APPENDIX "A" - REPORT # CAO-A-1303

INTERNAL AUDIT REPORT

FLEET – COMMERCIAL VEHICLE OPERATOR'S REGISTRATION (CVOR)

Final

March 14, 2013

Prepared by: Loretta Alonzo, Internal Auditor, City of Guelph

Table of Contents

BACKGROUND SUMMARY 3
REVIEW OBJECTIVES 3
SCOPE 3
AUDIT TEAM 4
METHODOLOGY 4
STATISTICS 5
CURRENT ENVIRONMENT 7
ORGANIZATION CHARTS 10
STAKEHOLDER INTERVIEWS 13
BENCHMARKING 15
KEY FINDINGS AND RECOMMENDATIONS 21
CONCLUSIONS 29
NEXT STEPS 29

BACKGROUND SUMMARY

On September 4, 2012 the City of Guelph received a written warning notification from the Ministry of Transportation (MTO) advising that its Commercial Vehicle Operator's Registration (CVOR) safety violation rate had reached 38.6%, which is in excess of the "satisfactory" threshold of 35% or under.

In order to be compliant with the Ontario Ministry of Transportation regulations, all operators of commercial motor vehicles weighing more than 4500 kg. must obtain and annually renew a Commercial Vehicle Operator's Registration certificate.

This information was brought forward in a report (#OT111248) to the Operations, Transit and Emergency Services standing committee on November 19, 2012. Subsequent media coverage and staff responses raised further questions from Council, senior management and the public as to the level of compliance and internal controls currently in place with respect to these issues.

On November 26, the Chief Administrative Officer requested that Internal Audit conduct a review of internal controls and practices related to Fleet and management of the CVOR and report back by January 15, 2013.

REVIEW OBJECTIVES

- Evaluate the internal controls related to management of the CVOR and Fleet
- Determine current level of compliance with MTO and CVOR legislated requirements
- Identify best practices in Fleet and CVOR management in the municipal sector
- Identify deficiencies in existing practices and provide recommendations to address same
- Ascertain whether the existing organization structure is effectively meeting its objectives
- Provide benchmarking and performance analysis

SCOPE

- CVOR-related practices, documentation and reporting
- General Fleet and CVOR administrative processes, management practices
- MTO – CVOR compliance with legislated requirements
- Fleet and CVOR policy review
- Driver training, coaching, and disciplinary practices
- Accident / incident reporting practices
- Records retention compliance

Out of Scope

- Fleet maintenance – effectiveness, efficiency, compliance
- Acquisition and disposal of assets
- Financial analysis and verification

AUDIT TEAM

- Loretta Alonzo, Internal Auditor
- Brenda Boisvert, Corporate Manager, Strategic Planning and Corporate Initiatives
- Suzanne Holder, Administrative Assistant

METHODOLOGY

The following research and analysis was undertaken for this audit:

- Internal document review
    - Vehicle inspection records
    - Vehicle defect reporting documents
    - Accident – incident reports
    - Existing policies, standard operating procedures
    - Driver training materials
    - Memos, notices, department communications
    - CVOR abstract - collisions, convictions, inspections records
    - Job descriptions
    - Organization charts
    - Employee files – coaching, training, disciplinary letters
    - Record retention bylaw

- External literature review
    - Driver handbooks and training materials
    - Fleet policies
    - MTO - CVOR website
    - Municipal comparator websites
    - Municipal comparator CVOR abstracts

- Benchmarking – Municipal comparators
    - Other practices - Fleet policy – CVOR management
    - Phone interviews

- Staff-Stakeholder interviews

- Field – Site visits

STATISTICS

The City of Guelph operates a Fleet of 338 vehicles distributed as follows:

Department	Non-CVOR Vehicles	CVOR Vehicles
Waste Water	7	3
Water Works	26	14
Public Works	26	41
Solid Waste	13	21
Recreation & Parks	8	18
Building	17	
Corporate Services	5	
Bylaw	4	
Planning-Engineering	7	
Transit	6	83
Pool Vehicles	39	
Total	**158**	**180**

Fire and ambulance fleets are exempt in the Corporate CVOR rating.

The City's CVOR performance history has been well within the satisfactory range established by MTO for more than 10 years. Records indicate that the rating has been stable between 20% to 30% for many years:

May 2005	30.4%
Feb 2012	24.3%
Nov 2012	36.26

This "safety violation rate" is a threshold established by MTO which ranks commercial Fleet operators based on a number of factors including:

- Annual number of kilometers driven by the entire Fleet
- Number of vehicle collisions
- Number of driver convictions
- MTO vehicle inspections – on or off road

The CVOR record is a two-year rolling "scorecard" whereby violations which incur points against the CVOR will remain cumulative for a two-year period, after which time they will drop off the record.

Vehicle collisions range in points from 0-5 depending on whether they were preventable or non-preventable and the specifics of the incident. Driver convictions incur 2 points automatically and vehicle inspections can range from 0 to 5 points.

These events are weighted when calculating the overall CVOR safety violation rate:

Collisions	40%
Convictions	40%
Inspections	20%

A safety violation rate of 35% or less is considered "satisfactory" according to MTO regulations. Once a Fleet operator exceeds this threshold, there is a progressive, four-step disciplinary process established by MTO.

- When threshold reaches 35% a warning is sent to the Fleet Operator.
- At the 50% threshold MTO will conduct a facility-Fleet audit.
- At 85% an expanded MTO audit is conducted and senior management is required to attend an interview with the MTO.
- Once a threshold of 100% is reached, the MTO will consider full sanctions against the Operator, up to and including cancellation of their CVOR permit and licenses.

A comparison with other municipal Fleet operators indicates that Guelph has maintained an average performance record and until September 2012 was ranked in the top 25% of commercial Fleets. The following list of Ontario municipalities' CVOR ratings is confidential information and therefore the City names have been omitted.

City	Rating %	City	Rating %	City	Rating %	City	Rating %
A	**16.5%**	G	**25.4**	M	**32.3**	S	**51.3**
B	**18.7**	H	**27.9**	**Guelph**	**34.0**	T	**55.3**
C	**21.4**	I	**28.5**	O	**42.3**	U	**58.2**
D	**21.8**	J	**28.6**	P	**45.8**	V	**68.2**
E	**22.9**	K	**29.8**	Q	**47.4**	W	**74.5**
F	**23.1**	L	**31.6**	R	**48.0**	X	**91.5**

The City's CVOR performance for the 2 years ending December 11, 2012 is depicted in the following charts:

Vehicle Collision Record:

DATES	# OF EVENTS	# OF CVOR POINTS
From Nov 2010 to Dec 2011	34	16
From Jan 2012 to Dec 2012	15	14

Driver Conviction Record:

DATES	# OF EVENTS	# OF CVOR POINTS
From Nov 2010 to Dec 2011	16	60
From Jan 2012 to Dec 2012	4	20

Vehicle and Driver Inspection Record:

DATES	# OF EVENTS	# OF CVOR POINTS
From Jan 2012 to Dec 2012	22	22

A significant deficiency is noted in the coaching and disciplinary process with respect to driver performance.

An examination of records indicates that of 18 drivers involved in preventable collisions, only 8 received coaching or disciplinary letters from management; all of those were in Transit, Solid Waste, Waste Water and Parks and Recreation departments who appear to have consistent and appropriate management practices with respect to driver performance.

This lack of consistency and policy has contributed to the current issues and should be corrected as part of an overall corporate strategy to improve our CVOR rating and general management practices.

CURRENT ENVIRONMENT

Fleet services are operated within the Public Works department. It employs 54 staff. A new Fleet Driver Trainer position has been approved for 2013.

The Fleet division serves 5 City departments and 359 vehicles. There are approximately 350 City drivers who operate CVOR vehicles, approximately 50 that drive light trucks and cars.

It is the general consensus among Fleet's customers that service levels are not adequate for their needs but that the quality of service meets an acceptable standard.

Customers are primarily concerned with:

- Prioritization of maintenance and repairs, conflicting priorities
- Scheduling and hours of work which require them to take critical vehicles out of service for maintenance and repair
- Shop rates and costing of Fleet services
- Compliance with recommended preventive maintenance requirements
- Response time for requests and inquiries
- Access to information such as MTO site, drivers' abstracts
- Lack of management oversight for Transit mechanics
- Asset acquisition and life-cycle processes

Of serious concern is the fact that there is currently no comprehensive Corporate Fleet policy, however; there is evidence of policy elements such as the Vehicle and Equipment Utilization, Right-Sizing Vehicle and Equipment, Corporate Fuel Efficiency, Corporate Vehicle Usage and Spills Response. There is no driver's manual or handbook, no formal driver training program (with the exception of Transit drivers) and no standard operating procedures governing the City Fleet.

While there are "pockets" of excellent or best practices in certain City departments, they are isolated and not shared across the organization. It is the auditor's opinion that this is a common deficiency across the organization as there is a notable lack of standard operating procedures and administrative policies throughout departments.

This represents a significant deficiency in internal control, management effectiveness and protection of City assets.

Since 2002 the Fleet division has requested the addition of a Fleet Driver Trainer position through the budget process and this has been approved for 2013. This new position will fill a one of the critical gaps in the division's ability to fulfill its mandate.

Among the key duties to be undertaken by the Fleet Driver Trainer is the development of a Fleet Policy. In 2012 a draft policy was developed but it has not been vetted through an approval process or finalized.

Recommendations contained in this report provide some best practice Fleet and driver policies that should be used as models before a policy is finalized.

The new Fleet Driver Trainer position is not yet developed. Consideration is being given to the following responsibilities:

- Jurisdiction over all driver activities including training and providing assistance with coaching and discipline
- Accident investigation, documentation and reporting
- Management of the MTO online access system "ARIS"
- Fuel efficiency training
- Driver safety training including program development
- Equipment operation training

In many municipalities, the Fleet Driver Trainer function is under the jurisdiction of Human Resources as it is focused on health and safety, training, coaching, as well as driver and equipment operator training.

In the benchmark data collected, responsibility for driver discipline is always assigned to the employee's supervisor or manager, not to Fleet management.

Recommendations contained in this report address this issue and provide suggestions with respect to the organizational structure of the division and specific duties for the new Fleet Driver Trainer position.

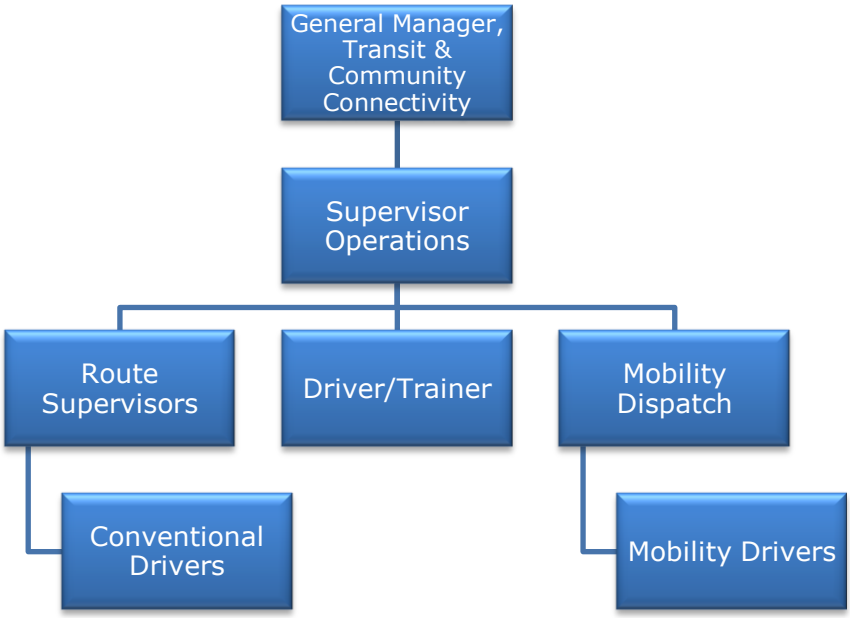
It was also noted during the audit that existing record retention and document archiving has created a significant shortage of space. The current practice is to keep *every type of document for a minimum of 6-7 years* when in fact, this is not within regulatory requirements.

As per the City's record-retention by-law and the MTO regulatory requirements only specific records must be retained:

Vehicle records-purchase, sale, disposition	2 years (after disposal of vehicle)
Vehicle accident reports	5 years
Fire truck inspection reports	3 years
Daily vehicle inspection reports – No defects	6 months
Daily vehicle inspection reports – With defects	2 years
Vehicle maintenance records	2 years
MTO Transaction Log	3 years
MTO Security statements – employee access	3 years (after termination)

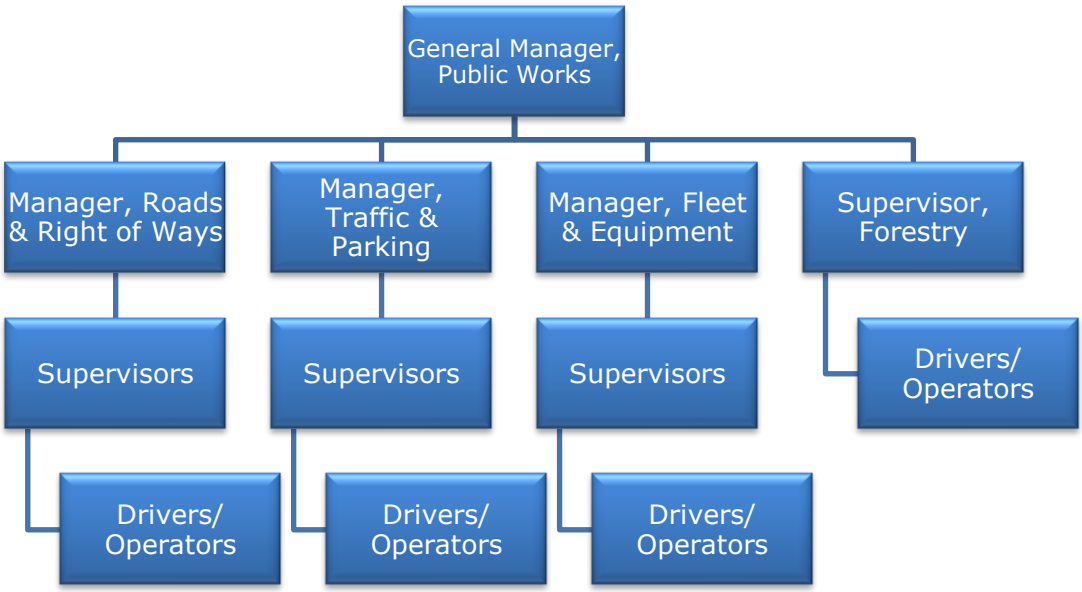
ORGANIZATION CHARTS

Guelph Transit

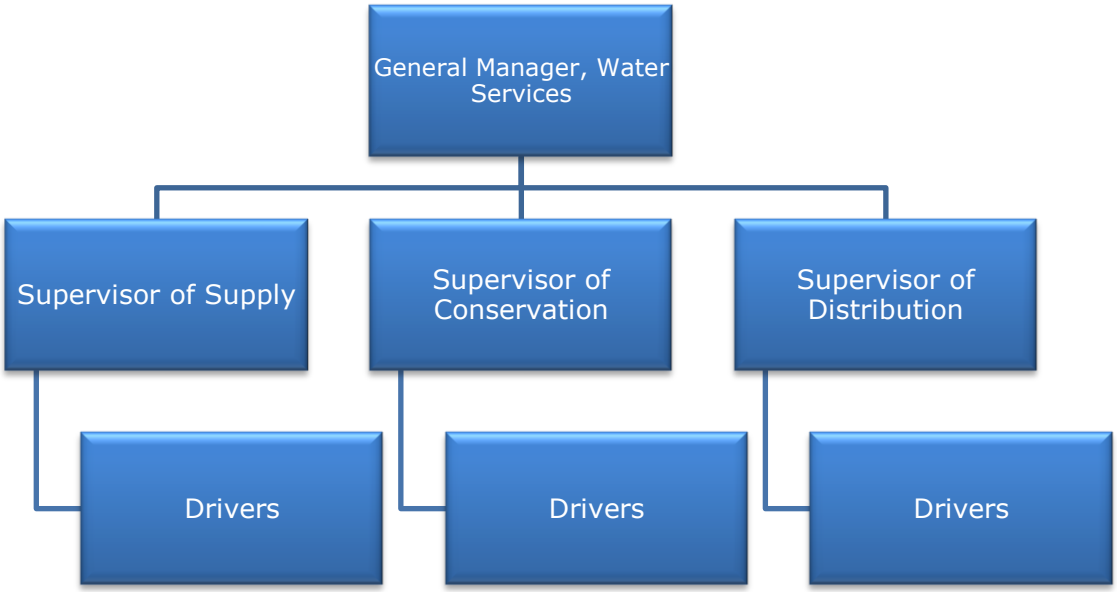


Solid Waste Resources

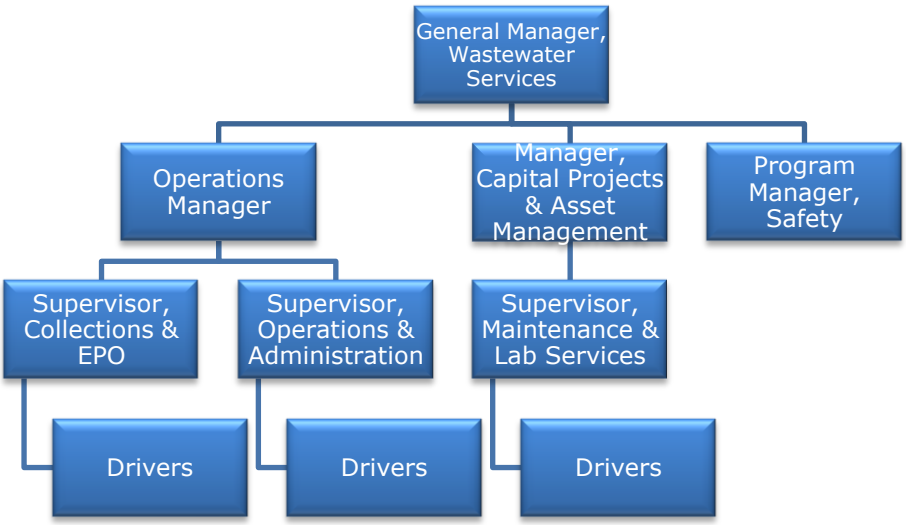
Public Works



Water Services



Wastewater Services



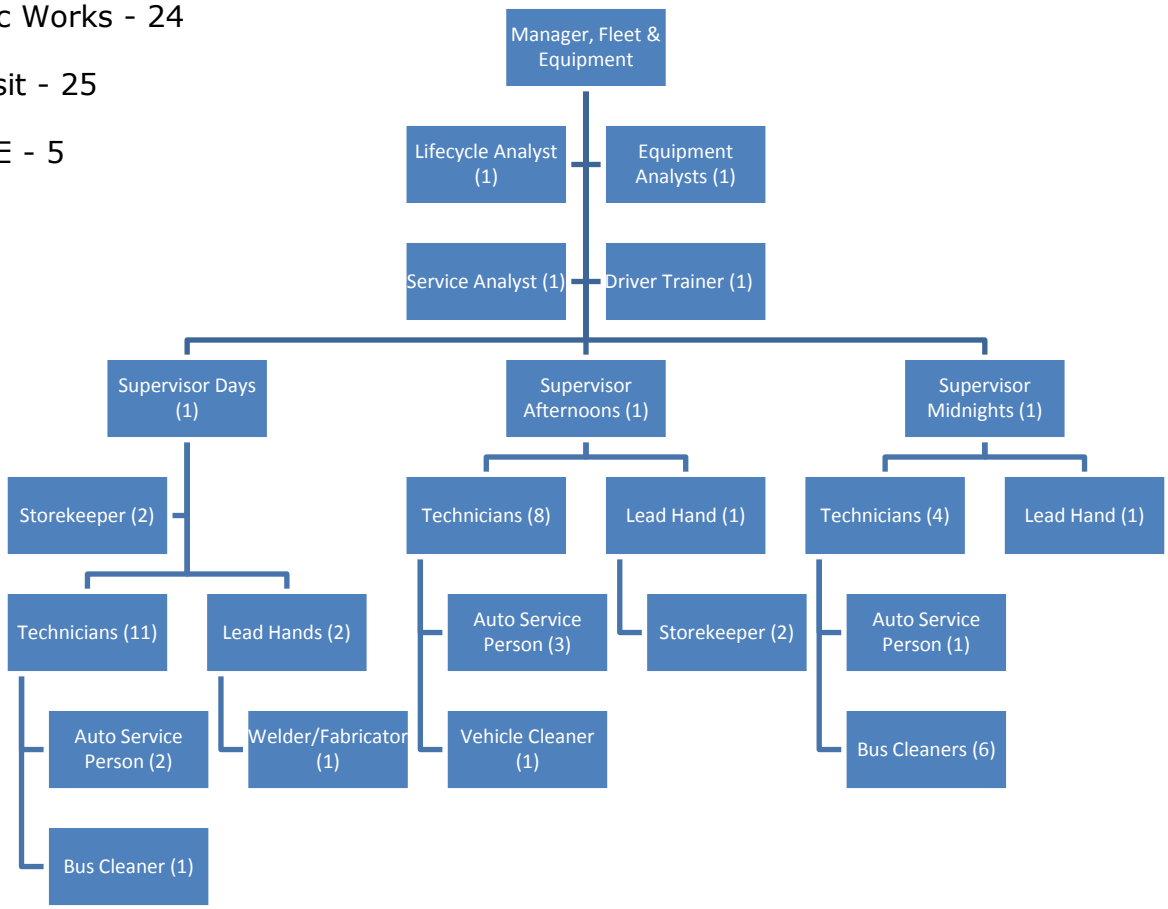
Fleet Services

Total Fleet Staff = 54

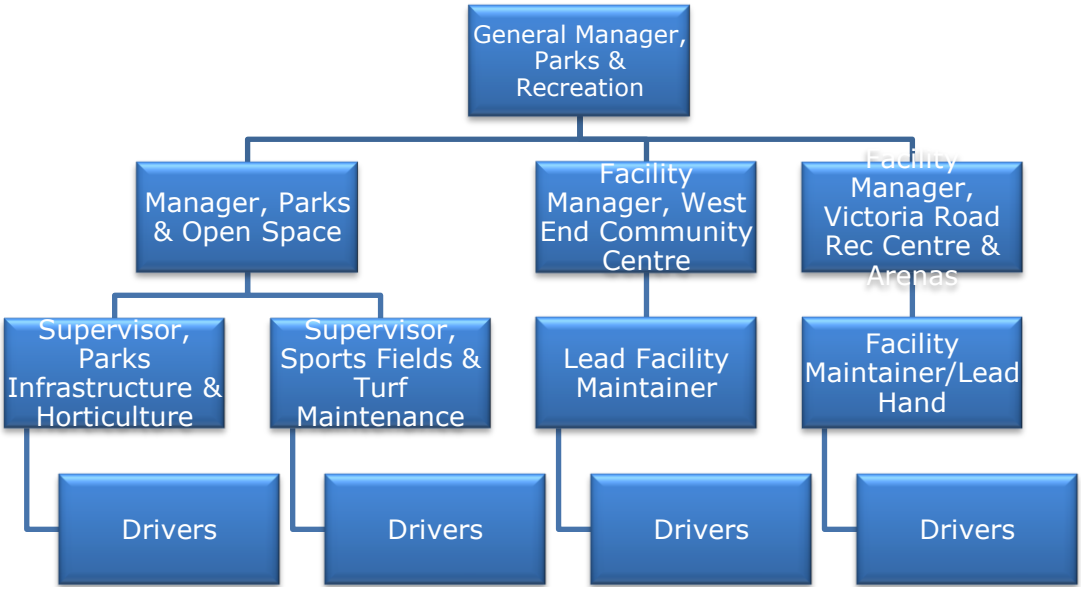
Public Works - 24

Transit - 25

NUME - 5



Parks and Recreation



STAKEHOLDER INTERVIEWS

A total of 10 interviews were conducted with the Executive Director, General Managers, Supervisors and Fleet personnel.

The interview outline and summary of responses is as follows:

1. Who attends accident scene or incident location?
   Majority of responses = supervisor or lead hand

2. Who reports to risk management/insurance? What forms are required?
   Majority of responses = supervisor or lead hand

3. What are the criteria for calling police to accident?
   Responses vary – Transit, Water Works, and Parks report 100% of incidents to police
   Public Works and Solid Waste call police if damage is estimated to be greater than $1000 or if personal injury is involved

4. Are photos taken at scene? If so, by whom and how are they used?
   Majority of responses = Yes, by supervisor or driver; forwarded to Fleet Manager and/or Insurance, Risk Management

5. What is the procedure when accident occurs?
   Majority of responses = Established procedure from Fleet Manager
   What forms are completed for accident or incident reporting?
   Accident Reporting form, varies by department

6. Is a copy of the CVOR registration in every vehicle?
   Majority responses = No

7. Are all fines paid by drivers? Is this consistently applied?
   100% of responses = Yes

8. Are all drivers' licenses copies on file?
   100% = No Variable responses from management but there is no data base of driver license numbers within the organization and none of the departments have a complete list of driver license numbers or copies on file.

9. How often is driver abstract run? What are the criteria for running them?
   By Fleet management only = previously done annually, now proposed to be run semi-annually

10. How often is CVOR abstract run? What are criteria?
    By Fleet management only = previously done semi-annually, now proposed to be run quarterly

11. How are vehicles identified for routine maintenance? What records of maintenance retained? Where are they kept?
    Defects are identified at daily vehicle inspection (assumed) and noted on form. Work orders are created by Fleet for repairs and maintenance.

12. Who schedules maintenance or vehicle repairs?
    Fleet Manager

13. Are odometer readings verified by supervisor or manager periodically?
    Majority of responses = No

14. How is gas usage checked or verified?
    Majority of responses = Not a standard practice

15. Why was collision review panel disbanded?
    Most were not aware there was a panel more than 10 years ago but those that recall stated that it was not impartial or transparent

16. What is considered "mandatory" training for vehicle and equipment operators?
    Varies greatly across organization - Transit has a rigorous driver training program. Solid Waste also provides extensive driver training and coaching. Largely left to management to determine when and if driver training is required and what level of training is appropriate.

17. What is the primary cause of preventable accidents?
    Majority responses = Speeding and careless backing up

BENCHMARKING
CVOR Compliance Controls - Other Practice Findings

Eleven municipalities were randomly identified from the Council-approved comparator list. They include a combination of single tier cities, those with 100,000-150,000 as a population base, those with expenditures between $300,000-$400,000 and others. Three municipalities were not able to provide the requested information within the research timeframe. Notable excerpts from the remaining 8 are provided in this report.

Single Tier	100,000 – 150,000 Population	Expenditures between $300M-$400M	Other
Brantford Hamilton London Toronto	Barrie Kingston	Kitchener	Oakville

Question Set Posed to Participating Municipalities:

1. Does the City have a Driver or Fleet Handbook? If so, could we see an electronic copy?
2. Does the City have a Driver or Fleet Policy? SOPs? Are copies of these also available?
3. Does the City have a Collision Review Panel or Committee? If yes, is there a formal mandate for the group? What positions make up the group?
4. Are there disciplinary practices followed for traffic or MTO violations?
5. What driver incident tracking mechanisms do you have in place?
6. Do you report regularly to Council?
7. What compliance controls are you most proud of? What's working really well?

Benchmarking Data Summary

Of the municipalities consulted:

- *All* have a Fleet policy and/or driver manual that is regularly updated as required.
- Half have a formal collision or permit review committee that meets regularly; of those that do not, regularly scheduled review meetings still occur with the Driver Trainer and Manager/Supervisor.
- Half undertake disciplinary practices but most often Fleet as a department is not directly responsible for this. Instead, Human Resources, is usually involved.
- All have both electronic and hard copy tracking mechanisms in place related to driver incidents.

- ❖ Regular reporting to Council does not often take place although regular reporting to formalized Review Committees and in some cases executive team members does occur.
- ❖ Many maintain and strongly recommend close liaison with the MTO to understand the requirements and opportunities for continuous improvement.
- ❖ Many hire consultants to conduct mock CVOR audits to surface potential issues and opportunities.
- ❖ In some cases, the Driver Training Program is being relocated to Human Resources to lend independence and support to the function.
- ❖ Many municipalities are engaged in an ongoing conversation with the Ministry to revisit the rating scheme as it currently applies to municipalities to ensure equity and fairness.
- ❖ Focus, attention and measurement drives many of the successes noted.

Summary of Findings Chart

	Brantford	Toronto	Hamilton	London	Barrie	Kingston	Kitchener	Oakville
1. Handbook/Driver Manual	◇	◇	◇	◇	◇	◇	◇	◇
2. Fleet Policy		◇	◇	◇	◇	◇	◇	◇
3. Collision/Permit Review Committee	◇	◇	◇			◇	◇	
4. Disciplinary Practices	◇	◇		◇			◇	◇
5. Driver Incident Tracking Mechanisms	◇	◇	◇	◇	◇	◇	◇	◇
6. Regular Council Reports					◇			
7. Successes	◇	◇	◇	◇	◇	◇	◇	◇

Noteworthy excerpts from these interviews:

<u>City of Brantford</u>

- Are there disciplinary practices followed for traffic or MTO violations?

- There is an internal review that takes place through the Collision Review Panel. The driver is brought in and the panel will make suggestions for improvement and recommend whether training is required. If discipline is required, the managing director and Human Resources will discipline accordingly.

- What compliance controls are you most proud of? What's working really well?
  - *Drivers are updated on a yearly basis with any changes or improvements in policy/direction i.e. green energy methods/better driving philosophies. At a time, it was found that drivers were not recording circle checks so Driver training on this was reintroduced to correct the situation. Implementation of a permanent Driver Trainer has helped along with defensive driving sessions for all employees and detailed circle check reporting.*

City of Toronto

- Does the City have a Collision Review Panel or Committee? If yes, is there a formal mandate for the group? What positions make up the group?
  - *There is a Permit Review Committee. Quarterly abstract checks are completed through use of the Ministry's website. If any issues arise, they go directly to the Permit Review Committee for attention. One of the appendices in the Fleet Safety Policy outlines the Permit Review Committee guidelines. It details various common offences and the typical response taken by the Committee so staff are aware of what can happen in various situations. The Permit Review Committee meets once a month or as needed. The driver supervisor may be invited to attend but not the driver themselves.*
- Are there disciplinary practices followed for traffic or MTO violations?
  - *Fleet does not discipline employees. Fleet may suspend a permit and provide additional training. The respective divisions that employs the drivers manage any required discipline.*

- What compliance controls are you most proud of? What's working really well?
  - *Drivers currently go out with the City of Toronto Police and instruct them on how to conduct a spot check on a CVOR vehicle. Police then know exactly what to look for if a heavy vehicle is pulled over thereby increasing road safety for everyone.*

City of Hamilton

- Does the City have a Driver or Fleet Handbook? If so, could we see an electronic copy?
  - *The City of Hamilton has a Central Fleet Policy and a Driver Trainer Manual. Copies have been sent.*

- Does the City have a Collision Review Panel or Committee? If yes, is there a formal mandate for the group? What positions make up the group?
    - *Transit has an Accident Review Committee. It does have an associated governance document that is being revised to include reviewing City accidents (excluding Police and Fire/EMS) and will be completed in 2013. There is a Central Fleet Advisory Committee that reviews CVOR report and driver incidents. This is made up of all managers from the user groups – i.e. roads, parks, recreation. They look at the CVOR tracking report monthly and monitor the safety rating. They look at incidents and corrections by Department, how many staff are trained to date and how many are scheduled for future training.*
- What compliance controls are you most proud of? What's working really well?
    - *An independent consultant is hired once a year to review practices and create a report and action plan with continuous improvement recommendations. Areas of focus can include driver training and care and control of the vehicles. At the City of Hamilton there is a clear directive to improve the CVOR rating. Without this type of focus and attention it is difficult to ensure correction. Also, the Central Fleet Advisory Committee has a mandate to comply with the directive. It is important to talk about all issues related to CVOR with the staff and to have those conversations on a regular basis by attending front line staff meetings and explaining why you need them to be careful and reduce incidents. We have also found sitting down with the Ministry and asking for their help and input on your program generates offers and information to help reduce CVOR ratings. Be proactive, take the opportunity to sit in front of a manager who rates CVOR and get recommendations on how to improve before a real review is required.*

City of London

- Does the City have a Driver or Fleet Handbook? If so, could we see an electronic copy?
    - *Yes. It is important to note that the City was recently audited. Since that time the driver trainer and program has been transferred to Human Resources.*

- Does the City have a Driver or Fleet Policy? SOPs? Are copies of these also available?
    - *Yes. The City of London has a Driver Development Policy. The policy outlines how the City will respond and criteria that would upgrade an intervention. This policy has been updated over the years.*

- What driver incident tracking mechanisms do you have in place?
    - *Detailed files are kept on each employee – hard and electronic copies of data and information. On a monthly basis, there is a license check*

through a Ministry program to reduce risk to the City. The Driver Trainer conducts this review on a monthly basis.

City of Barrie

- Does the City have a Driver or Fleet Handbook? If so, could we see an electronic copy?
  - *Yes. Special Operating Procedures (SOPs) make up the Handbook and direct training. In the last two years a Driver Safety and Training Coordinator was hired and since that time accidents have dropped. The City also hired a retired consultant from the Ministry to do a mock audit which provided valuable information on possible improvements. One of the recommendations was to run Transit under the contractors CVOR and that has dropped the overall CVOR rating significantly.*

- What compliance controls are you most proud of? What's working really well?
  - *With the new safety and training position in place, incidents have dropped significantly. We also now have a policy related to backing up incidents. Cameras were installed on 44 new vehicles and that type of preventable accident rate has dropped. Older vehicles are also now having back up cameras installed given the improvements noted from the cameras. Municipal Equipment and Operations Association (MEOA) is an excellent learning/sharing resource.*

City of Kingston

- Does the City have a Collision Review Panel or Committee? If yes, is there a formal mandate for the group? What positions make up the group?
  - *There is a Collision Review Committee.*
- What compliance controls are you most proud of? What's working really well?
  - *Every two years the Ministry comes to public works (transit) and pulls eight buses off the road. It provides great feedback as well as reassurance to the customers that the buses on the road are safe. The maintenance program is strong – spots checks and monitoring are very helpful and the results are shared with the drivers.*

City of Kitchener

- Does the City have a Collision Review Panel or Committee? If yes, is there a formal mandate for the group? What positions make up the group?
  - *A Collision Review Panel is also in place.*
- Are there disciplinary practices followed for traffic or MTO violations?
  - *Yes.*

- What driver incident tracking mechanisms do you have in place?
  - *There is a collision demerit program in place since 2009. The collision review document is maintained by Human Resources. Another is maintained by Fleet that is specific to CVOR. A level 2 abstract is ordered monthly to confirm that there are no non-conformities with the events in*

that they are all reported and CRAs are completed. There are frequent emails to the CVOR analyst at the Ministry to have corrections made.

- What compliance controls are you most proud of? What's working really well?
  - *The Drivers Handbook and driver point system.*

Town of Oakville

- Does the City have a Collision Review Panel or Committee? If yes, is there a formal mandate for the group? What positions make up the group?
  - No. *Felt that it would essentially be a potential stalemate process. In lieu judgments are otherwise rendered and the grievance process used in case of any disputes - elected to be simpler and less time consuming, the grievance process already being laid out in the CUPE contract.*

- What driver incident tracking mechanisms do you have in place?
  - *CVOR review 3-4 times annually reviewed and discussed with managers, directors, commissioners, driver abstract review done at least twice annually. Statistics kept on all accidents and incidents- seasonally / time of day/ type etc. All must be reported and discussed with the user group - Fleet services will not repair the unit without the report done.*

- What compliance controls are you most proud of? What's working really well?
  - *It took a long time to get the book prepared and distributed and understood by all users (HR inclusive), (union still a bit ambivalent although disciplinary issues up to dismissals have occurred and been upheld). Overall it is good, we went from the CVOR 50 % range down to oscillating in the mid-20's to low 30's. Ours covers Fire, Parks, R&W, and Transit. Achieved an approx. 4% insurance cost reduction.*
  - *Repetitive training with staff in vehicle operational SOP's, HOS, safety, duties and responsibilities expected both for full time employees and 150 students annually. We also rent an additional 60 + units a year for summer projects.*

KEY FINDINGS AND RECOMMENDATIONS

The key findings and recommendations of the audit are grouped in the following categories:

1. Compliance – MTO, CVOR, Other
2. Management Practices
3. Administrative Practices
4. Customer Service
5. Organization Structure
6. Position Descriptions / Duties
7. General

Compliance:

Finding # 1: Daily Vehicle Inspections

There is no evidence that *mandatory* daily vehicle inspections are being conducted in all departments with the exception of Transit. MTO requires that all CVOR drivers conduct a daily vehicle inspection or "circle check". Examination of records and staff interviews confirms that drivers are signing the inspection reports without conducting the required physical inspection in most cases. There are examples of defects being noted on the forms but they are the exception. Failure to comply with this MTO regulation may result in CVOR penalties and substantial risk to the City if a vehicle is involved in an accident resulting in personal injury or property damage.

Recommendation:

Management must educate drivers in safe driving and enforce MTO legislation. Supervisors are responsible for ensuring that drivers have conducted the daily vehicle inspections and should be conducting random visual and physical checks as vehicles leave the yard. Drivers should be held accountable for MTO compliance and management should develop a system of internal controls to ensure that vehicle inspections are completed in accordance with MTO standards.

Finding # 2: Preventative Maintenance

Although preventative maintenance is not in scope for this audit the existing system of scheduling, conducting and documenting maintenance and repairs is insufficient to fully comply with MTO regulation 575 (subsequently noted that this regulation has been replaced by number 199/07). The MTO preventative maintenance statement requires that:

- Every CVOR vehicle ……shall receive the following staggered, preventative maintenance inspections at the intervals indicated:
  - Trucks "A" service every 182 days
  - "B" service within 182 days of the "A" service
  - MTO service every 12 months
  - Inspection type "A" means oil, lube, and filter service and a visual inspection of lights and common external components
  - MTO service means an annual inspection per regulation 611.

Recommendation:
It is the auditor's suggestion that the existing system be reviewed by management to ensure full compliance with MTO regulations and that electronic and manual records be evaluated to ensure they meet MTO standards.

Finding # 3: Record Retention
Fleet records are not compliant with The MTO Record Retention policy but do appear to comply with the City by-law on record retention for vehicles. It is noted that the by-law should be amended to comply with the MTO standards. More than 6 years of surplus documents have been retained in storage and space is an issue for the department. The MTO standard requires that vehicle inspection records (with no defects) need only be kept for 6 months.
Recommendation:
Archived records should be sorted according to the record retention schedule on page 9 of this report. All unnecessary records should be confiscated. Guidance on documents that require confidential shredding will be provided by the Clerk's department.

Management Practices:

Finding # 4: Driver Manual/Handbook
There is currently no driver manual or handbook to provide guidance and training to Fleet drivers. Best practice requires that some form of corporate driver manual or handbook be developed.
Recommendation:
The lack of any type of Driver's Manual is a serious deficiency which impacts the effectiveness of the training and safety program. A driver's manual should be developed as part of an overall corporate strategy to improve Fleet operations, driver training and safety.
Further, it is recommended that a task force of stakeholders be established to work with the new Fleet Driver Trainer with a mandate to develop a Driver's Manual, Fleet policy, and other programs and systems that will improve driver performance and Fleet operations. Examples of other municipal driver's manuals and Fleet policies will be provided to this task force for reference. It is the auditor's opinion that the task force should include supervisors from each of the service areas as well as the Fleet Manager and new Fleet Driver Trainer. This would ensure that those areas that have excellent practices in Fleet and CVOR management are able to share their knowledge and experience with other departments.

Finding # 5: Fleet Policy
The lack of a comprehensive Fleet policy is a serious deficiency in that it demonstrates a lack of focus and attention to this area. The absence of a governing policy is indicative of a general corporate limitation that results in a lack of clear direction and objectives.
Recommendation:

It is the auditor's recommendation that a task force of stakeholders be established to work with the new Fleet Driver Trainer with a mandate to develop a Fleet policy, and other programs and systems that will improve driver performance and Fleet operations. A draft Fleet policy has been developed by Fleet staff and examples of other municipal Fleet policies will be provided to this task force for reference in order to make this policy more robust and comprehensive. See recommendation # 4 for additional details on composition of the task force.

Finding # 6: Driver Training

No corporate-wide, formal training program exists for the City's drivers. Transit has a rigorous training program for its drivers as does Solid Waste. Management from other service areas have initiated their own ad hoc training programs, often using third-party experts.

Recommendation:

This deficiency has been addressed with the approval to hire a Fleet Driver Trainer. The first priority for this new function should be to develop a driver training program that meets the needs of all service areas.

Finding # 7: Driver Coaching and Discipline

There is no corporate position or management practice that is applied consistently and fairly when drivers are involved in collisions or other driving violations. In some service areas, such as transit and solid waste, management issues coaching letters and disciplinary notices to drivers that state whether an accident has been deemed "preventable" or "non-preventable" and include the disciplinary action being taken by management. The collective agreements do not contain any specific language that precludes disciplinary action and the only stipulation in some agreements is that these records be expunged from the employees file after two years. This inconsistency is perceived to be unfair by staff in all service areas as not ALL drivers are held accountable for their performance and compliance with regulations.

Recommendation:

A corporate-wide policy governing driver coaching and discipline must be developed and implemented in consultation with drivers, union representatives, human resource management and management from the operating areas. Under the direction of Human Resources this policy could form part of a driver training and education program that is linked to the development of a "Demerit" or "Driver Permit System" which is described in "General Findings" in this report.

Finding # 8: Accident - Incident Tracking and Reporting

With the exception of Transit, there is currently no manual or automated system of tracking and recording accidents or other driving incidents. Records of events can not be verified on the City's CVOR abstract unless they are documented by management. Further, there is no control system in place to ensure that appropriate training, coaching or discipline is initiated when required.

Further, staff interviews and document review confirm that accident reporting is inconsistent and neither the Fleet Manager nor Risk Management, Insurance is necessarily informed when an incident has occurred. There is an accident reporting

form that is currently in use in most of the departments however, it is not completed consistently or distributed to the appropriate areas.

Recommendation:

A basic tracking system should be created and maintained by Fleet management. This can be achieved using a simple Excel spreadsheet. It should record every accident or incident involving a Fleet vehicle and include date of event, type of incident, driver name and license number, vehicle number, CVOR points attached, and whether the accident was deemed preventable or non-preventable. This information should be updated regularly and shared with the general managers of the service areas involved and HR management. Further, accident reporting procedures and forms should be reviewed with all drivers and supervisors to ensure that this information is immediately forwarded to the Fleet Manager, Fleet Driver Trainer, Insurance, risk management, and their direct managers.

Finding # 9: Mock MTO Audits

Most CVOR operators contract with third-party experts to conduct a "mock" MTO audit at least every two years. This ensures that they are identifying potential issues proactively and that they are prepared in the event that MTO conducts a fleet / facility audit. The last time the City contracted a Fleet consultant to conduct a mock MTO audit was in 2005.

Recommendation:

Management should arrange a mock MTO audit immediately and this should be repeated every two years**.** Recommendations resulting from these audits should form part of the performance objectives for Fleet management.

Finding # 10: Fleet Overtime

Although financial analysis is not in scope for this audit it was learned that the 2012 overtime budget for Fleet division was over-spent by more than $100K. This is largely due to the expansion of the Fleet with new buses.

Recommendation:

Further analysis of overtime costs should be completed to determine if reductions are possible by shifting the hours of work for mechanics or other efficiencies.

<u>Administrative Practices:</u>

Finding # 11: Record Retention

See "Compliance" Finding # 3.

Finding # 12: Access to MTO Authorized Requesters Information System (ARIS System)

Access to the online ARIS system is currently available to the Fleet Manager exclusively. This system allows users to download and view information such as driver's abstracts (driving history). This information is vital for management to ensure that their drivers possess the necessary licenses for operating CVOR vehicles. Other data is available including MTO actions and point assessments. Certain information contained in these reports contains personal information and is not considered part of a public record. Authorized users must be approved by the

MTO, sign a Security Statement and agree to uphold these specific privacy laws which govern the collection, use and disclosure of personal information.

Recommendation:

All Managers and General Managers should delegate the appropriate staff to have access to the ARIS system. This function is critical to driver management and conveys authority to management to ensure full compliance with all MTO regulations. By extending the user base, management is able to respond more quickly to issues of driver licensing and Fleet management is able to focus on the overall corporate CVOR management issues.

Finding # 13: Driver's License Database

There is currently no corporate-wide record or database of all City drivers' licenses. There is proof that some drivers whose licenses have been revoked or downgraded have failed to notify the City that they no longer possess the required license to operate CVOR vehicles on behalf of the City. Certain departments, such as Transit, require drivers to present a valid driver's license as part of the hiring process but even these records have not been maintained or updated as part of the employee file.

Recommendation:

Any employee required to drive a City vehicle, whether CVOR or non-CVOR, should be required to present their driver's license at time of hiring. A copy of the license should be retained as part of the employee file and another copy should be sent to the employee's direct supervisor or manager. Human Resources should create a corporate database, sorted by department that is updated regularly when employees are hired or terminated. Management responsible for ensuring that driver's licenses are in good standing with the ARIS system must notify HR when a driver's status changes so that it may be noted in the database.

Further, management should immediately request copies of all drivers' licenses for existing staff and submit this information to HR in order to create the database.

Customer Service:

Finding # 14: Repairs and Maintenance – Scheduling

Interviews with customers confirm that while they are mostly satisfied with the *quality* of work done by Fleet mechanics, they are dissatisfied with the prioritization and scheduling of repairs and maintenance. One of the most obvious challenges in the present system is servicing of Transit vehicles. These vehicles are required to be in service every day, all day in order to maintain public service levels. With only a skeletal night shift for mechanical service in Fleet, vehicles must be taken off the road to be serviced during Fleet operating hours.

Further, it is often a conflict for Fleet management to prioritize their work load in an effective way. They must try to balance the needs of every service area with their capacity and still conduct mandatory preventative maintenance in compliance with MTO and manufacturers' recommended standards. Often, routine maintenance is deferred because vehicles are essential to service levels in the departments.

Recommendation:

Management should consider staggering the work hours for Transit mechanics and implementing a night shift. This would require union agreement and may have to be included in future negotiations.
Further, a prioritization model should be developed by Fleet management that sets out the preventative maintenance schedules (see Finding # 2) for all City vehicles and establishes the criteria for repairs and maintenance prioritization so that it is transparent and equitable for all departments.

Finding # 15: Response Times – Service Levels
Many customers do not feel that current response times from Fleet meet their needs. They complain that requests for information and other communications are delayed and unsatisfactory.
Recommendation:
Fleet management should establish a service level commitment to their customers that ensures they will respond to all emails, phone calls and other communications within a stated timeframe (1 business day or less).

Organization Structure

Finding # 16: Corporate Organization Structure of Fleet
The existing organization structure places Fleet within the Public Services department, under the direction of the General Manager of Public Works. This is not an uncommon organization design within municipal comparators however; there are examples of Fleet as a "corporate entity" such as IT or HR that supports their mandate effectively. There are also examples of Fleet under the canopy of Finance that acknowledges the significant asset management responsibility of the division. Arguably, the Transit division has the highest level mandate for revenue generation and public service and currently has no control over management of their vehicle fleet. Perceived conflicts of interest make it difficult for Fleet management to satisfy all customer demands and expectations.
Recommendation:
It is the auditor's opinion that senior management be tasked with a review of the effectiveness and efficiency of the corporate organization structure of Fleet services and that they bring their recommendations to the Chief Administrative Officer for consideration no later than May 31, 2013 in order to be considered in the 2014 budget cycle.

Finding # 17: Fleet Driver Trainer
The newly approved Fleet Driver Trainer position is proposed to report directly to the Fleet Manager. In many municipalities, the Fleet Driver Trainer function is under the jurisdiction of Human Resources as it is focused on health and safety, training, coaching, as well as driver and equipment operator training. In the benchmark data collected, responsibility for driver discipline is always assigned to the employee's supervisor or manager, not to Fleet management.
Recommendation:
Senior management should give serious consideration to assigning this function to Human Resources. It is the auditor's suggestion that senior management from HR and Operations discuss in greater detail the benefits of having a corporate Fleet

Driver Trainer within the HR structure, thus providing neutrality and a more corporate focus on driver safety and training programs.

Position Descriptions - Duties

Finding # 18: Fleet Manager, General Manager Operations – Position Descriptions

There is no reference of any kind to compliance, MTO, CVOR, driver training, or regulatory reporting in either of these position descriptions. There is, therefore, no specified responsibility for these duties in connection with management of the City fleet, or its Commercial Vehicle Operator's license. This is a deficiency that should be addressed. Other position descriptions have not been reviewed but may also lack assigned responsibility for driver performance and regulatory compliance.

Recommendation:

These key job descriptions should be reviewed and amended to reflect the functional responsibility of managing the CVOR and regulatory compliance associated with operating a commercial fleet.

General Findings and Recommendations

Finding # 19: Driver Permit System

Many municipal fleets have developed a Driver Permit System which is considered best practice in Fleet management. Such programs are designed to ensure that all City drivers meet an established standard for driving performance and compliance with relevant regulations and policies. Drivers are credited with points for training and safe driving and points are deducted for preventable accidents.

Recommendation:

Management should consider developing a Driver Permit System or similar program with consideration of extension to include equipment operator permits.

Finding # 20: Collision Review Committee

More than half of the municipal comparators indicate they have a Collision Review Committee and others are considering implementing such a panel. At present, there is no governance model or internal control mechanism to monitor collisions involving fleet vehicles. This has created inequities in the assessment of driver training, coaching and discipline. There is no corporate oversight with respect to these matters and it is left to management in each department to evaluate the incident and determine the appropriate course of action.

Recommendation:

A Collision Review Committee should be established immediately. Members of the committee should include management from each of the relevant departments as well as union representation. The committee mandate should be developed to ensure that it is impartial, equitable and transparent.

Finding # 21: Human Resources as Business Partner

There is presently limited interaction between Human Resources management and driver supervisors or managers with respect to health and safety programs and training, coaching, discipline, driver records and regulatory compliance. Managers in some departments consult with HR in disciplinary procedures and others do not. As previously stated in Finding # 13 and # 17, there is a strong link between training, health and safety and driver management. HR should be considered an integral part of the driver training process and should be involved in all matters of policy development impacting employees.

Recommendation:

Management from HR should participate in the implementation of all the recommendations contained in this report that are directly related to driver records, performance, coaching, training and discipline.

Finding # 22: Yard and Fuel Security

There is no clear procedure to notify Fleet management when employees from other departments have been terminated resulting in a risk that unauthorized persons retain access cards to yards and fuel pumps.

Recommendation:

As part of the exit process, HR should collect <u>all</u> corporate access cards and notify Fleet management when an employee with vehicle or fuel privileges has been terminated.

Finding # 23: Fleet Services – Shop Rates and Asset Acquisition Pricing

These areas are out of scope for this audit but it is suggested that Finance and Fleet management meet with General Managers from the service areas to understand their concerns, review current budget practices and ensure that the rates being used are accurate, fair and transparent.

Finding # 24: Task Force – Fleet and CVOR Audit – Implementation of Recommendations

It is strongly recommended that a task force be created to oversee the execution of the audit recommendations in this report. This would ensure that all stakeholders are fully engaged and consulted and that they are able to collaborate in the development of best practices such as Fleet Policy, Collision Review Committee, Driver Permit System, Record Retention, Internal Controls and Compliance. Staff who have demonstrated experience and knowledge in CVOR and driver management should be included as well as a cross-section of management from each of the service areas with CVOR responsibilities.

CONCLUSIONS

The audit of Fleet-CVOR has highlighted the need for increased corporate diligence in internal controls, regulatory compliance, employee safety, driver training, documentation and general management in this area.

It is the auditor's opinion that a lack of policy, standard operating procedures, and inadequate position descriptions combined with a lack of management focus in respect to CVOR and MTO compliance has resulted in the deficiencies identified through the audit.

While the City is not at immediate risk of losing its CVOR permit or facing escalating discipline by the MTO, it is incumbent on management to take steps to ensure that this does not happen in the future.

It is the auditor's opinion that the depth of knowledge and skills within the Fleet Services division is sufficient to meet its mandate provided that a system of supporting programs, policies and procedures are in place to guide their work.

NEXT STEPS

This audit report has been reviewed and accepted by the Executive Director of Operations, Transit and Emergency Services, all implicated General Managers and the Executive Team.

It is estimated that the majority of recommendations contained in this report can be implemented within one year but it is up to management to determine the sequence and pace of the changes.

The Executive Director, Operations, Transit and Emergency Services has provided the required "Management Response" acknowledging each recommendation with an action plan for implementation and an estimated timeline for completion. This formal response forms part of the Audit Report to the Audit Committee and will be presented on April 17, 2013.

As standard audit protocol a follow-up audit will be conducted one year following the presentation of the report to the Audit Committee. The purpose of the follow-up audit is to evaluate the status of implementation of the audit recommendations and to assess the impact of these changes on the department.