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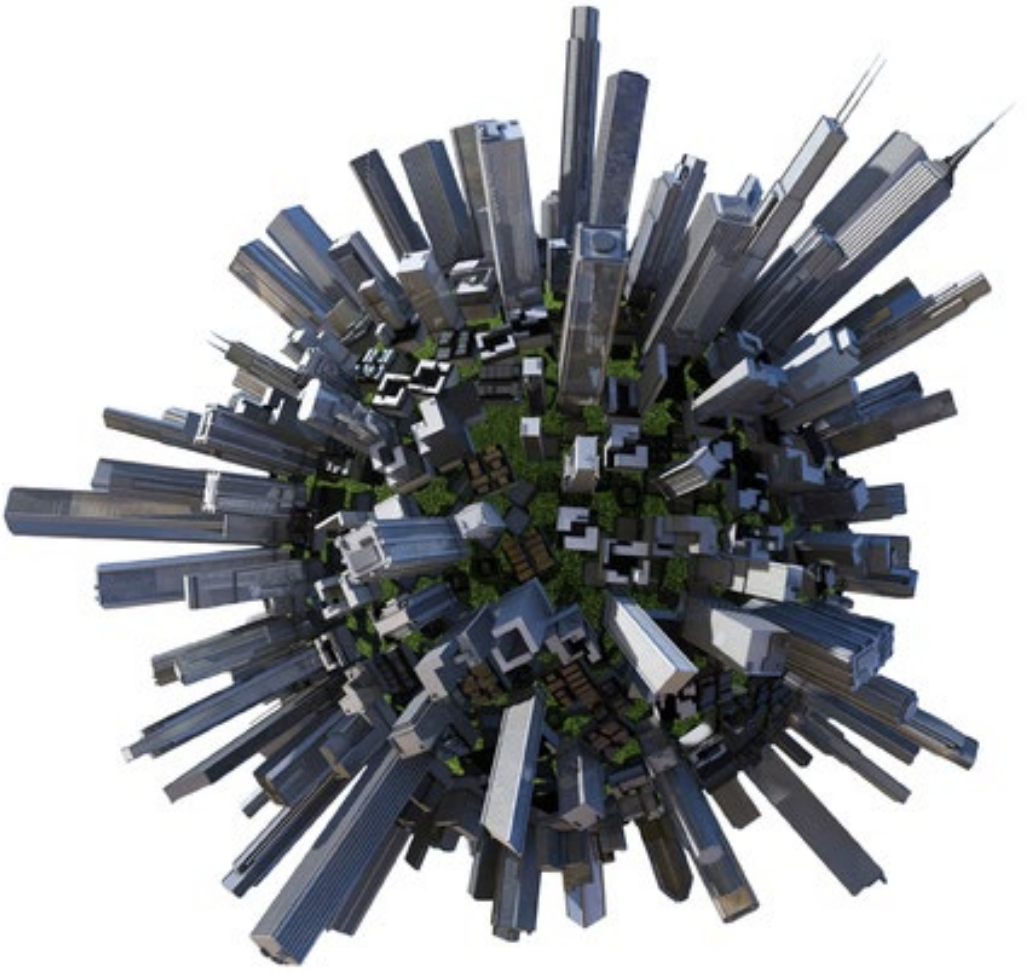

The Corporation of the City of London

Fleet Allocation & Utilization Management Assessment

Audit Performed: November 2021 – January 2022
Report Issued: January 28, 2022

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Executive summary

Background

The City of London (the "City") aspires to assess its Fleet asset assignment and utilization processes, service area practices and the controls in place over operational and financial governance of the City's fleet while also identifying opportunities for improvement and so requested that Internal Audit review the above.

Objectives and scope

As part of the November 2021 to December 2021 Internal Audit plan, Internal Audit conducted a review of policies and procedures over Fleet operations. The purpose of this review was to assess the adequacy of relevant policies and procedures, and provide guidance in consideration of industry leading practices relating to controls surrounding the budgeting and forecasting process, use of telematics, the process for current vehicle assignments, electrification strategy and benchmarking to drive efficiencies.

The detailed Internal Audit scope is at *Appendix 1*.

Areas for continued enhancement

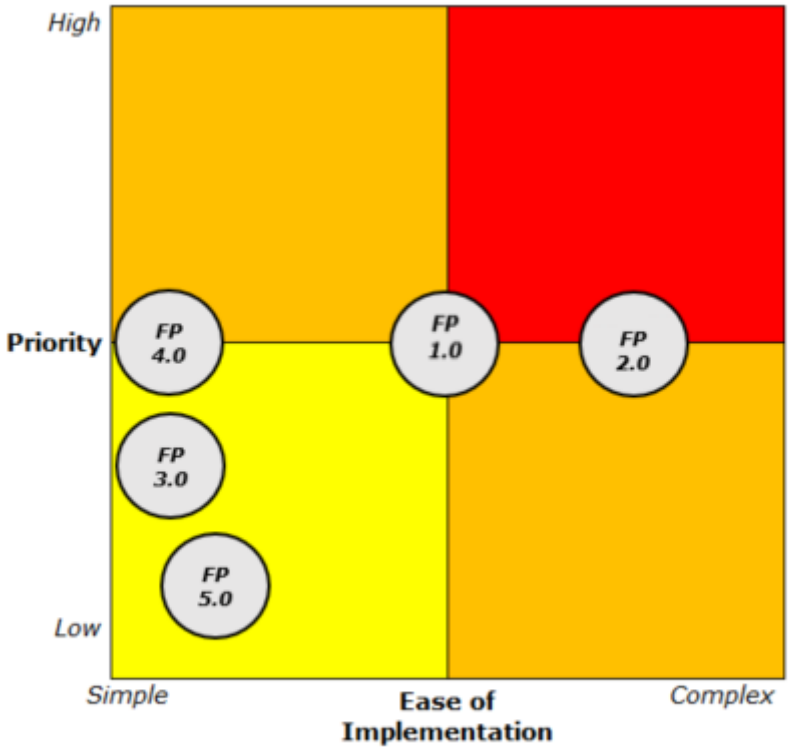
Based on our review of the City's fleet operations and key performance indicators (KPIs), we identified two medium priority observations, three low priority observations and an additional leading practice that The City of London should consider actioning. Please refer to *Appendix 2: Internal Audit rating scale* for definitions of the three-point scale.

High priority	Medium priority	Low priority	Leading practice
0	2	3	1

Priority	Observation Id	Observation Summary
Medium priority	FP 1.0	**Confirm delegated authority:** There is no clear delegated authority in place for fleet vehicle replacement. It should be developed and implemented.
Medium priority	FP 2.0	**Improve productivity/reduce costs:** Opportunities to improve include: implementing a fully automated work order system, managing maintenance productivity, and assessing the feasibility of an asset pooling program.
Low Priority	FP 3.0	**Document polices, processes and plans:** While work is performed, there are no documented policies or procedures in place to govern assessments of the total cost of ownership, stock/inventory management and leased vs. owned asset acquisition.
Low priority	FP 4.0	**Mandate use of appropriate KPIs:** KPIs are not in place over certain aspects of fleet performance and should be introduced and considered during the budgeting process.
Low priority	FP 5.0	**Benchmarking:** There is no concerted dialogue with comparable municipalities on leading practices for utilization, asset pooling initiatives, and general improvement measures. Dialogue should begin.
Leading practice	FP 6.0	**Considerations on Leading practices**: Applicable aspects include: improved budgeting/forecasting, use of telematics, electric vehicle (EV) implementation, KPIs on EV adoption, establishing greenhouse gas (GHG) and green targets, and enhanced infrastructure planning.

Priority heat map

The diagram below maps the two medium priority and three low priority opportunities for enhancement based on their priority and estimated ease of implementation. Item FP 6.0 has been excluded from the heat map since it is leading practice.



Conclusion

The identified considerations and observations noted in this report should be addressed in a timely manner to enhance current controls and mitigate associated risks.

Areas for continued enhancement

In completing the procedures noted in *Appendix 4: Audit procedures performed*, Internal Audit identified the following areas for continued enhancement.

	Medium priority	**FP 1.0 – Confirm delegated authority**
Observation		While the City of London's Capital Replacement Procedures contain a new equipment acquisition checklist that outlines various considerations for new asset purchases and asset replacement there are no formal policies and procedures in place that confirm a clear Fleet delegated authority. Individual Divisions ultimately have the authority to make asset replacement decisions and determine their total fleet complement. When disputes relating to asset replacement or quantity arise, they are escalated to the Division Managers and Directors for final review, which is not clearly documented in policies and procedures.
Implication		Without policies and procedures in place that clearly delegate authority and define an escalation protocol for fleet procurement decisions and provide a balance between the needs of the Divisions and the need to manage asset requirements and costs closely, there is a risk that the assets held may be underused and replaced when there is no real need to replace them. Furthermore, without a clear definition of the decision parameters (e.g. reduced fleet assets, maximum service availability, lowered GHG targets, etc.) the City carries a risk of front line decisions not being aligned with its strategic objectives.
Recommendation		We recommend implementing clear delegated authorities and escalation protocols for fleet replacement decisions and governance. This would help to ensure accountability for the number of assets held and better balance the considerations to be taken when decisions are to be made.
Management Comments		**Actions to be taken** Develop an administrative policy for delegated authority and escalation protocols that defines a procedure and approval process for Service Area vehicles and replacement decisions, rental/owned balance, and additional vehicles and equipment added to the fleet. **Considerations** Procedure must adequately preserve the service area's subject matter expertise as it relates to their vehicle and equipment requirements.

Responsible Party and Timing	Director of Fleet and Facilities and Senior Manager of Fleet in conjunction with Fleet Planning Manager and respective Service Area Managers. Consultations with Service areas to be completed September 30, 2022. Administrative Policy draft prepared December 2022. Approval targeted for March 31, 2023.

	Medium priority	FP 2.0 – Improve productivity/reduce costs
Observation		**Automation of Work Orders/General Productivity** Preventative maintenance programs are not driven by telematics data since it is only applied to ~ 33% of fleet assets (and the data produced is not analyzed). Work orders are only partially automated, and so there is a manual connection between the initiation of the work order and final completion, therefore resulting in a possible lack of control over the time taken to perform the maintenance. Through our review of manual workorders, we noted that work time is tracked; however, there are no policies or procedures in place that require the tracking and management of labour utilization and productivity. **Operator Damage** The City's People Services - Learning and Development Division performs driver training, compliance and accident investigation. While the aggregate operator damage dollar amount is tracked by year, there are no policies or procedures leveraging telematics data to proactively evaluate driver performance/behaviors that lead to collisions and damage. **Asset Pool Program** The City of London understands the efficiency benefits associated with a corporate vehicle pooling service program; however, it has yet to test and adopt this way of working.
Implication		**Automation of Work Orders/General Productivity** Without the use of telematics data, maintenance schedules may not be optimized to perform the most effective maintenance/preventative maintenance. Further, the manual component of the work order system does not allow for timed work and performance analysis, therefore mechanic and workshop staff utilization/productivity is hard to establish and improve, which may result in increased costs. **Operator Damage** While not leveraging telematics capabilities to monitor driver behavior, the city may not identify common causes and trends, which may otherwise have resulted in developing actions to reduce cost and improve driver safety. **Asset Pool Program** Without an implementation plan, implementation timeline, policies or procedures the City of London is at risk of not being able to benefit from the utilization efficiencies associated with the adoption of a corporate vehicle pool program.
Recommendation		**Automation of Work Orders/General Productivity** We recommend implementing telematics capabilities on fleet assets prioritized as having a likely payback and reviewing the data to better inform preventative maintenance scheduling (provided that the City is willing to adopt this leading practice). Further, we recommend updating the work order system to be fully automated provided that the budget and implementation resources can be made available. This will allow for mechanic and employee time to be reliably tracked and analyzed efficiently, which can be used to drive productivity.

	Tighter control over the labour should also be considered by evaluating worker performance vs. agreed on time standards. **Operator Damage** We recommend the City implement telematics and policies and procedures to proactively evaluate driver behaviors and address potential risks. This would allow for a trend/root cause analysis to be performed, which would help management to improve safety and reduce costs. **Asset Pool Program** We recommend investigating a pilot program for a City vehicle pool program, based out of a central location. Additionally, we recommend documenting clear policies and procedures on intended usage. Calgary's Flex Fleet program is the current leading practice in Canada.
Management Comments	**Actions to be taken** • Develop a submission to the Technology Investment Strategy Committee through the designated process. A Work order automation business case request will be submitted for consideration as part of the next intake of the Technology Investment Strategy as ITS support will be required. Should this project be prioritized to proceed with technology support, it will be submitted as a business case for consideration as part of the next Multi-Year Budget process • Continue to work closely with Driver Safety and Compliance. Establish a task team of key service area reps to meet regularly to discuss driver safety, trends, training, programming and compliance issues. • Develop a full telematic strategy that includes the required human resource support required to analyse data. Make recommendation on telematics strategy to Director of Fleet and Facilities and subsequently bring forward to CWC committee. • Explore a PM maintenance program that utilizes telematics data to support the planned maintenance and service schedules. • Develop and implement a gradual vehicle pool program in certain vehicle classes utilizing learned experiences from other municipalities. **Considerations** Work Order automation will require ITS project support (QR codes, Barcoding, Part inventory system, Kronos, Cognos and JDE integration) and must be considered as part of the Corporate Technology Investment Strategy.
Responsible Party and Timing	Senior Manager of Fleet in conjunction with Fleet Maintenance Manager, System Technologist, ITS and Driver Safety and Compliance Driver Safety Task Team to be developed and in place by April 2022, Work Order Automation and telematics – Feasibility and Recommendations to Director of Fleet and Facilities December 2022, Action Plan to follow December 2022. ** It should be noted that with new senior level managers in Fleet and the complexity, support and collaboration required to implement work order automation, this action could require several years for a fully automated (WO, timecards, Parts inventory etc.) process to be developed and implemented* assuming the availability of technology resources to support which are contingent upon a corporate prioritization process. Telematic Strategy – Meet with stakeholders and Driver Safety and Compliance to be completed by Q4 of 2022. Continued expansion of the telematics program in the interim. Full telematics strategy and policy developed for December 2023.

	Low priority	FP 3.0 – Document polices, processes and plans
Observation		The City of London completes total cost of ownership assessments (analysis is used to determine vehicle procurement and replacements), procures replacement parts, and performs a review of the fleet composition (owned vs. lease vs. rental). There are no written policies and procedures in place to govern the work and prescribe how it should be completed. Additionally, overhead costs are excluded from the rental unit vs. owned/leased analysis and procurement costs are excluded from the total effective rental rates, which may lead to rental units appearing less expensive than they actually are. Further, the city does not consider seasonality in the analysis which may restrict the optimal owned vs. short term/seasonal rental options.
Implication		Without documented and consistently implemented policies and procedures in place there is a risk that unnecessary asset costs are being carried as the assets may not be replaced at the right time, inadequate inventory may be held on hand, rental assets appear may less expensive than they actually are and some assets may be owned when short-term rentals may have been a more cost effective approach.
Recommendation		We recommend implementing polices and procedures to govern the total cost of ownership analysis, vehicle replacement parts inventory management and the analysis of fleet composition (owned, leased, rented). We also recommend that the City implement a process for assessing owned, leased and rental units that includes all appropriate costs to determine if different procurement approaches could reduce the total inventory of fleet vehicles and provide them at reduced cost. Good practice is to have an optimized mix of owned light vehicles and short term rental fleet vehicles that can be used during busy times of year. We recommend the city performs analysis to identify its preferred balance/allocation.
Management Comments		**Actions to be taken** • Enhance Parts inventory Management procedures, process mapping and documentation. • Develop and monitor total cost of ownership to be used in replacement decision making processes. • Continued monitoring and delegated authority to Fleet to work with Service Areas to ensure the right balance between internal units and rental/leased units. Full cost accounting for rented/leased units. **Considerations** Capital replacement programs will continue to be developed and structured using standardized "knowledge/experience based" life cycles however utilize enhanced condition and total cost of ownership data to strengthen replacement decisions.

Responsible Party and Timing	Senior Manager of Fleet in conjunction with Manager of Fleet Maintenance, Fleet Planning and Supply Services. Process mapping and documentation is anticipated to be initiated by June 30, 2022. Rental versus internal assessment to be completed in 2022 with recommendations for change that can be implemented for the 2023 peak rental season (June 30, 2023)

	Low priority	FP 4.0 – Mandate use of appropriate KPIs
Observation		Having reviewed the City's Fleet KPIs and KPI tracking workbook, we observed that the City tracks KPIs relating to cost efficiencies, environmental objectives, quality of delivery and reliability, which are compared with the previous three (3) years for trending purposes. While the City tracks budget related metrics such as, % of unaccounted/indirect/ unallocated capital contribution and Annual Average Reserve Fund Contribution Ratio, we confirmed that KPI metrics are not fully considered during the budgeting/forecasting cycle. While the current KPIs in place appear robust, we note that the following most critical KPIs are not in place: 1. Breakdown maintenance (hours) 2. Fleet availability (%) 3. Downtime (days) 4. Comeback rate (%) 5. Mechanic on-task (%), Mechanic efficiency (%)
Implication		An incomplete set of KPIs exposes the City to potential unnecessary costs and may lead to a sub-optimal Fleet in terms of size and availability/performance. By not considering KPI performance when completing the budgeting and forecasting process, the city may not be taking the most informed decisions, therefore resulting in an inaccurate budget/forecast.
Recommendation		Fleet should consider implementing the additional KPIs listed above. We recommend implementing policies and procedures for reviewing KPI data as part of the budgeting and forecasting process.
Management Comments		**Actions to be taken** • Review suite of KPI's and ensure measures are aligned with recommended list of key measures. • Adjust work flow processes and systems, as may be required, to more easily roll up and report on key performance indicator data. **Considerations** Work Order changes to be able to capture data may require some ITS systems support and thus this any system changes will need to be considered in context of prioritization with other corporate projects.
Responsible Party and Timing		Senior Manager of Fleet in conjunction with Fleet Maintenance Manager, Fleet Maintenance Supervisors, System Technologist, Fleet Analyst. KPI recommendations to be studied and incorporated September 2022, implement recommended changes to begin in 2023.

	Low priority	FP 5.0 – Benchmarking
Observation		**Utilization Benchmarking** While the City of London employs various methods to help ensure strong utilization, such as the policy that identifies vehicles used less than 5000 Km per year (low utilization), there are no benchmarking activities performed for comparing utilization and other aspects of the operation with comparable organizations. Further, the City does not use telematic data to drive utilization through benchmarking with comparable municipalities. **Car Sharing/Pooling Program Benchmarking** The City does not perform benchmarking activities or have policies or procedures on Leading practices for car sharing scheduling/pooling programs. **Governance and Oversight Benchmarking** The City participates in the Municipal Benchmarking Network Canada (MBNC) program in Canada, which gives a reasonable view on how its fleet performs compared with others. What is missing is the next level of analysis that seeks to identify the root causes of superior performance in other municipalities.
Implication		**Utilization Benchmarking** Without benchmarking utilization with comparable organizations, there is a risk that the practices used by the City of London may not be the most current. **Car Sharing/Pooling Program Benchmarking** There is a risk that the City may miss an opportunity to drive down the number of assets and so may incur costs unnecessarily. **Governance and Oversight Benchmarking** There is a risk that City may not learn from and capitalize on good practices being developed in other municipalities.
Recommendation		**Utilization Benchmarking** We recommend implementing a procedure for benchmarking utilization with comparable organizations. This should include: the treatment of low utilized assets, electric vehicle as a percentage of fleet, policies for corporate ride sharing, "green" driver training programs, and benchmarking telematics results (amongst others as applicable). Further, we recommend trending asset utilization by class, by month and reviewing at least annually to identify potential opportunities to improve utilization. Comparable organizations include: - Calgary; - Kitchener/Waterloo; - Saskatoon; and - Regina. **Car Sharing/Pooling Program Benchmarking**

	We recommend the City of London discuss this approach with the municipalities identified (Calgary and Richmond (BC) have similar programs in place) and consider a pilot scheme to test its applicability for the City. **Governance and Oversight Benchmarking** The City should continue in the MBNC program and open a dialogue with the Fleet managers of other municipalities on the key findings identified in our report. The dialogue should be used to identify potential changes to be made to the City's approaches, policies and procedures in support of delivering its objectives, plans and strategies.
Management Comments	**Person(s) responsible for actions** Senior Manager of Fleet through to the Director of Fleet and Facilities **Expected timing of actions** Review and examination of Car pooling programs by noted municipal anticipated by August 2022. Develop policies and procedures for consideration by Q4 2022. Target implementation strategy to begin in 2023. **Actions to be taken** • Continue to investigate utilization and car pooling alternatives and Leading practices through networking and collaborating. • Expand use of Telematics to assist with understanding usage patterns and opportunities. • Prepare utilization policy and procedures to pilot a car sharing program and scheduling system to accommodate shared vehicle assignments and access to "just in time" and scheduled/planned short term vehicle requirements • Track performance and expand program over the multi-year budget term with reduction targets set each year **Considerations** Fleet will require both human resources and software to support this objective. Service areas need to be key partners and have conservation and emission reduction targets and perhaps incentives for meeting performance objectives.
Responsible Party and Timing	Senior Manager of Fleet through to the Director of Fleet and Facilities Review and examination of Car pooling programs by noted municipalities anticipated by August 2022. Develop policies and procedures for consideration by Q4 2022. Target implementation strategy to begin in 2023.

Leading practice	FP 6.0 – Leading practices for consideration
Observation	We identified various opportunities to apply Leading practices, including: **Budgeting process** • Inject tension into the budgeting process by managing asset utilization targets and driving reductions is asset numbers; **Telematics** • Implement full capabilities on telematics to asset classes with acceptable payback; • Implement polices and procedures requiring the analysis of telematics data; • Implement polices and procedures on the confidentially, use and storage of telematics data; **EVs and GHGs** • Develop a road map for EV additions; • Apply a road map for GHG reduction strategy, electrification strategy and implement policies and procedures; • Implement KPIs to monitor EV adoption process; • Implement policies in plan for EV infrastructure that supports EV adoption targets; **Others** • Implement actionable thresholds for asset utilization with clear delegated authority; and • Implement policies and procedures considering actual asset use/need in the procurement process.
Implication	Without the above actions, policies and procedures in place, the City of London may not achieve leading practices for Fleet operations, which may result in lower then achievable efficiency, increased long-term costs, and potentially not achieving city wide strategic objectives.
Recommendation	We recommend implementing all items outlined in the listing above.
Management Comments	**Actions to be taken** • Review options to apply tension to the service area fleet multi year budget process. (Targeted vehicle reductions over the MYB) • Continued development of EV and low emission vehicle strategy in line with Climate Emergency Action Plan commitments • Expansion of telematics system to support change and alternatives to vehicle assignments based on actual utilization and usage pattern data. • Work closely with the Climate Change and Facilities Divisions to establish long term plans and requirements for infrastructure and operational plan amendments to accommodate change. **Considerations** Service level changes and demand for services continue to increase the number of vehicles and equipment required.

Responsible Party and Timing	Senior Manager of Fleet, Director of Fleet and Facilities, Finance Supports Team In line with the next Multi-Year Budget (MYB) process, consider the implementation of changes as part of the budgetary preparation for service areas. Begin work September 2022.

Appendix 1 – Internal Audit detailed scope

Specifically, the Internal Audit addressed the following areas:

Review of City of London's fleet management processes:
• Review and evaluate, in outline, the effectiveness of the process controls of the budgeting and forecasting process, including for fleet asset acquisitions and asset maintenance; • Review and assess the effectiveness of the controls related to City's software (Telematics) to assess how effectively Fleet and customers' data are managed and used to drive asset utilization, operating effectiveness and efficiency and the need to replace assets; • Assess the effectiveness of current vehicle assignments, processes and procedures. Identify opportunities for alternative models for assignments to reduce fleet asset inventory; and • Understand the fleet electrification strategy and identify potential efficiency improvements and cost savings.

Appendix 2 – Internal Audit rating scale

Individual observation prioritization

Internal Audit has prioritized each observation and recommendation within this report using a four point rating scale. The four point rating scale is as follows:

Description	Definition
High	Observation is high priority and should be given immediate attention due to the existence of either significant internal control risk or a potential significant operational improvement opportunity.
Medium	Observation is a moderate priority risk or operational improvement opportunity and should be addressed in the near term.
Low	Observation does not present a significant or medium control risk but should be addressed to either improve internal controls or process efficiency.
Leading Practice	Consideration should be given to implementing recommendations in order to improve the maturity of the process and align with leading practices.

Appendix 3 – Stakeholder involvement

In conducting this assessment, the following City of London management and staff were interviewed to gain an understanding of the Fleet processes and practices.

Stakeholder	Position	Division
Mike Bushby	Division Manager	City of London – Fleet and Operational Services
Khalid Satti	Asset Management Systems Coordinator	City of London – Fleet and Operational Services
Tim Wellhauser	Director	City of London – Fleet and Facilities
Barrie Galloway	Manager of Fleet Services (Maintenance)	City of London – Fleet and Operational Services
Dave Fawcett	Manager of Fleet Planning	City of London – Fleet and Operational Services

Appendix 4 - Audit procedures performed

As part of the review of City of London's fleet management processes, the following procedures were performed:

- Conducted planning meeting with the City of London Fleet and Operations team;
- Updated and issued finalized Project Charter and request for information;
- Conducted meetings and interviews with Fleet management to obtain an understanding of operational processes, policies and procedures;
- Development Leading practices applicable to Fleet operations for the agreed upon in scope criteria;
- Inspected support documentation, in conjunction with management interviews to assessment whether the Fleets operations were aligned with Leading practice;
- Responding to emails, phone calls and in-person requests, ensuring adequate process documentation (service requests), tracking and monitoring performance, and compliance with applicable policy requirements;
- Consulted with subject matter expert(s) on the City of London's current processes and compared to Leading practices used by industry leaders;
- Using the reviewed documentation and interview narratives, assessed the effectiveness of the Fleet management process;
- Drafted preliminary observations and verified observations with management;
- Conducted a closing meeting with key management stakeholders to validate and communicate our findings, and
- Issued this Internal Audit report with our detailed observations.

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