

FINANCE AND ADMINISTRATION COMMITTEE MEETING – MARCH 5, 2012

INTERNAL AUDIT REPORT OF THE FLEET DEPARTMENT

Recommendation

The City Auditor recommends:

That the Internal Audit Report of The Fleet Department be approved.

Economic Impact

The recommendations of the auditor and the implementation of corrective actions in the audit report, will improve the effectiveness of risk management, internal control and governance processes of the department. Some impact will be economic and measurable in dollar terms, while others will provide intangible benefits which may not be measurable. Other benefits will be an improvement in the efficiency and effectiveness in the operations of the department. Internal Audit adds value to all areas of City activity which are audited.

Communications Plan

The agenda containing this report is available in the office of the City Clerk and on the City's website.

Purpose

To present to the Finance and Administration Committee, the Internal Audit Report of the Fleet department.

Background - Analysis and Options

The audit was part of the 3 year risk-based Internal Audit Work Plan which was approved by the previous Audit and Operational Review Committee and Council.

The internal audit report is provided as an attachment. The Executive Summary in the report summarizes the major findings and recommendations. The detailed report includes, for all audit findings (1) the observations of the auditor, (2) the implications, (3) the auditor's recommendations, (4) operational management's response for corrective actions and (5) the auditor's response to the corrective actions.

Relationship to Vaughan Vision 2020

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Regional Implications

Not applicable.

Conclusion

1. The Internal Audit Report of the Fleet department is presented to the Finance and Administration Committee for approval. The report includes the audit findings, recommendations and corrective actions. The report has been discussed broadly with the Director and Commissioner of the department/operation audited.

2. The Director and Commissioner are aware that the intent of the Internal Audit Report is for continuous improvement.
3. When all corrective actions are implemented, (1) internal controls, corporate governance and risk management will be improved, (2) the quality of performance in carrying out assigned responsibilities will be enhanced, (3) the department/operation will operate more effectively and efficiently and (4) the Internal Audit department will have added value to the organization and assisted members of the organization in the effective discharge of their responsibilities.

Attachments

1. Internal Audit Report of the Fleet Department.

Report prepared by:

Michael Tupchong, CA, CIA, CPA, CFE
City Auditor

Respectfully submitted,

Michael Tupchong, CA, CIA, CPA, CFE
City Auditor



Date: March 5, 2012
To: Mayor and Members of Council in Finance & Administration Committee
From: Michael Tupchong, City Auditor
Subject: Internal Audit of the Fleet Department

I have completed the internal audit of the Fleet department. This audit was included in the Council-approved three year audit work plan.

A follow-up letter will be sent to the department/operation audited, approximately 30 days from the date Council approves this Internal Audit Report, requesting the status of Corrective Actions as noted in this report. Subsequent follow-up letters will be sent until all Corrective Actions have been satisfactorily implemented.

I would like to thank Manager A. Boyce, Director J. Peyton, and Commissioner M. Kallideen, for accommodating me and providing me with unrestricted access to all staff and information during the audit.

I have exercised independence, objectivity and due professional care in accordance with the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.

The Internal Audit Department is committed to adding value, providing continuous improvement recommendations and professional service to the whole organization.

Sincerely,

Michael Tupchong CA, CIA, CPA, CFE
City Auditor

- c. Clayton Harris, City Manager
Barbara Cribbett, Commissioner of Finance & City Treasurer
Marlon Kallideen, Commissioner of Community Services
Jeff Peyton, Director of Building & Facilities
Alvin Boyce, Fleet Manager

INTERNAL AUDIT REPORT
FLEET DEPARTMENT

TABLE OF CONTENTS

<u>Heading</u>	<u>Page No.</u>
• Executive Summary	2
• Definition, Objective And Scope	7
• Intended Purpose Of Report	8
• Rating of Audit findings	8
• Reconciliation of Fuel and Diesel	10
• Sale of Fleet Vehicles/Equipment	12
• Sale of Fuel	14
• Reserves for Replacement of Vehicles	16
• Spare Parts and Supplies Inventory	19
• Purchase of Vehicles-Q10-248	21
• Purchase of New Vehicles T09-169	23
• Field Purchase Orders	24
• Administration and Overhead Fee	26
• Sale Price of Fuel	28
• Daily Pre-Trip Reports	30
• Miscellaneous	33
• Key Performance Indicators	35
• WSIB	36
• Conclusion	37
• Follow-up On Corrective Actions and Timeline	37

INTERNAL AUDIT REPORT FLEET DEPARTMENT

EXECUTIVE SUMMARY

Background

The audit of the Fleet Department was included in the Council-approved audit work plan.

The Fleet department administers the purchase, maintenance and sale of vehicles, trucks, trailers for the main departments of Parks & Forestry, Public Works, Building & Facilities, Enforcement, Engineering and other departments which have fewer vehicles. There is a small staff of 4 mechanics to do in-house mechanical maintenance work but most of the mechanical repair work is done by outside contractors. The Fleet department also manages fuel inventory, purchase of fuel for City usage and the sale of fuel to York Regional Police, York Region Operations (sale of fuel ceased in 2009) and Powerstream (sale of fuel ceased in 2010). The operational budget for the department is approximately \$950,000 (2010) which is fully covered from the transfer of Reserves and Reserve Funds.

Objective

The main objectives were to:-

1. evaluate and improve the effectiveness of risk management, internal control, and governance processes,
2. add value and improve an organization's operations and
3. assist members of the organization in the effective discharge of their responsibilities
4. evaluate and improve the quality of stewardship over public funds
5. evaluate and improve the achievement of value-for-money in operations.

Scope

The Scope included the activities and processes within the department including:

1) Capital and Reserves, Tenders and Quotes, Vehicle maintenance, Auctioneer services, Vehicle inspections, Fuel sales, Fuel purchases, Fuel and spare parts inventory, City fuel usage, and Operating Expenses of the department.

2) The Institute of Internal Auditors' standard scope of work which is shown on the pages ahead.

Scope period was January 1, 2010 to December 31, 2010.

INTERNAL AUDIT REPORT **FLEET DEPARTMENT**

Methodology

The methodology included:

- Interviews and discussions with management and staff of multiple departments.
- Review and analysis of accounting records (actual and budget) and supporting documentation for expenses and income.
- Review and analysis of numerous reports and documents.
- Review of policies and procedures.
- Walkthroughs and observations of operational procedures.
- Review and analysis of operational data.
- Physical inspection where applicable.

Summary of Observations and Recommendations

This summarizes the audit observations and recommendations which are in more detail in the body of the report. The following observations are arranged in no particular order.

Observation:

1. The department spends in excess of \$1 million for fuel annually. There is no verification done on the quantity of fuel delivered by the supplier except for reasonableness. Payments are based on the quantities as reported by the vendors. The quantities can be reported incorrectly by the vendors.

Recommendation: Reconciliation of the volume of gasoline delivered by the supplier should be done on a test basis of approximately 10% of the annual fuel deliveries using the auditor's worksheet.

Observation:

2. The department uses the services of an auctioneer to dispose of unwanted vehicles/equipment. Vehicles/equipment are handed over to the auctioneer without receiving any documentation to prove what was handed over.

Recommendation:

The department should receive a signed receipt from the auctioneer of the detailed list of the handover showing 1) the date 2) full detail and description of the vehicles/equipment 3) any reserve price.

Observation:

3. The department sells fuel to some City contractors and public sector partners, not at their cost but at the market cost price on the day of fill-up. This method results in either a profit or a loss depending on the market price at fill up.

Recommendation: It was recommended that the department charge fuel at its most recent cost price to eliminate the fluctuation of profit or loss on each fill-up.

INTERNAL AUDIT REPORT
FLEET DEPARTMENT

Observation:

4. Vehicles have an average life of 7 years then they are scheduled to be replaced. For this to happen, the Vehicle Replacement Reserve should have approximately \$2.1 million more in the account. There is inadequate transfer of funds to the Reserve 1) from Machine Time charges based on time of use of the vehicles and/or 2) from direct fixed transfer amounts from other City departments. The result is that the existing lives of many vehicles will have to be extended/prolonged through maintenance and repair costs. The shortage in Vehicle Replacement Reserve requires replenishment as soon as possible so that vehicles can be replaced when repair costs are too high. *The Finance staff has previously brought forward reports in this regard.*
5. Recommendation: The transfer to Reserves should be increased so that the proper amounts are transferred for future replacement of vehicles. (Since the audit, the Budgeting, Financial Planning and Fleet departments have developed a strategy to address the issues commencing in 2012.)

Observation:

6. The department has approximately \$50,000 in spare parts and supplies inventory. A full detailed inventory count has never been done. A completed inventory list will provide details of the parts and provide management with information to analyse and make appropriate decisions with old, obsolete parts. Recommendation: A complete physical count of the inventory should be done at least once per year. Obsolete or unusable inventory should be identified and sold at market value.

Observation:

7. A retailer of vehicles was successful in a quote bid. But when it came to invoicing the department on the purchase of 4 vehicles, the retailer charged more than the quoted price by \$1248 (\$312 X 4). The department apparently received upgrades to the 4 vehicles which were not in the original quote bid. This was brought to their attention by the Fleet department.

Recommendation: The department should always ensure that the "Vehicle Purchase Agreements" agree with the agreed prices which were used to win the contract in RFQs (Request for Quotation) or RFPs (Request for Proposal). The department should not pay more than the agreed purchase price unless *noted as extras to the contract.*

Observation:

8. The same retailer won a tender bid. The City purchased 11 vehicles. For each vehicle, the retailer charged an extra \$5 fee plus tax over the tender bid price.

Recommendation: The vendor should be informed of this observation. The department should claim back the \$55 plus tax from the vendor.

Observation:

9. Many FPOs (Field Purchase Orders) are "authorized" and "received" by the same individual who may be a co-ordinator, supervisor or manager. There is lack of segregation of duties. In many instances, the "authorized" date was after the "received" date.

INTERNAL AUDIT REPORT
FLEET DEPARTMENT

Recommendation:

There should be segregation of duties such that the “Authorizer” and “Receiver” of the FPO should not be the same person for “best practice” optimal internal control. The “authorized” section of the FPO should be filled out at the time the order is placed and not after the good/service or invoice has been received

Observation:

10. The department purchased a “government subscription” on the web for \$3036.31 after taxes. This was incorrectly charged to “Office Equipment and Furniture” account instead of “Subscription” account. “Membership dues” paid to Automotive Transportation Service Superintendent Association for \$85 was incorrectly posted to “Training and Development” account instead of “Membership/Dues/Fees” account.

Recommendation: Expenses should always be charged to the correct account even if the amount exceeds the budget for that account.

Observation:

11. The City sold approximately \$561,000 of fuel in 2010 to some of the City’s contractors and public sector partners. In addition to the sale of fuel, the Public Works department charges a few outside fuel customers (contractors) 3% “administration fee” and the Fleet department charges its customers 1% “administration fee” based on the \$ sales amount of fuel sold. There is inconsistency in the “administration fee” charge and the % is arbitrary. Also the “administration fee” is insufficient to cover the City’s cost per litre of fuel which passes throughout the fuel operation.

Recommendation: The auditor did a cost estimate of per litre of fuel which passes through the entire fuel operation and recommends an “administration and overhead” charge for 2011 of .018317c per litre of unleaded fuel sold and .056023c/litre of diesel fuel sold. The recommended charge can be substantiated and takes into account the estimated life of the fuel fixtures and equipment, and maintenance costs. For 2012, the CPI index (2011) for Toronto, should be added onto the cost.

Observation:

12. HST 13% tax came into effect on July 1, 2010. The City receives a refund of 11.24 % from the Province but incurs a cost of 1.76%HST of the purchase price of fuel before tax. The Fleet department did not add this 1.76% HST to the cost of fuel and therefore sold fuel at a “loss” of \$1.76 for every \$100 of fuel sold. One fuel customer purchases on average \$40,000 fuel per month. The City was losing approximately \$704 every month on these fuel sales. Fortunately, the audit was timely to discover the error before it continued indefinitely.

Recommendation: The City should recoup back from its fuel customers the 1.76% of the sales price for the 6 months of sales in 2010. The amount is estimated to be in excess of \$4,000.

The department should include the 1.76% HST to the cost of fuel before tax, to arrive at the true cost to the City.

INTERNAL AUDIT REPORT
FLEET DEPARTMENT

Observation:

13. Daily Pre-trip Reports are required to be completed by the driver of a City vehicle before driving the vehicle and the report must be submitted to the Fleet department within 20 calendar days as per the MTO (Ministry of Transportation). This is not being done consistently by all departments. Approximately 18% of Daily Pre-trip Reports are not being completed by drivers of City vehicles. Some drivers are driving vehicles with defects such as “brake problems”, “gas gauge not working”, “wiper washer not working”.. Daily Pre-trip Reports are also not reviewed by the Fleet department but are merely filed away.

Recommendation: Daily Pre-trip Reports should be reviewed daily by the Fleet dept for listed defects. Vehicle defects which are considered an impediment to safe driving should be called in to have the repairs done. Safe driving reduces the risk of potential liability issues to the City.

Observation:

14. Two additional key performance indicators on 1) the average cost of preventative maintenance per vehicle and 2) the average cost of repairs per vehicle were recommended to be monitored and included with the business plan.

Recommendation: Additional measures could be added to provide more useful information of cost per vehicle year over year. They are:-

1)Average Cost of Preventative Maintenance Services A,B,C per Vehicle per year and for each of A, B and C per vehicle per year.

2)Average General Repair Cost per Vehicle per year.

Corrective Actions:

Management has agreed with our observations Their corrective action and timeline are in the body of the report.

INTERNAL AUDIT REPORT FLEET DEPARTMENT

DEFINITION, OBJECTIVE AND SCOPE

1. **Definition:** Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
2. The **objective** of Internal Auditing is to assist members of the organization in the effective discharge of their responsibilities. To this end, Internal Auditing furnishes them with analyses, recommendations, counsel, and information concerning the activities reviewed. The internal audit objective includes promoting effective control at reasonable cost. In the end, Internal Audit is focussed on continuous improvement of the organization.
3. The **scope** of Internal Auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organization's system of control and the quality of performance in carrying out assigned responsibilities. The Internal Auditors have authority to review any phase of City activity. The scope of this audit included all of the following unless where not applicable:-
 - Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
 - Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations, which could have a significant impact on operations and reports, and should determine whether the organization is in compliance.
 - Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
 - Appraising the economy and efficiency with which resources are employed.
 - Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
 - Reviewing the identification of risk exposures and use of effective strategies to control them.
 - Reviewing for identification of fraud exposures and the means to control them.
 - Reviewing specific operations at the request of the Finance and Administration Committee or City Manager, as appropriate.
 - Reviewing stewardship of public funds
 - Reviewing achievement of value-for-money in operations.

INTERNAL AUDIT REPORT
FLEET DEPARTMENT

INTENDED PURPOSE OF REPORT

This report is presented purely to add value and to improve the operation going forward, within the scope of the audit. The report is not intended to criticize/discredit any individual or management of the department. The recommendations are suggestions of the auditor to assist in addressing the audit observations. Alternative corrections may be acceptable if risks are reduced to acceptable levels.

RATING OF AUDIT FINDINGS (R1-R9)

The severity rating of the audit observations is between R1 and R9, with R1-R3=Low; R4-R6=Medium; and R7-R9=High. It is intended to provide the reader with the auditor's rating of the audit observations in the report. Factors taken into consideration include internal control, risk management, corporate governance, materiality, frequency, impact, likelihood, compliance, economy, efficiency, objectives, and operations. The rating is not mathematically calculated, and is a general guide.

It is more important to focus on the recommendations and corrective actions than the rating. The higher the rating, the more urgent it is to implement the corrective actions. Irrespective of the ratings, all observations should be addressed.

Auditor(s): Michael Tupchong CA, CIA, CPA, CFE

Approval Signature: _____

INTERNAL AUDIT REPORT
FLEET DEPARTMENT

Areas reviewed were considered to be operating satisfactorily, except those noted in this section.

Audit Observations

INTERNAL AUDIT REPORT
FLEET DEPARTMENT

Reconciliation of Fuel and Diesel (R6)

Observations

1. The department spent approximately \$1.3 million in fuel for 2010 (\$ 926,706 in unleaded fuel and \$ 405,945 in diesel fuel). Ultramar provides the unleaded fuel and Petro-Canada provides the diesel fuel.
2. The Department does daily morning dip readings to determine if the fuel tank is running low and it is time to re-order fuel. The Fleet Clerk estimates approximate litres to be ordered based on the dip reading. However the fuel vendor fills up the tank and bills accordingly.

The packing slips received from the fuel suppliers revealed 4 different formats:

3. The first packing slip from Ultramar shows a *handwritten* "measured litres" such as 2,002 litres. There is no further information to show how the 2,002 litres were measured and therefore the number is not validated
4. The second packing slip from Armstrong Petroleums (Petro-Canada) shows a *metered printout* which shows "litres start 0" and "litres finish XXXX" (e.g., 2,561 litres). Although it measures the quantity and provides more assurance, there is no assurance that the measured quantity was delivered.
5. The third from Armstrong Petroleums shows *handwritten* "DIPS before" e.g., 134 and "after" e.g., 196. The number difference between the dips, are checked to a table which shows 7504 litres. However the dips number "before" and "after" are not validated as they are handwritten.
6. The fourth from Armstrong Petroleums shows just a *handwritten* quantity of say 8941 litres. There is no information on how 8941 litres was arrived at. Again the number is not validated.
7. No reconciliation of the volume deliveries have ever been done to verify the quantities reported by the vendors. The City pays the invoices based on the reported quantities of the vendors.
8. The auditor has devised a formula on how to reconcile the quantities delivered so that they can be checked against the reported quantities delivered as per the vendors.
9. During the audit , the auditor with the Fleet Clerk, performed two reconciliations to verify the quantities delivered. One was for unleaded and the other was for diesel. The results were considered reasonable and acceptable by the auditor within the fluctuation limits.

INTERNAL AUDIT REPORT
FLEET DEPARTMENT

Implications

1. All past payments for fuel have been done based on the quantities of fuel as reported by the vendor. There has been no formal verification of the quantities delivered.
2. The vendor quantities can be recorded incorrectly by the vendors. As a result, the City may be paying for more fuel than they actually received.
3. Without doing periodic reconciliations of fuel deliveries, there are minimal controls over fuel delivery.

Recommendations

It is recommended that:

Reconciliation of the volume of gasoline delivered should be done on a test basis of at least 10% of the annual fuel deliveries using the auditor's worksheet. The results should be checked to the amount as reported by the vendor. There may be small differences due to temperature fluctuations and visual dip readings which are subject to visual errors, however any noticeable large discrepancies of concern, should be thoroughly investigated.

Corrective Actions and Timeline (Director J. Peyton and Commissioner M. Kallideen)

Previous process requires dups to be taken every morning and entered into an excel report. Whenever there was a discrepancy in the amounts recorded against what is invoiced, the amount is manually calculated by the Fleet Clerk to ensure that the fuel delivered and fuel dispensed reconcile. Although there was not a formal reconciliation, the process gave us enough information determine if there was a delivery shortage

Currently, the Fleet Clerk is doing the reconciliation once a month as recommended by the auditor. It should be noted that the reconciliation can only be done at the Rutherford location.

Auditor's Response To Corrective Actions and Timeline

The corrective actions will address the auditor's observations. A follow-up status will be done in due course

INTERNAL AUDIT REPORT FLEET DEPARTMENT

Sale of Old Fleet Vehicles/Equipment (R4)

Observations

1. The department uses the services of an auctioneer (North Toronto Auction) to dispose of unwanted vehicles/equipment. The vehicles/equipment are currently handed over to the auctioneer *without receiving any documentation that lists what was handed over*. When the vehicles/equipment are eventually sold, the auctioneer deducts his 10% commission of the selling price (maximum of \$300) and other deductions (car proof history fee, transport fee) and forwards the net amount to the Fleet department. The department does receive detailed information of the buyer, sale date, sale price and description of the vehicle/equipment sold and detailed fee calculation. The department forwards the cheque to the Budget co-ordinator to deposit with the Cashier and credit the account Sale of Vehicle/Equipment.

2. Six vehicles/equipment (average life of 10 years) with an original cost of approximately \$130,000 were handed over to the auctioneer in 2010. No documentation was received from the Auctioneer to confirm the vehicles were received.

Implications

1. Without receiving a signed list of vehicles/equipment handed over to the auctioneer, there is no proof/evidence or record of the vehicles/equipment handed over for sale.

2. The City may be at risk of losing some/all of the vehicles/equipment handed over if staff who handed over the vehicles/equipment left the City.

Recommendations

It is recommended that:

When vehicles/equipment are handed over to the auctioneer for sale, the department should receive a signed receipt from the auctioneer of the detailed list of the handover 1) the date 2)full detail and description of the vehicles/equipment 3) any reserve price.

Corrective Actions and Timeline (Director J. Peyton and Commissioner M. Kallideen)

INTERNAL AUDIT REPORT
FLEET DEPARTMENT

Current process now requires the Fleet Supervisor to e-mail email the auctioneer with full detail descriptions of the vehicle/equipment and request a reply as proof of receipt as described below:

- The Supervisor prepares the units for auction and sends the Fleet Clerk an email to remove them from service and advise if they're being sent for auction, used for parts, or scrapped.
- North Toronto Auction is sent a detailed email with description of all the units being sent for auction and arrange for transportation.
- In some cases we request a reserve to be placed on a unit to ensure proper return value.
- An email is received from North Toronto Auctions confirming that the units are in their procession and when they're being auctioned.
- The department will also request a signed and dated receipt from the auctioneer to confirm delivery of the vehicles being handed over for auction.

Auditor's Response To Corrective Actions and Timeline:

The corrective actions will address the auditor's observations. A follow-up status will be done in due course

INTERNAL AUDIT REPORT **FLEET DEPARTMENT**

Sale of Fuel (R4) **Observations**

1. The Fleet department sells fuel to the York Region Police, City departments and some Public Works contractors performing work for the City.
2. The Fleet department changes the fuel price daily according to the new market cost, in the fuel system . Ultramar and Petro-Canada notifies the department daily of the new market cost of fuel. Daily notification commenced with the new contract last year. In prior years, the price notification was sent once a month around the 4th and was entered after the month end report was completed.
3. When users fuel up at City pumps, they are charged the new market cost price as per the price notifications. They are not charged the department's cost of the fuel.

Implications

The department stands to make a profit or make a loss from its cost of fuel when it sells fuel at the *market cost price* and not its *actual cost price*. The intent is not to make a profit or loss but to provide a service to our fuel users at our actual cost. The department is not in the fuel selling business like fuel retailers who charge retail prices at daily market prices.

Recommendations

It is recommended that:

1. Fuel prices should only be changed when delivery is actually received, and should not be changed daily to market cost price.
2. Fuel users should be charged prices based on the City's actual cost and not based on the market cost price. This means that the last fuel purchase price should be used to charge fuel users who fill up after the fuel delivery until the next fuel purchase price. This will result in "no" profit or loss on fuel sales but rather a recovery of the cost price of delivery.

Corrective Actions and Timeline (Director J. Peyton and Commissioner M. Kallideen)

This procedure is being done effective January 1, 2011.

INTERNAL AUDIT REPORT
FLEET DEPARTMENT

Auditor's Response To Corrective Actions and Timeline:

The corrective actions will address the auditor's observations. A follow-up status will be done in due course

INTERNAL AUDIT REPORT
FLEET DEPARTMENT

Reserves for Replacement of Vehicles (R7)
Observations

1. It was observed that most vehicles have an average lifespan of approximately 7 years then they are replaced. The Budgeting department keeps a current forecast of the cost to replace City vehicles when they are due for replacement. As of December 31, 2010 the replacement cost of scheduled vehicles is approximately \$5.1 million. The Reserve for Vehicle Replacement account at December 31, 2010 before commitments shows a balance of approximately \$3 million, leaving a shortfall of approximately \$2.1 million.
2. *Vehicle maintenance* costs of vehicles are charged to the *Reserve account 280780* for Public Works, Waste, Water, Sewer, Roads, Forestry, Parks, Bldg & Facilities, Engineering, Recreation and Fleet. This reduces the reserve balance. *(After the audit , for 2012, this practice has changed, where by department vehicle repair and maintenance budgets and expenses have been consolidated under the fleet dept. and the associated impact on the reserve removed.)*
3. *Vehicle maintenance* costs for By-law, Building Standards, Park Development, Clerks, Emergency Mgt., ITS and leased vehicles are charged to their respective *operating motor vehicle repairs and maintenance accounts and not to Reserve*. *(After the audit, for 2012, this practice has changed, where by department vehicle repair and maintenance budgets and expenses have been consolidated under the fleet dept. and the associated impact on the reserve removed.)*
4. Some departments (Water, Sewer, Forestry, Parks and Roads) are charged a \$ amount based on Machine Time (for use of vehicles based on time) which are transferred (credited) to the Reserve account. The Machine Time Rates were originally based on MTO rates going back to before 2004. The Fleet department did not increase the rates for 2004, 2005 and 2006 years. The rates were increased by the Fleet department in 2007 (10%); 2008 (5%), 2009(5%), 2010 (5%). Machine Time transfers increase the Reserve balance but the amounts transferred are insufficient to cover vehicle maintenance and replacement. *(After the audit, for 2012 machine time has now been eliminated in favour of defined budgets thus reducing the burden on the reserve, allowing those funds to be focused on replacement requirements.)*
5. Other departments (Building and Facilities; By-law; Public Works, Waste; Engineering ; Building; Park Development; Emergency Management; Clerks; ITS; Recreation; Fleet)are charged by journal entry (based on their budgets) amounts which are transferred to the Reserve account. This increases the Reserve account but the amounts are insufficient for vehicle replacement.
6. There was one Corporate Contribution in 2004 for \$1,089,000 to the Reserve account. There has not been another contribution since then. This contribution was quickly used up for Capital Project funding and Fleet Operating costs.

INTERNAL AUDIT REPORT
FLEET DEPARTMENT

7. As at end 2004, the Reserve balance was \$8.3 million. Since then there has been an annual net depletion as follows \$202K (2005); \$880K (2006); \$366K (2007); \$1.1 million (2008); \$1.2 million (2009); \$3.6 million estimate (2010) through Capital Project Funding , Fleet Operating Costs and Capital Commitments. There has been inadequate transfers to the Reserve balance from City departments for Machine Time charges and journal entry transfers for the last 6 years since 2004.
8. The Budgeting department has since 2007, presented an infrastructure funding strategy to help fund the overall infrastructure backlog (which included the Fleet department's operational costs), however, no additional funding were approved by Council. *(After the audit, on Sept. of 2011, Council adopted policies recommended by the Budget and Financial Planning Dept. to ensure future contributions are based on life cycle principles. In addition, the machine time process was reviewed in 2011 and a new process was implemented as part of the 2012 budget).*

Implications

1. There is insufficient transfer to the Reserve account through Machine Time charges and Journal Entry (non-machine time) budget transfers to cover vehicle maintenance costs, scheduled replacement costs of vehicles and Fleet department operating costs.
2. The annual net shortfall in transfers to the Reserve account is depleting the Reserve balance annually to the point that vehicles cannot be replaced at the end of their scheduled lives due to insufficient funds in the Reserve.
3. Due to the shortfall, vehicles are being forced to be replaced beyond their useful lives. Costs of vehicle repairs are therefore also increasing in order to maintain these "older" vehicles.

Recommendations

It is recommended that:

1. The shortfall in the Reserve balance should be urgently reduced to acceptable levels through a phase in process as follows:-
2. Vehicle reserve contributions should be increased in the Fleet budget. . For example: A \$200K increase in annual contributions would eliminate the \$2m shortfall within 10 years.
3. As machine time is now eliminated, there should be increases in the vehicle reserve contribution to cover the replacement cost of assets.

INTERNAL AUDIT REPORT
FLEET DEPARTMENT

4. Consideration should be given to transfer some necessary funds from another reserve with surplus funds to the Vehicle Reserve to make up some of the shortfall.
5. During the phase in period, vehicles useful lives should be expanded beyond 7 years if the cost of maintenance makes financial sense. If the cost of repairs are too expensive due to the poor condition of the vehicle, then the vehicle should be replaced.

Corrective Actions and Timeline (Director J. Peyton and Commissioner M. Kallideen)

1. The Budgeting, Financial Planning and Fleet departments have developed a strategy to address the issues.
2. The Budgeting Department presented a new Infrastructure Policy in the 1st quarter of 2011 to the Finance & Administration Committee that addressed go forward funding issues, through the implementation of life cycle contributions and associated philosophies.
3. The Fleet Policy has been amended to reflect revisions of the life cycles of vehicles and equipment.

Auditor's Response To Corrective Actions and Timeline:

Since the audit, the Budgeting and Financial planning department have implemented proactive policies to increase funding for infrastructure renewal, but continue to investigate options to address the infrastructure funding gap.

INTERNAL AUDIT REPORT **FLEET DEPARTMENT**

Spare Parts and Supplies Inventory (R4) **Observations**

The department has inventory of spare parts and supplies totalling approximately \$50,000 as per the Fleet Supervisor. These are expensed when they are purchased. The inventory are on shelves in an open area upstairs. A complete physical count of the inventory has not been done so there is no complete list of inventory items to review, analyse and make action plans.

Implications

1. Controls over inventory can be improved.
2. By taking a full count of the inventory and having a list to work from, staff will be aware of the quantity, description and location of inventory on hand. Obsolete or unusable inventory will also be identified.
3. The list will also be useful in determining what items should and should not be purchased in the future and what obsolete/unused items should be sold.

Recommendations

It is recommended that:

1. A complete physical count of the inventory should be done at least once per year, preferably semi-annually per year, showing 1) quantity, 2) full description, 3) exact shelf location of the inventory and supplies. This will provide staff with information for review, analysing and planning.
2. Obsolete or unusable inventory should be identified on the inventory list and should be physically placed in one section and should be sold at market value.

Corrective Actions and Timeline (Director J. Peyton and Commissioner M. Kallideen)

1. The Department does not have a parts inventory system that charges in and out materials. Parts are ordered when required and charged to the operating units account. Since the parts purchased are charged to the operating parts accounts to order parts, they are assigned directly to the unit and can also be tracked.
2. The parts on hand in storage are old parts for units still in use and parts are difficult to obtain. These are being used over time as required and not replaced

INTERNAL AUDIT REPORT
FLEET DEPARTMENT

into inventory. This represents the majority of parts on hand and the estimated costs.

3. The majority of parts are kept in a locked location with access only to Fleet personnel.
4. In addition, only a minimal quantity of parts are kept on hand for the most common equipment the City owns to ensure efficient repair timelines.
5. Unused or obsolete parts are minimal and either sold back to the supplier or stored.
6. An annual physical count of parts inventory will be done in the 4th quarter of each year. The list will be reviewed for unused/obsolete inventory.

Auditor's Response To Corrective Actions and Timeline:

The corrective actions will address the auditor's observations. A follow-up status will be done in due course

INTERNAL AUDIT REPORT
FLEET DEPARTMENT

Purchase of Vehicles- Quotation Q10-248 (R4)

Observations

Summit Auto Group won the RFQ10-248 based on the new vehicle net price of \$16,190 plus taxes 13%= \$18,294.70. However it was observed that the actual "Vehicle Purchase Agreement" invoice was calculated differently. The price of \$18,590 was used to calculate tax 13% and the discount of \$2,400 was applied at the very end to= \$18,606.70. The difference was \$312 per vehicle. Four vehicles = \$1,248. The department was charged an additional \$1,248 over the quoted price for the purchase of 4 vehicles. Summit Auto Group was informed of the difference. The Purchasing department issued a revised PO for \$16,190 plus taxes= \$18,294.70 (the original PO was for \$18,606.70 to agree with the "Vehicle Purchase Agreement"). Summit Auto Group did not re-issue a new "Vehicle Purchase Agreement" invoice. As it stands, the "Vehicle Purchase Agreement" does not agree with the revised PO by \$1,248 for the 4 vehicles. The Finance clerk paid the extra \$1248 by overriding the PO. The department apparently received upgrades to the vehicles which were not included in the original quote. This is the reason for the extra charge.

Implications

1. The "Vehicle Purchase Agreement" from Summit Auto Group shows \$1,248 more than the revised PO and the RFQ 10-248 for the 4 vehicles purchased.
2. Summit Auto Group quoted one price (\$18294.70) but charged a different price (\$18606.70) when the purchase was executed. Some vendors may bid a lower price to win the competition but actually charge more once the contract is awarded.
3. The revised Purchase Order (\$18294.70) did reflect the price as per the RFQ(\$18294.70) but was overridden to pay the invoice amount.

Recommendations

It is recommended that:

1. The department should always ensure that the "Vehicle Purchase Agreements" agree with the agreed prices which were used to win the contract in RFQs or RFPs. The department should not pay more than the agreed purchase price.
2. The Purchase Order should always reflect the price as per the RFQ. It should not be amended. If there are additional costs, it should be reflected as *an additional purchase on the purchase order with a description*.

INTERNAL AUDIT REPORT
FLEET DEPARTMENT

Corrective Actions and Timeline (Director J. Peyton and Commissioner M. Kallideen)

- 1. Four Ford Rangers were purchased from Summit Auto Group. Prior to delivery, Fleet received a phone call from Summit Group stating that Ford was having an incentive promotion and the City of Vaughan was eligible to receive additional upgrades at no extra cost. The extras were as follows; spray in bed liner, back rack rear window protector, customer choice of LED beacon lamp or a reverse back up beeper alarm. The complete package would normally cost more than \$1,500.00 dollars per truck following delivery. The Fleet department agreed to the extras and the salesman automatically added the difference to the invoice without consulting the fleet department. This resulted in the City of Vaughan paying \$312.00 (after tax per truck) more but actually received over \$1,500.00 worth of extras.
- 2. The additional costs should have been added as an additional extra to the original bid price, and indicated separately on the Purchase Order to avoided the perceived issues as indicated by the auditor.

Auditor's Response To Corrective Actions and Timeline:

The corrective actions will address the auditor's observations. A follow-up status will be done in due course

INTERNAL AUDIT REPORT
FLEET DEPARTMENT

Purchase of New Vehicles- Tender T-09-169 (R3)

Observations

1. The department entered into a Tender T09-169 agreement with Summit Auto Group to purchase new vehicles. It was observed that the City was charged an additional \$5 more than the tender price for all vehicles sold to the City. The \$5 was described as “after sales”.
2. The City purchased 11 vehicles from Summit Auto Group under the contract for the year 2010.

Implications

The vendor is not charging the same price which they tendered to win the contract. The total amount of overcharge is \$55 plus tax. This is not material but the principle is that there should not be an added charge discrepancy from the contract.

Recommendations

It is recommended that:

1. The vendor should charge the exact price that was tendered. The department should not pay for any additional charges.
2. The vendor should be informed of this observation. (The Fleet Manager subsequently e-mailed the vendor and drew their attention to the additional charge).
3. The department should consider claiming back the \$55 plus tax from the vendor.

Corrective Actions and Timeline (Director J. Peyton and Commissioner M. Kallideen)

1. Fleet have noted this \$5.00 addition, contacted the supplier. In the future this fee will be added to the bid price and will be clearly indicated in the bid document.

Auditor’s Response To Corrective Actions and Timeline:

No further action is required.

INTERNAL AUDIT REPORT
FLEET DEPARTMENT

Field Purchase Orders (R3)

Observation

1. It was observed that many Field Purchase Orders (FPOs) are “authorized” and “received” by the same person for the purchase of automotive parts for vehicle repairs. This person may be a co-ordinator, a supervisor or a manager. This does not provide optimal control.
2. In some instances the “received” portion was filled out before the “authorized” portion. This suggests that the purchase may have been authorized *after* the good/service was received.
3. In a number of instances, the “authorized” date was *after* the invoice date. If a Purchase Order was used, the PO date was in a number of instances *after* the invoice date.

Implication

1. There is a lack of segregation of duties if the “authorizer” and “receiver” are the same individual. This diminishes control.
2. Authorization are after the purchase and receipt of the good/service.

Recommendation

It is recommended that:

1. There should be segregation of duties such that the “Authorizer” and “Receiver” of the FPO should not be the same person for optimal internal control. If the Fleet Supervisor is the “authorizer” of the purchase, then the “receiver” could be a mechanic or fleet co-ordinator.
2. The “authorized” section of the FPO should be filled out at the time the order is placed and not after the good/service or invoice has been received . The “receiver” section should be completed once the good/service has been received.

INTERNAL AUDIT REPORT
FLEET DEPARTMENT

Corrective Actions and Timeline (Director J. Peyton and Commissioner M. Kallideen)

1. Staff has been advised to sign the FPO in the appropriate box at the time of ordering and receiving supplies.
2. All FPO's are authorized prior to receiving the goods or services from contracted vendors. The reason for authorized dates being after the received dates on the referenced FPO is strictly due to an error by staff, (the dates were added after the signatures). In the case of the same person authorizing and receiving the goods and services, the Coordinator was unaware that unionized staff were able to sign the received section, and was under the impression only management signed FPO's and in some cases the Manager was not present for signature. There are only two Management staff in this department.

Auditor's Response To Corrective Actions and Timeline:

The corrective actions will address the auditor's observations. A follow-up status will be done in due course

INTERNAL AUDIT REPORT FLEET DEPARTMENT

Administration and Overhead Fee Chargeback (R6) Observations

1. Currently the City charges fuel customers 3% and 1% “administration fee” based on the \$ sales amount of fuel sold. Of this, the Public works department charges 3% “administration fee” to its fuel customers. The Fleet department charges 1% of sales dollars as “administration fee”. Staff is unable to substantiate how the 3% or 1% was arrived at. Nevertheless, the amounts are inadequate to contribute to the cost of fuel operation used through the volume of fuel purchased. The amounts are inadequate to cover their share of the cost of the fuel operation.
2. The auditor did a calculation of the cost of the fuel operations(maintenance, depreciation, materials, equipment, hardware, software, replacement and installation costs) and determined a *cost/litre* of fuel which should be used to charge for “administration and overhead fee ” which incorporates administration, maintenance and depreciation costs.

Implications

1. There is inconsistency in the % charged for “administration fees” within the City.
2. The 3% and 1% current “administration fee” cannot be substantiated and is inadequate to cover the fuel usage portion of all the costs associated with the fuel operation (staff administration time, maintenance of fuel operation (all equipment and computer system), and depreciation of fuel tank and fuel pump).

Recommendations

It is recommended that:

A cost per litre of fuel should be used to charge customers instead of a % on \$Sales which is currently used. For 2012, it is recommended that (.018317c/litre plus CPI (Consumer Price Index for Toronto for 2011)), be charged for *unleaded fuel* and (.056023c/litre plus CPI for 2011) be charged for *diesel* fuel. The per litre charge back will cover the usage of the fuel operation and is more appropriate. The charge can be called “Administration and Overhead fee”. To give two examples, one user purchased a total of 18,753.4 litres of *diesel* fuel for \$15,276.23 and was charged 3% = \$458.29 as “administration fee”. Under the new proposed method, the contractor would have been charged \$1050.62 (18753.4 X .056023c/l (2011)) “administration and overhead” fee. Another user purchased 45,491.30 litres of *unleaded* fuel for \$34,338.32 and was charged 1% administration costs = \$343.38. Under the new proposed method, the customer would have been charged \$833.26 (45491.30 X .018317c/l (2011)) “administration and overhead” fee.

INTERNAL AUDIT REPORT
FLEET DEPARTMENT

The amounts should be increased annually by the Consumer Price Index to account for inflation.

Corrective Actions and Timeline (Director J. Peyton and Commissioner M. Kallideen)

1. This matter has been brought to the attention of the respective budget coordinators who will adjust the administration fees. It should be noted that with the exception of the contractors and the Police department, the other users are city departments. The increase by the fleet in administrations costs will be reflected in the user departments budgets.

Auditor's Response To Corrective Actions and Timeline:

The corrective actions will result in the purchasers of fuel to be charged their fair share of their usage of the fuel operation.

INTERNAL AUDIT REPORT
FLEET DEPARTMENT

Sale Price of Fuel (R6)
Observations

1. The HST(13%) tax came into effect on July 1, 2010 and replaced PST(8%) and GST(5%) taxes. Of the 13% paid by the City, the latter receives a refund of 11.24%. The City therefore incurs a cost of 1.76% HST of the purchase price before tax.
2. It was observed that since the HST came into effect on July 1, 2010, the department did not include the 1.76%HST of the purchase price before tax, to the cost of fuel. Therefore the fuel sold to customers was less than the cost the City paid for the fuel. The City was “losing” \$1.76 for every \$100 of fuel sold. For example, the York Regional Police purchases on average \$40,000 fuel per month. Therefore the City was losing approximately \$704 every month on these fuel sales. This occurred for 6 months until December 31, 2010 when the auditor observed the error during the audit and informed staff.

Implications

The dept is not calculating its true cost of fuel and is therefore not recovering its true cost of fuel from the sale of fuel to its customers. The City is losing 1.76% of the fuel price before HST tax.

Recommendations

It is recommended that:

1. The department should recoup back from its fuel customers the 1.76% of the sales price for the 6 months of sales in 2010. The amount is estimated to be in excess of \$4,000.
2. As of January 1, 2011, the department should include the 1.76% HST to the cost of fuel before tax, to arrive at the true cost to the City. This will be the cost per litre of fuel which is sold to fuel customers. Since the discovery of the error by the auditor and the explanation to the department, the department is now following the recommendation.

Corrective Actions and Timeline (Director J. Peyton and Commissioner M. Kallideen)

1. Fleet Clerk was made aware and as of January 1, 2011 is applying the 1.76% as recommended by the auditor.

INTERNAL AUDIT REPORT
FLEET DEPARTMENT

2. The department is also pursuing a refund back from its fuel customers for the 1.76% of the sales price for the 6 months of sales in 2010.

Auditor's Response To Corrective Actions and Timeline:

The corrective actions will address the auditor's observations. A follow-up status will be done in due course

INTERNAL AUDIT REPORT FLEET DEPARTMENT

Daily Pre-trip Reports (R5)

Observations

1. The department maintains a log record of Daily Pre-trip Report (DPR) books which are issued for *commercial* vehicles only. A log is not required by the Ministry to be maintained for *non-commercial* vehicles even though Daily Pre-trip Report books are still issued.
2. The Daily Pre-trip Reports received by the Fleet Department are not all reviewed by the Fleet Supervisor. They are received by the Fleet office staff and filed away. Remarks of vehicle defects on the reports are therefore not assimilated or addressed unless the vehicle driver brings the vehicle in to the Fleet department for repair. Some defects are considered serious e.g., brake problems, gas gauge not working, wiper washer not working. In some instances the vehicle is still driven with the defects not repaired. This could result in a liability issue.
3. The Daily Pre-trip Reports are not date-stamped by the Fleet department when received.
4. The auditor reviewed 6 books of Daily Pre-trip Reports (DPR). Two books were from Roads department, 2 from Public Works department, 1 from Parks department and 1 from Forestry department. The departments chosen, use vehicles daily as per the Fleet Clerk. The review revealed that approximately 55 out of 300 work days (approximately 18.3%) did not have a Daily Pre-trip Report prepared.
5. The Fleet department receives white copies of the DPRs periodically depending on when the departments submit them . Some are submitted daily, some weekly, some monthly.
6. The MTO (Ministry of Transportation) requires DPRs to be submitted to the Fleet department "no later than 20 days after the last date for which the inspection was valid".This is not followed by some departments despite regular reminders from the Fleet Department.
7. Some copies of the DPR are not sent to the Fleet department as the original white copies are still in the books when the completed books are returned to the Fleet department.
8. Some departments use the wrong DPR books i.e. those designated for *non-commercial vehicles* are used for *commercial vehicles* and vice versa.
9. Many of the DPR are not appropriately filled out e.g., form not signed, name not provided, plate number not completed, date not entered, odometer not entered, time of pre-trip inspection not provided, vehicle make not provided, not signed by

INTERNAL AUDIT REPORT FLEET DEPARTMENT

a supervisor. The Fleet Department have sent out numerous reminders to the departments.

Implications

1. There is no record log of Daily Pre-trip Reports issued for non-commercial vehicles.
2. Daily pre-trip reports are not consistently reviewed by the Fleet department to determine if the items listed are unsafe vehicle defects.
3. Vehicles with unsafe defects are sometimes still driven by departments. This could result in serious accidents and liability issues.
4. Unsafe defects on vehicles are not addressed until the driver brings in the vehicle for repair. Most drivers will bring in their vehicle for repairs of defects and do not depend on the DPRs (Daily Pre-trip Reports).
5. Many Daily Pre-trip Reports are not received on a timely basis by the Fleet department within the MTO limit of 20 days.
6. Currently it cannot be determined when the DPRs were received by the Fleet department as they are not date stamped.
7. Approximately 18% (from a test sample) of DPRs are still not being completed by the drivers of City vehicles.
8. DPRs for commercial vehicles are used for non-commercial vehicles and vice-versa.
9. Many forms are not completely filled out with the required information.

Recommendations

It is recommended that:

1. A log should also be maintained for the issuance of Daily Pre-trip Report books for non-commercial vehicles. This will provide evidence that Daily Pre-trip Report Books have been issued for all vehicles whether they are commercial or non-commercial.
2. Daily Pre-trip Reports should be date-stamped when received so that it can be determined when the Fleet received them and ought to know of the defects.
3. Daily Pre-trip Reports should be reviewed daily by the Fleet dept for listed defects. Vehicle defects which are considered an impediment to safe driving

INTERNAL AUDIT REPORT
FLEET DEPARTMENT

should be called in to have the repairs done. Safe driving reduces the risk of potential liability issues.

4. The Fleet dept should continue to remind all City departments to 1) submit Daily Pre-trip Reports on a timely basis, and draw their attention to the MTO requirement of 20 days 2) to complete the form information as required 3) to use the appropriate books for commercial and non-commercial vehicles and not mix the two.

Corrective Actions and Timeline (Director J. Peyton and Commissioner M. Kallideen)

1. The log book has been amended to indicate if the Daily Pre-trip Report book being issued is for a commercial or non-commercial vehicle.
2. The Daily Pre-trip Report books and sheets are being date-stamped.
3. The Daily Pre-trip Report books have been enhanced so that department supervisor's are required to sign them.
4. A memo will be issued annually to all Managers and Supervisors advising that Daily Pre-trip Reports are to be sent to the Fleet Department on a timely basis and the proper use for commercial and non-commercial books.

Auditor's Response To Corrective Actions and Timeline:

The corrective actions will address the auditor's observations. A follow-up status will be done in due course

INTERNAL AUDIT REPORT
FLEET DEPARTMENT

Miscellaneous (R3)
Observations

1. The department purchased a government subscription on the web for \$3,036.31 after taxes. The amount was incorrectly charged to "Office Equipment and Furniture" account instead of to the "Subscription" account. The invoice was not signed. The Field Purchase Order (FPO) "Authorization signature" and "Received by" was signed by the *same* person. The "authorization date" was dated 20 January 2010 which is approximately 7 weeks after the invoice date of December 2, 2009.
2. Membership dues to Automotive Transportation Service Superintendent Association for \$85 was incorrectly posted to "Training and Development" account 7115 instead of "Membership/Dues/Fees" account 7105.
3. A review of invoices received from automotive contractors/vendors revealed that the department signs some invoices while others are not signed. Signed invoices acknowledges that the charges are correct, the goods/services were received and that the invoices are approved for payment.
4. 407 ETR invoices are not signed to indicate review, correctness of charges and authority to pay.

Implications

1. Some charges are posted to incorrect accounts.
2. Controls can be improved in terms of approving of invoices, segregation of duties and authorizing FPOs.
3. There is inconsistency when some invoices are signed and others are not.

Recommendations

It is recommended that:

1. Expenses should always be charged to the correct account even if the amount exceeds the budget for that account.
2. All invoices should be signed to indicate review, receipt of the goods/services, agreement to the charges and approval to pay.

INTERNAL AUDIT REPORT
FLEET DEPARTMENT

3. There should be segregation of duties in that the “authorizer” and “receiver” of FPOs should not be the same person for optimal control.
4. FPOs should be authorized before the order is placed and good/service or invoice has been received

Corrective Actions and Timeline (Director J. Peyton and Commissioner M. Kallideen)

1. Staff have been reminded to pay more attention to item 1.
2. Items 2,3 and 4 are currently in place. However, it is important to note that when goods are received, a delivery or packing slip may be included and not an Invoice. The packing slip are signed and sent with the completed FPO, and the department may never see the actual invoice, as it is Finance’s direction to all vendors that the invoices are to be sent Accounts Payable directly.

Auditor’s Response To Corrective Actions and Timeline:

The corrective actions will address the auditor’s observations. A follow-up status will be done in due course

INTERNAL AUDIT REPORT
FLEET DEPARTMENT

Key Performance Indicators (R2)

Observations

There are two performance measures currently monitored:

- 1) Total costs for Preventative Maintenance Services A, B, C.
- 2) Amount of General Repair Costs per year.

These two measurements will increase as the number of vehicles increase and the longer vehicles are used beyond their useful lives.

Implications

Calculating the average cost per vehicle for 1) preventative maintenance and 2) general repair, would eliminate the volume effect of vehicles and provide useful comparisons year over year of cost per vehicle.

Recommendations

It is recommended that:-

Further to the two measures, five additional measures could be added to provide more useful information of cost per vehicle year over year. They are:-

1) Average Cost of Preventative Maintenance Services for A, B, C per Vehicle per year and for each of A, B and C per vehicle per year.

2) Average General Repair Cost per Vehicle per year.

Corrective Actions and Timeline (Director J. Peyton and Commissioner M. Kallideen)

Reports will be requested and generated through JDE to demonstrate average costs and will be incorporated in the Department's business plans.

Auditor's Response To Corrective Actions and Timeline:

The corrective actions will address the auditor's observations. A follow-up status will be done in due course

INTERNAL AUDIT REPORT
FLEET DEPARTMENT

WSIB (R1)
Observations

An employee was injured on the job. He was away from work from 30 June, 2010 to 19 July, 2010 inclusive. A report printed out from the JDE System showed 5 days (30 June to 8 July) as “sick” and 7 days (9 July to 19 July) as WSIB. Per the Fleet supervisor and mechanic employee, all days absent should be classified as WSIB. The initial classification to “sick” days was done temporarily so that the employee could be paid while the WSIB process was being initiated. The subsequent correction was missed.

Implications

Due to an oversight, the “sick” days were not rectified to be shown as WSIB by the HR department.

Recommendations

It is recommended that:

The HR department should be notified to change the “sick” days to WSIB days. (Since the discovery by the auditor, HR was informed of this by Fleet staff).

Corrective Actions and Timeline (Director J. Peyton and Commissioner M. Kallideen)

This was an error when completing the crew card and has since been corrected

Auditor’s Response To Corrective Actions and Timeline:

No further action required.

INTERNAL AUDIT REPORT
FLEET DEPARTMENT

CONCLUSION

1. Based on the scope of audit work mentioned in the beginning of the audit report, areas reviewed were considered to be operating satisfactorily, except for the noted observations for which the auditor made recommendations for improvement.
2. The management of the department/operation audited, have responded favourably to all observations and recommendations in the Internal Audit Report.
3. When all Corrective Actions are implemented, there will be an improvement in (1) internal controls (2) risk management, (3) governance (4) the stewardship of public funds and (5) the achievement of value-for-money in operations.
4. The Internal Audit department will have added value to the organization and assisted members of the organization in the effective discharge of their responsibilities.

FOLLOW-UP ON CORRECTIVE ACTIONS AND TIMELINE

1. It is extremely important that all Corrective Actions and Timeline as stated in this Internal Audit Report are implemented as soon as possible.
2. The Internal Audit Department will perform regular follow-ups, the first being approximately 30 days after Council has approved the Internal Audit Report, with subsequent follow-ups until all Corrective actions have been satisfactorily implemented. Follow-up audits may be done to verify the reported implementation.
3. The Corrective Actions and Timeline will address the observations as raised by the Auditor.
4. At the discretion of management, this report may be distributed to the appropriate staff members under their jurisdiction to address common areas for improvement. Further consideration should be given to revise/update current policies and procedures, as deemed necessary.