Follow-Up Audit of Fleet Services

Presented To:	Audit Committee
Meeting Date:	September 16, 2025
Type:	Managers' Reports
Prepared by:	Ron Foster Auditor General
Recommended by:	Auditor General

Report Summary

The report provides a recommendation regarding the extent to which recommendations from the 2020 performance audit have been implemented to improve value for money within the Fleet Services section.

Resolution

THAT the City of Greater Sudbury approves the recommendations as outlined in the report entitled “Follow-Up Audit of Fleet Services”, from the Auditor General, as presented at the Audit Committee on September 16, 2025.

Relationship to the Strategic Plan, Health Impact Assessment and Community Energy & Emissions Plan (CEEP)

This report supports the strategic goal of service excellence which is part of a comprehensive system of attitudes, policies and processes that reflects a commitment to produce effective results while making the best use of limited resources

Financial Implications

No immediate financial implications.

Background

Previous Performance Audit Report - Microsoft Word - Final Fleet Services Audit Report Sept 1.docx

OBJECTIVE

This follow-up audit was conducted to assess the extent to which recommendations from the 2020 performance audit have been implemented to improve value for money within the Fleet Services section.

BACKGROUND

Fleet Services is a section of the Fleet & Facility Services Division and is responsible for maintaining over 600 City vehicles and pieces of equipment. It is also responsible for the acquisition and disposal of the general fleet (excluding transit buses and emergency vehicles) as well as supply of fuel and maintenance of six fueling stations. The section has 54 approved positions with 9 vacancies at the end of March 2025. The majority of Fleet Services staff provide maintenance services at the Lorne Street garage. Four staff work at regional depots. Financial results for the section are shown below.

Table 1 – Financial Results ($000s)

	2021		2022		2023		2024	
	Budget	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**
Salaries & Benefits	5,896	5,419	5,889	5,530	6,005	5,626	6,714	5,934
Materials & Operating	7,829	7,416*	8,143	9,232	8,528	9,306	9,305	10,696
Reserve Funds	3,866	4,074	3,979	4,139	4,292	4,562	4,726	4,954
Energy Costs	24	18	24	29	25	22	29	17
Purchased Services	140	149	99	104	99	78	15	151
Financial Services	-	-	250	206	250	310	-	199
Total Expenses	17,755	17,076	18,384	19,240	19,199	19,904	20,789	21,951
Internal Recoveries	16,346	16,348	16,986	16,999	17,834	18,147	18,980	19,153
Reserve Contributions	228	119	242	587	162	126	218	275
Other Revenues	1,270	235	257	168	222	282	218	148
User Fees	388	584	421	653	499	95	453	662
Total Revenues	17,232	17,286	17,906	18,607	18,717	19,250	19,869	20,238
Net Expenses	523	210	478	633	482	654	920	1,713
Net Recovery	97.1%	101.2%	97.4%	96.7%	97.5%	96.7%	95.6%	92.2%

**Expenses were lower than planned in 2021 as a result of reduced activities levels during the pandemic.*

METHODOLOGY & SCOPE

This audit included interviews of staff, analysis of policies, procedures, reports and data, and tests of controls for January 1, 2021 to June 30, 2025. This audit excluded the acquisition and disposition of the City's transit, fire and paramedics fleet which are responsibilities of staff in those divisions.

EXECUTIVE SUMMARY

Fleet Services has made progress since 2020 in areas such as defining its mandate, initiating annual reviews of underutilized assets, and improving coordination with departments on vehicle acquisitions and maintenance. However, several matters require further attention to improve value-for money.

AUDIT STANDARDS

We conducted our audit in accordance with Generally Accepted Government Auditing Standards which require that we adequately plan audits; properly supervise staff; obtain sufficient, appropriate evidence to provide a reasonable basis for audit findings and conclusions; and document audits. For further information regarding this report, please contact Ron Foster at the City of Greater Sudbury at 705-674-4455 extension

4402 or via email at ron.foster@greatersudbury.ca

OBSERVATIONS AND ACTION PLANS

A. Mandate of Fleet Services

Fleet Services maintains the fleet and equipment used by the City to deliver municipal services. While its mandate also includes the assessment, acquisition and disposal of fleet and equipment, its authority to manage fleet and equipment as a corporate asset remains unclear since the original report.

Fleet Services has lead responsibility for enabling service delivery through the acquisition of vehicles and equipment and ongoing maintenance. Operating departments have the lead responsibility for assessing the need and suitability of fleet and equipment that are required to meet the service expectations expressed by Council.

The 2020 Performance Audit of Fleet Services identified gaps in accountability for long-term vehicle lease decisions and recommended establishing Fleet Services as the lead authority for all acquisitions and disposals. It also emphasized the importance of requiring business cases to support lease agreements. Management agreed to address these issues by formalizing existing business processes into policy.

After our audit, management established the Fleet Governance Committee which has delegated authority from the Executive Leadership Team to provide leadership to fleet investment decisions with regard to:

- recommending strategic directions;
- recommending investment priorities;
- monitoring projects and service levels;
- approving standard operating procedures, policies and standards; and
- championing the innovative use of new fleet for the City and citizens of the City.

Observations:

The Fleet Acquisition and Disposal Policy designates Fleet Services as a central authority for acquiring new or replacement vehicles. Departments are expected to work in coordination with Fleet Services for decision making including criteria for “right sizing”, “lowest cost of ownership” and environmental impact. We noted that although the policy defines the principles behind decision making, more quantifiable criteria (e.g. lifecycle thresholds, cost-benefit metrics, condition scoring matrix, etc.) were not defined.

The Vehicle / Equipment Rental Request Form (“the Form”) does not require authorization of Fleet Services or validation of business cases prior to entering long-term lease agreements**.** Instead, the Director of Facilities and Fleet Services typically reviews the lease agreements. However, some divisional managers are still initiating lease agreements without getting authorization from Fleet Services.

Recommendation:

The Vehicle / Equipment Rental Request Form should be updated to include lease agreements and require the sign-off from Fleet Services to indicate that they have reviewed the associated business case and alignment of all lease agreements.

Management response and action plan:

Agreed. Management will provide for a more structured, documented process that will be communicated to all operating departments utilizing vehicles and/or equipment. Management will also ensure that these lease requirements are clearly communicated to the City’s purchasing section so that enforcement of this requirement is performed consistently.

Target for completion – 12 months.

B. Asset Management

Regulation 588/17 requires municipalities to develop Asset Management Plans ("AMPs") for their infrastructure assets, to manage their life cycle costs and to communicate the service levels for these assets to residents. In December 2023, staff presented an Enterprise Asset Management Plan to Council to, among other things:

- Establish full life-cycle costing principles aligned with the asset management strategies that minimize ownership costs over the asset's service life;
- Maintain assets in order to deliver defined levels of service that meet legislative requirements and customer expectations; and
- Establish clear connections to the long-term financial plan and related financial policies.

Although we noted that an update AMP has been presented to Council in June 2025, we examined the detailed 2023 AMP which provided a detailed analysis of the condition of the City's fleet assets.

Since the last audit, the City has made progress in developing asset management processes for fleet and equipment, including identifying an annual reinvestment requirement of $12 million over a 20-year period ($10.6 million when including ICIP transit grant funding). However, as of the most recent analysis, actual expenditures over a five-year period averaged only $8 million annually, resulting in an estimated $2.6 million annual funding gap for fleet and equipment maintained by both Fleet Services and other divisions.

This funding gap suggests the City continues to face financial constraints in meeting long-term fleet and equipment renewal needs and requires City departments to continue to operate aging fleet and equipment with increasing maintenance costs. The average condition of several key fleet classes, including machinery and equipment, further supports this concern.

Observations:

Fleet Services has taken steps to address underutilization by conducting annual reviews of fleet assets with less than 10,000 km of usage.

The 2024 review identified 22 such vehicles and engaged departments in discussions regarding rationalization opportunities. Departments were generally receptive, but very few committed to pooling or returning unused units. While this is a positive step, the process lacks formal documentation and standardized thresholds limiting consistency and transparency of decision-making.

Additionally, while the AMP references needs assessments at the end of asset life, it does not include a defined low-usage threshold analysis or formal procedures to assess fleet decommissioning outside of lifecycle replacement.

Without incorporating low utilization criteria and decommissioning strategies into the City's formal asset management planning process, a risk exists that limited capital and maintenance budgets will continue to be allocated to vehicles and equipment that are no longer necessary. This increases the total cost of ownership, reduces operational efficiency, and limits the City's ability to redirect resources to higher priority needs.

Benchmarking reports from 2023 indicate that the City has, on average, 2.5% more small fleet per employee than our municipal peers in the Region of Halton, Region of Niagara, Region of Waterloo, Region of York and City of Windsor. Other municipalities in Ontario that were contacted during the audit had also taken steps in recent years to rationalize the size of their small fleet.

Recommendations:

To reduce the City's investment in small fleet to a more sustainable level and to lower its lifecycle costs:

1. Establish a formal process for the review of low-use assets to document decisions on retention, reallocation, or disposal.
2. To ensure a balance between efficiency and effectiveness, require users of low-use assets to rationalize their continued usage in a business case to the Fleet Governance Committee
3. Report annually to the Executive Leadership Team on low-usage vehicles and actions taken to support fleet rationalization.

Management response and action plan:

Agreed. Fleet management currently performs a biennial review of "underutilized" vehicles identifying those with use below the threshold identified in the Fleet Acquisition and Disposition policy and provides this to management in jurisdiction for decision making. Fleet management will document the process including increasing the frequency to annually and reporting to the Fleet Governance Committee for action in support of fleet rationalization.

Target for completion – 24 months.

C. Cost Recovery

Fleet Services estimates the amount of costs to be recovered for each item of fleet used by departments at the time of acquisition. For the general fleet, this estimate is based on the original capital cost, inflation, repairs, insurance and licensing during the unit's expected useful life. The overall recovery rate is currently set with the objective of recovering 95% of capital costs from user departments. As transit acquires its own fleet, they are only charged for maintenance costs on the transit fleet that are invoiced to the transit cost center. Fire services is charged for three maintenance staff and actual costs for maintenance on the fire trucks since it also acquires its own fleet. Paramedic services also purchases its own vehicles, so is presently charged based on a rolling average of work order costs for its vehicles over the last two years.

Observations:

As a follow up to the 2020 Fleet Services Audit Report recommendation to review and improve the accuracy and consistence of the internal fleet recovery rates, we noted that while the net recovery rate for Fleet Services remained strong at approximately 96.7% in both 2022 and 2023, it declined to 92.2% in 2024, resulting in a shortfall of $1.7 million. Management has updated these rates for the 2026-2027 budget process to improve the recovery.

Through discussions with management, we confirmed that there is no formal policy in place to recover costs associated with damage to fleet vehicles or equipment beyond normal wear and tear, which presents a significant obstacle in the financial recovery efforts of Fleet Services.

Recommendation:

Management should establish and implement a policy to recover costs related to damages to fleet vehicles and equipment beyond expected wear and tear. The policy should align with practices in other comparable municipalities and include a requirement for sign-off of Divisional Managers to ensure accountability for damages.

Management response and action plan:

Agreed. Fleet management will take the appropriate steps to consult with other municipalities and develop a policy that not only includes a charge back to operating departments for preventable damage but also seeks to change behaviours to focus on the benefits of driver responsibilities for care and use of City vehicles and equipment. Fleet management will have this policy approved by the Fleet Governance team.

Target for completion – 24 months.

D. Policy Framework

The 2020 Performance Audit of Fleet Services recommended formalizing business processes related to fleet acquisition, replacement, and long-term leasing decisions. Management committed to developing a comprehensive policy to address these areas.

Observations:

The Custodial Use Policy, last approved on November 30, 2016, and the Employee Use of CGS Vehicles Policy, last updated November 6, 2014, have not been updated since the prior audit. Therefore, the threshold for the provision of a CGS vehicle for business may be uneconomical and out of step with municipal peers.

The current threshold of 10,000 annual kilometers for assigning a City vehicle to staff has not been formally benchmarked against other municipalities in Ontario. Our review of policies in other municipalities indicated that most utilize higher thresholds of 12,000 to 16,000 annual business kilometers when assessing eligibility for City vehicles as well as a restriction for the usage of City vehicles within the geographic borders of the municipality.

Without appropriate policies, vehicle acquisitions and allocation may not be managed in the most cost-effective manner and result in a larger than necessary small fleet that is uneconomical to maintain.

Recommendations:

1. Management should review and update both the Custodial Use Policy and the Employee Use of CGS Vehicles Policy, incorporating a geographic restriction for their usage and a more economical threshold that is not larger than 12,000 annual business kilometers for the provision of a CGS vehicle to reduce the size of the City's small fleet to a level that is comparable with our municipal peers.
2. Fleet Services, Financial Services, and Human Resources staff should review the list of employees who currently have custodial use of CGS vehicles with the directors of operating departments to ensure that CGS vehicles are only taken home by staff who are employed in occupations that are deemed to require custodial use.

Management response and action plan:

Agreed. Fleet management will work with Finance (Custodial Use Policy) and Human Resources (Employee Use of CGS Vehicles Policy) to update the policies with a current assessment of municipal needs. Fleet management will conduct interviews with municipal peers to understand the roles of custodial use across the sector. Further, Fleet management will collaborate with Human Resources and operating departments to reassess those occupations that should qualify for custodial use and take the appropriate steps to alter the existing compliment of vehicles if required.

Target for completion – 24 months.

Table 2 – Summary of Significant Risks

Risk	No. of Risks	Risks Before Controls			Residual Risks After Controls		
		High (15 to 25)	Med (9 to 14.99)	Low (1 to 8.99)	High (15 to 25)	Med (9 to 14.99)	Low (1 to 8.99)
Reputation	0	0	0	0	0	0	0
Operational	11	11	0	0	0	5	6
Financial	11	11	0	0	0	5	6
Legal	0	0	0	0	0	0	0
TOTAL	**22**	**22**	**0**	**0**	**0**	10	12

Table 3 – Significant Risks

Risk	Risk Description	Risks Before Controls	Residual Risks* After Controls
F1/O1	Cost recovery for fleet services may be inadequate and distort the costs for other programs in the City.	25	12
F2/O2	Fleet replacement/disposition decisions may not be supported by adequate assessments of usage, need and suitability for service.	25	10
F3/O3	Fleet replacement/disposition decisions may not be supported by adequate assessments of age, condition, usage, and failure risks.	25	10
F4A/O4B	Business cases may not be required to support leases or long-term rentals or replacement decisions.	17.5	10
F4B/O4B	Vehicles and equipment that are required for effective service delivery may not be available from Fleet Services.	20	10
F5/O5	Vehicles and equipment may not be repaired during non-peak service periods.	20	8
F6/06	Vehicles and equipment may not be repaired efficiently.	17.5	8
F7/07	Vehicles and equipment may not be repaired effectively.	20	8
F8/O8	Vehicles and equipment may not be repaired economically.	17.5	8
F9/O9	Controls over parts, supplies and fuel may not be effective.	17.5	8
F10/O10	Parts may not be supplied in a manner that supports the timely delivery of maintenance services.	20	8

** We recommend taking action to reduce residual risks that are higher than 10.*

Impact	Services	Technology	People	Strategic	Legal/Reputational	Financial
Very Minor (1)	• Less than 90% of service objectives achieved.	• Minor disruptions of secondary systems or data loss or corruption	• Minor reportable employee injury • Increase in number of union grievances	• Minor instances of actions that are at odds with strategic priorities	• Small amount of negative media coverage or complaints to City • Non-lasting damage or no reputational damage • Theft or Fraud under $1,000	• Uninsured loss, cost overruns or fines < $10K • Insured loss < $100K • Loss of replaceable asset
Minor (2)	• Less than 75% of service objectives achieved • Unable to perform non-essential service	• Disruptions of systems or data loss or corruption • Disclosure of non-confidential but embarrassing information	• Reportable employee injury • Loss of key staff but able to recruit competent replacements • Significant increase (>10%) in number of union grievances.	• Instances of actions at odds with strategic priorities	• Complaints elevated to the Director level. • Short-term repairable damage to City's reputation • Public outcry for discipline of employee. • Moderate amount of negative media coverage • Theft or Fraud of $1,000 to $10,000	• Uninsured loss, cost overruns or fines of $10K to $100K • Insured loss $100K to $1M • Inefficient processes • City's actions result in reduced economic development
Moderate (3)	• Less than 60% of service objectives achieved • Unable to perform essential service but alternatives exist	• Disruptions of significant systems or data loss or corruption • Recoverable loss from important system	• Multiple employee injuries or long-term disability from one incident. • Inability to retain or attract competent staff. • Increase in stress leave, sick leave or WCB claims. • Work-to-rule union disagreement or short-term strike	• Numerous actions are at odds with strategic priorities.	• Public/media outcry for removal of management • Long-term damage to City's reputation • Citizen satisfaction survey indicates unacceptable performance. • Complaints elevated to Council level. • Results inconsistent with commitments made to citizens • Theft or Fraud under $100,000	• Uninsured loss, cost overruns or fines of >$100K to $1M • Insured loss >$1M to $10M • Having to delay payments to contractors/suppliers • City's actions results in lost revenue for significant number of City businesses

Impact	Services	Technology	People	Strategic	Legal/Reputational	Financial
Major (4)	• Less than 45% of service objectives achieved. • Unable to perform an essential service where no alternative exists.	• Unrecoverable loss or corruption of data from important system • External exposure of important information • Unavailability of significant systems	• Serious injury of one or more employees • Legal judgment against the City in workplace matter. • Turnover of key employees • Sustained strike of staff.	• Numerous actions are significantly at odds with the strategic priorities.	• Public/media outcry for change in CAO or Council • Public or senior officials charged or convicted • Legal judgment against the City in a workplace matter • Integrity breach resulting in decreased trust in City Council or Administration. • Theft or Fraud>$100,000	• Uninsured loss, cost overruns or fines of >$1M - $10M • Insured loss of >$10M - $100M • Unable to pay employees and contractors on time. • City's actions impair local economic conditions.
Extreme (5)	• Less than 30% of service objectives achieved. • Unable to perform several essential services where no alternatives exist.	• Unrecoverable loss or corruption of data from critical system • External exposure of confidential information • Unavailability of critical systems	• Death of an employee • Major legal judgment against the City in workplace matter • Significant turnover of key employees with ELT • Sustained strike of staff supporting key services	• Many actions are significantly at odds with the strategic priorities	• Public/media outcry for change in CAO or Council • Senior officials criminally charged or convicted • Severe legal judgment against the City in a workplace matter • Major integrity breach resulting in complete loss of trust in City Council or Administration • Theft/Fraud>$1,000,000	• Uninsured loss, cost overruns or fines >$10M • Insured loss > $100M • File for bankruptcy • Failure to maintain financial capacity to support current demands. • City's actions significantly impair local economic conditions.

Likelihood	Unlikely (1)	Possible (2)	Probable (3)	Likely (4)	Very Likely (5)
	Less than 20%	>20% but < 40%	>40% but < 60%	>60% but < 80%	80% or more
	Less frequent than every 10 years	May occur in the next 2 years	Will occur this year or next year at least once	May occur regularly this year	Will occur within months or may reoccur often