



Fleet Audit Report - Corporate Level

April 2005

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1.0 Management Summary

Audit Services has completed a comprehensive review of York Region's (the Region's) fleet administration processes. The audit engagement identified three distinct fleets at the Region; Transportation & Works York Region Transit (Transit), Health Services Emergency Medical Services (EMS), and Transportation & Works Road Services (Roads). Due to the distinct nature of each of the fleet areas, Audit Services will be reporting opportunities for improvement noted through four separate audit reports. This will help facilitate action plans required from Region management, and establish clear roles in the improvement process.

The opportunities presented in this report represent opportunities existing at the corporate level. For the purposes of this report, a corporate level opportunity was considered to be where a process or processes had an impact on more than one of the fleet areas within the Region, and was best served from a centralized point within the Region, as opposed to being decentralized into the various Departments / Branches. Opportunities highlighted at the branch level will be reported separately in branch specific audit reports.

The scope of the Fleet audit included interviewing fleet personnel, reviewing pertinent documentation, and detailed testing of records at a sufficient level from which to draw a conclusion.

Based on the work performed, we noted opportunities for improvement relating to:

- The administration of the Region's Commercial Vehicle Operator's Registration (CVOR).
- The finalization of the Fleet Policy.
- The periodic collection of driver abstracts.
- The utilization of the Paradigm Business Systems (PBS) fleet administration software.
- The procurement of automated vehicle locators (AVLs) from Grey Island Systems.
- Potential efficiency gains through a corporate fuel purchase card.
- Claims inputting.
- Insurance replacement values.

A draft copy of this report has been discussed with necessary York Region management in the Treasury, EMS, Transit, and Roads Branches. They have provided us with their comments and have agreed to take the necessary action to implement the noted recommendations.

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.

We wish to thank the Commissioners, Directors, and their staff for their co-operation and assistance in providing Audit Services with requested documentation and timely responses.

2.0 Introduction

As part of our 2004 Audit Plan, which accommodates various types of audit projects, consulting engagements, and follow up requests from the Audit Committee and York Region management, the Audit Services Branch performed an audit of the three distinct fleet areas at the Region – EMS, Transit, and T&W Roads.

The Audit Plan, approved by York Region's (the Region's) Audit Committee, is developed annually by the Audit Services Branch using a Risk Assessment Methodology that helps to define the different risks associated with the various processes here at the Region. It is one tool that Audit Services uses in assessing where best to allocate audit resources.

York Region utilizes three distinct fleets to supply its citizen with services that have been entrusted to its care:

Responsibility for EMS was transferred from the Province to the Region in 2000. This service employs vehicles that must meet the minimum requirements of the Land Ambulance & Emergency Response Vehicle Standard and the Land Ambulance Specifications, along with other vehicle related and safety legislation. EMS currently employs approximately 24 Type II & III ambulances, 6 emergency response vehicles, and 3 Supervisor vehicles. The vehicles travel an estimated 2.6 million kilometers annually while responding to 93,672 calls. Maintenance, repair, and fuel costs were approximately \$700,000 for 2003. New ambulance purchases range from \$100,000 to \$150,000 per vehicle.

The Region assumed responsibility of transit services in the form of York Region Transit in 1999, through an amalgamation of the transit services previously administered by the individual municipalities. Conventional transit services are supplied by three vendors, who are also responsible for the maintenance, repairs, and refueling of Region owned buses. The Region's relationship with the three individual vendors is guided through performance based contracts. Specialized transit services are provided under contract, by 12 vendors, and the maintenance and repairs requirements are supplied by one vendor. These vehicles are either owned by the service provider, or leased from the Region.

Roads is responsible for the purchase and upkeep of the Region's heavy equipment (plows, graders, etc.), and general use vehicles (cars, pickups, etc) assigned to various Region personnel.

While each fleet is unique in terms of the service it will provide, there are shared commonalities in their administration. Opportunities to improve upon the administration and execution of these common denominators are the subject matter of this report.

3.0 Objectives and Scope

The objectives of this engagement were to determine if the acquisition, maintenance, disposal, and administration of the Region's three fleet areas (EMS, Roads, & Transit) are performed in such a manner as to promote:

- ◇ Compliance with related Regional policies.

- ◇ Cost effectiveness and best practices.
- ◇ A strong management internal control structure.
- ◇ An efficient and effective use of information systems technology.
- ◇ Achievement of strategic fleet initiatives and timely reporting of key performance indicators.

The audit objectives were accomplished through:

- Interviews with Fleet management and personnel.
- A review of fleet related documentation.
- Detailed testing of records at a sufficient level.

4.0 Methodology

The approach taken for this review was to meet with the three fleet areas and discuss:

1. The acquisition practices used when sourcing vehicles; how requirements were determined.
2. The maintenance and repairs process; recording, tracking and monitoring in-house or outsourced services.
3. The method used for the disposition of vehicles once their useful life has been spent; how do we reclaim salvage value, if any.
4. The administrative policies, procedures, and information technology tools employed to help ensure fleet administration is operated efficiently and effectively.

5.0 Detailed Observations and Recommendations

5.1 Finalizing the Draft Fleet Safety Policies and Procedures Manual

Observation

The Region does not have a Fleet Policy, or a Fleet Procedures Manual. A draft fleet safety policy and procedures manual was created in 2002, however it was never finalized.

A fleet related policy serves the purpose of:

- Providing general guidelines as to how the Region's fleet vehicles should be used;
- Assigns responsibilities to Departments / Branches;
- Serves as guidance in the purchase, maintenance, and disposal of the vehicle.

Recommendation

The draft safety policy and procedures manual should be revisited, and separated into two documents.

The first document should address only fleet policy issues and be vetted through the various fleet managers and the Corporate Policy Workgroup, before being sent to the Senior Management Group for review.

The ownership of the policy should rest with Insurance Risk Management due to their ongoing involvement in fleet related matters.

The completion and maintenance of the second document, addressing fleet procedures specific to the departmental fleet, should be assigned through the policy document, and should recognize the various fleets within the Region.

Ownership of the procedures document should be assigned to the three fleet areas, and should be kept up to date to incorporate and reflect current best practices in fleet management.

Management Response

Response from Finance Policy, Risk & Treasury: The draft fleet manual will be revised and separated into two documents as mentioned above. Insurance Risk will take the lead in this project, however assistance will be required from the various Fleet managers.

Action Plan

- 1) Review existing draft with the focus of dividing into two documents.
- 2) Document 1- revisit any issues or comments with Marsh staff initially involved in recommendations.
- 3) Set meeting dates with Fleet Managers Group for review and direction in compiling two documents. Establish main contact(s) to work with.

- 4) Finalize drafts for vetting with Corporate Policy Work Group (CPWG).
- 5) Changes to be implemented after the CPWG meeting and return to CPWG for implementation.

Target completion date: March 2005.

5.2 Repositioning the Administration and Responsibility for the CVOR

Observation

A review of the CVOR for York Region revealed that it is out of date with respect to contact information and vehicles covered. We noted that accidents attributable to Transit service providers have been allocated to York Region's CVOR in error.

A valid, accurate, and up-to-date CVOR is required for York Region to legally be able to operate some of its vehicles – Roads heavy equipment and Transit buses. EMS vehicles and vehicles with gross weights less than 4,500 lbs are exempt.

Responsibility for the CVOR currently rests with Roads Services. Historically, Roads was the only area within the Region requiring the CVOR for its vehicles.

Recommendation

The administration and responsibility for the CVOR should be transferred to Insurance Risk Management. It is a natural progression of the responsibility, when considering the amalgamation of Transit services and their requirements for a CVOR also.

Management Response

Response from Finance Policy, Risk & Treasury: Contact has been established within CVOR division of Ministry of Transportation. Once update forms are received, Insurance and Risk will work with CVOR contact to update and complete. Updated fleet list including YRT needs to be obtained and sent with the forms. CVOR contact will then correct errors to CVOR for incidents. We will establish a regular review pattern for this process. Target date for completion of update: March 2005.

5.3 Periodic Collection of Driver Abstracts

Observation

A policy addressing the periodic collection of driver abstracts, the written procedures to guide their collection and a formal delegation of responsibility for the collection have not been created in Transit & Roads Services. Nor have they been created for the employee population that requires a valid driver's license as a condition of their employment. For EMS, regulations require the regular collection of driver abstracts, and the responsibility has been adequately assigned.

Transit

Driver abstracts have been collected for October 2002 and December 2003. Presently, there are 14 specialized mobility drivers employed for which a driver abstract requires obtaining. However, the period between collections, and the individual responsible have not been defined.

Roads Services

Collects driver abstracts for the individuals within their Branch annually. However, also under the umbrella of Roads Services are the vehicles assigned to individuals in other Departments within the Region. Driver abstracts for these individuals is not collected upon hire, nor are they collected on a periodic basis.

General

Some employees of the Region require a valid driver's license as one condition of employment. However, periodic collection of driver abstracts to help ensure that the license remains valid is not performed.

The periodic collection of driver abstracts helps to ensure that the employee attending to Region business through the use of their own vehicle or a Region supplied vehicle, does so legally.

If necessary, the Region can take the necessary corrective measures in situations where an employee has lost their driving privileges, and avoid potential liabilities should the employee become involved in an unfortunate incident.

The Region's Health & Safety auditors have also identified this opportunity for improvement in past Health & Safety audit reports.

Recommendation

A section relating to the periodic collection, and an assignment of responsibilities relating to driver abstracts should also be included as part of the Fleet policy recommended in 5.1.

Responsibility for the collection of driver abstracts should rest with the various Departments / Branches, however accountability to ensure that the abstracts are duly collected should rest with the Insurance Risk Manager - Finance. Driver abstracts should be collected and stored in the employee file.

Management Response

Response from Finance Policy, Risk & Treasury: Centralization for abstract review and retention has been discussed. Insurance Risk will take the lead in analyzing the benefits of outsourcing the collection of driver abstracts (MVRs). Risk will work with HR to establish policy and procedures for collection and review of the abstracts (MVRs).

Target completion date Q4 2005.

5.4 Insurance Coverage for Replacement Value

Observation

Insurance coverage for fleet vehicles is limited to the vehicle's unamortized value, and not replacement value. The Region's deductible is \$100,000, and therefore fleet claims involving automobiles and some Roads Services lighter equipment (i.e. pick up trucks) are self-insured. However, should an ambulance or heavier equipment be damaged beyond repair, the Region would be responsible to pay for the difference between the \$100,000 and amortized amount. In these cases, the \$100,000 deductible can be quickly surpassed.

In August 2003 an ambulance was damaged beyond repair and was replaced through an emergency purchase order. The ambulance was assessed at \$50,000, and paid from the Region's deductible. An additional \$45,400 was required from the EMS operating budget to purchase the ambulance.

Having replacement value coverage avoids the impact that unexpected expenses can have on operating budgets.

Recommendation

Insurance Risk Management should perform a cost / benefit analysis on the impact on premiums of increasing insurance coverage for fleet vehicles from unamortized coverage to replacement value.

Management Response

Response from Finance Policy, Risk & Treasury: Insurance Risk is presently performing a cost / analysis on the impact on premiums if the Region increases insurance coverage for fleet vehicle from unamortized coverage to replacement value. The results of the examination will be presented to the Director Policy Risk & Treasury for consideration.

Due date: Q2 2005.

5.5 Fuel Purchasing Strategy

Observation

The Region may not be maximizing its fuel purchasing power through economies of scale. As a result, potential fuel cost savings are not being exploited.

Presently, the Region's fleet vehicles purchase fuel through three methods:

Fleet	Method of purchase
Roads Services	Purchases of fuel are made in bulk using spot pricing in the market. Fuel is delivered to and stored on site at T&W yards.

Fleet	Method of purchase
	Heavy and light equipment refuel at the yards as required.
EMS	Has contracted a fuel purchasing card that allows vehicle refueling at most popular fueling stations.
Employee assigned vehicles	Purchases of fuel are made through the Corporate Visa card at the driver's choice of fueling station.

By concentrating fuel purchases, for those vehicles that do not need to fill at T&W yards, the Region can utilize economies of scale in negotiating better discounts on the fuel purchased.

Recommendation

The Fleet Managers Workgroup should explore the possible benefits of a shared fuel purchasing card, to be used by EMS, employees assigned fleet vehicles, and Road Services vehicles not required to fill at the T&W yards. There is an additional opportunity for benefits from a shared fuel purchasing card which includes York Regional Police vehicles.

The Fleet Managers Workgroup, was established in early 2003 to share ideas and co-operate on joint ventures. The group consists of representation from Transit, EMS, Roads Services, and York Regional Police (YRP). The additional leverage that can be obtained by also including fuel purchased by YRP, would enhance the negotiating position for the Region in obtaining even more favourable discount rates on fuel purchased.

Management Response

Response from Fleet Manager Group: A shared fuel purchasing card is a good concept, as long as the fuel provider can differentiate between the various departments for billing/reporting purposes. Additional volumes by adding other sections onto an existing or a new card may / may not affect a further discount. Current discount on YRP card at Petro-Canada is 2.9% off retail, or roughly \$0.02/lt.

As an alternative, bulk fuel pricing is adjusted monthly and is based on the *previous* month Bloomberg Oil Buyer's guide. For the current year 2004 unleaded gasoline averaged \$0.695/lt., low sulphur diesel \$0.625/lt., no GST included. It would benefit the Region to establish a network of bulk locations, and have all Regional vehicles utilize bulk fuels.

In the event of an emergency like the previous hydro blackout, commercial outlets are not equipped with backup generated power, and would render the retail outlet unable to supply fuel.

The fuel contract will be re-tendered in 2007. The specific wording could be included at that time for corporate fuel card and discount. Additional bulk fuel storage and dispensing would have to be reviewed through the budget process.

5.6 PBS Fleet Management Software Utilization

Observation

The PBS Fleet Management software is not being effectively or efficiently utilized by EMS and Roads Services due to on going issues relating to inadequate system training, insufficient reporting capability, and the accuracy and completeness of input data. Transit is not presently utilizing PBS; however is currently exploring the possibility and has purchased licenses to use it.

The PBS application does not come with pre-canned reports. Reports must be generated through Crystal Report Writer.

A PBS user manual has not been supplied by the Vendor to the users of PBS.

The service contract with the vendor of the PBS application does not name EMS as a party to the service agreement. Nor does it address the concern relating to the continuation of contracted services should the Vendor become unable to do so.

EMS

EMS began using the PBS Fleet Management software in January 2003. Although the PBS application is being kept up-to-date with respect to inputting of current cost information, EMS will be reverting back to an Excel based spreadsheet in 2004 to provide cost information and alert Fleet Operations of vehicles requiring servicing based on their preventive maintenance schedule.

EMS is also keeping track of cost information manually through an invoice log, as a cross check to cost information keyed into PBS. Issues relating to cost reporting consistency and accuracy were noted through discussion with EMS fleet management.

There is a 'warranty component' function within PBS that is not being used that serves as an alert to the user that components potentially under warranty have been replaced, when servicing details are keyed into PBS.

There is a fuel usage monitoring component to PBS that is not being used that allows for a flat file to be downloaded into PBS, from the fuel purchasing card supplier, and provide EMS management with fuel consumption analysis.

Roads Services

Roads Services are keeping a duplicate Microsoft Access database for Roads fleets, as they find it easier to operate and obtain reports.

Recommendation

A PBS user manual and additional training should be obtained from the Vendor.

The conditions of the service contract should be revisited and updated with the Vendor. Items such as the continuation of contracted services should the Vendor become unable to do so, and to include EMS as a party to the contract should be addressed.

The three fleet areas should utilize their Fleet Managers group to develop a plan with the objectives of ensuring that all the fleet areas are able to fully utilize PBS capabilities. Once established, the group should meet periodically with the Vendor to execute that plan.

Duplicate databases should be eliminated once PBS is fully implemented.

Management Response

Response from Fleet Manager Group: A user's manual and additional training are required.

The conditions of the service contract and updating should be scheduled to reflect the different entities, and the continuation of service will be addressed.

Other areas to investigate are standardized reporting structure for all, new initiatives/updates available to all parties.

On the review of the vendor's service contract the items identified will be discussed.

The items will be discussed in the May 2005 Fleet Managers Group meeting. Delivery dates for the different items will be determined at that time and communicated to Audit Services.

5.7 York Region IT and User Control over PBS Fleet Management Software

Observation

York Region IT:

- Has not been involved as an intermediary with the vendor of the PBS application.
- Does not support the PBS application.
- Is not informed of work being performed, nor is documentation received / requested from PBS for work performed on the PBS application.

The vendor of the PBS application has CITRIX access to perform PBS application updates and modifications without notification to users. CITRIX logs are not reviewed to confirm for performance of work, if the work by PBS was executed through CITRIX access.

Changes to the PBS application are not tested by York Region IT, and are put directly into production.

As a result, York Region IT and end users of the PBS application cannot establish an efficient and effective working relationship with the Vendor to help ensure that the Region maximizes its utilization of the software.

Recommendation

EMS, Road Services, Transit and York Region IT should create a user group, to meet with the Vendor periodically to develop and execute a plan with the objectives of ensuring that all parties are kept aware of any changes and increased functionality of the PBS application.

The user group should consider inviting York Region Police to the group, as they have also implemented the PBS software.

Management Response

Response from Fleet Manager Group: Excellent way to find ways of commonality of information data input / reporting and analysis. This will be examined through our Fleet Manager's group.

Suggestion that a member of Finance be included to assist in standardizing financial reporting across all Fleets.

Tabled for the next Fleet Manager's Group meeting.

The items will be discussed in the May 2005 Fleet Managers Group meeting. Delivery dates for the different items will be determined at that time and communicated to Audit Services.

5.8 Sourcing of Automated Vehicle Locators (AVL)

Observation

The Region does not have a policy or procedure that addresses cooperative purchasing amongst departments / branches.

Two separate Requests for Proposal (RFP) for an AVL system were advertised at the same time by both EMS and T&W, without consideration being given to the potential cost savings that could have been exploited relating to economies of scale. The EMS RFP P-02-81 was issued with a closing date of July 30, 2002. The T&W RFP P-02-85, which consisted of AVLs for Roads Services and Transit, was issued with a closing date of August 8, 2002.

An examination of the deliverables for the two RFPs revealed that there were a number of similarities regarding the anticipated deliverables. Below is a table that illustrates these common requirements:

EMS	T&W (Roads Services & Transit)
RFP deliverables were driven by reporting capability that required data to be captured for the purpose of providing live reporting relating to:	RFP deliverables were driven by technical requirements. These requirements related to real-time and historical reporting on:
Vehicle Mechanical Data	- event changes / distances / time, or any combination;
Driver Performance	- position / velocity / heading;
Fleet Maintenance	- vehicle number / speed / direction / location;
Collision / Event Reconstruction	- engine on / off time;

EMS	T&W (Roads Services & Transit)
- idling versus running time.	
The data captured included: engine rpm, vehicle speed, engine coolant temperature, A/C clutch command, alternator voltage, battery voltage, brake on / off status, vehicle in park / neutral status indication, turbo-charger waste-gate control, fuel tank level, engine hours, transmission temperature, engine warning diagnostic trouble codes, flash engine warning, brake pads, scheduled maintenance reminder.	

Recommendation

Purchases by different departments / branches should be coordinated when economies of scale benefits may be brought to bear.

Purchases relating to the Region's fleets should be raised for discussion at the periodic meeting of the different Fleet Managers. This would give the opportunity of finding commonality in anticipated purchases, and allow for co-operative purchases.

Management Response

Response from Finance Supplies & Services: I agree with the recommendation and would like to comment further as to how greater efficiencies can be achieved.

1. Fleet Purchasing Analyst will attend fleet managers meetings (EMS, YRP, YRT, T&W fleet) when meetings deal with fleet procurement issues.
2. A Fleet Managers Group representative will attend the York Public Buyers Co-op meetings since the co-op deals with fleet purchases with the area municipalities.
3. Supplies & Services management is currently in the process of investigating models from which to build a Region specific process relating to reviewing and recommending standards for goods, services, and equipment. Establishing standards would allow for more efficient and effective procurement. Model selection is expected to be completed by Q4 2004.

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