

Date: 2024-01-24

Subject: **Fleet Maintenance Audit**

Contact: Claire Fang Mu, Director, Internal Audit

Report Number: CAO's Office-2024-093

Significant Improvement Required

Recommendations:

1. That the report titled: Fleet Maintenance Audit Report 2023, to the Audit Committee Meeting of February 6, 2024, be received and the recommendations contained in **Appendix 1: Fleet Maintenance Audit Report 2023** be approved.

Overview:

The report highlights findings that impact the effectiveness of the preventative maintenance program, compliance to Ministry of Transportation (MTO) regulations, approval and monitoring of vendor spending, and physical access to inventory.





The overall audit was rated as **“Significant Improvement Required.”**





The issues and associated management action plans are detailed in the body of the audit report located in **Appendix 1: Fleet Maintenance Audit Report**.

See **Appendix 2** and **Appendix 3** for the criteria for rating findings and audit report rating.

Please also see **Appendix 4** for the presentation slides for this audit report.

Internal Audit discussed the following improvement opportunities with Fleet Maintenance:

Process	Finding	Rating
Preventative Maintenance	<p>Preventative maintenance program is not optimized.</p> <ol style="list-style-type: none"> 1) Preventative Maintenance schedule is not based on the Manufacturers' recommendations. 2) Maintenance is not always completed according to the City's required intervals of 10,000km or 12 months. 	
Preventative Maintenance	<p>Vehicle mileage is not always updated in M5.</p> <ol style="list-style-type: none"> 1) Mileage is not always updated at the time of service. For 6% of vehicles that were serviced, the mileage entered was the same or lower than previously recorded mileage. 2) Many vehicle data units are not working properly. 88 (21%) vehicle data units are not properly transferring mileage data into M5. 	
Vehicle Inspection Reports	<p>Required daily driver vehicle inspection reports (DVIR) are seldom completed by user departments.</p> <p>We tested 10 vehicles for two one-week periods, and found that only 2 out of the required 45 (4%) required DVIR forms were completed. This does not comply with Provincial legislation (Ontario Highway Traffic Act) and/or City policies.</p>	
Preventative Maintenance	<p>Preventative maintenance (PM) inspection forms are not always completed.</p> <ol style="list-style-type: none"> 1) For PM work orders completed in house, out of a sample of 23, only 12 of them had a completed PM inspection form. 2) For outsourced PM work orders, out of a sample of 10, there were no PM inspection forms on file. PM forms were completed by vendors but staff did not obtain them. 	

Warranty	<p>Warranty information entered in M5 is incomplete.</p> <ol style="list-style-type: none"> 1) For 2 out of 10 samples, the warranty terms on Corrosion (Body/Rust) of 3 years/unlimited kilometres were not entered in M5. 2) Two 2019 Ford F550's had no Warranty terms entered in M5. <p>Missing warranty information in M5 increases the risk that the City does not take advantage of eligible warranty repairs.</p>	
Vendor Management	<p>Significant spending with vendors did not go through competitive procurement.</p> <ol style="list-style-type: none"> 1) Purchase orders are not in place for high volume vendors. From 2021 to 2023, one vendor with accumulated spending of \$435K and another with accumulated spending of \$250K do not have a purchase order (PO). 2) P-Card purchases are being made even though a purchase order is in place. A vendor with an active Purchase Order is being paid via P-Card for most payments. 	
Vendor Management	<p>City staff sometimes authorize payments to vendors at above contracted hourly rates.</p> <p>One vendor is regularly charging \$169 per hour for labour and another is regularly charging \$165 per hour even though the current contract for both vendors states \$130 per hour.</p>	
Physical Access - Inventory	<p>Physical access to parts storage rooms is not properly restricted.</p> <p>Many individuals have security card access to the parts storage rooms when they do not need it. The list of staff who have access to the parts storage includes employees from other departments, former Fleet Maintenance</p>	

	employees, temporary card holders, and outside cleaners.	
These issues and associated management action plans are discussed in more detail in Appendix 1 . These issues are rated as per the criteria described in Appendix 2 .		

Conclusion:

Overall, the core activities of a complete fleet maintenance program are in place. Preventative maintenance (PM) is proactively scheduled and communicated, work orders are reviewed, inventory parts are procured and available to minimize downtime, and M5 is used to manage critical areas of fleet maintenance including preventive maintenance scheduling, work orders, operating expense tracking, purchasing and parts inventory, labour hours and warranty information.

There are, however, process deficiencies which impact the effectiveness, completeness and compliance of fleet maintenance activities. The following lists those deficiencies.

- The City’s 12-month or 10,000km preventative maintenance interval does not integrate the manufacturers’ recommended service intervals; and the 12-month or 10,000km preventative maintenance is not always completed which could render future maintenance and repairs more costly, reduce the life of the vehicle and void manufacturer warranties as discussed in finding number 1.
- Vehicle mileage is not always updated in M5 which impedes the effectiveness of preventative maintenance scheduling and can result in vehicles exceeding the mileage intervals as discussed in finding number 2.
- Driver vehicle inspection reports (DVIR) are seldom completed by user departments which does not ensure vehicle operators are aware of potential mechanical or safety issues and can result in fines or penalties from the Ministry of Transportation (MTO) as discussed in finding number 3.
- Preventative maintenance inspection forms are not always completed, increasing the risk that incomplete inspections will not be detected as discussed in finding number 4.
- Warranty information entered in M5 is incomplete, increasing the risk of repair work being performed or paid for by the City while the work is eligible for warranty claims as discussed in finding number 5.

- The preventive maintenance guideline of 10,000km or 12-month interval is not documented in the divisional maintenance policy.
- Vendor spending of significant amount did not go through competitive procurement as discussed in finding number 6.
- City staff sometimes authorize payments to vendors at above contracted hourly rates as discussed in finding number 7.
- Physical access to parts storage rooms is not properly restricted as discussed in finding number 8.

Staff should work with other operating units as necessary to address the above findings.

Acting on the recommendations in the report will improve preventative maintenance processes, reinforce the importance of daily vehicle inspections and compliance with Provincial requirements, enhance oversight over purchasing activity, and strengthen fleet maintenance activities.

The overall report rating is determined per the audit report rating criteria explained in **Appendix 3**.

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Attachments:

- Appendix 1 – Fleet Maintenance Audit Report 2023
- Appendix 2 - Criteria for Evaluating Audit Findings
- Appendix 3 - Criteria for Audit Report Rating
- Appendix 4 - Presentation Slides