

Chapter 8

Department of Transportation Vehicle Management Agency

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Department of Transportation Vehicle Management Agency

Background

8.1 Prior to 1984, each department of government was responsible for the provision of its own vehicles and equipment. Individual departmental budgets provided the funds to operate and replace departmental fleets.

8.2 In the early 1980s, the government initiated a study to evaluate the most efficient and cost effective method of meeting the transportation requirements of all departments. It determined that government departments could realize substantial savings and benefits if one single entity was responsible for providing vehicles and the associated services.

8.3 In 1984, the Board of Management established a government-wide fleet management operation within the Department of Transportation (DOT). This new Vehicle Management Branch was given the responsibility to purchase and dispose of vehicles and to provide repairs and fuel for the vehicles. The scope of the operation included all departments as well as school buses. However, the Department of Natural Resources and Energy opted not to participate in the repair aspect of this arrangement.

8.4 The Agency advised us that a reduction in capital funding since 1991-92 for vehicles has resulted in a significant aging of the fleet, increased repair costs and reduced dependability. Given these circumstances, the Board of Management, in October 1994, directed DOT to study the feasibility of changing the Vehicle Management Branch to a Special Operating Agency. After completing the study, the Department submitted a Charter and a Business Plan for consideration and approval. Cabinet approved the Charter establishing the Vehicle Management Branch as a Special Operating Agency in May, 1995.

8.5 Just like its predecessor, the Vehicle Management Branch, this new Agency was established within DOT. The Agency manages a fleet of approximately 3,500 vehicles. Its responsibilities continue to include the purchase, repair, fueling, insurance and disposal of government vehicles.

8.6 The Agency operates a network of thirty-one repair facilities and one hundred and five refueling sites located throughout the Province. Management advises us that tendering for services, repair parts and fuel

provides annual savings to government. Recent tendering practices of the Atlantic Provinces resulted in the joint purchasing of school buses.

8.7 The day-to-day operations of the Agency are managed by the Chief Operating Officer, who reports to the Deputy Minister of DOT. The Chief Operating Officer is responsible to provide timely financial and operational information to the Deputy Minister and the government. Currently, the Deputy Minister of DOT also serves as the Chief Operating Officer. The Charter requires that the annual business plan of the Agency be reviewed by an Advisory Committee of members of representative client departments. This Advisory Committee should provide a necessary link to all departments. We intend to review the usefulness of the Committee on our return visit.

8.8 The Agency comprises an operational component and a support services component. The operational component oversees the purchase, maintenance and disposal of the vehicles. The support services component is responsible for the financial, administrative and information system support.

Scope

8.9 We visited two District Offices of the Department of Transportation (DOT) and discussed the operations of the Agency. Our discussions with staff included one Acting District Engineer, the two District Accounting Managers and other support personnel. We also interviewed staff at the Central Office of the Agency including the Manager of Operations, the Manager of Financial Services, the Administration Manager and several staff members that report to the Administration Manager.

8.10 Our project objectives in carrying out this work were:

- to review and document the broad activities of the Vehicle Management Agency;
- to document the systems of the Agency;
- to identify the stated benefits of the Agency becoming a Special Operating Agency (SOA);
- to make necessary recommendations; and
- to identify future audit issues for a return visit.

Results in brief

8.11 **Automated Fuel System (AFS) reports available to the Agency are not being used to monitor fuel consumption by vehicle.**

8.12 **Possible duplication exists whereby information in the AFS is also being recorded manually.**

8.13 **There is no evidence that an audit sampling of credit card purchases (for fuel) has been conducted.**

8.14 **The Fleet Management System (FMS) is being enhanced with more user friendly capabilities. The estimated cost for this enhanced system together with the necessary software and hardware is \$1,250,000.**

8.15 **There are inconsistencies in the filing of usage reports within the Executive Vehicle group. This group consists of the vehicles driven by Ministers, Deputy Ministers and Executive Assistants.**

8.16 **The SOA allows the Agency to operate in an enhanced business-like environment.**

Special Operating Agency (SOA)

8.17 As noted in the Background, the Agency is classified as a Special Operating Agency (SOA).

8.18 The New Brunswick Department of Finance issued the following definition of a Special Operating Agency. This definition was part of a document presented to the Policy and Priorities Committee of government. The title of the document is "*Special Operating Agencies in the New Brunswick Public Service.*"

One of the basic principles of the Special Operating Agency concept is the recognition that specific service organizations would operate more effectively if freed from the traditional day-to-day operational controls of government.

Special Operating Agencies are distinct service operations within departments which have been given increased management flexibility to do business, in return for increased management accountability based upon the achievement of defined performance goals.

8.19 The Agency informed us that it expects to achieve the following benefits by operating as a SOA:

- Effective 1 April 1996, the Agency introduced an expanded monthly charge-back rate (to the departments). It consists of a fixed monthly rate (to cover business operating overhead, fleet insurance and capital cost recovery) and a variable rate per kilometer or per hour (to cover repair and maintenance costs). In addition, clients will be charged the actual cost of the fuel consumed each month. This rate structure will fund the operation of the Agency including the replacement of vehicles.
- The SOA allows the Agency to operate in an enhanced business-like environment. For instance, they will be able to do appropriate long range planning for vehicle replacement using the funds provided by the charge-back rates. They will no longer be totally dependent on the capital budget of the Department of Transportation. This capital budget is scheduled to be eliminated over a period of time. The SOA

will allow more flexibility to make decisions relating to day-to-day operations.

- The repairs and maintenance costs of the vehicles should reduce over a period of time. This will be a result of the optimum future replacement of vehicles before they require major repairs. The outcome will be a more dependable fleet of vehicles.
- If the Agency operates at a surplus, the surplus can be carried forward for future use.
- Any revenue generated from the disposal of assets, etc. remains with the Agency.
- The SOA will use fixed asset accounting and record depreciation as an operating expense.

8.20 The first Business Plan issued by the Agency covered a four year period commencing with its inception in May 1995. It included an appendix that listed a summary of thirty-three initiatives. During our review, the Agency issued a second Business Plan for 1996-2000. It contained thirty-five initiatives.

8.21 The Agency intends to file a report to the Minister in the early fall, 1996, summarizing its first year of operation in accordance with provisions of the Charter document. It told us it will be listing the first year's initiatives and reporting on their progress. Presumably this progress reporting will continue on an annual basis.

8.22 Exhibit 8.1 lists each of the Agency's initiatives for the 1995-96 fiscal year. Below each initiative are the Agency's comments on its progress to date.

8.23 We intend to revisit the Agency within the next two years. We will review the progress to date on all initiatives and report at that time.

Executive vehicles - inconsistency of filing usage reports

8.24 It is our opinion that this SOA can only operate effectively if it has the support of senior officials in government.

8.25 The Agency maintains a group of sixty-two vehicles (as at 29 February 1996) driven by Ministers, Deputy Ministers and the Executive Assistants. The Agency requires that usage reports be submitted each month listing the kilometers driven that month. The Agency requires these reports for statistical purposes and to use in tracking the actual kilometrage of the vehicle. For the period 1 April 1995 to 29 February 1996, six vehicles did not have usage reports for any of the eleven months. In addition, usage reports for eleven vehicles were not being filed by the required monthly deadline.

Recommendation

8.26 **The Agency should ensure monthly vehicle usage reports are submitted on time for all vehicles, including those assigned to executives.**

Departmental response

8.27 *Reporting of monthly usages for executive vehicles is not required for billing purposes, since executive vehicles are only charged a fixed cost per month. However, the Agency will work toward receiving complete monthly usage reports for all executive vehicles.*

Automated Fuel System (AFS) - reports not being used

8.28 There are 105 fueling sites operated by the Agency throughout the Province. The AFS is a computer software package that accumulates all the fueling data. Once a week this data is integrated into the Fleet Management System. There are at least six different reports available to the Agency to assist them in monitoring fuel.

8.29 In April 1995, our Office wrote to the Agency. We noted that five of the six reports were not being used. The one exception appeared to be a report "*Fuel Exceeds Tank Capacity*" that the fuel coordinator monitored regularly. In our opinion, a proper review of all these reports would detect most fuel related problems. At the time, the Agency explained that a person designated for the monitoring role was involved in systems development. These reports were still not being reviewed during the fiscal year 1995-96.

8.30 We recognize that effective 1 April 1996 the Agency will bill a certain portion of the vehicle fleet for the actual amount of fuel consumed. This will transfer the onus of the monitoring function to individual departments. Nevertheless, the need for this activity remains.

Recommendation

8.31 **The Agency should ensure the reports for monitoring fuel are used for the purpose intended.**

Departmental response

8.32 *There are a number of reports designed to monitor fuel consumption. Most of these reports have not been perfected to enable detection of the inconsistencies they were intended to highlight. The client departments also have some responsibility to monitor their own drivers' fuel usage. We agree with the general direction and are working on making changes to improve the exception reports generated and to follow-up on these reports.*

Credit card purchases not being monitored

8.33 In August 1994, the Administration Manager of the Agency issued a memo to all departmental vehicle coordinators concerning credit card receipts. The memo stated that major oil companies are now processing their purchases electronically. As a result, the Agency will no longer receive a copy of the transaction ticket (credit card voucher). To compensate for this loss of control, the Office of the Comptroller requested the Agency to audit a sample of credit card transactions on a monthly basis. There is no evidence that the Agency has done this.

Recommendation

8.34 **The Agency should properly monitor credit card transactions.**

Departmental response

8.35 *We agree with the recommendation. Staffing problems and the ongoing enhancements to the Fleet Management System have caused*

delays in commencing this activity. We plan to meet the commitment to audit credit card transactions in the near future.

Other information - possible duplication

8.36 The two DOT Districts we visited keep a manual ledger system that records all fuel purchased and consumed within the District. This information is also available from the AFS.

8.37 Each morning the Districts print off a fuel report called “*Abnormal Fuel Issues Report.*” The District must assess any discrepancies, questionable transactions, etc. Then each District must fax this report to Central Office for their analysis and possible instructions. Unfortunately these reports are not available directly to Central Office staff. There is duplication in that there are two review processes.

Recommendation

8.38 **The Agency should re-evaluate these two review processes, and the necessity to fax these reports from each District, each day.**

Departmental response

8.39 *The AFS does not currently provide all the information recorded on the manual ledgers in a format suitable for performing required reconciliations. The Agency is presently working on an enhancement to the AFS which will eliminate the requirement for these manual ledgers.*

8.40 *When the AFS was first installed, central office was required to monitor these reports closely and provide advice on corrective action. Since district staff are now better trained, the Agency will stop the requirement to fax reports daily. We will reassess this practice should problems recur in this area.*

Fleet Management System (FMS)

8.41 The current fleet management system (FMS) was implemented in 1985. Significant enhancements have been made to the system since that time. Currently, the FMS is installed on the data centre’s mainframe computer and is connected to all service delivery locations throughout the province. All information is collected and stored in a central location. Reports are generated at either Marysville Place or off-site locations and distributed to the end users. Data downloads, program maintenance and updates to the program are controlled from a central location.

Need to update FMS

8.42 In the late 1980s the Vehicle Management Branch (now the Agency) recognized that the FMS was not meeting its needs with respect to the quantity and quality of the information being kept. The computer language in which the program was written was extremely cumbersome and difficult to update. The Branch had updated the program to the point where certain features that existed in the original version did not function. Future enhancements to these areas would be extremely expensive.

8.43 In December, 1994, a proposal was accepted to develop an enhanced fleet management system with more user friendly capabilities. The mandate given to the development team was to develop a system that could run on a “client server” network. Other criteria were that the

program be developed in a technology that can be updated with some ease, and that has the capability of providing information as required. The Agency selected Oracle Case as the development environment.

8.44 The Agency believes that this “client server” network is the best method of meeting the very demanding information needs of the Agency. The Agency estimated the total cost to develop the asset, work order and administration and billing sub-systems at \$600,000. It estimated additional costs of software and hardware for the network and the development tools at \$650,000. These costs will accumulate over the three years of the project. The Agency estimated the payback on the project will be three to four years based upon the current yearly charges for using the main frame program.

8.45 We intend to review these costs and the payback estimate in some detail in the future.

8.46 The DOT Districts have an Asset Usage System they use for internal costing of departmental tasks or jobs. Alternatively, the Fleet Management System monitors vehicle utilization, fuel consumption, repair costs (such as parts, labour, and outside repairs) and capital cost. The FMS helps establish user rates that reflect the total costs of operating and owning a vehicle.

8.47 In our opinion, there is some duplication in maintaining both systems. We encourage the Agency to examine its reporting systems for possible duplication. We believe one system can be designed to meet the needs of all users.

Departmental comments

8.48 *The Asset Usage System is the system used to distribute vehicle costs to projects in both ordinary and capital accounts. This is a significantly different objective than the Fleet Management System which is a management tool for the Vehicle Management Agency to recover costs through a chargeback system on a departmental basis.*

Exhibit 8.1

*Summary of Initiatives and Progress
for Fiscal 1995-96*

Summary of Initiatives and Progress
<p>During the 1995-96 fiscal year, the Agency will meet with all clients that use the Agency's services. The Agency will determine the requirements of its clients and priorities for replacement to be included in a three-year plan commencing in 1996-97.</p> <p><i>The Agency met with its clients and explained the future direction of the SOA. It requested a prioritized list of vehicle and equipment needs for the next three years.</i></p>
<p>The Agency will consider the feasibility of providing a customer service desk to address problems that department staff may be having with service; will order vehicles within time frames that coincide with the client's needs and the manufacturer's schedule; develop a handbook that can be placed in all vehicles outlining the responsibilities of both the driver and the Agency and explaining the Agency's services to all clients; will provide improved access to information from the Fleet Management system for clients to obtain vehicle usage, repair and operational information on their departmental vehicles; and seek ongoing improvements in all aspects of service delivery.</p> <p><i>The Agency is changing its mandate to a client service environment. Therefore, it believes it is moving towards final completion of each of these initiatives.</i></p>
<p>The Agency will analyze the feasibility of establishing a summer or seasonal pool of vehicles for all departments to use.</p> <p><i>There is an interest in this initiative and a need in the opinion of the Agency. The Agency stated that preliminary indications reveal substantial savings may result. The Agency wants to create this pool from vehicles that have some service life remaining. Therefore, it believes it may be 2-3 years before it can put this initiative in place.</i></p>
<p>The Agency will review the Executive Vehicle Policy (for vehicles driven by Ministers, Deputy Ministers and Executive Assistants) and make recommendations to government by October 1995 on any changes that may be required.</p> <p><i>The Agency is currently discussing the development of an Executive Vehicle Policy.</i></p>
<p>Beginning this fiscal year and on an ongoing basis, the Agency will develop and monitor the provision of quality "client service" in all shops. This will require developing a follow up procedure to ensure all work in the Agency shops is completed in a timely manner to the satisfaction of the client; it will include a multiple part work order form so one part can be left in the vehicle to show the customer the work that was completed; and initiate a follow up sample survey with clients on the services they have received with a summary report provided to each shop.</p> <p><i>The Agency is working on these initiatives. A client service pilot project is scheduled to begin in the near future.</i></p>
<p>The Agency will ensure each shop obtains all warranty work from the manufacturer that is available on new vehicles.</p> <p><i>The old FMS does not "flag" the warranty work that well. The new FMS will ensure this initiative is met.</i></p>
<p>Beginning in 1995, the Agency will place more emphasis on preventative maintenance and the scheduling of repairs. The enhanced FMS will identify vehicles that require maintenance in advance and allow managers to schedule work in shops. This will reduce expensive repairs, make the best use of staff, increase shop utilization and reduce costs.</p> <p><i>This initiative hinges on the introduction of the enhanced FMS.</i></p>

Summary of Initiatives and Progress - continued
<p>During 1995-96 the Agency will initiate a program to enhance the Fleet Management System (FMS). It is proposed that during this fiscal period that the work order, the asset and the billing subsystem of FMS be developed. By April 1, 1996, these subsystems will be ready for testing purposes.</p> <p><i>One of these subsystems has been tested. The Agency is working towards completion of the enhanced FMS project.</i></p>
<p>Beginning in April 1995, the Agency will obtain the appropriate software and hardware requirements for the "client server" wide area network for this new version of FMS. The Agency will size and purchase the appropriate equipment (PC's, routers and servers) to setup this network during the 1995-96 and 1996-97 fiscal years. The 1996-97 fiscal year will see the new FMS installed at all repair facilities as well as at the Agency's location. All equipment should be in place for the test mode by early 1996-97 fiscal year, with implementation during that same year.</p> <p><i>This initiative is ongoing. Computer purchases were not complete at the fiscal year end.</i></p>
<p>During the 1995-96 fiscal year, all main district repair shops will be connected to the system for E-Mail and other electronic communication.</p> <p><i>The Agency has not addressed this initiative since hardware purchases are not yet complete.</i></p>
<p>During 1995-96 the Agency will initiate a program to train all required staff in the use of new electronic technology systems.</p> <p><i>This initiative is ongoing. Future training in FMS and other electronic systems is imperative.</i></p>
<p>In 1995-96, the Agency will carry out in each district shop operation, an assessment of work loads and the staffing levels required at each work area. A work load/work factor analysis will also be completed by the Agency to protect the necessary staffing in the shops. It will be the Agency's practice to carefully assess staffing needs prior to filling vacancies. Over the next 3 years a minimum staffing level criteria will be developed for each shop to help management assess staffing requirements and to meet the changing mandate of the Agency.</p> <p><i>The Agency completed an assessment of the number of assets assigned to each mechanic for the fiscal year ended 31 March 1996. The Agency will do additional analysis as information is obtained from the enhanced FMS. It will monitor the results over a period of time.</i></p>
<p>The Agency will initiate a program of management development and technical training during 1995-96, in conjunction with that of the Department of Transportation.</p> <p><i>This initiative is ongoing. One meeting of Supervisors took place during the fiscal period.</i></p>
<p>During the 1995-96 fiscal year the Agency will spend \$8 million from the Capital Budget program.</p> <p><i>This initiative was completed.</i></p>
<p>The Agency will look at the feasibility of leasing vehicles with the option to buy to meet the immediate needs of the client Departments.</p> <p><i>The Agency held meetings with various leasing agencies during 1995-96 with the intention of obtaining leases during the next fiscal year.</i></p>
<p>In anticipation of a rate structure change in 1996-97 and the move to a client service environment, the Agency will develop during 1995-96 a client lease agreement. This agreement will outline the term of the lease, the fixed costs over the term of the lease, expected residual and expected results required from both parties entering the lease agreement.</p> <p><i>The Agency worked on this initiative. It determined that a written lease agreement would not be required for government departments. However, a written lease may be required when dealing with local service districts or other quasi government agencies.</i></p>