

ROADS BUSINESS UNIT VEHICLE AND EQUIPMENT MANAGEMENT AUDIT

EXECUTIVE SUMMARY

The City Auditor's Office issued the Roads Business Unit Vehicle and Equipment Management Audit Report to Administration on May 13, 2015. The report includes Administration's response to nine recommendations raised by the City Auditor's Office to improve oversight controls, monitoring activities, and processes to effectively manage timely maintenance and cost of vehicles in the Roads Business Unit (Roads). Administration accepted all recommendations and will implement action plans from May 15, 2015 through to December 30, 2016.

RECOMMENDATIONS

1. That Audit Committee receive this report for information; and
2. That Audit Committee recommend that Council receive this report for information.

RECOMMENDATION OF THE AUDIT COMMITTEE, DATED 2015 MAY 21:

That Council receive report AC2015-0450 for information.

PREVIOUS COUNCIL DIRECTION / POLICY

Bylaw 30M2004 (as amended) established the position of City Auditor and the powers, duties and functions of the position. Under the City Auditor's Office Charter, the City Auditor presents an annual risk-based audit plan to Audit Committee for approval. The City Auditor's Office 2014 Annual Audit Plan was approved on December 12, 2013.

The City Auditor is accountable to Council and subject to the oversight of Audit Committee under Bylaw 48M2012 (as amended).

BACKGROUND

This audit was undertaken as part of the approved City Auditor's Office 2014 Annual Audit Plan. The objective of this audit was to provide assurance regarding the effectiveness of systems and processes in place to manage timely maintenance and cost of vehicles and equipment in Roads. The timeframe reviewed was September 1, 2013 to November 30, 2014.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Roads' mandate is to keep Calgary's roads system safe and provide mobility for citizens and goods. Roads maintains, rehabilitates and reconstructs The City's roadways and bridges, which includes clearing snow and ice, street cleaning, paving, and construction programs.

The Fleet Services Business Unit (Fleet Services) leases vehicles and equipment to Roads and provides maintenance and repair services. Roads plans and coordinates unit requirements. Due to the close and complementary nature of the relationship between Roads and Fleet Services, the audit focused on the effectiveness of their 2012-2014 Service Level Agreement (SLA) as a tool to manage timely maintenance, costs, and coordination of Roads and Fleet Services activities. The timing of this audit was particularly important because the 2015-2018 SLA was under development.

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The SLA includes Key Performance Indicators (KPIs) and metrics that are reported by Fleet Services at regular intervals and measure Fleet Services' (Fleet Availability) and Roads' (Planned Maintenance Compliance) performance and utilization rates. We reviewed the two KPI results and identified that they were not effective since targets were rarely met and variances were not followed up to identify corrective action.

Our review of quarterly Utilization Reports, provided by Fleet Services, identified the information was unreliable due to inaccuracies and was not effectively being used by Roads to support decisions on fleet size and composition. In addition, utilization rates were measured but there were no targets or thresholds to compare to actual utilization.

Overall, as a management tool, the 2012-2014 SLA covered basic expectations. To be effective, the SLA should be strengthened by setting relevant performance measures, and providing clarity on roles and responsibilities to follow-up when targets are not met and ensure reliability of information. Inability to effectively use utilization information and meet established targets and performance measures does not in itself result in a high risk of untimely maintenance and/or increased vehicle and equipment costs. The key risk exposure is the lost opportunity to effectively measure success, improve performance and make informed decisions about the fleet.

Stakeholder Engagement, Research and Communication

This audit was conducted with Roads' Equipment & Materials Leader acting as the principal audit contact within Administration. Additional support and cooperation was provided by Fleet Services' Manager of Business Operations and staff in both Roads and Fleet Services.

Strategic Alignment

Audit reports assist Council in its oversight of the City Manager's administration and accountability for stewardship over public funds and achievement on value for money in City operations.

Social, Environmental, Economic (External)

N/A

Financial Capacity

Current and Future Operating Budget:

N/A

Current and Future Capital Budget:

N/A

Risk Assessment

The activities of the City Auditor's office serve to promote accountability, mitigate risk, and support an effective governance structure.

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We reviewed Roads' processes to manage timely maintenance, utilization and costs of vehicles and equipment to ensure financial and reputational/service risk are well managed. Vehicles and equipment used in Roads' operations are mainly leased from and serviced by Fleet Services, representing an annual combined lease and service cost of \$24M (based on 2014 operating costs). These units serve a critical role in keeping citizens and goods moving.

REASON FOR RECOMMENDATIONS:

Bylaw 48M2012 (as amended) states: "Audit Committee receives directly from the City Auditor any individual Audit Report and forwards these to Council for information."

ATTACHMENT

1. Roads Business Unit Vehicle and Equipment Management Audit Report.