management/Talent Management Strategy. Fleet Services and Employee Services branches are currently working together on succession strategies including expansion of the apprenticeship program.

**Management Representation of the Status of Implementation of Recommendation 18 at December 31, 2008**

Implementation of this recommendation is 100% complete.

*Management: % complete* *100%*

**OAG's Follow-up Audit Findings regarding Recommendation 18**

Transit and Fleet's status of implementation is accurate.

*OAG: % complete* *100%*

Fleet Services (FS):

FS management notes that this recommendation did not relate to Fleet in the 2006 Audit.

*Management: % complete* *100%*

**2006 Recommendation 19**

**That Fleet Services implement a preventative maintenance program for bodies and structures.**

### **2006 Management Response**

A Materials/Mechanical engineer was hired in 2005 to develop a preventative corrosion protection program for bus chassis and structures. This program for all the transit bus fleet is under development, with support from other transit agencies such as STO (Gatineau) and STM (Montreal), as well as bus manufacturers.

In the interim, Fleet Services has implemented an inspection protocol for its newest transit bus models, D60LF (227 buses) and D40i (239+ buses). Inspections have been established in 2005 and updated in 2006, and meet the bus builder recommended preventative maintenance schedule.

### **Management Representation of the Status of Implementation of Recommendation 19 at December 31, 2008**

This recommendation does not apply to Fleet.

Implementation of this recommendation by Transit is 70% complete. Phase 1 has been delayed by the consultant (NRC), which impacts the ability to initiate Phase 2 (procedure validation) scheduled for Q1 2009. Pending funding approval, Phase 2 should be completed in Q2 2009. In the interim, corrosion programs level I (Bus wash procedure and visual inspection reporting) will begin in Q1 2009 with the recent implementation of Maximus M5 in Transit Maintenance.

*Management: % complete* 70%

### **OAG's Follow-up Audit Findings regarding Recommendation 19**

Transit's status of implementation is accurate.

*OAG: % complete* 70%

### **Management Representation of Status of Implementation of Recommendation 19 as of Winter 2010**

Transit management agrees with the OAG's follow-up audit finding.

A procedure is already in place for determining which buses will be reconditioned and with what frequency. Technology has been developed with the NRC to scan the frame and get an accurate view of what refurbishing is required. The next steps are to ensure that there is adequate staffing in the steam clean bays, and provide training to the employees who will be performing the inspections. This recommendation is expected to be complete by the end of Q4 2010.

*Management: % complete - Transit* 70%

### **2006 Recommendation 20**

**That Fleet Services elaborate and implement a risk assessment strategy and a clear procedure in case of bus fires due to malfunction or poor design.**

**2006 Management Response**

Management agrees with this recommendation. The documentation of the risk assessment strategy will be completed by September 2007.

**Management Representation of the Status of Implementation of Recommendation 20 at December 31, 2008**

This recommendation does not apply to Fleet.

For transit implementation of this recommendation is 100% complete.

*Management: % complete* 100%

**OAG's Follow-up Audit Findings regarding Recommendation 20**

Transit's status of implementation is accurate; while bus fires continue to be a problem, for each type of fire a solution is in the works.

*OAG: % complete* 100%

**2006 Recommendation 21**

**That Fleet Services and Supply Management determine the exact costs of reconditioning components (Activity Based Costing) and charge all the reconditioned parts to the inventory.**

**2006 Management Response**

Management agrees with this recommendation. However, costing the components is complex and needs further review by Supply Management, Accounting and Reporting and Fleet Services. This work will be completed by the end of 2008.

**Management Representation of the Status of Implementation of Recommendation 21 at December 31, 2008**

Implementation of this recommendation by Transit is 50% complete. M5 went live in Transit Services on October 21, 2008. Data is currently being collected. Once data collection is complete, it will be analyzed and new costing will be applied. The estimated date of completion is Q2 2009.

*Management: % complete* 50%

**OAG's Follow-up Audit Findings regarding Recommendation 21**

This recommendation does not apply to Fleet.

To implement this recommendation requires that Transit capture all costs, parts and labour associated with the reconditioning work being done. At present only an estimate of the value of the reconditioned parts is made.

As part of the new management strategy an examination of each class or type of part being reconditioned is being assessed so that a 'buy new' vs. 'recondition' decision can be made. Once this is done the appropriate costing procedure will

need to be put into place so that real costs can be associated with these parts as opposed to the existing estimate.

***OAG: % complete*** ***10%***

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**Management Representation of Status of Implementation of Recommendation 21 as of Winter 2010**

Transit management disagrees with the OAG's follow-up audit finding that there has been little or no action taken to implement this recommendation.

Transit management has incorporated this requirement into its project plan for the Build vs. Buy Team project that will establish processes and implementation plans by Q2 2010, with application to operational requirements going forward. M5 is currently being used to collect data which will be analyzed and used in the project plan.

Transit management considers implementation of this recommendation to be partially complete.

***Management: % complete - Transit*** ***50%***

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**2006 Recommendation 22**

**That Fleet Services elaborate and document its refurbishing program.**

**2006 Management Response**

Management agrees with this recommendation. A procedure is already in place for determining which buses will be reconditioned and on what frequency. A spreadsheet detailing past, present and future activity exists, however the process has not been documented. Fleet Services will undertake to complete this documentation of the process by Q3 2007.

**Management Representation of the Status of Implementation of Recommendation 22 at December 31, 2008**

This recommendation does not apply to Fleet.

Implementation of this recommendation by Transit is 70% complete. M5 went live in Transit Services on October 21, 2008 and will generate adjustments to many existing procedures. Implementing new processes will not be feasible for another four months until after the consultant report on Transit Maintenance Management Review is complete. When combined with the work under recommendation 19, this will produce a process and procedure to document the refurbishing program. The estimated date of completion is Q2 2009.

***Management: % complete*** ***70%***

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**OAG's Follow-up Audit Findings regarding Recommendation 22**

The current Life Cycle of buses is 18 years which requires a refurbishment to occur for the bus to last that long. Current OEM recommendations are that bus Life Cycles should be reduced to 12 years which would eliminate this refurbishment. This is a complicated topic and it is recommended that a detailed study be undertaken to determine the best Life Cycle for these assets. The optimal refurbishment schedule would be a by product of such a study.

Analysis of the existing bus fleet has shown that 81 units are still in use which are 19 to 22 years of age or older (as per information held in M5) which goes well beyond the stated 18 year life cycle.

*OAG: % complete* *70%*

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**Management Representation of Status of Implementation of Recommendation 22 as of Winter 2010**

Transit management disagrees with the OAG's follow-up audit finding that implementation of this recommendation is only partially complete.

A procedure is in place for determining which buses will be reconditioned, and with what frequency. Technology has been developed with the NRC to scan the frame and get an accurate view of what refurbishing is required. As per the recommendation, the refurbishing specifications have now been documented and have been imbedded within the current RFP for bus refurbishment.

Transit management considers implementation of this recommendation to be complete.

*Management: % complete - Transit* *100%*

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**2006 Recommendation 23**

**That Fleet Services document the preventative maintenance program and train and inform the mechanics.**

**2006 Management Response**

Management agrees with this recommendation. Transit Fleet's Preventative Maintenance program is presently under review. Some changes have already been implemented and it is anticipated that further modifications will be introduced by Q3 2007. Training is being carried out as part of the review as is the use of working groups to optimize the programs. Also, the implementation of a new Fleet Management Information System (FMIS) in the latter part of Q4 2007 will provide Transit Fleet Maintenance with the tool necessary to better manage the program.

**Management Representation of the Status of Implementation of Recommendation 23 at December 31, 2008**

A preventative maintenance program is in place for fleet.

Within Transit implementation of this recommendation is 80% complete. Recommendations by Bronson Consulting, with regard to preventative maintenance program requirements for OC Transpo's fleet of buses, were entered into M5 at implementation in October 2008. Refinements to these programs will continue through June 2009 during which time mechanics will be trained on new procedures

*Management: % complete* *80%*

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### **OAG's Follow-up Audit Findings regarding Recommendation 23**

Transit and Fleet's status of implementation is accurate.

*OAG: % complete Fleet* *100%*

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*OAG: % complete Transit* *80%*

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### **Management Representation of Status of Implementation of Recommendation 23 as of Winter 2010**

Fleet Services (FS):

FS management notes that this recommendation did not relate to Fleet in the 2006 Audit.

Transit:

Transit management agrees with the OAG's follow-up audit finding.

The training and quality departments have started the process to document and update technician and garage attendant training to be in line with revised PM procedures. The program is being rolled out in a phased approach, with each garage falling in a separate phase, resulting in different completion dates. The overall completion of documentation and revised training recommendations will be completed by end of Q4 2011.

*Management: % complete - Transit* *80%*

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### **2006 Recommendation 24**

**That Fleet Services redirect resources to planned repairs and routine maintenance and review its procedures pertaining to circle checks and routine maintenance to ensure that the individuals responsible for performing said operations are properly versed with their responsibilities and make use of the training programs available.**

### **2006 Management Response**

Management disagrees with this recommendation. Clear accountabilities already exist for operators for inspection and repair and they are documented and incorporated in training programs.

No further action needs to be taken on this issue.

**Management Representation of the Status of Implementation of Recommendation 24 at December 31, 2008**

Implementation of this recommendation is considered 100% complete.

*Management: % complete* 100%

**OAG’s Follow-up Audit Findings regarding Recommendation 24**

Fleet’s status of implementation is accurate. Equipment Daily Inspection log books are provided to all units and must be completed and presented to the Service Desk for work to be done by Fleet. No audit of the clients was done to ensure that these inspections were done daily, or that the completed forms were being stored as per legal requirements.

On paper, Transit has achieved 100% of this recommendation; however, Transit is unable to verify that circle checks are actually being done as per their policy and procedures. To fully comply with this recommendation a documented process, such as including the circle check as part of the count down process, would be required.

*OAG: % complete Fleet* 100%

*OAG: % complete Transit* 90%

**Management Representation of Status of Implementation of Recommendation 24 as of Winter 2010**

Transit management disagrees with the OAG’s follow-up audit finding that implementation of this recommendation is only substantially complete.

As part of the Transit Re-engineering Program, the countdown process has been reviewed and enhanced. The enhanced countdown process is now supported by the requirement for the operators to circle check the bus prior to leaving the premises. The countdown process is documented by the Quality and Assurance Team and is audited by the service supervisor.

Transit management considers implementation of this recommendation to be complete.

*Management: % complete - Transit* 100%

**2006 Recommendation 25**

**That the St. Laurent shop be cleaned up.**

**2006 Management Response**

Management does not agree with this recommendation. Cleanliness in the garage is not the issue, however, the crowded work-space does contribute to the untidiness of the garage.

Daily shop maintenance routines performed by Transit Fleet maintenance staff include cleaning their work areas during and upon completion of each bus repair. Area cleaning is also done by Transit Fleet maintenance staff on an as-needed basis and equipment cleaning and maintenance is done on a scheduled basis by RPAM. The St. Laurent garages are well utilized and although crowding of buses and components is a challenge to work around, cleanliness is a priority.

Crowding of most areas will be significantly reduced by the end of 2007 when the major repair operation moves to another garage thereby providing additional storage space for components and cores presently stored in these bays. There will be an opportunity to improve the "area" cleaning component at that time, and action will be taken following this move.

**Management Representation of the Status of Implementation of Recommendation 25 at December 31, 2008**

This recommendation does not apply to Fleet.

Implementation of this recommendation by Transit is considered 100% complete.

*Management: % complete* *100%*

**OAG's Follow-up Audit Findings regarding Recommendation 25**

A walkthrough of the repair facility showed no issues with cleanliness or organization of the St. Laurent shop.

*OAG: % complete* *100%*

**2006 Recommendation 26**

**That Fleet Services management direct staff to immediately stop any personal vehicle repairs from being carried out. That all employees be re-educated about the details of the City's Code of Conduct requirements and that strict adherence (zero tolerance) to the existing policy be enforced rigorously.**

**2006 Management Response**

Management agrees with this recommendation and it has been implemented. A directive was issued to all staff on July 6, 2006 detailing the prohibitions outlined in the Code of Conduct. Fleet Services has also been monitoring this to ensure ongoing compliance.

**Management Representation of the Status of Implementation of Recommendation 26 at December 31, 2008**

Implementation of this recommendation is 100% complete.

*Management: % complete* *100%*

**OAG's Follow-up Audit Findings regarding Recommendation 26**

Transit and Fleet's status of implementation is accurate.

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*OAG: % complete**100%*

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**2006 Recommendation 27**

**That Fleet Services commission an easy to read and updateable manual for the ease of reference of managers, mechanics and operators. As an alternative, we recommend that additional training be provided to managers and supervisors about the various regulations and the applicability of the federal and provincial statutes to Fleet Services**

**2006 Management Response**

Management agrees with this recommendation. Applicability of federal and provincial statutes already forms part of the comprehensive training programs and is incorporated into Fleet's numerous procedures. While no single manual is planned (would be too large to be of use) Fleet will continue to leverage electronic access to up-to-date information. As part of Fleet's move to a single Fleet Management Information System, more information will be accessed via the web (i.e. procedures, vehicle specifications, parts listings, etcetera). In addition, we work directly with our clients to help inform them of changes at the federal/provincial levels and help build solutions to meeting new and changing legislation.

**Management Representation of the Status of Implementation of Recommendation 27 at December 31, 2008**

Implementation of this recommendation is 100% complete.

*Management: % complete**100%*

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**OAG's Follow-up Audit Findings regarding Recommendation 27**

Transit and Fleet's status of implementation is accurate.

*OAG: % complete**100%*

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**2006 Recommendation 28**

**That Fleet Services ensure that all managers and senior staff understand their role as it relates to environmental waste disposal.**

**2006 Management Response**

Management agrees with this recommendation. As stated in the audit, this was simply a miscommunication between the staff interviewed and the Auditors. This issue was quickly sorted out and all senior staff and managers do understand the rules as it relates to environmental waste disposal. No further action is required.

**Management Representation of the Status of Implementation of Recommendation 28 at December 31, 2008**

Implementation of this recommendation is 100% complete.

*Management: % complete**100%*

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**OAG's Follow-up Audit Findings regarding Recommendation 28**

Transit and Fleet's status of implementation is accurate.

*OAG: % complete* *100%*

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**2006 Recommendation 29**

**That Fleet Services reallocate existing resources to the Fleet Driver Training Unit to ensure that all operators are provided with sufficient training. Operator supervisors (clients) should also recommend additional training whenever possible.**

**2006 Management Response**

Management agrees with this recommendation.

Fleet Services, as part of the annual budgeting process, aligns training resources to the client training needs. As a result, two trainers were added in 2006. Fleet Services training programs are based on legislated and mandated requirements. Additional training resources are not required until 2008.

**Management Representation of the Status of Implementation of Recommendation 29 at December 31, 2008**

Implementation of this recommendation is 100% complete.

*Management: % complete* *100%*

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**OAG's Follow-up Audit Findings regarding Recommendation 29**

Transit and Fleet's status of implementation is accurate.

*OAG: % complete* *100%*

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**2006 Recommendation 30**

**That Fleet Services educate all mechanics and operators regarding their responsibility as it relates to the loss and suspension of category G licenses. Operator education must be strengthened in the following areas:**

- a) Operating a vehicle without a valid license;
- b) Consequences for violating the Code of Conduct are severe when compared to reporting a temporary loss of license; and,
- c) Liability of operating a City vehicle without a valid license relating to personal liability.

**2006 Management Response**

Management does not agree with this recommendation. Fleet Services does not have the authority for providing this type of education. Employee orientation at hire, which is the responsibility of the supervisor, is the appropriate place to both review the code of conduct (which is given to each new hire) and all other related issues (including discipline) specific to the job the employee is being hired into.

**Management Representation of the Status of Implementation of Recommendation 30 at December 31, 2008**

Implementation of this recommendation is considered 100% complete.

*Management: % complete* 100%

**OAG's Follow-up Audit Findings regarding Recommendation 30**

Transit and Fleet's status of implementation is accurate.

*OAG: % complete* 100%

**2006 Recommendation 31**

**That Fleet Services implement strategies and document a process to reduce the expenses related to misuse and/or repairs caused by abnormal utilization.**

**2006 Management Response**

Management agrees with this recommendation and it has been implemented. The branch has been reporting vehicle misuse to operating departments on a monthly basis since 2005, however it is the responsibility of the operating department to take corrective action. A new initiative is being launched by the Fleet Services to review monthly abuse statistics with client departments to find out the root cause of the misuse and take corrective action. Both the Fleet Maintenance and Fleet Operator Training divisions will participate in these reviews. In addition to the above, Fleet Service reports misuse information annually, at the year-end, customer reports which are provided to the branch Directors as well as the Deputy City Managers to enable them to take appropriate action.

**Management Representation of the Status of Implementation of Recommendation 31 at December 31, 2008**

Implementation of this recommendation is 100% complete.

*Management: % complete* 100%

**OAG's Follow-up Audit Findings regarding Recommendation 31**

This recommendation applies to both Fleet and Transit.

Work Order reason codes and Order Line reason codes are the means of accurately capturing this information. Currently those codes do not meet the needs of LCCM or a Leasing Model and are undergoing modification. Without a 'mechanic centric' reason code system in place there will be inaccuracies which result in non operational repairs such as accidents, misuse, abuse, etc., becoming buried inside of operational repairs.

Once the new codes have been developed, training of all mechanics, lead hands and floor supervisors will be required.

*OAG: % complete* 70%

**Management Representation of Status of Implementation of Recommendation 31 as of Winter 2010**

Fleet Services (FS):

FS management agrees with the OAG's follow-up audit finding.

As part of the Service Excellence Plan, FS is introducing a Vehicle Safety Program to reduce the incidence of misuse and abuse. Also, the lease-based system is designed to identify all terms that are not related to the normal wear and tear of a vehicle since the lease payments are based on all predictable maintenance items. All other items fall in the category of Collision and Consumables which are reported independently. This will be completed by Q4 2011.

*Management: % complete - Fleet* *70%*

Transit management agrees with the OAG's follow-up audit finding.

Currently the Job Visit Reason codes do not identify misuse or abuse and cannot be tracked. In order to fully complete this recommendation, VMRS codes need to be developed in M5. It is estimated that this will be completed by Q4 2010.

*Management: % complete - Transit* *70%*

**2006 Recommendation 32**

**That one specific individual be put in charge of all Ministry issued licenses, or as an alternative, have one person responsible for dealing with the Ministry on behalf of Fleet Services.**

**2006 Management Response**

Management agrees with this recommendation and it has been implemented. Fleet Services has consolidated all garage and technician licensing under one (1) person in Transit Fleet Maintenance (for transit garages) and under one (1) person in Municipal Fleet Maintenance (for municipal garages).

**Management Representation of the Status of Implementation of Recommendation 32 at December 31, 2008**

Implementation of this recommendation is 100% complete.

*Management: % complete* *100%*

**OAG's Follow-up Audit Findings regarding Recommendation 32**

Transit and Fleet's status of implementation is accurate.

*OAG: % complete* *100%*

**2006 Recommendation 33**

**That the management members of the unions be bargained out of the existing collective bargaining unit and into a separate unit when the contract is renegotiated in the future.**

**2006 Management Response**

Management does not agree with the recommendation. The Transit Fleet garage supervisors belong to a CUPE local and the staff they supervise belong to an ATU local, therefore a conflict does not exist since supervisory staff are in a different Union. The best-case scenario occurs when any level of supervisory staff is either non-union or from a bargaining unit different than the bargaining unit to which staff belong.

Arbitral jurisprudence allows functional supervisors to be from within the same bargaining unit. Functional supervision can include scheduling and assigning work, as it does in this case. These are not true management responsibilities. The management staff from the MPE group or the garage supervisor’s bargaining unit is responsible for the management of disciplinary issues.

**Management Representation of the Status of Implementation of Recommendation 33 at December 31, 2008**

Further to discussion at a meeting between the City Manager and the Auditor General on November 21, 2007, the Auditor General withdrew this recommendation.

*Management: % complete* *0%*

**OAG’s Follow-up Audit Findings regarding Recommendation 33**

Transit and Fleet’s status of implementation is accurate.

*OAG: % complete* *100%*

**2006 Recommendation 34**

**That Fleet Services’ budgeting process be reviewed to:**

- a) **Reassess its process for informing the appropriate client/business unit of expected budget overruns;**
- b) **Reassess the accountability of each business unit (Fleet Services, Supply Management or Fleet Services’ clients) over expenses incurred by Fleet Services;**
- c) **Identify the cost drivers for each of Fleet Services’ expenses;**
- d) **Develop tools to measure and track each cost driver; and,**
- e) **Allocate each cost driver’s responsibility to the appropriate business unit, and incorporate performance measures to the budget of each business units controlling these cost drivers.**

### **2006 Management Response**

Management agrees with the recommendation. The current billing system of charging actual costs to clients does not accurately reflect the allocation of responsibilities for cost drivers. A lease-based system would more accurately reflect these cost drivers, including usage, workshop efficiencies, accident damage and misuse. Fleet Services will investigate the opportunity of moving to a lease-based system by the end of 2008.

### **Management Representation of the Status of Implementation of Recommendation 34 at December 31, 2008**

Implementation of this recommendation is 30% complete. Fleet Services has undertaken a number of initiatives in moving toward a lease-based system. This was examined in the Branch Business Process Review and the results recommended that a lease-based system be implemented. A Terms of Reference has been written to retain a consultant to assist in the development of a framework and to recommend an implementation plan targeting January 1, 2011. Implementation of this system will identify cost drivers for each expense as well as development of measures to track each cost driver. A review of the Fleet/Stores relationship will be undertaken following the finalization of Phase 3 of the corporate realignment.

*Management: % complete* *30%*

### **OAG's Follow-up Audit Findings regarding Recommendation 34**

This recommendation does not apply to Transit.

Fleet currently bills some cost components (such as fuel and repairs) at the unit level but many other cost components are billed at a summary level without proper allocation to the individual unit. This goes against all of the principals of LCCM and makes it difficult to monitor the total cost of ownership of any specific unit through its Life Cycle.

As Fleet continues its re-organization and continues its changes to the way that M5 is set up their ability to implement a Lease Based system will be facilitated and all of the necessary costing data will be collected and allocated at the unit level.

*OAG: % complete* *30%*

### **Management Representation of Status of Implementation of Recommendation 34 as of Winter 2010**

Fleet Services (FS):

FS management agrees with the OAG's follow-up audit finding.

FS will be implementing a lease-based system in Q1 2011 to fully address this recommendation. This new system will clearly identify and properly assign all costs. In addition, it will provide users with greater visibility of trends and

performance of all assets at individual and aggregate levels. This will enable them to properly manage their fleet of vehicles.

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*Management: % complete - Fleet* *30%*

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### **2006 Recommendation 35**

**That Municipal Fleet promotes the use of the City's fuelling stations, review the reasons why some vehicles are being fuelled outside the City's stations, and approve or rectify such practice.**

#### **2006 Management Response**

Management agrees with the principle of this recommendation. Fleet Services actively promotes the use of City owned fuelling stations. Fleet communicates with drivers via the use of pamphlets provided in all City owned vehicles and by the use of corporate e-mail (for those who have access). City management is also apprised of the benefits of using City owned sites via e-mail, monthly client billing (which shows City vs. retail fuel usage), and quarterly/year end reports which identify the amount of dollars which could have been saved had City-owned fuel stations been used. However, it must be recognized that there are valid operational reasons why the use of City fuelling facilities is not always practical. Further the decision to use City owned fuelling stations is at the discretion of the operating department.

#### **Management Representation of the Status of Implementation of Recommendation 35 at December 31, 2008**

Implementation of this recommendation is 100% complete.

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*Management: % complete* *100%*

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#### **OAG's Follow-up Audit Findings regarding Recommendation 35**

This finding does not apply to Transit

Because of the significant loss of information required to support LCCM and cost optimization of the fleet, Fleet should reconsider allowing operators the discretion of fuelling at commercial sites not owned by the City.

Fleet management requires accurate meter readings as often as possible to facilitate PM maintenance, monitor fuel consumption and also to determine vehicle utilization. The most common means of getting these meter readings occurs when a unit refuels at a City owned fuel station because the driver must enter the meter reading into the Coencorp system to receive fuel. This is not the case when units fill up at non-City owned commercial sites.

Fuel prices are always more expensive at commercial sites then at the City owned sites and it is not in the best interest of the City to have as much commercial fuel usage as it currently has.

The data exists to examine who is filling up at these commercial sites and the departments associated with these units should have to justify why they cannot make use of a City owned fuel station.

**OAG: % complete**

**75%**

**Management Representation of Status of Implementation of Recommendation 35 as of Winter 2010**

Fleet Services (FS):

FS management disagrees with the OAG's follow-up audit finding that implementation of this recommendation is only substantially complete.

Fleet has moved from 45% retail fuel to 5% retail fuel, meeting the intent of the 2006 audit. Some retail fuel is required for operational reasons. The \$13,000 of retail that comes from "non-City contract sites" represents less than 0.15% of the City's total fuel use. Management believes there is little value in chasing this minute amount. FS has good control over fuel with 99.85% of all fuel coming from pre-approved City sites.

Beyond the scope of the original recommendation, FS will be implementing a lease-based system in Q1 2011. This new system will clearly identify fuel costs and will provide users' with greater visibility of trends and performance of all assets at individual and aggregate levels. This will enable them to further optimize their fuel decisions.

Management considers implementation of this recommendation to be complete.

***Management: % complete - Fleet***

**100%**

**2006 Recommendation 36**

**That Municipal Fleet renews its standing offers to lock in discounts on fuel purchases.**

**2006 Management Response**

Management agrees with this recommendation. Supply Management has already been working with Fleet Services on this initiative. As well, this past February, a draft of the proposed standing offer was circulated to the fleet group for further input. The RFSO will set-up authorized retail fuel outlets based on set criteria, and a firm discount from the pump price, in relation to urban and rural districts stipulated in the document. The RFSO will be issued on the internet based Merx site during Q2 2007, and it is anticipated that the call-up list will be approved in time for use during the latter part of 2007.

**Management Representation of the Status of Implementation of Recommendation 36 at December 31, 2008**

Implementation of this recommendation is 100% complete.

*Management: % complete* **100%**

**OAG's Follow-up Audit Findings regarding Recommendation 36**

Transit and Fleet's status of implementation is accurate.

*OAG: % complete* **100%**

## 4 SUMMARY OF THE LEVEL OF COMPLETION

The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009.

### Transit

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
NOT APPLICABLE		4, 9, 34, 35	4	9%
LITTLE OR NO ACTION	0 – 24	2a, 2b, 3, 10, 11c, 21	6	13%
ACTION INITIATED	25 – 49	1, 5a, 5b, 5c, 5d, 11e, 15	7	15%
PARTIALLY COMPLETE	50 – 74	2c, 6, 7a, 7b, 8, 11d, 17, 19, 22, 31	10	21%
SUBSTANTIALLY COMPLETE	75 – 99	23, 24	2	4%
COMPLETE	100	7c, 11a, 11b, 12,13,14, 16, 18, 20,25, 26, 27, 28, 29, 30, 32, 33, 36	18	38%
TOTAL			47	100%

## Fleet

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
NOT APPLICABLE		17,19,20, 21, 22, 25	6	13%
LITTLE OR NO ACTION	0 – 24	2a, 2b, 7a, 7b	4	8%
ACTION INITIATED	25 – 49	11e, 34	2	4%
PARTIALLY COMPLETE	50 – 74	1, 2c, 8, 9, 11d, 15, 31	7	15%
SUBSTANTIALLY COMPLETE	75 – 99	3, 4, 5c, 5d, 6, 10, 35	7	15%
COMPLETE	100	5a, 5b, 7c, 11a, 11b, 11c, 12, 13,14, 16, 18, 23, 24, 26, 27, 28, 29, 30, 32, 33, 36	21	45%
TOTAL			47	100%

## 5 CONCLUSION

Both the Fleet and Transit organizations are undergoing dramatic transformation in the way they do business. Both have experienced significant management turnover over the last year. Both organizations have very specific, but divergent, strategies which must be taken into account in future, particularly in their use of business systems.

Both organizations were asked in 2006 to take on Life Cycle Cost Management (LCCM) as a central aspect of managing acquisitions, creating transparency of repairs and in the disposal of fleet. There is however no indication that there was any internal development of the skills needed to achieve this end. It would seem that, as at this point in the process, that this would be the major reason why these recommendations have not been achieved. That being said, it would appear that this limitation is now being overcome and both organizations are able to proceed with next steps.

At this time, the most significant issue affecting Transit and Fleet repair operations is the inability for stores to efficiently and cost effectively make parts available to the mechanics when they need them. Both organizations need to address this issue, in their own way, as a top priority.

Another issue that must be addressed is how the set up of the primary business system used by both organizations, M5 is being used. Its internal structure needs to be refined to capture clean data from a LCCM perspective. The current setup is designed to address a confused mix of financial needs, cost accounting requirements, and HR related issues. In serving too many masters it does nothing well and the design needs to be normalized to meet the core strategic capability required to manage the fleets.

A fuel management system needs to be implemented and used by all City vehicles, including Transit. As noted by the Office of the Auditor General (OAG) in past

audits, the use of public fuelling facilities has a significant cost to the City, costs that are far in excess of the apparent direct or operational saving.

When fuelling occurs it is important to know who fuelled which vehicle, as well as how much fuel was acquired and when. The existing system used by Transit, with manual data entry of all data elements is not providing the accuracy needed by M5 with regards to meter readings and fuel consumption by unit.

The fuelling process is the one time when Fleet can ensure the ability to “touch” a vehicle and capture the information needed to provide a timely and accurate view of a vehicle and therefore provide the information needed to support both the preventative maintenance and LCCM programs. This information is lost when vehicles habitually fuel outside the system, degrading the overall capability to manage the fleet and driving up costs.

For the City of Ottawa to successfully implement the changes set out in the audit report of 2006, requires central support for transformation of both operational organizations. Neither organization has the capacity or capabilities required to make the necessary changes on their own and need the active and timely commitment of HR, IT, Materials Management, and Finance to achieve the desired outcomes.

Two examples make the nature of this apparent:

1. For Fleet to implement a lease-based system there are financial ramifications that need to be examined, documented and ultimately decisions made. Options with respect to the equipment reserve funding and operating accounts and other incidental financial reporting structures are essential to the success of this deliverable, yet work on this project is stalled. A study on this subject, which is a time sensitive hurdle that must be cleared, was requested four months ago and as yet no commitment by Fleet’s FSU has been provided as to when this will be available.
2. Transit has the fortune of having two major original equipment manufacturers (OEMs) that provide the bulk of their fleet assets. These OEMs are willing to work closely with OC Transpo in its operational transformation by providing supply chain alternatives aimed at improved repair performance and accountability. Although this type of cooperation is now industry standard, Material Management directives and culture seem to prevent collaboration of this type even though it is clearly in the best financial interest of the City to adopt such practices.

Examples like these show how narrow interests get in the way of transformative change that is clearly in the larger interest of the City.

To successfully engage with Fleet and Transit, the central departments must recognize the fundamental nature of the work at hand. They must understand the difference between organizations in a steady state versus organizations undergoing

transformation. In other words, central services must learn to balance their control roles with their service delivery functions when organizations are in the difficult position of transforming the way that they do business.

### **Overall Management Response**

In the past, management reported 100% completion for the status of some of the recommendations made in the 2006 Audit of Fleet Services. After further consideration and taking into account additional options that have since come to light, management agrees that more effort is required to ensure completion.

Many of the follow-up recommendations will be addressed through the Fleet Services' Service Excellence Plan as outlined in the management responses to the recommendations.

Some of the recommendations of the 2007 audit were not originally related to Transit Services. Where the OAG has applied a recommendation to Transit, management has confirmed applicability and agreement with the original recommendation prior to assessing the OAG's follow-up audit findings.

Management disagrees with some of the statements made in the Conclusion section of this audit report. The applicable section and management's comments are noted below.

*"At this time, the most significant issue affecting Transit and Fleet repair operations is the inability for stores to efficiently and cost-effectively make parts available to the mechanics when they need them."*

Stores are not responsible for the supply of parts for Transit. Further, this statement is not supported by defined measures or examples that would support the auditor's finding for Fleet.

*"Transit has the fortune of having two major original equipment manufacturers (OEMs) that provide the bulk of their fleet assets. These OEMs are willing to work closely with OC Transpo in its operational transformation by providing supply chain alternatives aimed at improved repair performance and accountability. Although this type of cooperation is now industry standard, Material Management directives and culture seem to prevent collaboration of this type even though it is clearly in the best financial interest of the City to adopt such practices."*

This statement is not supported by defined measures or examples that would support the auditor's statement.

*"Examples like these show how narrow interests get in the way of transformative change that is clearly in the larger interest of the City."*

*To successfully engage with Fleet and Transit, the central departments must recognize the fundamental nature of the work at hand. They must understand the difference between organizations in a steady state versus organizations undergoing transformation. In other words, central services must learn to balance their control roles with their service delivery*

*functions when organizations are in the difficult position of transforming the way that they do business.”*

Supply Management’s interests in this regard are solely as stipulated in the Purchasing By-law; that is “to obtain best value when purchasing goods, construction and services for the City while treating all suppliers equitably.”

## **6 ACKNOWLEDGEMENT**

We wish to express appreciation to the staff and management for their cooperation and assistance throughout the audit process.