

Audit Committee Report

DATE: Monday, June 13, 2022

WARD(S): ALL

TITLE: Fleet Management Services Audit

FROM:

Kevin Shapiro, Director of Internal Audit

ACTION: FOR INFORMATION

Purpose

To communicate the findings from the Fleet Management Services Audit.

Report Highlights

- The operation and maintenance of vehicles and equipment is critical to the delivery of services to the citizens of the City of Vaughan.
- Fleet Management Services (FMS) is responsible for administering a proactive and cost-efficient maintenance program to ensure that vehicles and equipment are operated in a safe and reliable manner, while ensuring that the guidelines of all government legislation and government agencies are met.
- This audit has raised concerns related to the administration and oversight of FMS, which increases the risk of misappropriation and reputational damage to the City.
- Management has developed action plans which will mitigate the identified risks and address the recommendations outlined in the report.
- This audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.
- Internal Audit will follow up with management and report on the status of management action plans at a future Audit Committee meeting.

Recommendations

1. That the Internal Audit Report on the Fleet Management Services be received.

Background

The objective of the audit was to evaluate the adequacy and effectiveness of the internal controls, processes, and procedures in place to mitigate the business risks associated with services provided by Fleet Management Services.

The audit approach included a review of the strategic goals, objectives and oversight of the department, review of relevant policies and procedures, use of technology, and interviews with staff and management.

The scope of the audit covered the FMS activities for the period of January 2021 to December 2021.

Attachment 1 contains the detailed audit report observations. During the course of the audit, a separate investigation was also initiated by Internal Audit. As the investigation involved identifiable individuals, a separate confidential attachment has been provided to the Audit Committee as report attachment 2, outlining the nature of the investigation and the results.

Previous Reports/Authority

Not applicable.

Analysis and Options

The operation and maintenance of vehicles and equipment is critical to the delivery of services to the citizens of the City of Vaughan. FMS is responsible for administering a pro-active and cost-efficient maintenance program to ensure that vehicles and equipment are operated in a safe and reliable manner, while ensuring that the guidelines of all government legislation and government agencies are met. This includes:

- **Regulatory Compliance and Driver Training** - Commercial Vehicle Operators Registration (CVOR) administration, driver license review, record retention, compliance reporting and driver training.
- **Capital Planning and Contract Management** - Responsible for contracts/procurement of new vehicles and equipment, vehicle replacement forecasting, specification development, disposal of replaced units, and all fleet contracts for parts, service, and fuel sites.
- **Fleet Maintenance** - Manages vehicle and equipment repairs, preventative maintenance and all outsourced repairs.
- **Materials and Fuel** - Management of parts inventory, fueling system, and all internal fleet staff requirements.

Financial Impact

There are no direct economic impacts associated with this report.

Broader Regional Impacts/Considerations

Not applicable.

Conclusion

This audit has raised concerns related to the administration and oversight of FMS, which increases the risk of misappropriation and reputational damage to the City. Opportunities for improvement include:

- Developing a Comprehensive Fleet Management Strategy
- Acquiring a Fit-for-Purpose Fleet Management Information System (FMIS) and Upgrading the Automatic Vehicle Localization (AVL) Units
- Improving Compliance to Vehicle Inspection Requirements
- Investigating the Feasibility of Exiting the Fuel Distribution Business
- Enhancing Procurement, Contract Administration and Inventory Management Processes
- Developing a Progressive Strategic Staffing and Training Plan

During the audit, management has already taken steps to address some of these issues. Internal Audit will follow up on the status of outstanding management action plans related to this audit and will report the status to a future Audit Committee meeting.

For more information, please contact Kevin Shapiro, Director of Internal Audit, ext. 8293

Attachments

1. Internal Audit Report – Fleet Management Services
2. Confidential Attachment
3. Presentation Materials

Prepared by

Kevin Shapiro, Director of Internal Audit, ext. 8293

Approved by

A handwritten signature in black ink, appearing to read 'K. Shapiro', with a long horizontal flourish extending to the right.

Kevin Shapiro, Director of Internal Audit