AUDITOR GENERAL
Halifax Regional Municipality

A Performance Review of
Halifax Regional Fire & Emergency –
Non-Emergency Fleet Vehicle Allocation Process©

Audit & Finance Standing Committee
October 15, 2014

Background

➢ Halifax Regional Fire & Emergency (HRFE) fleet consists of approximately 300 vehicles

- HRFE non-emergency fleet vehicles (generally not used in emergencies) using the OAG definition (agreed to by HRFE) approximately 100

- 49 allocated individually, 51 allocated to stations.

➢ Non-emergency fleet vehicles defined as SUVs, passenger vehicles and light-duty trucks and vans

- The OAG refined the definition to include HRFE vehicles equipped with lights, siren, a radio and decals but whose primary purpose is to engage in non-emergency activities such as attending training, station visits and meetings.

AUDITOR GENERAL
Halifax Regional Municipality

➢ HRFE is the end-user of the vehicles; Corporate Fleet & Equipment (CFE) - TPW provides ongoing maintenance and funds all operational costs (including fuel & repairs)

➢ HRFE non-emergency fleet vehicle allocations

- between 2012/13 – 2013/14

➢ To identify and provide commentary with respect to the consistency and appropriateness of (HRFE) non-emergency, fleet vehicle allocations

- Assess if the HRFE non-emergency fleet allocation program ensures an efficient, effective and economic use of resources. Focusing on the following:
  - Overall Governance including:
    - Policies and procedures
    - Controls
    - Reporting

➢ Is management demonstrating value for money?

➢ Provide commentary for improving value for money.

➢ To provide commentary around the value for money actually achieved by management, the OAG creates lines of enquiry related to the three program components (Policy, Management, Outcomes).

➢ Should insufficient information be available to allow the OAG to review any or all of the components, the extent to which management has demonstrated value for money and the extent to which the OAG can evaluate the level of value for money achieved, is limited.

➢ It is important to remember, the first management function needed is a business case for the expenditure which has as its basis, how the expenditure is of direct benefit to the taxpayer.

Performance – Governance

- Few proper processes in place to ensure an efficient, effective and economic use of inputs

- Decentralized organizational structure
  - Yet appears the attempt to centralize the program

- Controls not understood by all and few functioning controls

- Little in the way of meaningful reporting

➢ The business purpose of the current non-emergency fleet allocation model in unclear:

- No clear objectives for HRFE allocation program

- Unable to maximize value for money in terms of effectiveness and economies

- Lack of adherence to the few policies, procedures and directives which do exist

- Limited usage data available

- Daily logs either not prepared or do not appear accurate

- Non-emergency fleet vehicles previously required to report usage excused from this requirement after the vehicle outfitted with lights, siren, decals and a radio
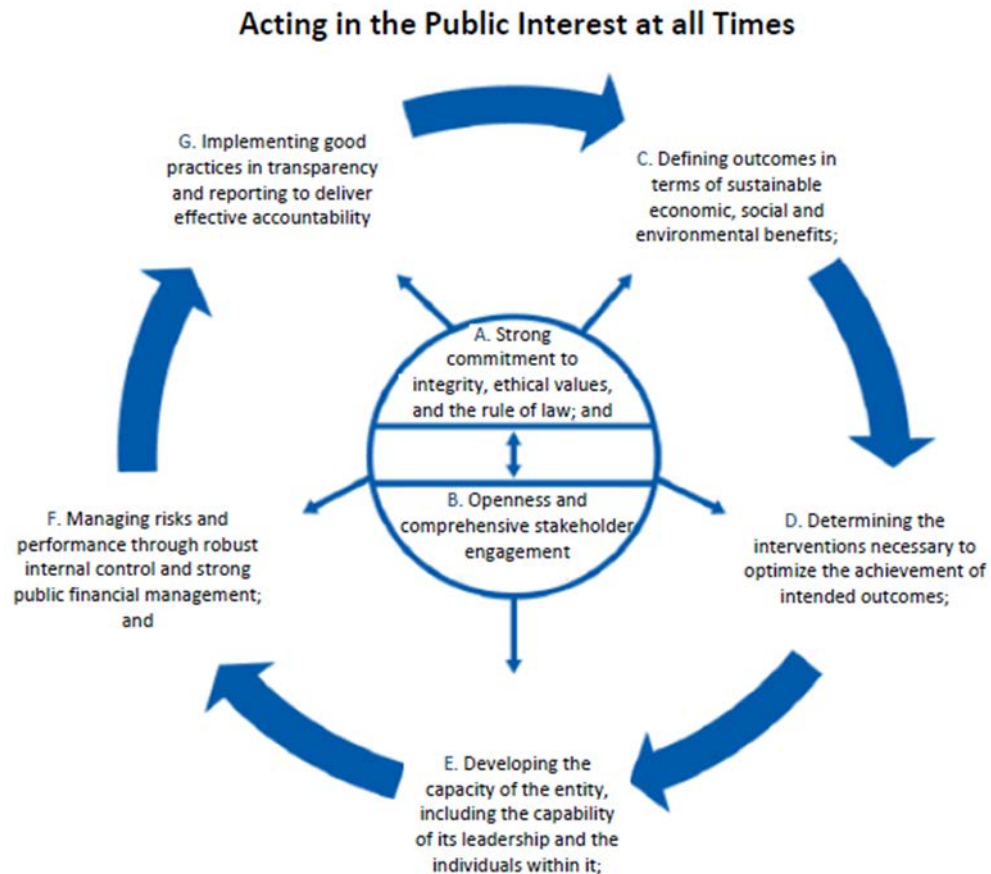
- HRFE is an end user of HRM fleet vehicles with costs budgeted for and expensed by TPW

- Underutilized (low mileage) vehicles remaining in service

- Personal use component

- Data generally not up to date.

- ➢ Management estimates for the vehicles (49) where data was available over $200,000 spent annually on fuel and maintenance costs
  - cost does not take in to consideration cost of capital, vehicle deprecation or other costs such as insurance.

- ➢ Materiality different for classes of transactions than financial statements as a whole.

- ➢ Materiality of issues looked at individually or collectively.

- ➢ Materiality in performance (value-for-money) auditing – not the same:
  - Limiting definition to omissions/misstatements excludes concerns around financial management behaviour
  - Users may make decisions other than economic decisions.

➢ Performance auditing considers to what extent value is or is not achieved – the amount spent is not the issue it's **how** the tax dollars were spent and whether the program **outcomes** were achieved

- Some transactions more sensitive to taxpayers than others.

➢ Taxpayers are concerned with whether tax dollars are being managed properly, the OAG's role is to report on whether this is happening regardless of the financial statement materiality of the program

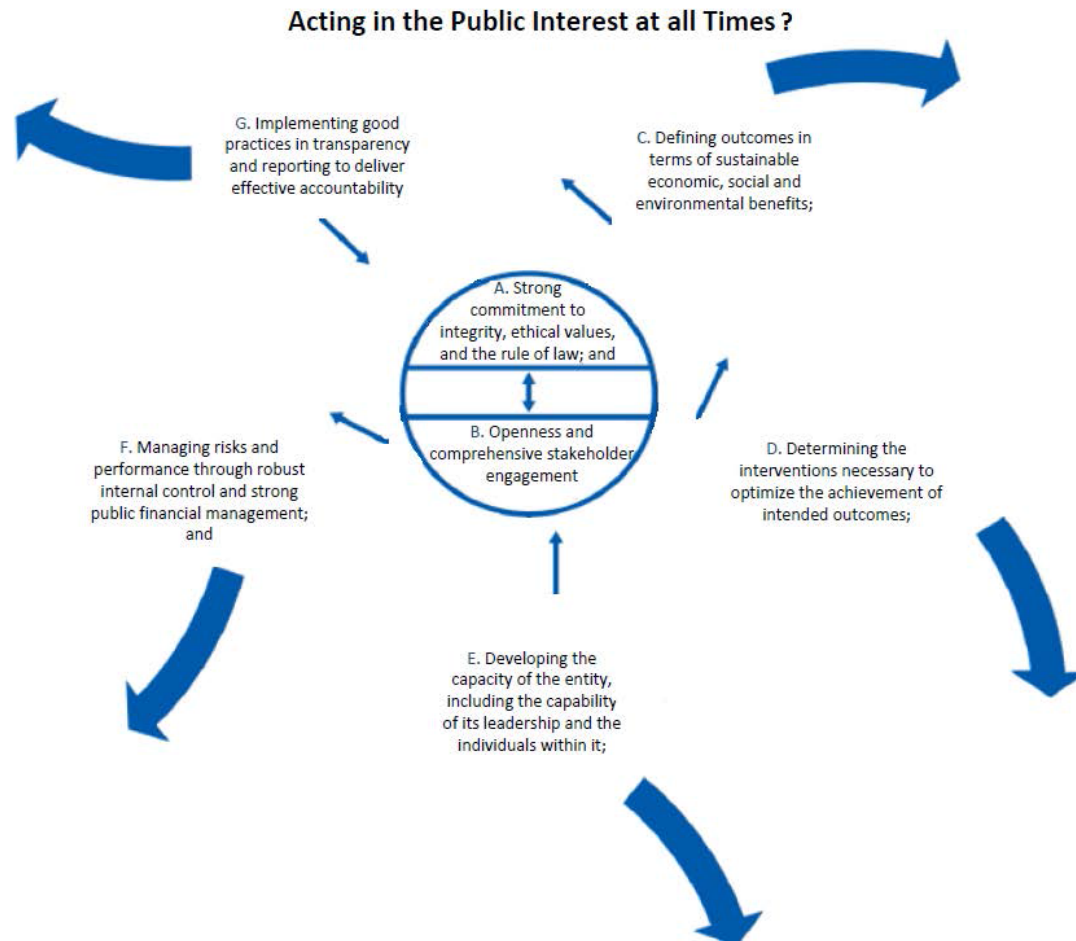- Greater emphasis on qualitative aspects.

Relationships between the Principles of Good Governance in the Public Sector

Acting in the Public Interest at all Times

G. Implementing good practices in transparency and reporting to deliver effective accountability

C. Defining outcomes in terms of sustainable economic, social and environmental benefits;

A. Strong commitment to integrity, ethical values, and the rule of law; and

B. Openness and comprehensive stakeholder engagement

F. Managing risks and performance through robust internal control and strong public financial management; and

D. Determining the interventions necessary to optimize the achievement of intended outcomes;

E. Developing the capacity of the entity, including the capability of its leadership and the individuals within it;

➢ The OAG expected a program which included:

- Outcomes which are clear and defined to support an effective and economical program
- Monitoring of all non-emergency fleet vehicles, including
  - Detailed logs
  - Detailed reporting
  - Regular reviews of current fleet allocations
- Demonstration of how value-for-money is achieved, in terms of effectiveness and economies.

➢ The program is functioning to provide an output, however there is no evaluation of whether this process is optimal for HRM.

➢ There does not appear to be a centralized accountability for the entire process:

  • The OAG concludes, at the time the project commenced, no one person understood all components – far too fragmented

  • The OAG questions why a decision would be made to apparently eliminate most accountability at the business-segment level.

Acting in the Public Interest at all Times ?

G. Implementing good practices in transparency and reporting to deliver effective accountability

C. Defining outcomes in terms of sustainable economic, social and environmental benefits;

A. Strong commitment to integrity, ethical values, and the rule of law; and

B. Openness and comprehensive stakeholder engagement

F. Managing risks and performance through robust internal control and strong public financial management; and

D. Determining the interventions necessary to optimize the achievement of intended outcomes;

E. Developing the capacity of the entity, including the capability of its leadership and the individuals within it;

➢ HRM Fleet Guidelines – overarching policy
- "HRM is, therefore, committed to being efficient and effective with taxpayers' dollars and to being environmentally responsible. HRM, therefore, will continually seek to 'Right Size' its fleet."

➢ The Fleet Policy mandates all City vehicles **must** fall within the utilization thresholds and guidelines … "the standards outlined be applied consistently."

➢ One of the guiding principles states … "Sharing of vehicles wherever possible is the optimum situation."

➢ HRFE no specific policies on allocations – policies are operational only.

➢ Lack of clarity over 'ownership' – as the OAG understands:

- HRFE has capital reserve account for acquiring vehicles
- CFE budgets include all operational costs such as maintenance and fuel costs.

➢ HRFE make decisions on allocations.

➢ Overall fleet management unclear

- Low usage – removal from service not happening.

AUDITOR GENERAL
Halifax Regional Municipality

➢ HRFE unable to make data based allocation / re-allocation decisions due to limited reporting.

➢ Detailed vehicle logs not maintained
  - Limited vehicles monitored (39 of 100)
  - Limited data collected / available
    - Detailed daily utilization not maintained.

➢ Optimum km threshold expected to support the purchase of and continued use of individual vehicles.
  - Cars – 11,000 km
  - Trucks/Vans – 17,000 km
  - SUV – 20,000 km

➢ HRM Fleet Guidelines set 'optimum' thresholds for vehicle classes

Exhibit 2 - **Projected Annual Kilometres with Optimum Threshold***
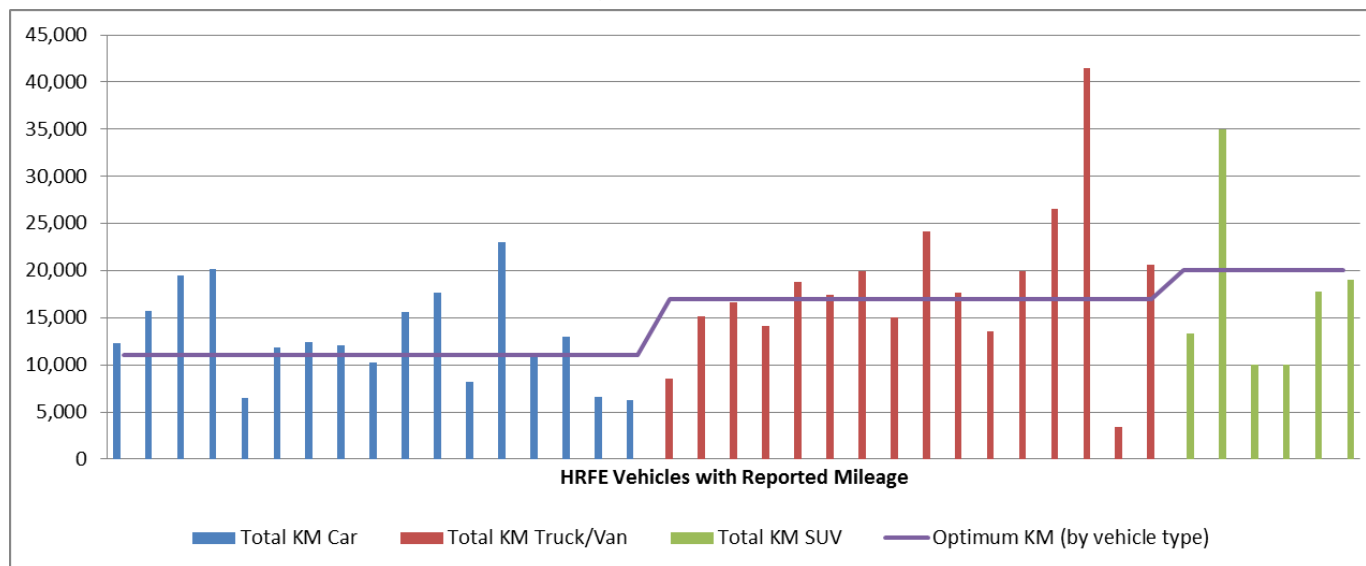
Data for monitored vehicles only (39)

*Based on extrapolated data March – May 2014. The OAG realizes the possible limitations of the data used, but is presenting the data for illustrative purposes.

➢ Data indicates* only 18 of 39 (or 46%) of the HRFE monitored fleet expected to meet the KM threshold

- With data available for only 39 of the 100 non-emergency fleet vehicles, the number of vehicles not meeting the threshold is likely higher.

➢ The OAG would have expected HRFE and CFE to be working together to better understand the continued need for these under-utilized vehicles and explore other possibilities for fulfilling the business requirement – however no evidence of this happening.

*Based on extrapolated data March – May 2014. The OAG realizes the possible limitations of the data used, but is presenting the data for illustrative purposes.

➤ The OAG was advised some HRFE staff are required to be on call and are allowed to take vehicles home overnight.

➤ Others not necessarily on call, permitted to take HRFE vehicles from work location to HRFE station closest to place of residence

- The business purpose or case supporting this decision is not clear
- It is the opinion of the OAG, under the current business practice, there remains a possibility of non-operational usage of non-emergency fleet vehicles.
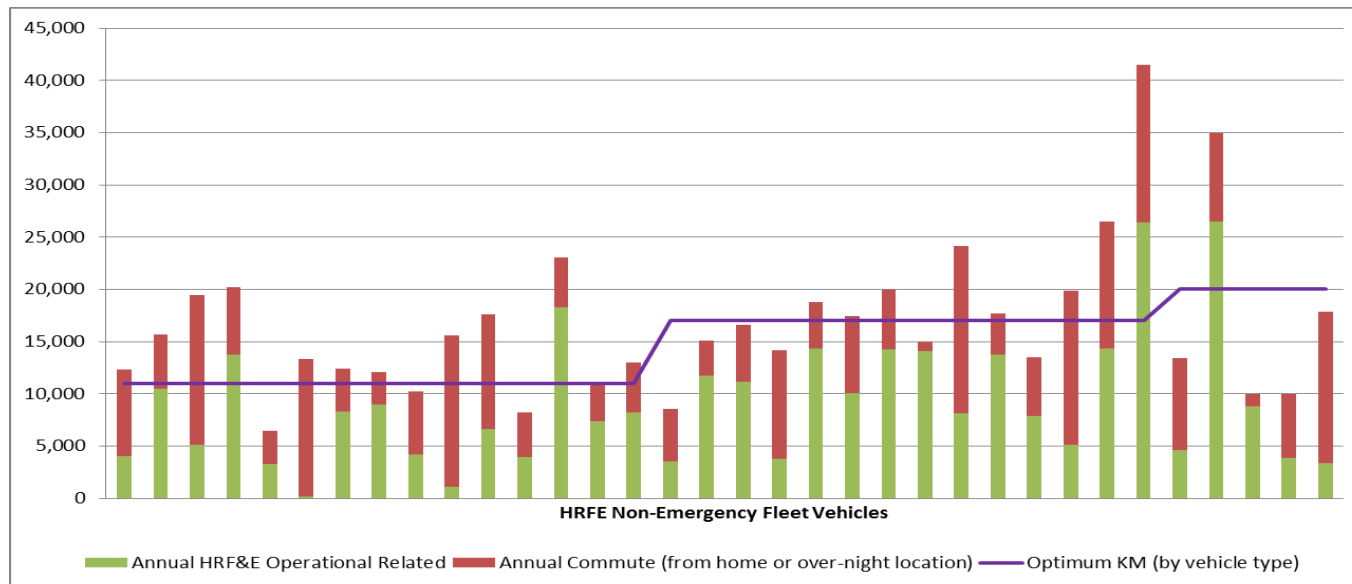
➢ OAG analysis[*] (for vehicles monitored) showed 39 round trips daily totalling 1,512 km for commuting from home/nearest station to work – examples:

- Six vehicles from Burnside to Cole Harbour (24 km each round trip)

- Three vehicles from Burnside to Musquodoboit Harbour (90 km each round trip).

➢ See Exhibit #3, page 23 of report

*Based on extrapolated data March – May 2014. The OAG realizes the possible limitations of the data used, but is presenting the data for illustrative purposes.

AUDITOR GENERAL
Halifax Regional Municipality

➤ 14 of the 34 vehicles taken from the primary work location to an alternate (non-work location) for overnight parking had more than 50% of the total kilometres driven related to commuting.

Exhibit 4 –   Projected HRFE Operational Kilometres / Commute Kilometres – Annualized*

Data for vehicles taken to alternate overnight location (34)

Legend: Annual HRF&E Operational Related / Annual Commute (from home or over-night location) / Optimum KM (by vehicle type)

X-axis: HRFE Non-Emergency Fleet Vehicles

*Based on extrapolated data March – May 2014. The OAG realizes the possible limitations of the data used, but is presenting the data for illustrative purposes.

➢ Increased annual cost (for fuel and maintenance) to HRM (CFE) in 2013/14 for HRFE commuting to and from work is conservatively estimated to be approximately $70,000
- Does not take in to consideration cost of capital, vehicle deprecation or other possible costs
- CFE estimated (provided verbally) 40% KM/costs related to commuting - OAG data analysis estimates 42%.

➢ HRFE support for the business practice of taking vehicles to alternate locations
- Individuals might leave their residence and/or overnight parking locations to travel directly to appointments or alternate work sites
- Without detailed daily vehicle logs this statement cannot be verified or the practice supported.

➢ Commuting to/from the workplace in HRFE vehicles, could be considered a benefit provided to some staff and not others.

*Based on extrapolated data March – May 2014. The OAG realizes the possible limitations of the data used, but is presenting the data for illustrative purposes.

AUDITOR GENERAL
Halifax Regional Municipality

➢ Operational KM – (daily commute KM removed)

Exhibit 5 – Projected Annual Kilometres (Operational Only – without Commute Travel) with Optimum Threshold* Data for monitored vehicles only (39)
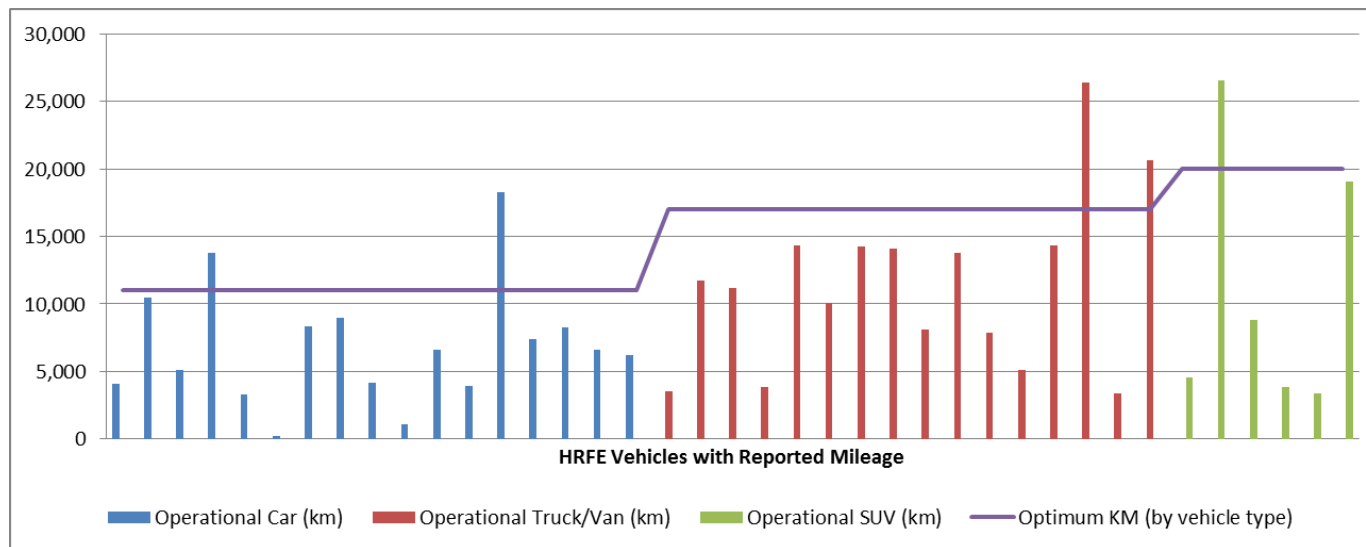
*Based on extrapolated data March – May 2014. The OAG realizes the possible limitations of the data used, but is presenting the data for illustrative purposes.

➢ With commute kms removed, based on limited data and sample size, only 5 vehicles would meet thresholds.

➢ Operational kilometres driven by monitored HRFE vehicles would suggest to the OAG both

- right-sizing the fleet, with fewer vehicles and
- right-fitting the fleet with vehicles better suited to the overall distances driven are necessary.

➢ The OAG has no reason to believe the non-monitored vehicles would be any different.

➢ HRM Fleet Guidelines state any vehicle driven less than the annual threshold of 'optimum kilometres' will be recalled to central fleet

- No HRFE vehicles had been recalled due to low usage.

➢ It would appear HRFE is not using, or exploring available options as set out in the HRM Fleet Guidelines, Section 1.4 such as:

- use of a departmental pool
- use of a fleet pool or
- use of employee vehicle, with mileage reimbursement.

Exhibit 6 – Vehicle Allocations – HRFE Divisions (March – May 2014)[*]

	Training	Prevention	Logistics[*]
Staff Complement (non-management)	11	17	7
Allocated Vehicles (non-management)	11	15	5
Average KM Driven (including commute)	3,479 km	3,405 km	5,956 km
Average KM Driven (operational)	1,680 km	2,081 km	3,374 km
% Operational KM to Commuting KM	48%	61%	57%
Lowest (Vehicle) Operational km Driven (3 months)	266 km[**]	826 km	1,283 km
Highest (Vehicle) Operational km Driven (3 months)	3,578 km	4,575 km	6,593 km
# Vehicles Below Optimum KM (projected annualized - with commute)	6	6	1
# Vehicles Below Optimum KM (projected annualized - operational only)	11	13	4

*for comparisons Logistics data is included from 2013 (February – April) as it is no longer required to be tracked.

**Low operational KM for Training used second lowest vehicle because of data anomalies.

➢ Inconsistent Data

- Multiple inventories

- Inconsistencies in vehicle listings

- SAP underutilized as partial information maintained 'off books'.

➢ Vehicle Utilization Recording – Log Books

- OAG advised daily log books are not maintained for the HRFE non-emergency fleet vehicles

- Only unsupported summary (monthly kilometres) forwarded to CFE for recording

- After a third request, HRFE provided **nine** daily log books:

  - seven of nine books included a single daily entry

  - one log utilized sheets provided with HRM's Fleet Guidelines (limited entries/limited months reported)

  - one book provided had no entries for the year.

➢ This lack of documentation appears to be in direct contradiction to a directive from the Deputy Chief on the topic of HRM Fleet Guidelines along with additional instructions for HRFE personnel advising the following vehicles would be tracked under this policy:

- All Training Division, Fire Prevention, Logistical, Chief Officer, EMO and Fire Safety Vehicles

- *"If the vehicle assigned to your position has emergency lights / siren installed and is used **primarily** for other duties outside of responding to emergencies - ex: travelling to meetings, station visits, etc., then this vehicle would fall under the policy and require a mileage tracking sheet."*

➢ Despite the Deputy's note on vehicles to be tracked the OAG observed notations on records submitted to CFE where vehicles were no longer required to be tracked as the vehicle was now equipped with lights, siren, decals and a radio

- The OAG was advised emergency equipment is installed to allow movement through traffic in a safe manner to arrive at an emergency site sooner than normal vehicle traffic would allow.

➢ The OAG questions why the installation of emergency equipment removes the requirement to track vehicle usage for the collection of data for reporting, utilization and allocation decisions.

18 Recommendations in Total

1.1.1 The OAG recommends HRFE develop clearly defined usage outcomes for all HRFE non-emergency fleet vehicles to support program objectives and demonstrate effective use of inputs.

Clearly defined outcomes would provide guidance around allocations, by division and location, with consideration for effectiveness and economies, ultimately demonstrating how value for money is achieved.

1.1.3   The OAG recommends HRFE develop, with CFE, a vehicle monitoring and reporting system to provide HRFE with relevant utilization and allocation data to support the defined outcomes established in Recommendation 1.1.1.

1.2.1   The OAG recommends HRFE develop and document a policy and application processes in support of the defined outcomes as recommended in 1.1.1. Included in the policy should be an emphasis on the allocation of non-emergency fleet vehicles based upon job-specific requirements to ensure appropriate vehicles are allocated for appropriate tasks.

A documented program with policies in place and intended outcomes defined, would also allow for the establishment of criteria against which the program could be assessed.

1.3.1 The OAG recommends HRM Administration review the current non-emergency fleet allocation program objectives and more clearly define roles between HRFE and CFE so greater accountability for costs and hence greater value for money can be achieved.

2.0.1 The OAG recommends HRFE consider expanding tracking and monitoring requirements to include vehicles equipped with lights, siren, decals and a radio if the vehicles have primarily a non-emergency response purpose and use.

AUDITOR GENERAL
Halifax Regional Municipality

2.0.2   The OAG recommends HRFE stop the business practice of allowing the use of HRFE non-emergency fleet vehicles, other than those allocated to individuals on call 24x7, for commuting to and from the workplace until such time HRFE defines the business purpose and establishes policies governing the use of HRFE vehicles for personal commuting.

2.0.4   In conjunction with Recommendation 3.0.1, the OAG recommends HRFE review current HRFE non-emergency fleet vehicle allocations to determine, on an individual basis, if the most economical means of vehicle allocation/reimbursement is being explored. Options may include pooled vehicles, mileage reimbursement or car allowances.

4.0.1 The OAG recommends HRM Administration require all HRFE non-emergency fleet vehicles be monitored under the HRM Fleet Guidelines and require daily mileage logs be maintained and submitted.

Daily vehicle logs should be fully completed logs as outlined within HRM Fleet Guidelines, recording all daily trips with locations and mileage. The logs should identify travel related to HRFE operations separate from travel to and from the workplace.

HRM Administration may want to consider a technology based solution, such as Automatic Vehicle Location (AVL), to assist with monitoring and the collection of vehicle records. In the interim, HRM Administration should consider leveraging existing AVL technologies currently utilized within other HRM business units.

4.0.2 Following the implementation of Recommendation 4.0.1, the OAG recommends HRFE and CFE ensure, as a minimum, the following reporting is available for vehicle allocation decisions:

- daily work mileage,

- daily commute mileage,

- year to date mileage,

- number of days vehicle is in use,

- vehicle maintenance / running costs and

- current assignment (division, individual etc.).

4.0.4 The OAG recommends HRFE make appropriate adjustments to non-emergency fleet vehicle reporting to identify trends related to vehicle utilization and use this reporting for allocation decisions. The OAG would suggest HRFE monitor, at a minimum, items such as:

- consistent over-utilized vehicles,
- consistent under-utilized vehicles and
- daily utilization (hours available) for pooling of vehicles.

4.0.5 The OAG recommends HRFE develop written guidelines to formalize the initiatives of vehicle rotation and vehicle 'right fitting', based on improved data collection and reporting.

AUDITOR GENERAL
Halifax Regional Municipality

10 October 2014

Larry Munroe
HRM Municipal Auditor General
Belmont House, Suite 620
33 Alderney Drive
Dartmouth, NS
B3J 3A5

Larry,

Thank you for the opportunity to review *A Performance Review of Halifax Regional Fire and Emergency – Non-Emergency Fleet Vehicle Allocation Process,* which was sent by your office on September 29, 2014. I have reviewed the report and am in general agreement with its content and findings. Based on the recommendations, Fire and Emergency will develop a plan to address the main issues identified in the report.

As noted in previous reports on other areas of municipal program delivery, we can improve on aspects of organizational policy development and performance measurement. We will begin the process of improving the management of non-emergency fleet by establishing stronger policy and procedures to support the program, ensuring consistency in applying the practices used to implement the program, and improving the identification of outcomes and monitoring of usage.

One noteworthy issue is your observation regarding the quality and quantity of data required for effective decision-making, primarily in the context of establishing a better inventory of fleet vehicles. As part of an ongoing corporate project, Fire and Emergency is working closely with Information, Communications and Technology to develop a five-year technology roadmap. This project is expected to increase data accuracy and confidence in available data, as well as improve reporting and efficiency in data collection.

As always, we will closely consider the material in this report and I will ensure that administration develops a more efficient and effective approach to addressing this area of service delivery.

Sincerely,

Original Signed

Fire Chief

HALIFAX

Halifax Regional Municipality
PO Box 1749, Halifax, Nova Scotia
Canada B3J 3A5

halifax.ca

QUESTIONS