



STAFF REPORT INFORMATION ONLY

Progress Report: Auditor General's Report – Review of TTC Bus Maintenance and Shops Department, Phase Two: Non-Revenue Fleet and Equipment Management and Maintenance

Date:	May 27, 2015
To:	TTC Audit Committee
From:	Chief Executive Officer

Summary

The purpose of this report is to report back to the TTC Audit Committee on the progress of action plans developed in response to the phase two audit recommendations for the non-revenue fleet and equipment management and maintenance.

Financial Impact

This report has no financial impact beyond the 2015 to 2024 Capital budget that was approved by Council on March 10-11, 2015.

The Chief Financial & Administration Officer has reviewed this report and agrees with the financial impact information.

Decision History

The Non-Revenue Fleet & Equipment section of the TTC was audited in 2014 by the City of Toronto Auditor General's Office. This audit was Phase Two of a larger audit conducted on the Bus Maintenance & Shops Department.

Twenty-one recommendations were outlined in the Auditor General's Report dated December 24, 2014 – Phase Two: Non-Revenue Fleet and Equipment Management and Maintenance. The recommendations were related to the following areas of concern:

- A. Governance
- B. Vehicle and Equipment Acquisition
- C. Inventory Management

- D. Rental Vehicles
- E. Garage Operations
- F. Warranty Administration

Based on the recommendations, TTC staff developed a total of 47 action plans to address areas of Bus Maintenance concerns itemized in points A to F above.

In addition to the above areas of focus, the Auditor General also reviewed TTC's management of fuel cards. A total of four recommendations resulted from this audit. Staff created six action plans to address the management of fuel cards.

This report provides a summary of the progress made on the action plans.

Issue Background

Governance

The following recommendations were provided for this area of concern:

Recommendation #1:

The Board requests the Chief Executive Officer to review the current non-revenue vehicle and equipment fleet management structure with a view to ensuring all key fleet management functions are defined and established with adequate corporate oversight.

Recommendation #2:

The Board requests the Chief Executive Officer to consider implementing a chargeback process or other measures for non-revenue vehicle and equipment costs to help optimize use of vehicle and equipment resources by user departments and enhance accountability.

TTC current governance structure is a 'decentralized' system. As a result, roles and responsibilities between the various departments and user groups are not well defined. Corporate oversight and strategic planning is therefore lacking.

TTC staff have developed five action plans to address recommendation #1 and one action plan to address recommendation #2. These include identifying a dedicated Non-Revenue Fleet Manager, a complete review of the organizational structure and investigating options to increase accountability amongst vehicle and equipment user groups. Of the six action plans one has been completed and five are in progress.

One of the five action plans related to recommendation #1 has been completed with the identification of a dedicated Non-Revenue Fleet & Equipment Manager. Two of the remaining four action plans which include investigating a new organizational structure and defining roles and responsibilities are in progress. The remaining two action plans involve implementing organizational changes which will be addressed in future budget changes.

Investigation into the possibility of implementing a charge back process has also been completed and was not considered a practical control. Staff, however, recognized the need to increase visibility of user group costs and expenses for vehicles and equipment under their control. As a result, process improvements for better data collection are being investigated and implemented so that annual reports can be generated for department staff to review, monitor costs and track expenses.

The action plans developed to address Governance will change the way the non-revenue fleet and equipment section is managed, from a decentralized system to a centralized system. Consultation with the City of Toronto's Fleet Management Division has been initiated to potentially mirror organizational structure.

Vehicle and Equipment Acquisition

Five recommendations by the Auditor General have resulted in this area of focus. These included:

Recommendation #3:

The Board requests the Chief Executive Officer to enhance the current review and approval process for non-revenue vehicle and equipment acquisitions such that the needs, purposes and project usage of the requested vehicles and equipment can be adequately evaluated.

Recommendation #4:

The Board requests the Chief Executive Officer to conduct detailed reviews of utilization levels of non-revenue vehicles and equipment to identify underutilized vehicles and equipment.

Recommendation #5:

The Board requests the Chief Executive Officer to undertake an assessment of alternatives of meeting non-revenue vehicle and equipment needs prior to finalizing annual vehicle and equipment procurement decisions.

Recommendation #6:

The Board requests the Chief Executive Officer to take immediate actions to identify and prioritize the replacement of existing aging non-revenue vehicles incurring significant annual maintenance and repair costs.

Recommendation #7:

The Board requests the Chief Executive Officer to ensure that vehicle life cycle costs are actively monitored and analyzed as part of the non-revenue fleet management functions. A re-assessment of the current non-revenue vehicle replacement criteria should be undertaken to ensure the criteria are effective in preventing excessive maintenance and repair costs

Based on the above recommendations, staff developed 13 action plans, out of which 2 of which have been completed. Due to the similarities of the recommendations, many of the 13 action plans have been combined. At the core of the action plans, is the need to consult with each user group and conduct an overall 'Needs Assessment Review'. Information collected from each user group will be compiled to develop a corporate strategy for non-revenue vehicles, a fleet plan for procurement and options to share vehicles based on usage. Information collected will be used to develop a Non-Revenue Fleet & Equipment plan for the 2016-2025 budget submission. As of April 15, 2015, 80% of the user groups have been consulted as part of the needs assessment review, with completion expected by the end of May 2015.

An action plan to address recommendation #6 has been completed, which was to retire vehicles which have exceeded their planned lifecycle; this was addressed as new vehicles were received in early 2015.

A review of replacement criteria as identified in recommendation #7 was also completed. Replacement criteria were found to be in line with other city agencies and the City of Toronto Fleet Services Division criteria.

Inventory Management

One recommendation resulted from this area of the audit. Based on recommendation #8, staff developed a total of 6 action plans to address inventory with one plan completed to date; the remaining plans will be addressed with integration of the non-revenue fleet into the Vehicle Work Order system (VWO).

Recommendation #8:

The Board requests the Chief Executive Officer to review inventory management of non-revenue vehicles and fleet equipment to ensure the inventory is accurate, complete and up-to-date. Steps to be taken should include but not be limited to:

- a. Assigning a staff person responsible for the oversight and management of inventory*
- b. Establishing clear policy and criteria defining the type and value of assets to be tracked*
- c. Ensuring records kept in the Vehicle Work Order (VWO) system meet annual asset reporting requirements and*
- d. Expanding the current criteria for tracking fleet equipment in VWO to establish a centralized and complete fleet equipment database*

Critical to inventory management are the processes, controls and tools available to staff. The VWO system utilized by the Bus Maintenance and Shops Department and the Materials and Procurement Department was implemented in 2012. The software did not allow for efficient material handling processes, adequate controls and tracking of inventory. This system is also used to manage the bus fleet. Deficiencies were recognized by staff prior to the Auditor General's audit.

In 2013, staff commenced developing improvements and upgrades to the VWO system. Improvements are currently being implemented for the bus fleet. Similar improvements and upgrades are scheduled for the Non-Revenue fleet in 2016-2017. Improvements will not only be identified for the VWO system, but a complete business analysis will be performed to include improvement to processes, controls and oversight.

Rental Vehicles

A total of 4 recommendations were listed for this area of the audit, staff developed a total of 5 action plans to address rental vehicle management. To date two plans have been completed; the remaining will be addressed in conjunction with other plans as part of this audit.

Recommendation #9:

The Board requests the Chief Executive Officer to review the list of long-term rentals of non-revenue vehicles to determine whether these long-term rentals are justified and cost effective.

Recommendation #10:

The Board requests the Chief Executive Officer to enhance current rental vehicle review and approval process by incorporating a corporate wide review of rental vehicle needs, available vehicle resources and opportunities for shared usage.

Recommendation #11:

The Board requests the Chief Executive Officer to review rental vehicle insurance costs provided by rental companies. A determination should be made as to whether self-insurance coverage is less costly.

Recommendation #12:

The Board requests the Chief Executive Officer to work collaboratively with the Director of the City of Toronto Fleet Services Division to determine the feasibility of issuing a joint Request for Quotation in future acquisition of rental vehicles.

The need for rental vehicles and alternatives for renting are being reviewed as part of the Needs Assessment Review. The action plan for recommendation #10 has been completed. A new review process has been implemented and the number of rental vehicles has been reduced from 81 to 57 as of April 10, 2015. In most cases this was achieved as new vehicles were purchased and rental vehicles returned.

Staff is currently compiling data to perform a cost benefit analysis between vehicle insurance provided by rental companies vs self-insurance coverage which is what the city uses. The targeted completion date for the analysis is May 28, 2015. Staff is also consulting with the City of Toronto Fleet Services as part of the Shared Service Committee, to determine the feasibility of adopting a shared rental vehicle contract.

Garage Operations

A total of 7 recommendations were listed for this area of the audit, staff developed a total of 14 action plans to address rental vehicle management. To date three plans have been completed; the remaining plans will be completed in conjunction with Global Position System, Automatic Vehicle Locating system (GPS/AVL) pilot, and VWO integration which are part of this audit.

Recommendation #13:

The Board requests the Chief Executive Officer to take steps to improve non-revenue vehicle user compliance with scheduled maintenance, including steps to address user concerns

Recommendation #14:

The Board requests the Chief Executive Officer to ensure accurate and up-to-date non-revenue vehicle kilometrage data are obtained to facilitate effective preventative maintenance scheduling

Recommendation #15:

The Board requests the Chief Executive Officer to improve the effectiveness of the Vehicle Work Order system for non-revenue fleet management. Steps to be taken should include but not be limited to:

- (a) Addressing existing preventive maintenance scheduling issues in the system;*
- (b) Ensuring adequate system access is provided to garage management staff;*
- (c) Re-assessing the practicality of existing data entry controls;*
- (d) Ensuring accuracy of system generated management reports; and*
- (e) Expanding the existing system reports to include reports on fleet management key performance indicators.*

Recommendation #16:

The Board request the Chief Executive Officer to develop and implement non-revenue fleet quality assurance processes to systematically monitor and detect repair quality issues.

Recommendation #17:

The Board request the Chief Executive Officer to ensure adequate controls are in place at TTC garages to deter and detect ordering of non-revenue vehicle and equipment parts for non-TTC uses. Periodic reviews should be considered by TTC internal audit staff.

Recommendation #18:

The Board request the Chief Executive Officer to take steps to shorten garage service turnaround time for non-revenue fleet by addressing issues pertaining to garage capacity, availability of technicians, parts availability and maintenance scheduling.

Recommendation #19:

The Board request the Chief Executive Officer to shorten the period of time readying a new non-revenue vehicle for operation. Steps to be taken should include but not be limited to setting a targeted time frame and improving coordination and communication among various TTC departments.

Efficiency of operations is largely dependent upon the tools in place to manage data collection, planning and scheduling. To improve preventive maintenance compliance, planning and scheduling, the following tools are being implemented and improved upon:

1. GPS - Global Positioning Systems / AVL - Automatic Vehicle Locators
2. VWO – Vehicle Maintenance Systems

The implementation of GPS and AVL, onto the non-revenue fleet will assist to collect more accurate mileage data and to better plan maintenance activities (recommendations #13 & 14). GPS/AVL installation on 20 vehicles is scheduled for June 2015 as a pilot program. If successful, full implementation will be rolled out commencing in 2016.

Modifications to the existing maintenance work order system, VWO, will also commence in June 2015 to link it with the GPS/AVL system. Data from the GPS/AVL will be used to feed the VWO to better plan maintenance work. Improvements to the VWO system and the closing of the material stores area similar to business improvements being conducted in the bus garages will also be performed for the non-revenue garages. These improvements will result in tighter controls of material inventory and further help with maintenance planning (recommendations 15, 17 & 18).

As part of Bus Maintenance & Shop's continuous improvement process, a Vehicle Reliability and Quality Assurance Group was implemented for the city bus garages. In addition, Reliability Centered Maintenance (RCM) programs are being developed and rolled out for the city bus fleet. Similar resources and programs will be implemented for the non-revenue fleet to address recommendation #16.

Warranty Administration

A total of 2 recommendations were listed for this area of the audit. Staff developed 3 plans to address warranty management. To date one plan has been completed; the remaining plans require feedback from the City of Toronto Fleet Services, who are undergoing their own organizational review. Warranty tracking of non-revenue repairs will be completed in conjunction with integration and updates of VWO.

Recommendation #20:

The Board request the Chief Executive Officer to establish a formal warranty management process for non-revenue vehicles and fleet equipment such that warranty claims are maximized.

Recommendation #21:

The Board request the Chief Executive Officer to ensure the non-revenue vehicle procurement process take into account the ease and practicality of warranty administration.

Staff has met with City of Toronto Fleet Services and confirmed that we are following similar processes to identify and recover existing warranty of current purchases. Staff has also updated our new vehicle Request For Proposal's to include an improved warranty specification, improved vendor repair reaction timeframe, and a process for warranty charge backs to the suppliers as necessary.

Fuel Cards

A total of 3 recommendations were listed for this area of the audit. Staff developed 4 action plans to address fuel controls. To date three plans have been completed; the remaining plan will be completed with the rollout of the updated Fuel Card User Process.

Recommendation #1:

The Board request the Chief Executive Officer to review and revise the current fuel card policy and procedures such that adequate controls are developed and implemented to facilitate effective monitoring of fuel card transactions and detection of questionable transactions

Recommendation #2:

The Board request the Chief Executive Officer to take the necessary steps to improve compliance with fuel card policy and procedural requirements, including but not be limited to:

- a. Developing additional procedural requirements to hold user group management staff accountable for non-compliance with fuel card policies;*
- b. Undertaking an immediate review of active Personal Identification Numbers (PINs) to identify and cancel PINs previously assigned to employees who have since terminated their employment; and*

c. Developing procedures to facilitate timely notification and cancellation of PINs upon employment termination.

Recommendation #3:

The Board request the Chief Executive Officer to strengthen existing fuel card administration and monitoring processes by the Systems Contract and Administration Unit. Steps to be taken should include but not be limited to:

a. Ensuring the issuance of fuel cards and personal identification numbers are in accordance with the policy and procedural requirements;

b. Improving the effectiveness of transaction sample reviews by the Systems Contract and Administration Unit; and

c. Defining exception reporting requirements and providing regular exception reports to aid management review of fuel card transactions and monitoring.

Staff is updating the fuel card process to improve controls and user accountability. A revised fuel card user tracking process has been implemented to ensure employee transfers/retirements are reflected in PIN cancellations as appropriate, as well all user PIN's assigned can be cross-referenced and identified as valid. Reports of any transaction errors or questions are identified and forwarded to the user group Managers for follow-up. Fuel card supplier industry standard exception reports are being obtained to allow for a second review of fuel card usage for the user groups review. The addition of Global Positioning System (GPS) vehicle tracking and fuel dispensed into each vehicle will aid in future fuel controls as the initiatives come online.

Fuel Purchase Options

There was 1 recommendation related to the fuel purchase area of the audit. Staff developed 2 action plans to address this area. To date one plan has been completed which has staff attending all of the City Shared Services Committee Meetings. The remaining plan will be completed with the completion of the city fueling pilot, which should be evaluated in the fall of 2015.

Recommendation #4:

The Board request the Chief Executive Officer to, prior to issuing TTC's next fuel card contract in 2016, work with the Director of the City of Toronto Fleet Services Division to determine the feasibility and merits of utilizing the City's fuel supply

system including the City operated fuel stations, the City fuel card, and the radio-frequency identification technology.

Staff is piloting with City of Toronto staff a number of TTC vehicles with AssetWorks fuel tracking hardware, which will allow TTC non-revenue vehicles to obtain fuel from city Super Fuel sites. This pilot evaluation will take place through to Q4 of 2015 to determine if city fueling sites will meet the needs of the TTC non-revenue vehicles prior to the expiry of the current TTC fuel card contract.

Accessibility/Equity Matters

There are no accessibility or equity matters related to this report.

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