



**Office of the Auditor General: Review of the  
City's Practices for the Procurement of  
Commercial Vehicles, Tabled at Audit Committee  
– June 28, 2018**



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### **Acknowledgements**

The team responsible for this review, comprised of PricewaterhouseCoopers LLP and Louise Proulx from the Office of the Auditor General (OAG), under the supervision of Sonia Brennan, Deputy Auditor General and the direction of Ken Hughes, Auditor General, would like to thank those individuals who contributed to this project, and particularly, those who provided insights and comments as part of this review.

Original signed by:

Auditor General

## Executive Summary

### Purpose

This review was conducted in response to concerns raised through the City of Ottawa's (City) Fraud and Waste Hotline in 2015 and 2016 in relation to the City's purchase of light fleet vehicles and the use of rental vehicles.

### Background and rationale

In late 2015, a report was filed to the City's Fraud and Waste Hotline inquiring as to the reason for the City's procurement of "the most expensive commercial van on the market" (Mercedes Sprinter), whether a cost-benefit analysis was conducted to ensure "the most cost-effective purchase", and why the City does not purchase Canadian-made vans.

The City is a major purchaser of goods and services in the region, and purchases are governed by the *By-law of the City of Ottawa Respecting the Procurement of Goods, Services and Construction* (Procurement By-law) and established policies and procedures.

The Fleet Services branch (Fleet Services) at the City is responsible for procuring, maintaining, administering and the repair and replacement of the City's diverse fleet of vehicles and equipment in support of snow removal, municipal operations, police, paramedic and fire services. Fleet Services maintains a fleet of 4,700 vehicles/equipment. Fleet Services is also responsible for arranging vehicle rentals for City staff.

The City's Transit Operations branch (Transit) of the Transportation department acquires and maintains its own fleet vehicles. Transit's Fleet and Facilities Maintenance branch provides engineering and consulting services for procuring non-revenue<sup>1</sup> vehicles, develops acquisition strategies and manages the inventory replacement cycle and provides technical support for non-revenue fleet.

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<sup>1</sup> Non-revenue vehicles include vehicles that support operations but do not directly generate revenue such as an OC Transpo bus.

The City's Supply Services branch (Supply Services) oversees the application of the City's Procurement By-law including preparation of bid solicitations, evaluation, negotiations, contract award and reporting to City Council. Supply Services' role is to ensure the City's procurement process is fair, open and competitive.

During the period from 2011 to 2015, the City purchased 71 Mercedes Sprinter vans and leased one Mercedes Sprinter van, which overlapped with a spending freeze that was in effect from July 24, 2015 to December 31, 2015. As per the City Manager's direction, a freeze was implemented on all staffing and discretionary spending. Guidelines were circulated by the City Manager to all managers, which defined discretionary spending as any expenditure that was not associated with the direct delivery of service to customers or clients. Business travel expenditures were deemed discretionary with the exception of business travel associated with staff training and development.

The Mercedes Sprinter is a full-size, premium high-roof van that is available in cargo, passenger and cab chassis. During the period from 2011 to 2015, the Mercedes Sprinter became a common vehicle procured by the City to upsize an older vehicle, downsize an older vehicle or add a growth vehicle to the City's fleets.

Between 2011 and 2015, the cost per van for the 71 Mercedes Sprinter vans purchased by the City ranged from approximately \$46,000 to \$64,000 per van (before applicable taxes and up-fitting costs). Other costs may be capitalized for each van in the fleet management system to customize the van for the City's use after delivery of the vehicle. Between 2011 and 2014, customization (up-fitting) costs ranged from \$350 to \$54,000 per vehicle. Customization costs vary depending on the purpose of the van.

The review focused on two key areas which were selected based on the concerns raised in the report filed through the City's Fraud and Waste Hotline.

- To determine whether the City's acquisition of Mercedes Sprinter vans between 2011 and 2015 was cost effective and is supported with an adequate cost-benefit analysis to support the purchase of these vans; and
- To determine the extent of the City's rental costs for vehicles and whether these rentals complied with the City's spending freeze in 2015.

## Findings

The review findings are as follows:

### 1. Cost effectiveness of the acquisition of Mercedes Sprinters

We found that the procurement of Mercedes Sprinter vans was not always a cost-effective solution, and there was no supporting documentation to demonstrate that a value analysis was conducted to justify the purchase of the Mercedes Sprinter prior to bid solicitation based on the following:

- As part of the City's Procurement By-law, for each growth or replacement vehicle, in order to provide assurance that the van will provide best value, it is expected that procurement documentation would include a value analysis that compares vehicles, prices and vehicle options that meet the needs of the client (City department/branch). Based on our review of the available procurement documentation, there was no evidence on file that a value analysis comparison was performed and submitted to Supply Services prior to the bid solicitation for the procurement of Mercedes Sprinter vans.
- In January 2015, the Director of Fleet Services prepared a briefing note which estimated that the City's purchase of 29 Mercedes Sprinter vans resulted in net capital savings of approximately \$462,000. For the same 29 vehicles, we calculated a net capital savings of \$159,000 which is significantly lower than the net capital savings of \$462,000 reported in the briefing note. Based on our calculations on a per vehicle basis, we noted that 12 Mercedes Sprinter vans incurred a total capital savings of approximately \$555,000 while 14 Mercedes Sprinter vans incurred a total capital loss of approximately \$396,000.
- The briefing note also referred to anticipated operating savings for fuel of approximately \$20,000 annually on the first 15 Mercedes Sprinters purchased by the City. No supporting documentation could be provided for these projected annual fuel savings. We found the average fuel cost for Mercedes Sprinters was \$0.17 per km compared to the replaced vehicles that had an average fuel cost of \$0.25 per km.
- Between May 2015 and August 2015, Fleet Services purchased seven Mercedes Sprinters when a more economical option existed, the Ford Transit high-roof cargo van. The Ford Transit is a vehicle that was purchased in April 2015 at a lower cost. The City could have saved \$167,000 had it purchased seven Ford Transit vehicles instead of the Mercedes Sprinter.

- For a number of Transit vehicles, the vehicle replacement forms did not provide sufficient explanation or justification for the change to Mercedes Sprinters.
- The lease of one Mercedes Sprinter to support the Light Rail Transit did not go through a formal lease or buy analysis to support the decision to lease a Mercedes Sprinter van rather than purchase the van through the City's existing standing offer. The purpose and use of the vehicle was not documented nor was the justification of the requirement for this specific type of vehicle. The leased vehicle was in a major collision part way through the lease term and was not replaced. The approval decisions to lease and buyout the lease were not supported with any type of financial analysis. The decision to enter into a four-year lease when the vehicle was not needed for more than two years appears to lack diligence and due regard for economy.

## **2. Rental of vehicles**

The report through the City's Fraud and Waste Hotline indicated concerns over the increased renting of vehicles in lieu of purchasing new vehicles in light of the spending freeze implemented in 2015. The spending freeze was implemented on all staffing and discretionary spending effective July 24, 2015 to December 31, 2015.

Based on our review of the discretionary spending freeze guidelines circulated to all managers, discretionary spending was defined as any expenditure that was not associated with the direct delivery of service to the customers or clients. It is our understanding that vehicle rental expenses for operational activities did not form part of the discretionary spending freeze guidelines. Based on the work performed, the use of rental vehicles in 2015 did not contradict the guidelines of the 2015 discretionary spending freeze.

## **3. Other observations related to the acquisition of Mercedes Sprinters**

During our review, other observations were noted including:

- In late 2014, Fleet Services performed an investigation to respond to questions raised in a report filed to the City's Fraud and Waste Hotline inquiring as to the reason for the City purchasing expensive Mercedes Sprinter commercial vans, whether a cost-benefit analysis was conducted to ensure best value for taxpayers and why the City does not purchase Canadian-made vans. Fleet Services reported the results of their investigation to the City Manager's Office in a Fraud and Waste Hotline Investigation Review Report (the "Investigation Review") which concluded that the acquisition of Mercedes Sprinter vans was completed in

accordance with the City of Ottawa's Procurement By-law and procurement practices and procedures. We noted that the Investigation Review included Fleet vehicles only and excluded 35 Mercedes Sprinters acquired by Transit. The fact that Fleet Services reviewed its own decisions raises the potential for bias and may have implications on Fleet's conclusion as to whether the purchase of Mercedes Sprinter vans provided the best value for the City.

- When compared to two other Canadian municipalities, between 2011 and 2015, the City of Ottawa purchased a significantly greater number of Mercedes Sprinters than the other municipalities.
- Based on our review of a sample of invoices for Mercedes Sprinter vans purchased by Transit, it was noted that itemized options on each invoice could not always be agreed to the pricing table in the standing offer. Based on discussions with Transit staff, it was noted that the particulars of the options listed on the invoices for Mercedes Sprinters are not thoroughly verified before approving the invoice for payment. This presents a risk that the City may be paying for items that should be included in the base price of the vehicle or a higher rate than agreed to in the original contract.
- For 15 of the Mercedes Sprinter vans acquired between 2011 and 2015, the associated bid solicitation documents specified the vehicle model only (i.e. Sprinter). The brand was not specified in the bid solicitation; however, during this time frame, Mercedes was the only manufacturer of Sprinters. The City's issue of a Request for Tender specifically requesting Sprinter vans contravenes the Procurement By-law subsection 12(3) that states "*procurement documentation shall avoid the use of specific products or brand names*". However, subsection 12(5) states that a Director<sup>2</sup> (of Fleet) "*may specify a specific product or brand name for essential functionality purposes to avoid unacceptable risk or for some other valid purpose*" as long as the Director and Supply Services manage the procurement to achieve a competitive situation. However, without documentation of a value analysis comparison conducted to provide assurance that the vehicle specifications were required, the Director does not provide a valid purpose in the procurement documents for the specific need for Mercedes Sprinters as being essential for City operations. Specifying a brand or model restricts access to other potential suppliers with viable solutions and/or products for the City and increases the risk of driving prices up if there is limited competition.

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<sup>2</sup> Based on our enquiries with Fleet Services, "the Director" refers to the Director of Fleet Services.



- In 2005, Motion 27-139 carried by City Council directs staff to provide pre-budget reports in advance of the draft budget for the acquisition of any growth or replacement fleet vehicles. The motion also specifies that *"for the purposes of these reports 'fleet' be defined as any vehicle purchased by any branch of the Corporation of the City of Ottawa"*. While Council is informed of replacement and growth vehicles that are planned to be acquired, there is no subsequent reporting on the actual vehicles purchased and their costs. We also noted that Transit's Fleet and Facilities Maintenance branch is not included in Fleet Services' Municipal Vehicle and Equipment Capital Replacement Plan and the Annual Vehicle Growth reports tabled to the Transportation Standing Committee (the "Standing Committee") and City Council. Transit's Fleet and Facilities Maintenance branch confirmed they were not aware of the motion and did not provide this information to Standing Committee and Council.
- Another concern submitted through the Fraud and Waste Hotline requested the City to provide an explanation as to why it has decided to purchase foreign-made vehicles (i.e. Mercedes Sprinters) over Canadian-made vehicles. Based on the Ontario Discriminatory Business Practices Act and the City's Procurement By-law, there is no restriction to the City from purchasing foreign-made vehicles.

## Conclusion

Based on our review, we conclude that the procurement of Mercedes Sprinter vans was not a cost-effective solution in at least 14 instances out of 26 cases examined, and in fact, represented an unjustified higher cost vehicle in these cases. There was no evidence on file that a value analysis comparison of options or choices was performed prior to the purchase of any Mercedes Sprinter vans within Fleet Services or Transit Fleet.

Our conclusion is supported with additional examples which include the following:

- Fleet Services purchased seven Mercedes Sprinters for \$419,000 when the comparable Ford Transit van existed that would have cost approximately \$252,000, for a difference of \$167,000.
- Transit purchased four Mercedes Sprinter vans for \$324,000 instead of the initially recommended Ford Transit vehicles that would have cost approximately \$184,000, for a difference of \$140,000.
- A lease or buy analysis to support the decision to lease one Mercedes Sprinter was not performed by Fleet Services.

OAG will consider further review of the City's fleet operations including Transit.

## **Potential savings**

Potential savings were identified in this review based on individual examples where Mercedes Sprinters were purchased at a higher cost than the vehicles they replaced without an underlying value analysis or other sufficiently detailed justification to support the additional expense. These costs cannot be recovered. The following recommendations were developed with the intent to encourage improved decision making with strong consideration that the delivery of service should be carried out in the most cost-effective and financially responsible manner.

## **Recommendations and responses**

### **Recommendation #1**

That the City ensure for each growth or replacement vehicle an adequate value analysis comparison is conducted to provide assurance that the fleet vehicle specifications required will meet operational requirements at the lowest lifecycle cost vehicle in cases where:

- a) for a replacement vehicle, the proposed vehicle differs from the original; OR
- b) for a growth vehicle, the proposed vehicle differs from existing vehicles used for the same or similar purpose.

### **Management response:**

Management agrees with the recommendation.

Fleet Services is reviewing its procedures and required documentation in this area. By the end of Q4 2018, procedure updates will be completed and the changes will be communicated to clients as part of the normal discussions held whenever replacements or growth are being contemplated.

### **Recommendation #2**

That the City ensure for each leased vehicle a formal, adequate lease or buy analysis is conducted and stored in files to provide assurance that the decision to lease a fleet vehicle is a cost-effective solution.

**Management response:**

Management agrees with the recommendation.

Fleet Services and Transportation Services will ensure that a lease versus buy analysis is conducted and documented prior to any existing lease contracts being extended and prior to entering into any new equipment lease contracts. The process of completing and documenting the lease versus buy analysis has now been put into place.

**Recommendation #3**

That the City issue bid solicitation requests without the use of specific brand names in accordance with the Procurement By-law to achieve the most competitive situation possible. Should it be determined that a specific brand name is required, adequate analysis and documentation should be retained as evidence that the product is essential for operational requirements to avoid unacceptable risk or for some other valid purpose.

**Management response:**

Management agrees with this recommendation.

Supply Services will update its procedures manual to clarify the information required to support the inclusion of specific brand names and how this information is to be documented. This update will be completed by the end of Q4 2018.

**Recommendation #4**

That the City Manager's Office, Clerk's Office and OAG review and consider changes to the Fraud and Waste Procedures to address reports related to waste.

**Management response:**

Management agrees with this recommendation.

Management has met with the Auditor General's Office and will be updating the Fraud and Waste Procedures to provide direction to staff with respect to the disposition of reports related to waste, by Q3 2018.

**Recommendation #5**

That the City ensure that all departments comply with Motion 27-139 carried by City Council in January 2005 and that the Municipal V&E Capital Replacement Plan and Annual Vehicle Growth reports include all vehicle acquisitions from across the City for effective decision making.

**Management response:**

Management agrees with this recommendation.

Fleet Services already complies with Motion 27-139 for all City departments with the exception of Transportation Services. Transit Fleet and Facilities Maintenance is currently working on developing an internal Standard Operating Procedure (SOP) for the procurement of non-revenue vehicles that will address this recommendation. The anticipated timeline for completion is Q3 2018. Once approved, the SOP will be communicated to staff and posted on Ozone under the Transit Service Business Practices policy repository.

Moving forward, Transportation Services will bring forward an annual Transit Vehicle and Equipment Replacement and Growth Plan report to Council, which will include a detailed list of upcoming requests for non-revenue vehicle replacements and non-revenue growth in advance of the fall budget tabling.

**Recommendation #6**

That the City ensure each staff responsible for approving each invoice verify all options itemized on the invoice to ensure that all amounts agree to the contract before submitting the invoice for payment.

**Management response:**

Management agrees with this recommendation.

Fleet Services will continue to comply with this recommendation. Transit Fleet and Facilities Maintenance currently has a method in place to approve and validate invoices as part of an internal process, found in the "New Vehicle Acceptance Report". This report is a checklist that is verified against the invoice prior to approval for payment.

A new operational Standard Operating Procedure (SOP) for the procurement of non-revenue vehicles (referenced above in recommendation #5) will be implemented. The SOP will include an enhanced version of the "New Vehicle

Acceptance Report” and will formalize the process for how the invoices will be approved. The anticipated timeline for completion of the SOP is Q3 2018.

All records will be stored in the Transit Fleet and Facilities Maintenance records management system (Fleet Management Information System M5).

**Recommendation #7**

That the City ensure that when a more economical vehicle solution enters the market, it reevaluates its current procurement options to ensure the City is purchasing vehicles that are a cost-effective solution and will provide the lowest overall lifecycle cost for the City.

**Management response:**

Management agrees with this recommendation.

The City will ensure that when a new procurement process is initiated [i.e. Standing Offer (SO) or Request for Tender (RFT)], all procurement options are evaluated so that Fleet is purchasing vehicles that are cost-effective for the lowest overall lifecycle cost. The value analysis identified in response to Recommendation #1, will ensure the optimal contract length is considered to enable best value to be realized when the RFT or SO is being created.

**Recommendation #8**

That the City develop corporate-wide policies and procedures for fleet procurement and management. Included in these policies and procedures should be direction to establish responsibility, accountability and guidance for value analysis, vehicle leases, etc.

**Management response:**

Management agrees with the recommendation.

Fleet Services and Transportation Services will work together with the assistance of our Business Support Services groups to establish corporate-wide policies and procedures for the areas noted above. These policies and procedures will be completed and communicated to those affected by the end of Q4 2018.

## Detailed review report

# Review of the City's Practices for the Procurement of Commercial Vehicles

## Introduction

This review was conducted in response to concerns raised through the City of Ottawa's Fraud and Waste Hotline in 2015 and 2016 in relation to the City's purchase of light fleet vehicles and the use of rental vehicles. In late 2015, a report was filed to the City's Fraud and Waste Hotline inquiring as to the reason for the City's procurement of "the most expensive commercial van on the market" (Mercedes Sprinter), whether a cost-benefit analysis was conducted to ensure "the most cost-effective purchase", and why the City does not purchase Canadian-made vans.

## Background and context

The City of Ottawa (City) is a major purchaser of goods and services in the region, and purchases are governed by the *By-law of the City of Ottawa Respecting the Procurement of Goods, Services and Construction* (Procurement By-law) and established policies and procedures. All payments made by the City for goods and services are regulated by the Payments to Vendors Policy and Procedures.

The Fleet Services branch (Fleet Services) at the City is responsible for procuring, maintaining, administering and the repair and replacement of the City's diverse fleet of vehicles and equipment in support of snow removal, municipal operations, police, paramedic and fire services. The City's Fleet Services branch maintains a fleet of 4,700 vehicles/equipment. Fleet Services is also responsible for arranging vehicle rentals for City staff.

The City's Transit Operations branch (Transit) of the Transportation department is responsible for delivering transit services (bus, rail, Para Transpo) to the residents and visitors of Ottawa. Transit acquires and maintains its own fleet vehicles. Transit's Fleet and Facilities Maintenance branch provides engineering and consulting services for procuring non-revenue vehicles, develops acquisition strategies and manages the inventory replacement cycle and provides technical support for non-revenue fleet.

The City's Supply Services (Supply Services) oversees the application of the City's Procurement By-law including preparation of bid solicitations, evaluation, negotiations, contract award and reporting to City Council. Supply Services' role is to ensure the City's procurement process is fair, open and competitive.

During the period from 2011 to 2015, the City purchased 71 Mercedes Sprinter vans and leased one Mercedes Sprinter van, which overlapped with a spending freeze that was in effect from July 24, 2015 to December 31, 2015. As per the City Manager's direction, a freeze was implemented on all staffing and discretionary spending. Guidelines were circulated by the City Manager to all managers, which defined discretionary spending as any expenditure that was not associated with the direct delivery of service to the customers or clients. Business travel expenditures were deemed discretionary with the exception of business travel associated with staff training and development.

## **Review objectives and criteria**

The overall objectives of this review were as follows:

1. To determine whether the City's acquisition of Mercedes Sprinter vans was cost effective and is supported with an adequate cost-benefit analysis to support the purchase of these vans.
2. To determine the extent of the City's rental costs for vehicles and whether there is adequate documentation to support these costs in light of the City's spending freeze in 2015.

## **Review scope**

The scope of the review related to the City's acquisition of Mercedes Sprinter vans from 2011 to 2015 including all relevant documentation to support the City's decision to acquire the Mercedes Sprinter vans, but excluded Ottawa Police Service and Hydro Ottawa's acquisition of Mercedes Sprinter vans.

The scope of the review related to the use of rental vehicles focused on rental costs incurred in 2015.

## Review approach and methodology

The review methodology included the following activities:

- Examination of documents including costing information, procurement policies and available information such as procurement documentation related to the acquisition of Mercedes Sprinter vans.
- Review of financial information of vehicle rentals for 2015 along with comparative information for prior and subsequent years.
- Review of Fleet Services' net capital savings calculations at January 30, 2015 for a fleet of 29 Mercedes Sprinter vans.
- Interviews and enquiries with City personnel in Transit's Fleet and Facilities Maintenance branch, Fleet Services and Supply Services.
- Other review and analysis procedures as deemed necessary for purposes of concluding on the review objectives.

Our approach also included gathering information from other Canadian municipalities in relation to their procurement practices of light fleet vehicles.

## Review observations and recommendations

This section provides details on the key results from the review including recommendations.

### 1. Chronology of the City's procurement of Mercedes Sprinter vans

The Mercedes Sprinter is a full-size, premium high-roof van that is available in cargo, passenger and cab chassis. Between 2011 and 2015, the City acquired 72 new Mercedes Sprinter cargo vans advertised through MERX, Canada's electronic tendering service. Seventy-one Mercedes Sprinter vans were purchased, and one Mercedes Sprinter van was leased. During the period from 2011 to 2015, the Mercedes Sprinter became a common vehicle procured by the City to upsize an older vehicle, downsize an older vehicle or add a growth vehicle to the City's fleets.

Thirty-five of the 71 Mercedes Sprinter vans were purchased through a Request for Tender (RFT), and 36 of the 71 Mercedes Sprinter vans were purchased through a Request for Standing Offer (RFSO) bid solicitation. In addition, one additional Mercedes Sprinter van was leased through a RFT. Appendix A provides a detailed listing of Mercedes Sprinter vans acquired between 2011 and 2015.



The first RFT was issued in 2011 for the supply of Sprinters. The client department, with the assistance of Fleet Services, submitted fully-defined requirements to purchase five Mercedes Sprinter vans and resulted in only one vendor submitting a bid in response to the RFT. The bidding vendor was successful, and two purchase orders were issued to the vendor in 2011 to purchase six Mercedes Sprinter vans.

In 2012, 11 Mercedes Sprinter vans were purchased through a RFT. In April 2013, 18 more Mercedes Sprinter vans were purchased through a RFT. In September 2013, a RFSO<sup>3</sup> was issued by the City for the supply of cargo vans, and the 36 Mercedes Sprinter vans were acquired through call-ups against the Standing Offer<sup>4</sup>. The period of the RFSO issued to the public was for one year ending September 30, 2014 with the option to extend for three additional one-year periods or a portion thereof. The City exercised two additional one-year periods up to September 30, 2016. This option limited the City's commitment and provided flexibility to re-tender when other suppliers of high-roof commercial vans entered the market.

Another RFT issued in 2014 included fully-defined requirements to lease one Mercedes Sprinter van, and two vendors responded. The lowest cost-bidding vendor (who met the fully-defined requirements) was selected, and a purchase order was issued to the selected vendor.

Between 2011 and 2015, the cost per van for the 71 Mercedes Sprinter vans purchased (excluding the leased van) by the City ranged from approximately \$46,000 to \$64,000 per van (before applicable taxes and up-fitting costs). The price (before applicable taxes) for each Mercedes Sprinter is based on the amount paid to the vendor to supply and deliver the van to the City. Refer to Appendix A for the purchase price for each van based on our review of invoices. Other costs may be capitalized for each van in the fleet management system to customize the van for the City's use after delivery of the vehicle. Between 2011 and 2014, the City incurred between \$350 and \$54,000 per vehicle for the supply and installation of customized interiors (up-fitting costs). Customization costs can vary depending on the purpose of the van.

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<sup>3</sup> One bid was received in response to the RFSO.

<sup>4</sup> A call-up against a Standing Offer is considered to be an individual contract, and the normal contract award prescribed limits apply, unless otherwise stated in the original approval document (Procurement By-law subsection 21(7)).

The Mercedes Sprinter is a vehicle built by Daimler AG (Germany) a multi-national automotive corporation. Up until 2009, the Sprinter model was sold under the Mercedes-Benz, Dodge, Freightliner Trucks and Volkswagen brands. After 2009, the Sprinter was discontinued from all brands except under the Mercedes-Benz brand. The ownership change between Daimler Chrysler, and Mercedes Benz changed the brand of the Sprinter to Mercedes instead of Dodge. Mercedes was the only manufacturer of Sprinter vans after 2009.

After the removal of Sprinter from all other brands, Mercedes was a dominant supplier of Sprinter high-roof commercial vans to the City between 2011 and 2014. In 2012 and 2013 respectively, Nissan NV and Chrysler RAM ProMaster entered the high-roof commercial van market; however, the City did not procure these vehicles. In 2015, Ford entered the high-roof commercial van market with the Ford Transit. We refer to Appendix B to illustrate the approximate time these vendors entered the high-roof commercial vans market.

In April 2015, the City purchased one Ford Transit high-roof cargo van. Between May 2015 and August 2015, the City purchased seven Mercedes Sprinter vans under the existing standing offer at the time. Based on our inquiries with Supply Services, no Mercedes Sprinters were acquired after 2015.

## **2. Cost effectiveness of the acquisition of Mercedes Sprinters**

We reviewed procurement documents, analysis and other financial information prepared by Fleet Services to determine whether the City's acquisition of Mercedes Sprinter vans was cost effective and supported by adequate cost-benefit analysis to support the purchase of the Sprinter vans by the Fleet Services branch. The results of our review are documented in the sections that follow.

### **City analysis of financial implications from acquisition of Mercedes Sprinters**

In January 2015, the Director of Fleet Services prepared a briefing note to the City Manager in relation to Mercedes Sprinter vans. Based on our enquiries with Fleet Services, the briefing note was prepared for the City Manager in advance of a meeting that the City Manager was to have with the Mayor on the topic. The briefing note estimated that the City's purchase of 29 Mercedes Sprinter vans resulted in net capital savings of approximately \$462,000. The City calculated the net capital savings amount by comparing the purchase price of the Mercedes Sprinter vans to the average price for the class of the replaced vehicle using the most recent purchase price for the vehicle.

Based on our review of Fleet Services' net capital savings calculation, we determined that the net capital savings calculation had the following weaknesses:

- Up-fitting costs were not included in the purchase price of the new Mercedes Sprinter.
- The analysis only included a price comparison for Mercedes Sprinter vans that resulted in an upsize or downsize compared to the vehicle being replaced, but excluded vans that were considered similar class replacements.

Using information obtained from M5 (the City's fleet management system), we calculated a net capital savings of \$159,000 for the 29 Mercedes Sprinter vans which is significantly lower than the net capital savings of \$462,000 reported in the briefing note. Our calculations were based on comparing the average for class for the replaced class in the year the Mercedes Sprinter was purchased for each of the 29 vehicles. By performing this comparison on a per vehicle basis, we noted that 12 Mercedes Sprinter vans incurred a total capital savings of approximately \$555,000 while 14 Mercedes Sprinter vans incurred a total capital loss of approximately \$396,000. In three instances, the Mercedes Sprinter was a growth vehicle to expand the City's fleet with no preceding replacement vehicle; therefore, a capital saving or loss could not be calculated. The capital savings of \$555,000 on the 12 Mercedes Sprinter vans was primarily due to the Sprinter van being a replacement vehicle for a larger or similar class of vehicle. However, we noted that the capital loss of \$396,000 was primarily due to Fleet's decision to upsize from a smaller class of vehicle.

The briefing note also referred to anticipated operating savings for fuel of approximately \$20,000 annually on the first 15 Mercedes Sprinters purchased by the City. However, based on inquiries with Fleet Services, no supporting documentation could be provided for these projected annual fuel savings. Based on our review of available information using the same 29 Mercedes Sprinter vans as above, we performed a comparison analysis of the Mercedes Sprinters' average fuel cost per kilometer (km) to the replaced vehicles. We found the average fuel cost for Mercedes Sprinters was \$0.17 per km compared to the replaced vehicles that had an average fuel cost of \$0.25 per km, which is an average cost difference of \$0.08 per km.

### **Mercedes Sprinters purchased after competing van enters market**

During April 2015, Fleet Services purchased one Ford Transit high-roof cargo van through a RFT. The purchase price of the Ford Transit purchased by the City in 2015 was \$36,000. Between May 2015 and August 2015, Fleet Services purchased seven Mercedes Sprinters when a more economical option existed. These seven Mercedes Sprinters had a total purchase price of \$419,000. We estimate that the purchase of seven Ford Transit vans would have had an approximate purchase price of \$252,000. Based on this, the City could have saved \$167,000 (\$419,000-\$252,000).

Based on our inquiries with Supply Services, no Mercedes Sprinters were acquired after August 2015.

### **Instances when less expensive vehicle was recommended**

During our review of Transit's Vehicle Requirements forms, it was noted that in four instances, a Mercedes Sprinter van was purchased when the *Vehicle Requirements* form documented that a Ford Transit Connect XLT Cargo Van would be sufficient. These forms were updated in 2014 with some differences.

Two forms were for replacement vehicles and had the following changes:

- Statement: "Transit Connect XLT Cargo Van will do", was removed from the replacement forms.
- Specifications were changed, e.g. wheelbase, cargo requirement and gross vehicle weight rating were all increased despite the shortcomings of the vehicle stated as, "too big for requirements".

For both the 2012 and 2014 versions, the forms still indicated that the vehicle being replaced was "too big for requirements and high cost on fuel". Although the Mercedes Sprinters were larger than the original Chevrolet Express (full-size van), it did have a diesel engine which would impact fuel costs. Based on our enquiries, the reason for purchasing a Mercedes Sprinter rather than the client department's recommended vehicle could not be explained, and the forms do not provide consistent and sound support for the procurement of a higher-cost vehicle.

In the other two cases, the vehicle requirement forms were for growth vehicles. Again, the initial form from 2012 stated, "Transit Connect XLT Cargo Van will do". The requirement forms did not provide sufficient explanation or justification for the change to Mercedes Sprinters.

All vehicle requirement forms reviewed did not contain dates or employee names.

In the above-noted cases, the four Mercedes Sprinter vans were purchased for approximately \$324,000 including up-fitting costs (based on the average purchase price of \$81,000 for Mercedes Sprinters purchased in 2015). Using the purchase price of \$46,000 including up-fitting costs for the Ford Transit vehicle purchased in April 2015, the purchase price for four Ford Transits would have been approximately \$184,000. Based on this, the City could have saved approximately \$140,000 (\$324,000-\$184,000).

### **Value analysis**

The procurement of the City's fleet vehicles is governed in accordance with the City's Procurement By-law. In subsection 2(1) it states, *the objective of this By-law respecting procurement is to obtain best value when purchasing goods, construction and services for the City while treating all suppliers equitably.*

The Procurement By-law also states in subsection 12(6) that the Director<sup>5</sup>:

- (a) Give consideration to the need for value analysis comparisons of options or choices*
- (b) Ensure that adequate value analysis comparisons are conducted to provide assurance that the specification will provide best value, and*
- (c) Forward the value analysis to Supply Services for documentation on the procurement file.*

As part of the procurement process for a growth or replacement vehicle, Fleet Services is responsible for assessing clients' needs to develop cost-effective vehicle and equipment acquisition plans while ensuring best value to taxpayers. Based on subsection 12(6) of the Procurement By-law, for each growth or replacement vehicle, in order to provide assurance that the van will provide best value, it is expected that procurement documentation would include a value analysis that compares vehicles, prices and vehicle options that meet the needs of the client.

Based on our enquiries with Fleet Services staff, a Replacement Vehicle Requirement form is prepared by Fleet Services through input from the client department during the needs identification stage. The form is intended to identify the department's needs for the vehicle; whether an upsize, downsize or like-for-like in replacement vehicle is required; and non-standard features that may be required for the replacement vehicle.

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<sup>5</sup> Based on our enquiries with Fleet Services, "the Director" refers to the Director of Fleet Services.

The form does not require clear support and justification as to why it was concluded that a specific vehicle (i.e. Mercedes Sprinter) will be procured to meet the department's technical vehicle requirements.

Based on enquiries with Transit staff, a needs assessment (i.e. Vehicle Requirements) with technical requirements (non-revenue vehicles) is submitted by Transit user groups to Transit's Fleet and Facilities for a replacement or growth vehicle. Based on the needs assessment, Transit's Fleet and Facilities proceeds to procure the vehicle that will meet the Transit user group's technical requirements.

The client department (with the assistance of Fleet Services) and Transit's Fleet and Facilities is expected to give consideration for the need for value analysis comparisons of options or choices and that adequate value analysis comparisons are conducted to provide assurance that the vehicle specifications required will provide the best value for the City. The process of conducting a value analysis is important as it permits the weighing of costs and benefits to clients and can potentially reduce the City's costs, as each vehicle option can be evaluated in terms of importance and efficiency. During our interviews with Transit, management noted that the technical proprietary specifications of Mercedes Sprinter vans require third-party maintenance and repairs, which may result in higher costs compared to other brands. Based on our review of procurement documentation, there is no evidence on file that a value analysis comparison was performed and submitted to Supply Services prior to the bid solicitation for the procurement of Mercedes Sprinter vans. Based on enquiries with Supply Services, a value analysis was not requested by Supply Services when the procurement documents were submitted by Fleet Services or Transit. This contravenes the Procurement By-law subsection 12(6). Evidence of a value analysis provides assurance that due diligence procedures were conducted to ensure the City receives cost-effective solutions and best value for taxpayers.

### **Lease or buy analysis**

Based on review of City Operations 2013 budget discussions in email correspondence in 2012, it was noted that there were significant fleet vehicle growth pressures on the City to support the Light Rail Transit (LRT) project, and the City had limited capital budgeting to purchase additional work vehicles to support the LRT project. Based on our enquiries with Fleet Services, City Operations instructed Fleet Services to lease work vehicles to support the LRT project.

In 2014, a purchase order was issued to lease one Mercedes Sprinter van to support the LRT project. The Mercedes Sprinter was leased based on the instructions provided during the 2013 budgeting process. However, the lease of the Mercedes Sprinter did not go through a formal lease or buy analysis to support the decision to lease a Mercedes Sprinter van rather than purchase the van through the City's existing standing offer.

Based on a Contract Approval Request (CAR) form approved on October 10, 2014 for the lease of the Mercedes Sprinter, the contract was for a four-year term (March 2015 – March 2019) with a total lease cost of approximately \$79,000 over the lease term. Based on a subsequent CAR form approved on July 24, 2017, an amendment was made to the contract to buyout the leased Mercedes Sprinter van for \$43,000 (actual lease payments made between 2015 and 2017 totaled \$47,000). This vehicle was involved in a major collision on May 30, 2017. A quote for repairs was estimated at a cost of \$47,600, and remaining lease payments were \$33,600. Therefore, repairing the unit and continuing to lease it would have cost \$81,200 over the remaining lease term. The City is self-insured, and therefore, there would have been no coverage for this type of collision. The damaged vehicle was auctioned for proceeds of \$13,000. The vehicle was not replaced as there was no need at that time. In comparison, the cost to purchase a Mercedes Sprinter ranged between \$50,000 and \$62,000 in 2014.

This lease example raises a number of questions. The two Contract Approval Request documents provided to the auditors provided little to no information and no back-up documentation that would be reasonably expected in order to make an approval. In addition, the approval decisions to lease and buyout the lease were not supported with any type of financial analysis. The City does not have formal guidelines, policies or procedures regarding vehicle leasing. Finally, the purpose and use of the vehicle was not documented nor was the justification of the requirement for this specific type of vehicle. The decision to enter into a four-year lease when the vehicle was not needed for more than two years appears to lack diligence and due regard for economy.

### **3. Other observations related to the acquisition of Mercedes Sprinters**

#### **Management's Investigation Review Report**

In late 2015, a report was filed to the City's Fraud and Waste Hotline inquiring as to the reason for the City purchasing expensive Mercedes Sprinter commercial vans, whether a cost-benefit analysis was conducted to ensure best value for taxpayers and why the City does not purchase Canadian-made vans. Per the City's Corporate Policy on Fraud and Waste, the Auditor General is responsible for receiving and reviewing allegations of fraud or waste and where appropriate referring these to management for investigation. Also, the Auditor General shall determine whether to retain responsibility for the investigation or to refer the investigation to management. This Fraud and Waste report was referred to the City Manager's Office for review.

During October 2015, further to direction from the Acting Deputy City Manager (DCM), City Operations, Fleet Services performed an investigation to respond to the questions raised in the Report and reported the results of their investigation to the City Manager's Office in a Fraud and Waste Hotline Investigation Review Report ("Investigation Review") which was reviewed and approved in November 2015 by the Acting DCM. The Investigation Review concluded that the acquisition of Mercedes Sprinter vans was completed in accordance with the City of Ottawa's Procurement By-law and procurement practices and procedures. This conclusion was based on Fleet Services' representation that detailed vehicle specifications were determined through internal meetings with client departments and an open competitive bidding process on MERX. In addition, Fleet Services noted that in the vast majority of cases, the City was able to downsize into the Mercedes Sprinter.

It is also important to note that 35 Mercedes Sprinter transit vehicles purchased between 2012 and 2014 were not included in the scope of the Investigation Review. We note that the description of the allegation from the Fraud and Waste Hotline report referred to a particular department within Fleet's portfolio. Based on this, the investigation focused on Fleet's purchase of Mercedes Sprinter vehicles and did not include any Mercedes Sprinter vans purchased by Transit.

Given that the concerns raised through the Fraud and Waste Hotline were related to purchasing decisions made and/or supported by Fleet Services, the fact that Fleet Services reviewed its own decisions raises the potential for bias and may have implications on Fleet's conclusion as to whether the purchase of Mercedes Sprinter vans provided the best value for the City. Although Fleet, as the subject matter expert,



was asked to provide background information and their rationale for these purchases, the investigation itself was managed by and the final review report was approved by the DCMO, as per established Fraud and Waste Procedures.

### Comparison to other municipalities

We solicited information from other municipalities to obtain an understanding of the composition of their fleet in relation to Mercedes Sprinter vans. Based on the information obtained from the other municipalities, we have summarized the number of Mercedes Sprinter vans, the model years and the corresponding base price for two other Canadian municipalities.

Table 1: Comparison to other municipalities

Category	Ottawa	Toronto	Halifax
Number of Mercedes Sprinters purchased	37*	15	2
Model years of Mercedes Sprinters purchased	2011 – 2015	2011 – 2014	2012 – 2013
Approximate base price range of Mercedes Sprinters purchased	\$46,000 - \$64,000	\$48,000 - \$51,000	\$52,000 - \$54,000

\*excludes Mercedes Sprinter vans in the City's Transit fleet

Based on the information obtained, other municipalities have purchased Mercedes Sprinter vans. However, the above comparison illustrates that the City of Ottawa purchased a significantly greater amount of Mercedes Sprinters than the other municipalities between 2011 and 2015. In addition, the City's base price for the Mercedes Sprinter vans in some instances was between \$2,000 to \$6,000 less for the least expensive Mercedes Sprinter van and \$10,000 to \$13,000 more for the most expensive Mercedes Sprinter van.

### **Payment of invoices**

Our procedures included reviewing a sample of invoices to determine whether the amount invoiced for the Mercedes Sprinter vans agreed to the corresponding purchase order. The review of the invoices also permitted us to review the specifications and options on the van to determine whether the items invoiced were in accordance with the pricing schedule in the corresponding contract. Based on our review, the final invoiced amount agreed to the purchase order without exception. However, the itemized options on each invoice could not always be agreed to the pricing table in the standing offer for the following reasons:

- Certain options with a unit price on the invoices are for technical specifications that are included in the base price of the vehicle when compared to the pricing table in the standing offer.
- The price of the vehicle and specific options listed on the invoice differ from prices listed in the pricing table in the standing offer.
- Certain invoices include a line item titled “all other options” with a corresponding price.
- Certain invoices include a discount line that is not associated to any specific item.

Based on discussions with Transit staff, we were advised that they verify that the total price on the invoice matches the purchase order but that the particulars of the options (items) listed on the invoices for Mercedes Sprinters are not verified line by line before approving the invoice and submitting it for payment to the vendor.

Based on our review of the available information, there is a risk that the City may be paying for items that should be included in the base price of the vehicle.

### **Request for specific vehicle model**

For 15 of the Mercedes Sprinter vans acquired between 2011 and 2015, the associated bid solicitation documents specified the vehicle model only (i.e. Sprinter). The brand was not specified in the bid solicitation; however, during this time frame, Mercedes was the only manufacturer of Sprinters. The City issued a RFT in 2011 to supply and deliver Sprinter cargo vans, and 14 Sprinter vans were purchased under this RFT. Also in 2014, the City issued another RFT to lease and deliver one Sprinter van.

The City's issue of an RFT (in both cases) specifically requesting Sprinter vans contravenes the Procurement By-law subsection 12(3) that states "*procurement documentation shall avoid the use of specific products or brand names*". Subsection 12(5) of this By-law states that a Director (of Fleet) "*may specify a specific product or brand name for essential functionality purposes to avoid unacceptable risk or for some other valid purpose*" as long as the Director and Supply Services manage the procurement to achieve a competitive situation. However, without documentation of a value analysis comparison conducted to provide assurance that the vehicle specifications were required, the Director does not provide a valid purpose in the procurement documents for specifying the need for Mercedes Sprinters as being essential for City operations.

The RFTs issued by the City should withhold the use of a specific brand or model name to avoid impeding other potential vendors with equivalent vehicles from competing in the bidding process. Specifying a brand or model restricts access to other potential suppliers with viable solutions and/or products for the City and increases the risk of driving prices up if there is limited competition. Should it be determined that a specific brand name is required, adequate analysis and documentation should be retained as evidence that the product is essential for operational requirements to avoid unacceptable risk or for some other valid purpose.

### **Reporting to Standing Committee and Council**

During budget deliberations in January 2005, City Council carried Motion 27-139 directing staff to provide pre-budget reports in advance of the draft budget for the acquisition of any growth or replacement fleet vehicles. The motion also specified that "for the purposes of these reports 'fleet' be defined as any vehicle purchased by any branch of the Corporation of the City of Ottawa".

We reviewed the Municipal Vehicle and Equipment (V&E) Capital Replacement Plan and the Annual Vehicle Growth reports between 2011 and 2015 to determine the level of information provided to City Council and to determine if City Council was informed of the decision to acquire Mercedes Sprinter vans.

Municipal V&E Capital Replacement Plan and the Annual Vehicle Growth reports to Standing Committee and City Council are important for their oversight and decision making, and the following are weaknesses we noted in the reports sent to the Standing Committee and City Council:

- While Council is informed of replacement and growth vehicles that are planned to be acquired, there is no subsequent reporting on the actual vehicles purchased and their costs. We also noted that Transit's Fleet and Facilities are not included in Fleet Services Municipal V&E Capital Replacement Plan and the Annual Vehicle Growth reports tabled to the Standing Committee and City Council. Transit's Fleet and Facilities confirmed they were not aware of the motion and did not provide this information to Standing Committee and Council.

### **Use of foreign cars**

Another concern submitted through the Fraud and Waste Hotline requested the City to provide an explanation as to why it has decided to purchase foreign-made vehicles (i.e. Mercedes Sprinters) over Canadian-made vehicles. Based on the Ontario Discriminatory Business Practices Act and the City's Procurement By-law, there is no restriction to the City from purchasing foreign-made vehicles. The objective of these guidelines is to obtain best value when purchasing goods and services for the City while treating all suppliers equitably.

### **4. Rental of vehicles**

The report through the City's Fraud and Waste Hotline indicated concerns over the increased renting of vehicles in lieu of purchasing new vehicles in light of the spending freeze implemented in 2015. The spending freeze was implemented on all staffing and discretionary spending effective July 24, 2015 to December 31, 2015.

Based on our review of the discretionary spending freeze guidelines circulated to all managers, discretionary spending was defined as any expenditure that was not associated with the direct delivery of service to the customers or clients. All conferences, conventions and business travel expenditures deemed to be discretionary were not permitted during the spending freeze with the exception of business travel associated with staff training and development. It is our understanding that vehicle rental expenses for operational activities did not form part of the discretionary spending freeze guidelines.

We reviewed the City's total vehicle rental costs for the period from 2013 to 2016 inclusively to determine the variance from year to year. The following table illustrates costs associated with vehicle rentals for the period from 2013 to 2016 and the variance year over year.

Table 2: Rental costs

<b>Rental costs</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Vehicle rental costs	\$1,081,000	\$903,000	\$890,000	\$731,000
Variance year over year	-----	-16.5%	-1.4%	-17.9%

Given the overall decrease in vehicle rental costs from year to year, no further analysis was conducted. Based on the work performed, there was no evidence to suggest that the use of rental vehicles in 2015 contradicted the guidelines of the 2015 discretionary spending freeze.

## Recommendations and responses

### Recommendation #1

That the City ensure for each growth or replacement vehicle an adequate value analysis comparison is conducted to provide assurance that the fleet vehicle specifications required will meet operational requirements at the lowest lifecycle cost vehicle in cases where:

- a) for a replacement vehicle, the proposed vehicle differs from the original; OR
- b) for a growth vehicle, the proposed vehicle differs from existing vehicles used for the same or similar purpose.

### Management response:

Management agrees with the recommendation.

Fleet Services is reviewing its procedures and required documentation in this area. By the end of Q4 2018, procedure updates will be completed and the changes will be communicated to clients as part of the normal discussions held whenever replacements or growth are being contemplated.

**Recommendation #2**

That the City ensure for each leased vehicle a formal, adequate lease or buy analysis is conducted and stored in files to provide assurance that the decision to lease a fleet vehicle is a cost-effective solution.

**Management response:**

Management agrees with the recommendation.

Fleet Services and Transportation Services will ensure that a lease versus buy analysis is conducted and documented prior to any existing lease contracts being extended and prior to entering into any new equipment lease contracts. The process of completing and documenting the lease versus buy analysis has now been put into place.

**Recommendation #3**

That the City issue bid solicitation requests without the use of specific brand names in accordance with the Procurement By-law to achieve the most competitive situation possible. Should it be determined that a specific brand name is required, adequate analysis and documentation should be retained as evidence that the product is essential for operational requirements to avoid unacceptable risk or for some other valid purpose.

**Management response:**

Management agrees with this recommendation.

Supply Services will update its procedures manual to clarify the information required to support the inclusion of specific brand names and how this information is to be documented. This update will be completed by the end of Q4 2018.

**Recommendation #4**

That the City Manager's Office, Clerk's Office and OAG review and consider changes to the Fraud and Waste Procedures to address reports related to waste.

**Management response:**

Management agrees with this recommendation.

Management has met with the Auditor General's Office and will be updating the Fraud and Waste Procedures to provide direction to staff with respect to the disposition of reports related to waste, by Q3 2018.

**Recommendation #5**

That the City ensure that all departments comply with Motion 27-139 carried by City Council in January 2005 and that the Municipal V&E Capital Replacement Plan and Annual Vehicle Growth reports include all vehicle acquisitions from across the City for effective decision making.

**Management response:**

Management agrees with this recommendation.

Fleet Services already complies with Motion 27-139 for all City departments with the exception of Transportation Services. Transit Fleet and Facilities Maintenance is currently working on developing an internal Standard Operating Procedure (SOP) for the procurement of non-revenue vehicles that will address this recommendation. The anticipated timeline for completion is Q3 2018. Once approved, the SOP will be communicated to staff and posted on Ozone under the Transit Service Business Practices policy repository.

Moving forward, Transportation Services will bring forward an annual Transit Vehicle and Equipment Replacement and Growth Plan report to Council, which will include a detailed list of upcoming requests for non-revenue vehicle replacements and non-revenue growth in advance of the fall budget tabling.

**Recommendation #6**

That the City ensure each staff responsible for approving each invoice verify all options itemized on the invoice to ensure that all amounts agree to the contract before submitting the invoice for payment.

**Management response:**

Management agrees with this recommendation.

Fleet Services will continue to comply with this recommendation. Transit Fleet and Facilities Maintenance currently has a method in place to approve and validate invoices as part of an internal process, found in the "New Vehicle Acceptance Report". This report is a checklist that is verified against the invoice prior to approval for payment.

A new operational Standard Operating Procedure (SOP) for the procurement of non-revenue vehicles (referenced above in recommendation #5) will be implemented. The SOP will include an enhanced version of the "New Vehicle

Acceptance Report” and will formalize the process for how the invoices will be approved. The anticipated timeline for completion of the SOP is Q3 2018.

All records will be stored in the Transit Fleet and Facilities Maintenance records management system (Fleet Management Information System M5).

**Recommendation #7**

That the City ensure that when a more economical vehicle solution enters the market, it reevaluates its current procurement options to ensure the City is purchasing vehicles that are a cost-effective solution and will provide the lowest overall lifecycle cost for the City.

**Management response:**

Management agrees with this recommendation.

The City will ensure that when a new procurement process is initiated [i.e. Standing Offer (SO) or Request for Tender (RFT)], all procurement options are evaluated so that Fleet is purchasing vehicles that are cost-effective for the lowest overall lifecycle cost. The value analysis identified in response to Recommendation #1, will ensure the optimal contract length is considered to enable best value to be realized when the RFT or SO is being created.

**Recommendation #8**

That the City develop corporate-wide policies and procedures for fleet procurement and management. Included in these policies and procedures should be direction to establish responsibility, accountability and guidance for value analysis, vehicle leases, etc.

**Management response:**

Management agrees with the recommendation.

Fleet Services and Transportation Services will work together with the assistance of our Business Support Services groups to establish corporate-wide policies and procedures for the areas noted above. These policies and procedures will be completed and communicated to those affected by the end of Q4 2018.



## Appendix A – Acquisitions of Mercedes Sprinter vans (2011 to 2015)

Pricing does not include “up-fitting” costs, which range from \$350 up to \$54,000 per vehicle for the supply and installation of customized interiors.

Table 3: Acquisitions of Mercedes Sprinter vans (2011 to 2015)

#	Year of acquisition	City branch	Vehicle name	Procurement method	Price per invoice (before taxes)
1	2011	Traffic Services	Mercedes Sprinter 2500	RFT	\$54,131
2	2011	Drinking Water	Mercedes Sprinter 3500	RFT	\$64,256
3	2011	Drinking Water	Mercedes Sprinter 3500	RFT	\$64,256
4	2011	Drinking Water	Mercedes Sprinter 3500	RFT	\$61,341
5	2011	Drinking Water	Mercedes Sprinter 3500	RFT	\$61,341
6	2011	Drinking Water	Mercedes Sprinter 2500	RFT	\$54,131
7	2012	Transit Operations	Mercedes Sprinter 3500	RFT	\$55,159
8	2012	Transit Operations	Mercedes Sprinter 2500	RFT	\$46,076
9	2012	Transit Operations	Mercedes Sprinter 2500	RFT	\$46,076

<b>#</b>	<b>Year of acquisition</b>	<b>City branch</b>	<b>Vehicle name</b>	<b>Procurement method</b>	<b>Price per invoice (before taxes)</b>
10	2012	Transit Operations	Mercedes Sprinter 2500	RFT	\$46,076
11	2012	Transit Operations	Mercedes Sprinter 2500	RFT	\$46,076
12	2012	Transit Operations	Mercedes Sprinter 2500	RFT	\$46,076
13	2012	Transit Operations	Mercedes Sprinter 2500	RFT	\$46,076
14	2012	Transit Operations	Mercedes Sprinter 2500	RFT	\$46,076
15	2012	Transit Operations	Mercedes Sprinter 2500	RFT	\$46,076
16	2012	Transit Operations	Mercedes Sprinter 2500	RFT	\$46,076
17	2012	Transit Operations	Mercedes Sprinter 2500	RFT	\$46,076
18	2013	Drinking Water	Mercedes Sprinter 3500	RFT	\$49,786
19	2013	Drinking Water	Mercedes Sprinter 3500	RFT	\$49,786
20	2013	Traffic Services	Mercedes Sprinter 2500	RFT	\$47,692

<b>#</b>	<b>Year of acquisition</b>	<b>City branch</b>	<b>Vehicle name</b>	<b>Procurement method</b>	<b>Price per invoice (before taxes)</b>
21	2013	Waste Water	Mercedes Sprinter 2500	RFT	\$47,692
22	2013	Drinking Water	Mercedes Sprinter 3500	RFT	\$49,786
23	2013	Drinking Water	Mercedes Sprinter 3500	RFT	\$49,786
24	2013	Transit Operations	Mercedes Sprinter 3500	RFT	\$55,159
25	2013	Drinking Water	Mercedes Sprinter 3500	RFT	\$49,786
26	2013	Transit Operations	Mercedes Sprinter 3500	RFT	\$55,159
27	2013	Drinking Water	Mercedes Sprinter 3500	RFT	\$49,786
28	2013	Transit Operations	Mercedes Sprinter 3500	RFT	\$55,159
29	2013	Fleet Services	Mercedes Sprinter 3500	Call-up	\$58,089
30	2013	Transit Operations	Mercedes Sprinter 2500	RFT	\$46,076
31	2013	Fleet Services	Mercedes Sprinter 3500	Call-up	\$58,089

<b>#</b>	<b>Year of acquisition</b>	<b>City branch</b>	<b>Vehicle name</b>	<b>Procurement method</b>	<b>Price per invoice (before taxes)</b>
32	2013	Transit Operations	Mercedes Sprinter 2500	RFT	\$54,275
33	2013	Drinking Water	Mercedes Sprinter 3500	RFT	\$53,980
34	2013	Transit Operations	Mercedes Sprinter 2500	RFT	\$54,275
35	2013	Drinking Water	Mercedes Sprinter 3500	RFT	\$53,980
36	2013	Transit Operations	Mercedes Sprinter 2500	RFT	\$54,275
37	2013	Drinking Water	Mercedes Sprinter 3500	RFT	\$53,980
38	2014	Transit Operations	Mercedes Sprinter 3500	Call-Up	\$60,466
39	2014	Parks, Buildings & Grounds	Mercedes Sprinter 3500	Call-up	\$62,390
40	2014	Transit Operations	Mercedes Sprinter 2500	Call-Up	\$51,824
41	2014	Parks, Buildings & Grounds	Mercedes Sprinter 3500	Call-up	\$62,020
42	2014	Transit Operations	Mercedes Sprinter 2500	Call-Up	\$51,824

<b>#</b>	<b>Year of acquisition</b>	<b>City branch</b>	<b>Vehicle name</b>	<b>Procurement method</b>	<b>Price per invoice (before taxes)</b>
43	2014	Ottawa Public Library	Mercedes Sprinter 3500	Call-up	\$60,710
44	2014	Transit Operations	Mercedes Sprinter 2500	Call-Up	\$51,824
45	2014	Waste Water	Mercedes Sprinter 3500	Call-up	\$58,691
46	2014	Transit Operations	Mercedes Sprinter 3500	Call-Up	\$60,466
47	2014	Waste Water	Mercedes Sprinter 3500	Call-up	\$58,691
48	2014	Transit Operations	Mercedes Sprinter 3500	Call-Up	\$60,466
49	2014	Fire Services	Mercedes Sprinter 2500	Call-up	\$53,464
50	2014	Transit Operations	Mercedes Sprinter 3500	Call-Up	\$60,466
51	2014	Fire Services	Mercedes Sprinter 2500	Call-up	\$53,464
52	2014	Transit Operations	Mercedes Sprinter 3500	Call-Up	\$60,466
53	2014	Traffic Services	Mercedes Sprinter 3500	RFT (Leased Unit)	Leased Unit

<b>#</b>	<b>Year of acquisition</b>	<b>City branch</b>	<b>Vehicle name</b>	<b>Procurement method</b>	<b>Price per invoice (before taxes)</b>
<b>54</b>	2014	Transit Operations	Mercedes Sprinter 3500	Call-Up	\$60,466
<b>55</b>	2014	Fleet Services	Mercedes Sprinter 3500	Call-up	\$59,660
<b>56</b>	2014	Transit Operations	Mercedes Sprinter 3500	Call-Up	\$60,466
<b>57</b>	2014	Traffic Services	Mercedes Sprinter 3500	Call-up	\$58,441
<b>58</b>	2014	Transit Operations	Mercedes Sprinter 3500	Call-Up	\$60,466
<b>59</b>	2014	Traffic Services	Mercedes Sprinter 2500	Call-up	\$50,363
<b>60</b>	2014	Transit Operations	Mercedes Sprinter 3500	Call-Up	\$60,466
<b>61</b>	2014	Transit Operations	Mercedes Sprinter 2500	Call-Up	\$51,824
<b>62</b>	2014	Transit Operations	Mercedes Sprinter 2500	Call-Up	\$51,824
<b>63</b>	2014	Transit Operations	Mercedes Sprinter 3500	Call-Up	\$60,466
<b>64</b>	2014	Transit Operations	Mercedes Sprinter 3500	Call-Up	\$60,466

#	Year of acquisition	City branch	Vehicle name	Procurement method	Price per invoice (before taxes)
65	2014	Transit Operations	Mercedes Sprinter 3500	Call-Up	\$60,466
66	2015	Parks, Buildings & Grounds	Mercedes Sprinter 3500	Call-up	\$62,020
67	2015	Drinking Water	Mercedes Sprinter 3500	Call-up	\$55,870
68	2015	Drinking Water	Mercedes Sprinter 3500	Call-up	\$55,870
69	2015	Waste Water	Mercedes Sprinter 3500	Call-up	\$61,316
70	2015	Waste Water	Mercedes Sprinter 3500	Call-up	\$61,316
71	2015	Waste Water	Mercedes Sprinter 3500	Call-up	\$61,316
72	2015	Waste Water	Mercedes Sprinter 3500	Call-up	\$61,316
<b>Total:</b>					<b>\$3,903,601</b>

## Appendix B – Chronology of procurement of Mercedes Sprinter vans and competitors entering market

Table 4: Chronology of procurement of Mercedes Sprinter vans and competitors entering market

Year	Chronology
2011	<ul style="list-style-type: none"> <li>• City purchases six Mercedes Sprinters through RFT</li> </ul>
2012	<ul style="list-style-type: none"> <li>• NISSAN enters the HRCV market with the <b>Nissan NV</b></li> <li>• City purchases 11 Mercedes Sprinters through RFT</li> </ul>
2013	<ul style="list-style-type: none"> <li>• CHRYSLER enters the HRCV market with the <b>RAM ProMaster</b></li> <li>• City purchases 18 Mercedes Sprinters through RFTs</li> <li>• City issues RFSO and awards SO to winning vendor Star Motors</li> <li>• City purchases two Mercedes Sprinters against SO</li> </ul>
2014	<ul style="list-style-type: none"> <li>• City purchases 27 Mercedes Sprinters against SO</li> <li>• City leases one Mercedes Sprinter through RFT</li> </ul>
2015	<ul style="list-style-type: none"> <li>• FORD enters the HRCV market with the <b>Ford Transit</b></li> <li>• City purchases one Ford Transit HRCV through RFT in April</li> <li>• City purchases three Mercedes Sprinters against SO in May</li> <li>• City purchases four Mercedes Sprinters against SO in August</li> </ul>

### Legend:

HRCV = High-roof commercial van

RFSO = Request for Standing Offer

RFT = Request for Tender

SO = Standing Offer