



***The City of Richmond Hill
Fleet Services (Light Duty Vehicles)
Audit Report***

November 2022

Ikram, Bak

TABLE OF CONTENTS

Section	Page No.
1.0 MANAGEMENT SUMMARY	3
2.0 INTRODUCTION.....	4
3.0 OBJECTIVES AND SCOPE	4
4.0 DETAILED OBSERVATIONS AND RECOMMENDATIONS	5
4.1 STANDARD OPERATING PROCEDURE (SOP)	5
4.2 FLEET VEHICLE DISPOSITION	6
4.3 PROCESSING DELAYS IN PROCURING NEW FLEET VEHICLES	7
4.4 DRIVER'S ABSTRACT POLICY AND LICENSING RECORD KEEPING	8
4.5 MILEAGE AND TRANSPORTATION ALLOWANCE REIMBURSEMENT POLICY	9
4.6 PERSONAL VEHICLE INSURANCE REQUIREMENT	10
APPENDIX A.....	12

1.0 Management Summary

Audit Services has completed an audit of the City of Richmond Hill (“the City”) Fleet Services (Light Duty Vehicles). The audit was conducted in accordance with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing.

The scope of this audit included a review of internal controls related to the Fleet Vehicle Management at the City. Audit Services reviewed the City’s By-laws, policies, and procedures, interviewed relevant personnel, reviewed documents, and performed sample testing as part of this audit.

Overall, the results of our detailed testing indicate that the City’s processes for the management of Fleet Services are operating in a manner to ensure compliance with relevant policies and legislation.

There were key processes identified during the audit where controls were strong and working as designed to help ensure adherence to the legislation and policy guidelines. Fuel Management system at Fleet Services has fully automated systems which mitigate the risk of pilferage and theft to a low level. Also, there are strong controls around inventory management system (Maximo) and scheduled maintenance of Fleet vehicles. Audit Services also observed effective coordination and professional working environment between the Manager, Public Works Support Services (who also managed Fleet Services), and the fleet operational staff.

Based on our work performed, opportunities for internal control improvements exist within the Fleet Services which are detailed in Section 4 (Detailed Observations and Recommendations) and have been discussed with appropriate management. We also conducted a jurisdictional scan of similar municipalities on their decision-making process for buying versus leasing fleet vehicles and their approach to reserve management (Appendix A). These improvements relate to policy updates, staff communication and training and documentation practices.

Should the reader have any questions or require a more detailed understanding of the risk assessment and sampling decisions made during this audit, please contact the Director, Audit Services.

Audit Services would like to thank the City’s Fleet Services and staff for their co-operation and assistance provided during the audit.

2.0 Introduction

At the request of the Corporation of the City of Richmond Hill's ("the City"), Audits Services Branch at the York Region performed an internal audit of the Fleet Services (Light Duty Vehicle) to help ensure that the policies, procedures, and processes in place are working effectively and efficiently and mitigating the severity of relevant risks to the Fleet Services.

The Fleet Services at the City of Richmond Hill administers the operations, maintenance, and disposal of the Region's Fleet Vehicles. This includes light to heavy duty vehicles, lawnmowers, snowblowers and parts for fleet, water, and materials (shovels, uniforms, gloves, disposable masks). Our audit engagement was focused on Light Duty Vehicles. The Fleet Services is governed through a Fleet Policy, which is aided by Standard Operating Procedures and other policies such as Driver's Abstract and Mileage and Transportation Allowance Reimbursement Policies. The fleet acquisition is guided by Purchasing Bylaw 113-16 and is managed by the Procurement Department independent of the Fleet Services.

Audit Services reviewed Fleet Services processes by assessing compliance to applicable legislation, and policies. Additionally, we performed detailed testing of Fleet Services documents and records to assess effectiveness and efficiencies of internal control environment at the Fleet Services.

3.0 Objectives and Scope

AUDIT OBJECTIVES

The objectives of this engagement were to:

- Assess the City's processes in asset management of the fleet including reserve management, procurement, preventative maintenance, and disposal of fleet vehicles.
- Review the City's training processes, including training and license verification to help ensure that appropriate personnel have access to fleet vehicles.
- Assess compliance with the Fleet Policy regarding the criteria to place a fleet vehicle in use.
- Determine the practices and procedures used at comparable municipalities for making the decision to buy or lease fleet vehicles and hold separate fleet reserves to manage procurement cycles.

AUDIT SCOPE

The audit objectives were accomplished through:

1. Review of policies/procedures, by-laws, and other related documents.
2. Review of systems and/or software that support the fleet services.
3. Interviews with appropriate personnel.
4. Detailed testing of a sample of fleet vehicles.

5. Perform various analytical procedures as required.

4.0 Detailed Observations and Recommendations

4.1 Standard Operating Procedure (SOP)

The existing SOP AM-6 Inspection & Prevention Maintenance of Fleet Vehicles was last updated on May 30, 2018.

The Standard Operating Procedure (SOP) AM-6 Inspection & Preventive Maintenance of Fleet Vehicles (May 30, 2018) that supports the policy included the authority and responsibility to ensure a regular vehicle inspection and preventive program was in place. Program tracking was maintained within the Maximo system and included work order type and number and inspection and preventive maintenance reports.

The SOP states that the inspection and preventive maintenance must be in place, however it does not specify the type and frequency of when the work needs to be performed. Also, fleet vehicles that need repair are governed under a different SOP (WI-FL-1.1–Fleet Repair). Based on the sample of fleet vehicles tested, inspections are conducted annually, and ‘A’ Level Service is conducted periodically but require clarity as to when an ‘A’ Level Service is required and what it entails as compared to what an annual inspection entail.

Staff, specifically new staff, responsible for the inspection and maintenance of light fleet vehicles may be unclear on the frequency and type of inspection and preventive services required for the fleet.

Additionally, the city may incur increased costs and liability exposure should the fleet not be maintained at a sufficient level. The inclusion of specific requirements of the type and frequency of inspection and preventive maintenance also provides sufficient evidence that the city has implemented an effective program if issues with fleet vehicles do arise.

Recommendation

4.1.1 It is recommended that the Manager, Public Works Support Services should update the SOP AM-6 Inspection & Preventive Maintenance of Fleet Vehicles to specify the frequently and defined procedures required for Fleet vehicles and communicate the updated document with the fleet staff.

4.1.2 It is also recommended to communicate updated Fleet Policy with the Fleet staff and to make it accessible for all employees through City’s intranet portal.

Management Response

There are 12 SOP’s related to Fleet Services and all 12 were created or updated in 2017/2018. Quick review shows that majority of the documents and the procedures contained are still valid. Staff from PWSS will review and update if necessary. Once this review and update has been completed, the revised policies will be shared with Fleet Service staff and posted on the City’s internal website.

4.2 Fleet Vehicle Disposition

The Fleet Vehicles considered for disposal were not tested against the Light Vehicle Assessment Model for Replacement (Scoresheet) as per the Fleet Policy.

The City's Fleet Policy mentioned that when a fleet vehicle is considered for replacement, the vehicle shall be tested against the Light Vehicle Assessment Model for Replacement (Scoresheet). The vehicle must be assessed on certain variables included in the Scoresheet that include age of the vehicle, mileage, type of services, reliability of the vehicle, maintenance and repair cost and overall condition of the vehicle. Each variable would carry points as recommended by the Policy and a vehicle receiving twenty-four (24) or above should be considered for disposal.

Audit Services assessed a sample of vehicles disposed of during the last two years and noted that even after the implementation of Fleet Policy from January 12, 2021 that the fleet vehicles were still being identified for disposal during routine service maintenance and annual inspections and the requirement to complete a Vehicle Assessment Model for Replacement (Scoresheet) and obtaining management approval on the score sheet before selling the vehicles was not complied with as required by the Fleet Policy. It was noted that in some cases, informal approvals were obtained from the Manager, Public Works Support Services and his former in charge of the Fleet Services, however the record was not consistently maintained either in the system or in the hard copy files.

Additionally, it was observed that the Supervisor, Fleet Services used three auctioneers to dispose fleet vehicles that charged a fixed percentage as their commission for selling the vehicles. Audit Services was not able to verify if the auctioneers used by the Supervisor, Fleet Services were among the approved vendors to do business with the City of Richmond Hill.

Vehicles were disposed of that may not meet the required criteria and as a result the city may incur additional replacement costs prior to the assets expiration date. On the contrast, vehicles in need of replacing remain in the fleet and may incur additional costs in repairs and maintenance.

Auctioneers used to dispose of fleet vehicle may not meet the prescribed criteria for vendors to do business with the city resulting in potential non-compliance with the city's purchasing by-laws.

Recommendation

4.2.1 It is recommended that Fleet Services should use a Light Vehicle Assessment Model (Scoresheet) to determine possible replacement of existing fleet vehicles as recommended by the Fleet Policy. Vehicles under review should be given a score based on the variables identified in the policy and should be approved by the Manager, Public Works Support Services during annual review. Fleet vehicles that need replacement during the year should also go through a similar process during the year and prior approval should be obtained before sending the vehicles for disposing.

4.2.2 It is also recommended that the auctioneers that the Fleet Services used to dispose the fleet vehicles should be included in the approved vendor listing after going through the vendor vetting and selection process to ensure that they have the necessary registration and licenses to conduct business with the city.

Management Response

As of 2022, in support of the 2023 Capital Budget process, all vehicles were assessed using the Light Vehicle Assessment Model. From this point forward, PWSS staff and/or CAM staff will continue to use the Light Vehicle Assessment Model annually to assess all vehicles. PWSS staff will investigate the possibility of implementing an approved vendor list or roster.

4.3 Processing Delays in Procuring New Fleet Vehicles

The Fleet Vehicles were delivered late to the Fleet Department due to processing delays that could adversely impact the public service delivery model at the City of Richmond.

It was determined that the City of Richmond Hill follows By-law 113-16 with respect to procurement policy and By-law 114-16 with respect to budgets and financial management. The process of procurement (inviting quotations from approved vendors, selection based on model, price, specification, warranties and guarantees and issuing purchase orders) and getting budgetary approvals are outside and independent of the Fleet Services. Upon delivery, the vehicle is recorded in database management system (Maximo).

Audit Services assessed a sample of vehicles procured during the period under review and noted that while the fleet vehicles were purchased as per the specifications on the purchase orders, the model of all vehicles reviewed were of later years (2020/21) as compared to the 2019 model mentioned on the purchase orders. It was not clear to Audit Services as to what could be the reason for this delay which may be due to late purchase orders processing (Procurement Department) or late deliveries from the vendor. It was also noted that there were no order processing protocols in place to follow up on the requisition at the Fleet Services.

Additionally, in two of the five sample reviewed (both vehicles were purchased on the same purchase order), it was noted that the purchase order was dated after the delivery date of the vehicles recorded in Maximo. There was no explanation provided for what appeared to be an anomaly.

Without developing order processing protocols may result in processing delays and thereby late deliveries of fleet vehicles, there is a risk that the City's service delivery model could fail to provide uninterrupted and efficient services to the people of the city.

Additionally, without proper management reviews, wrong vehicle information, inaccurate warranties and guarantees may be entered in the system that may go unnoticed and expired insurance policies may not get renewal on time.

Recommendation

4.3.1 It is recommended that the Fleet Services should follow up with the Procurement department to develop order processing protocols to reduce the delay in processing times for vehicle purchasing requests. It is also recommended to consider imposing penalties (seeking discounts and/or rebates) on vendors for late deliveries.

4.3.2 Additionally, it is recommended that the Manager, Public Works Support Services should review recording of all new fleet vehicles purchased and added in Maximo to ensure completeness and accuracy of vehicles details, date of purchase orders, date of vehicle arrival and recording in

Maximo and relevance of insurance policies and confirmation of warranties and guarantees offered by the dealers.

Management Response

PWSS will work with staff from Procurement to ensure that the Procurement Bylaw's related internal processes are as efficient as possible. This review will include the consideration of implementing any mechanisms in the procurement process related to vendor accountability to the expected lead/delivery times of assets.

PWSS will examine the processes of adding new assets into City's supporting systems including asset records and their relevant supporting documentation for any efficiencies and/or improvements. This review will include the review and possible update of SOP WI-FL-1.6 Adding a New Inventory Item.

4.4 Driver's Abstract Policy and Licensing Record Keeping

Management review of the driver's abstract on a quarterly basis was not completed on a consistent basis as required.

Audit Services reviewed the Drivers' Abstract Policy; that outlines the requirements that any employee operating a city fleet vehicle must hold a valid driver's license appropriate for the operations of that vehicle. Per Driver's Abstract Policy's requirement, the Manager, Public Works Support Services is required to review the driver's abstract of all employees who operate city vehicles on a quarterly basis and advise to appropriate direct supervisors on employees who do not have a satisfactory driving record for their action. However, it was noted that the quarterly review of the driver's abstract was not consistently performed as specified in the policy.

The Manager, Public Works Support Services do perform a review of SAP report (On Staff Drivers database Report) on an annual basis to verify if the licensing record keeping of employees operating city fleet vehicles is complete in SAP. However, it was observed that the SAP report could not update an existing record of drivers with a change or an upgrade of license record. Due to this system limitation, the report may not provide an accurate and up to date information for the Manager, Public Works Support Services's review.

Without quarterly reviews of drivers' abstract, staff operating fleet vehicles may not have the appropriate licenses and/or driving infractions that the city could deem inappropriate to operate its fleet resulting in non-compliance with the fleet policy and could increase the reputational risk to the city should any accident or incident occur with the drivers operating fleet vehicle that do not meet the criteria.

Recommendation

4.4.1 It is recommended that the Manager, Public Works Support Services should review the driver's abstract on a quarterly basis as recommended by the Driver's Abstract Policy to ensure that the drivers' licenses are valid, and of appropriate class and that no unreported violations occur while driving fleet vehicles.

4.4.2 It is also recommended that Manager, Public Works Support Services should collaborate with the SAP IT development team to resolve the system glitch and update existing driver's database

with updated and upgraded information in order to provide a complete and accurate information for management reviews.

Management Response

PWSS has already engaged the RH Hub Centre of Excellence for improvements to the ability to access and report on staff driver information. These proposed improvements are already in development and should be completed in Q4 2022. The proposed improvements will allow staff across the organization to maintain the currency of their own driver's license details through an online user portal. Also, PWSS staff will be able to report on driver records and create custom outputs that will aid in the validation of staff driving records.

4.5 Mileage and Transportation Allowance Reimbursement Policy

The existing Mileage and Transportation Allowance Reimbursement Policy was last updated on April 14, 2008.

Mileage and Transportation Allowance Policy (Policy) governed the claims made for mileage reimbursement by employees using their personal vehicles for official purpose. Upon review of the said policy, it was observed that the policy was last reviewed and updated on April 14, 2008, and it appeared that there was no update made to the policy since then.

It was also determined by the Audit Services that annually employees using their personal vehicles were claiming taxable benefits from mileage reimbursement and claiming 10K kms or less per year was considered within acceptable limit. However, there was no mention of this acceptable limit in the Policy. Additionally, it was noted that the current mileage reimbursement claim rate used was \$0.59 per km. However, the mileage reimbursement rate was not approved in the policy, where instead of an approved rate, it was mentioned to use an up-to-date rate that could increase the risk of fraud and error.

By not updating the policy, there is a risk that the Fleet Services may be in noncompliance with the prevailing Government rules and regulations for mileage reimbursement and transportation allowance and may be reimbursing employees using their personal vehicles for unauthorized claims and may be providing employees with outdated transportation allowance thereby causing financial loss to the City.

Recommendation

4.5.1 It is recommended that the Manager, Public Works Support Services should review the Mileage and Transportation Allowance Policy to ensure that the Policy is up to date with approved amendments and adjustments. Additionally, it is recommended to add a maximum limit of mileage reimbursement claimed for taxable benefit in the Policy duly approved by an appropriate authority.

Management Response

The City's Mileage and Transportation Allowance Policy was originally drafted in 2007 and last revised in 2008. Financial Services is currently undertaking a review of the City's Mileage and Transportation Allowance Policy and will consider these recommendations for implementation as part of that work.

4.6 Personal Vehicle Insurance Requirement

The requirement to maintain valid personal insurance by employees to use personal vehicles for official purposes was not communicated.

It was noted by the Audit Services that the city employees who used personal vehicles for official purposes were required to maintain valid personal vehicle insurance policy. However, the requirement was not mentioned in the Fleet policy, and neither was officially communicated to the employees. Copies of personal vehicle insurance were not kept with the Fleet Services for record keeping purposes due to which it was not clear if the employees had the necessary insurance coverage to operate their personal vehicles for official purposes as well.

By not maintaining appropriate record of personal insurance of employees who are using their personal vehicles for official use, the city is exposed to the risk of unauthorized and fraudulent automobile and health claims that could lead to financial and reputational loss to the City.

Recommendation

4.6.1 It is recommended that the Fleet Policy should be amended to include a requirement for maintaining appropriate personal vehicle insurance for employees who used their personal vehicles for official purposes. The amendment to the Policy document should be communicated to all employees.

4.6.2 It is also recommended that for employees who used their personal vehicles for official purposes, a copy of their insurance policy should be kept with the Fleet Services for record keeping and claim purposes. A management review of the record should be done to verify if the record of insurance policies provided by the employees verify that their insurance policies provide necessary coverage to use personal vehicles for official purposes.

Management Response

Due to the scope of these recommendations, the issue will be shared with ELT to consider the appropriate action of staff.

Original Signed _____

Jeff Stewart
Director, Public Works Operations

Original Signed

Michelle Morris
Director, Audit Services

Appendix A

Jurisdictional scan of N6 Municipalities plus York Region on their decision-making process for Buy vs. Lease of Fleet vehicles and their approach towards maintaining a separate reserve for Fleet management.

Questionnaire	Summarised Results of N6 Municipalities + York Region (Total 7)	Richmond Hill
Fleet Vehicles; Purchased or Leased?	4/7 - 100% fleet vehicles purchased 3/7 - purchased fleet vehicles with summer rentals	140 Vehicles Purchased 41 Vehicles Leased
Percentage of Purchased vs Leased Vehicles	5/7 - 100% Fleet Vehicles Purchased 1/7 - 98% Fleet Vehicles Purchased with 2% summer rentals 1/7 - 90% Fleet Vehicles Purchased with 10% summer rentals	77% Vehicles Purchased 23% Vehicles Leased
Policy related to Leasing Fleet Vehicles	3/7 - No Policy for Buying vs. Lease decision making protocols 2/7 - Guidelines for Buying vs. Lease under consideration 2/7 - Guidelines for Buying vs. Lease established	No Policy related to Buying vs. Lease decision making protocols
Decision making drivers: Purchasing vs. Leasing	Rationale to decide between Buying vs. Leasing (where applicable) - Vehicle Life cycle - Mileage - Utilization - Leasing cost - Maintenance and Damage Record	- A robust algorithm (scoresheet) to determine replacement - No rationale to decide between Buying vs. Leasing
Reserve Management Policy: Yes / No	6/7 maintained a separate Reserve Fund for their fleet vehicles 1/7 No separate Reserve Fund	No Fleet Reserve Policy or a separate Fleet Reserve Fund. Fleet vehicles funded through an Infrastructure Repair and Replacement Reserve
Reserve Management Strategy; Impact on Purchasing vs. Leasing	No Impact	No Impact

Detailed Results on Jurisdictional scan of N6 Municipalities plus York Region

Survey Questionnaire for N6 Municipalities and York Region (centralised Fleet Department) and Comparison with reply from the City of Richmond Hill							
Questionnaire	York Region	Aurora	King	Georgina	Whitchurch-Stouffville	East Gwillimbury	Newmarket
Fleet Vehicles; Purchased or Leased	Vehicles purchased with some seasonal rentals	Vehicles purchased	Vehicles purchased with pick up rentals during summer	Vehicles purchased	Vehicles purchased	Vehicles purchased	Vehicles purchased with temporary rentals on month to month basis
Percentage of Purchased vs Leased Vehicles	100% Fleet Vehicles Purchased	100% Fleet Vehicles Purchased	98% Fleet Vehicles Purchased 2% Summer Rentals	100% Fleet Vehicles Purchased	100% Fleet Vehicles Purchased	100% Fleet Vehicles Purchased	90% Fleet Vehicles Purchased 10% Summer Rentals
Policy related to Leasing Fleet Vehicles	No Policy on Leasing	No Policy on Leasing	No Policy on Leasing	Under Consideration	Under Consideration	Guidelines for Full Asset ownership with Leasing consideration	Procedure for Data Driven Replacement Model
Decision making drivers: Purchasing vs. Leasing	Lifecycle must be met i. Ranges from 5 years to 10 years depending on vehicle type ii. Payments are made during the established lifecycle so avoiding double payments is key Kilometer threshold to be met i. Vehicles must reach the 100,000 km limits Vehicle damage or maintenance issue i. If vehicles are written off ii. Sustain catastrophic maintenance issues	We use a typical 10 years lifecycle process, but the lease option is not considered.	N/A	When we do, we will include intended mileage and usage to decide. I.e.. Low mileage and/or light use (moving people from A to B) could qualify for lease. Works vehicles will likely be purchased given the inherent risk in damages.	Most vehicles in the fleet are utilized for day to day operations and sustain damage during their lifecycle (dents, scratches, seat tears) as well as safety equipment needs to be bolted onto the vehicles (lights, corporate branding) which creates extra costs for the lease return as the vehicle has been modified from original condition.	This was answered in question 3.	When reviewing buying vs leasing, the guidelines that we use are: - Ratio of specialty vehicles : regular vehicles - Quarterly review of our KPI's - Fleet Garage/ Yard infrastructure - SLA's (Service Level Agreements) in place with all User Groups (especially Fire) - Fleet staffing levels/ Permanent employees/ seniority of staff/ Union CBA's & non-union staff - Our Asset Management guidelines - What is cost effective for our operational requirements - Tendering process for RFQ with leasing companies - Etc..... too much to list
Reserve Management Policy: Yes / No	There is a reserve fund at the Region. Monies collected paying for the new vehicles are added to the fund. Vehicles auctions at end of life funds are added back to the reserve. Apparently the fund is shared with Paramedics Services.	10 Years lifecycle strategy. We do have a Reserve Fund Policy and we use it for purchasing vehicles but not for leasing.	No Policies that I know of but we try to put money in to a fleet reserve every year.	We have vehicle reserves per vehicle based upon the intended lifecycle. Lifecycle is governed by the type of vehicle (i.e. Light, medium, heavy etc.). Divisions fund reserve contributions based upon their operational fleet needs.	The Town maintains a Fleet and Equipment Reserve with the goal of achieving a fully funded capital program based on the projected replacement cost of the underlying fleet and equipment assets. We attempt to maintain the reserve at a level sufficient to provide for the 5-year average capital requirement included in the 10-year Capital Plan.	We have a separate fleet reserve, managed by Corp Finance as part of it's reserve strategy. The reserve is also replenished through asset disposal revenue. We are using our Asset Management Plan and 10 year capital forecasts to help manage this reserve.	The only strategy that we have on paper is all part of our Procedure for a Data Driven Replacement Model. We currently don't have a separate Reserve Management Policy to govern the strategy at the time. However, in process right now is Fleet Services working on a project with our Corporate Asset Management group structuring our internal processes and part of that is how we govern our Reserve strategy.
Reserve Management Strategy; Impact on Purchasing vs. Leasing	No Impact	No Impact	No Impact	Not entirely. Any existing reserve contributions made for a bought vehicle would inevitably stay within the operating budget to pay for the lease. The benefit would be solely on maintenance and repairs, and being able to "flip" vehicles more quickly than if they were bought – (Newer vehicles more often).	All vehicles currently owned. If were to lease, there could be an impact based on the strategy for that vehicle or grouping of vehicles (i.e. buyout at end of lease vs. purchase new or lease new).	No Impact	Impacted due to Pandemic. Especially now though this pandemic & being in the market where we own more than 180 vehicles.