

## CITY OF VAUGHAN

### EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 19, 2018

Item 4, Report No. 6, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on June 19, 2018.

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#### **4     INTERNAL AUDIT REPORT – WINTER MAINTENANCE AUDIT**

The Finance, Administration and Audit Committee recommends:

- 1)     That the recommendation contained in the following report of the Director of Internal Audit, dated June 6, 2018, be approved; and
- 2)     That the presentation and Communication C7, presentation material entitled, "*Winter Maintenance Audit*", be received.

#### **Recommendations**

1.     That the Internal Audit Report on the Audit of Winter Maintenance be received.

Item:



## Finance, Administration and Audit Committee Report

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**DATE:** Wednesday, June 06, 2018

**WARD(S):** ALL

**TITLE: INTERNAL AUDIT REPORT – WINTER MAINTENANCE AUDIT**

**FROM:**

Kevin Shapiro, Director of Internal Audit

**ACTION:** FOR INFORMATION

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### **Purpose**

To present to the Finance, Administration and Audit Committee the Internal Audit Report on the Audit of Winter Maintenance.

### **Recommendations**

1. That the Internal Audit Report on the Audit of Winter Maintenance be received.

### **Report Highlights**

- When compared to other municipalities, the City of Vaughan provides residents with some of the highest levels of service in winter control.
- The winter road maintenance services agreement contains a comprehensive performance management component, that includes the application of incentives, disincentives and liquidated damages based on contractor performance.
- Improvements are required to ensure risks related to the execution of the City's winter maintenance strategy are efficiently and effectively mitigated.
- Management has developed action plans which will mitigate the identified risks and address the recommendations outlined in the report.
- Internal Audit will follow up with management and report on the status of management action plans at a future committee meeting.

## **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 the execution of the City's winter maintenance strategy and programs.

The audit approach included a review of the goals, objectives and oversight of the performance based winter maintenance strategy including, the procurement process, data analyses of transactional and work order data, physical sampling of records, review of City policies and procedures and interviews with staff and management.

The audit scope included winter maintenance related activities that occurred in January 2016 to December 2017.

The audit scope did not include a review of the sidewalk clearing program.

## **Previous Reports/Authority**

Not applicable.

## **Analysis and Options**

The Citizen Satisfaction Survey suggests that an overwhelming majority of the City's residents are satisfied when it comes to winter maintenance services. When compared to other municipalities, the City of Vaughan provides residents with some of the highest levels of service in winter control. Whether it's reducing ice formation on roads, removing snow from roads, paths and sidewalks, or enabling residents to exit their driveways by partially removing windrows, the City aspires to provide a level of service for all its winter programs that will enable residents to travel safely.

The City began its quest for a better Winter Road Maintenance (WRM) contract in 2015, aiming to achieve better service, better value and longer-term predictability of costs. Toward this end, the City reviewed WRM contracts from across the province and country, and held interviews with colleagues at peer municipalities and the Ministry of Transportation. Interviews were also held with WRM vendors and the Ontario Road Builders Association to better understand their cost pressures and risks. This collaborative development process has resulted in a contract that is reflective of industry best practices, lesson's learned, as well as the City of Vaughan's unique needs.

The City has entered into a long-term performance based winter road maintenance services contract with two external contractors. The new performance-based contract is the first of its kind among municipalities in Ontario, and is supported by quality assurance measures that encourage the contractors to deliver on contractual requirements. The agreement represents many significant evolutions that improve upon the City's previous contract and enhance the overall operational performance and citizen experience with respect to winter road maintenance services.

The cost structure of the winter road maintenance services agreement is based on stand-by and operating rates. Stand-by rates are paid per unit of equipment for each day of the winter season. Operating rates are paid per unit of equipment per hour the equipment is operating. As a result, stand-by costs remain constant throughout the contract term and the operating costs vary each year based on the hours of operation required. Operating costs are directly dependent on the severity of the winter season. The City maintains a winterization reserve to mitigate the impact of severe winter seasons on the City's overall financial position.

The City has completed its second successful winter season under an innovative Winter Road Maintenance contract structure, and Transportation Services, Parks and Forestry Operations (TSPFO) has received many calls from peer municipalities seeking to emulate this success. This contract has also received widespread visibility from media exposure through well-known outlets such as CP24 and Global News. Last year, Vaughan received the Ontario Public Works Association's (OPWA) 2017 Award for Technical & Management Innovation, a further testament to the importance and timeliness of this work.

### **Financial Impact**

There are no direct economic impacts associated with this report.

### **Broader Regional Impacts/Considerations**

Not applicable.

### **Conclusion**

Improvements are required to ensure risks related to the execution of the City's winter maintenance strategy are efficiently and effectively mitigated. The following opportunities were identified:

- Conducting a risk based evaluation of the City's winter maintenance strategy and programs to determine whether the existing service levels are deriving any additional benefits considering the incremental costs and potentially adverse environmental impacts.
- Completing a review of winter maintenance strategies and budgets to ensure alignment with Council directives and historical and anticipated spending.
- Enhancing the inspection process to verify the quality and completeness of contractor work to ensure it meets the contracted or legislated specifications.
- Improving monitoring and oversight activities over several processes including material inventory and usage, contract administration, work order administration, and record retention.

Internal Audit will follow up on the status of outstanding Management Action Plans related to this audit and will report the status to the Finance, Administration and Audit Committee.

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

### **Attachments**

1. Internal Audit Report – Winter Maintenance Audit

### **Prepared by**

Kevin Shapiro, Director of Internal Audit, ext. 8293