

CORRECTIONAL SERVICE CANADA

CHANGING LIVES. PROTECTING CANADIANS.



Audit of Fleet Assets

INTERNAL AUDIT SECTOR

January 10, 2020

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EXECUTIVE SUMMARY

What we examined

The Audit of Fleet Assets was national in scope and included all five regions as well as National Headquarters (NHQ). The objectives of the audit were to provide reasonable assurance that CSC:

- has put in place a management framework to support the efficient and effective management of fleet assets; and
- accurately records and accounts for its fleet assets.

The audit included a review of relevant directives, policies and processes related to the registration, tracking and disposal of fleet assets. Within the scope of this audit, the term “fleet” or “vehicle” refers to both motor vehicles and other mobile equipment (OME).

Why is it important?

Within the federal government, departments and agencies are responsible for managing materiel management activities, including fleet management, in a sustainable and financially responsible manner to support the cost-effective and efficient delivery of government programs.

What we found

The audit team found that CSC has defined fleet management policies in accordance with Treasury Board requirements. However, the following improvements are necessary:

- An update of all existing policies to enhance user understanding;
- Clarification and better communication of the distribution of roles and responsibilities among the individuals responsible for fleet management at NHQ, RHQs and in the institutions; and
- Implementation of a structured support and assistance mechanism that can provide the necessary tools to comply with CSC policies and to ensure fleet is properly managed.

In terms of compliance, the audit found that, overall, fleet information is recorded in the Fleet Management Information System (FMIS), also known as ARI,¹ and in the Integrated Financial and Materiel Management System (IFMMS). Since the last audit, the audit team has noted several improvements in fleet management; however further improvements can be made. Specifically:

- The information in ARI and the IFMMS is incomplete, unreliable and not regularly reconciled; and

¹ ARI (Automotive Resources International) is a global fleet management services company.

- The fleet asset disposal process need to be better defined or clarified so that disposals are better managed and all grey areas eliminated.

Management response

Management agrees with the audit findings and recommendations as presented in the audit report. Management has prepared a detailed Management Action Plan to address the issues raised in the audit and associated recommendations. The Management Action Plan is scheduled for full implementation by December 31, 2020.

ACRONYMS AND ABBREVIATIONS

| | |
|---------------|---|
| ARI: | Automotive Resources International |
| AWMS: | Assistant Warden, Management Services |
| CFM: | Chief, Facilities Management |
| CSC: | Correctional Service of Canada |
| DRAP: | Deficit Reduction Action Plan |
| DRB: | Disposal Review Board |
| FAA: | Financial Administration Act |
| FD: | Financial Directive |
| FMIS: | Fleet Management Information System |
| IAS: | Internal Audit Sector |
| IFMMS: | Integrated Financial and Materiel Management System |
| ISD: | Internal Services Directive |
| NHQ: | National Headquarters |
| OME: | Other mobile equipment |
| RHQ: | Regional Headquarters |
| SLA: | Service Level Agreement |

1.0 INTRODUCTION

1.1 Background

This audit links to CSC's corporate priority of "efficient and effective management practices that reflect values-based leadership" and to the corporate risk that "CSC will not be able to implement legislative changes and budgetary constraint measures."

The Audit of Fleet Assets was conducted subsequent to findings from the 2016 Audit of Asset Management, which pointed to the need for additional work in the area of recording and tracking of the fleet. The Audit of Fleet Assets was originally added to the 2016-2019 Risk-Based Audit Plan of the Correctional Service of Canada (CSC) Internal Audit Sector (IAS), and work began in September 2016. During the initial planning phase, significant gaps were identified and the audit was postponed to give the Technical Services Directorate time to address concerns and implement the relevant aspects of the Management Action Plan as they related to the Audit of Asset Management.

As per Internal Services Directive (ISD) 335, a motor vehicle is defined as "a vehicle designed or adapted and licensed to transport goods, equipment or passengers on highways or roads (e.g. sedans, station wagons, vans, buses, trucks and specialized motor vehicles which are licensed for driving)." Other mobile equipment (OME) is defined as "mobile equipment with a capitalized value of \$10,000 or more, or any other equipment as identified by the National Fleet Manager. Examples of OME include: agricultural equipment; construction equipment; recreational motor vehicles; lawn and garden equipment; and mobile generators."

This audit looked at both motor vehicles and OME. In this regard, to facilitate reading, any use of the terms "fleet" or "vehicle" refers to both vehicles and OME.

Fleet assets at CSC and CORCAN are recorded using the Integrated Financial and Materiel Management System (IFMMS).

Fleet information is also recorded in the Automotive Resources International (ARI) system. ARI is a global fleet management company that provides the software used to document the use and maintenance of fleet assets. It tracks information such as make, model, cost, delivery date, location, services received, contract and invoice number, date of disposal, type of fuel, custodian, use of the credit card assigned to the asset, etc. The Fleet Management Information System (FMIS) is also called ARI, and in the rest of this report, the two terms (FMIS or ARI) are used interchangeably.

In December 2018, the IFMMS contained more than 2,400 CSC fleet assets, and over 120 CORCAN assets in January 2019.

1.2 Legislative and policy framework

Legislation

The *Financial Administration Act* establishes the legal authority for the management of assets and liabilities held by the Government of Canada to ensure the accurate reporting of the financial position of Canada.

The *Surplus Crown Assets Act* establishes the legal authority and framework for the management of surplus Crown assets held by federal government departments and agencies.

Guidelines and directives

Treasury Board Policy on Management of Materiel – Guides federal departments and agencies in materiel management and establishes the ultimate accountability of deputy heads to their respective ministers and the Treasury Board with regard to the sound stewardship of materiel that is assigned to them or used by their organization.

Treasury Board Directive on the Disposal of Surplus Materiel – Provides direction and more specific requirements (than those outlined in the Treasury Board Policy on Management of Materiel) to federal government departments and agencies for the disposal phase of the life cycle of materiel assets.

Financial Directive (FD) 350 Contracting and Materiel Management – The overall financial directive on materiel management for CSC and CORCAN.

Internal Services Directive (ISD) 335 Fleet Management – Last updated in 2012. Outlines the roles and responsibilities of CSC staff specifically for the management of CSC's fleet. A number of changes and centralization of responsibilities has occurred as a result of the Deficit Reduction Action Plan (DRAP), leading to this ISD being quite outdated. However, NHQ has stated that the new Internal Services Directive will be finalized and will come into effect once the findings of this audit have been shared.

Each region has signed a Service Level Agreement (SLA) between the Assistant Deputy Commissioner, Correctional Operations, the Assistant Deputy Commissioner, Integrated Services and the Director General, Technical Services and Facilities. This SLA, which came into effect in 2017, entrusts the institutional administration of fleet security (reservation, registration, tracking, access, key control, scheduling) to the Assistant Warden, Management Services (AWMS). The AWMS must also define the operational needs related to the fleet. The Chief, Facilities Management (CFM) is responsible for fleet maintenance and upkeep.

The Contracting and Materiel Services Branch at NHQ has documented in CMS-INST-2018-024, Fleet Asset Disposal Process, the instructions to be followed when an operational unit no longer needs an item in its fleet.

CORCAN, with its centralized mode of operation, applies its own guidelines as well as Treasury Board policies and certain CSC financial directives: FD 350 Contracting and Materiel Management and FD 350-1 CSC Asset Management.

1.3 CSC organization

National Headquarters

The Technical Services and Facilities Branch of the Corporate Services Sector at NHQ manages and oversees the purchase and sale of CSC's real property. It examines and assesses needs with respect to the fleet. This branch initiates the purchase process and manages the purchase of all fleet assets.

The Contracting and Materiel Services Branch of the Corporate Services Sector at NHQ initiates and supports the annual physical inventory process for CSC assets, including the fleet. The branch's Fleet Coordinator updates the information in the IFMMS to determine which fleet components are surplus and should be disposed of.

Regional Headquarters

The RHQ's role in managing the institutional fleet has been almost nonexistent since 2017. ISD 335, the main directive that governs this component of management, is outdated.

According to the responsibilities set out in the 2012 ISD 335 Fleet Management, the Regional Administrator, Technical Services (or the Regional Director, Materiel Resources for the Quebec Region) must, among other things, liaise with the Fleet Manager, and provide advice and support to operational unit fleet managers with respect to the acquisition and disposal of vehicles. The Regional Administrator is also required to verify FMIS data to ensure that it is accurate and complete.

On the other hand, the 2017 SLA assigns the responsibility for institutional fleet maintenance and servicing to the CFM, with the reminder that the CFM reports directly to the Regional Manager, Facilities Maintenance and Engineering.

The SLA states that the Regional Manager, Facilities Maintenance and Engineering reports to the Technical Services and Facilities Branch of the Corporate Services Sector at NHQ, but provides little information on the role and responsibilities assigned to RHQ.

In summary, the 2017 SLA does not clarify the role and responsibilities of RHQ, but introduces new provisions that apply simultaneously to the outdated ISD 335.

Institutions

According to ISD 335 from 2012, the Institution Head must check and validate proposed regional fleet replacements within their operational units.

Since 2017, the SLA has assigned the responsibility of administering the fleet and defining its operational needs to the AWMS, while stating that the AWMS reports to the Institutional Head.

1.4 Risk assessment

The audit team completed a risk assessment based on a review of past audits and other reports related to fleet management, as well as interviews with key stakeholders. Applicable policy documents were also considered.

At the commencement of the audit, the audit team identified the following main risks based on a preliminary assessment:

- Policies are not respected because they are not clear;
- Institutional staff involved in fleet management are unaware of their role and impact, which prevents them from identifying potential malfunctions or leads them to overlook key stages of the process;

- Fleet assets are not properly recorded or tracked from the time of acquisition until disposal, which could result in misrepresentations in the financial statements, inappropriate use or the disappearance of vehicles; and
- Fleet assets are not disposed of in a timely manner.

These risks were considered in the development of the audit objectives and criteria.

2.0 OBJECTIVES AND SCOPE

2.1 Audit objectives

The overall objectives of this audit were to provide reasonable assurance that:

- a management framework is in place to support efficient and effective management of fleet assets; and
- CSC accurately records and accounts for its fleet assets.

Specific audit criteria are included in **Annex A**.

2.2 Audit scope

The audit was national in scope, and was conducted in all five regions as well as at NHQ. It included a review of the relevant directives and policies as well as an audit of the recording of fleet asset acquisitions and disposals, between April 2018 and March 2019. The audit team also conducted a physical verification of the fleet at the visited sites for assets listed in the IFMMS and ARI.

The audit also completed a physical verification of CORCAN fleet assets at the institutions and reviewed acquisitions and disposals between April 2018 and February 2019.

The audit focused on validating the accuracy of the information in the financial system. As a result, decisions related to the overall life cycle management of the fleet, along with validating vehicle maintenance, were not included in this audit but may be covered in future audits.

3.0 AUDIT FINDINGS AND RECOMMENDATIONS

3.1 Management framework

The first objective of the audit was to determine whether the management framework in place supported the effective and efficient management of fleet assets.

The following sections highlight those areas where expectations were met and those where management attention is required. **Annex A** provides the overall assessment for all audit criteria.

3.1.1 Policies and procedures

The audit expected to find that policies related to fleet management were up to date, clear and understood.

The audit assessed this criterion as being not met. The findings are discussed below.

Fleet management policies are not up to date, not clear and not understood by those who manage the fleet.

The audit found that fleet management policies have been put in place, and that these policies do not contradict Treasury Board requirements.

NHQ has initiated a number of changes to centralize responsibilities as part of its Deficit Reduction Action Plan. As a result:

- Changes in fleet management procedures are not reflected in key policies such as Internal Services Directive (ISD) 335, or CMS-INST-2018-024 Fleet Asset Disposal Process, making these policies outdated; and most employees interviewed at the sites agree that policies have been put in place, but they do not reflect reality; and
- CSC fleet management policies consist of several Treasury Board policies, Commissioner's Directives, and various work instructions. There is no one main document that contains all the necessary information in a single point, such as a "one-stop-shop" for all information relating to fleet management. This scattering of information does not facilitate compliance with the different policies and may create inconsistencies in their application across institutions.

If all policies are not up to date, easily accessible and understandable, fleet management staff may not respect policies, as demonstrated in Objective two on policy compliance.

3.1.2 Roles and responsibilities

The audit expected to find that the individuals responsible for the recording and safeguarding of fleet assets understood and were complying with their roles and responsibilities.

The audit assessed this criterion as being not met. The findings are discussed below.

The individuals responsible for managing the fleet do not understand or comply with their roles and responsibilities.

CSC is a highly decentralized organization, with its NHQ in Ottawa, and 43 institutions, 14 community correctional centres, 92 parole offices and 5 regional headquarters (RHQs) across Canada. Roles and responsibilities for fleet management lie with NHQ, RHQs and the institutions.

For the purpose of centralization, NHQ has taken over the management of various procedures such as updating the financial system with information related to the acquisitions and disposals initially assigned to RHQs and institutions. In 2017, each region signed a SLA between the Assistant Deputy Commissioner, Correctional Operations, the Assistant Deputy Commissioner, Integrated Services and the Director General, Technical Services and Facilities, in which the AWMSs is appointed as the fleet administration manager, and the CFM as the fleet maintenance manager.

Despite the SLA coming into effect, the audit team noted that CFMs continue to perform fleet administration activities (booking, recording, tracking, key control and scheduling) as they did in the past. Having maintained the fleet in the past gives them the knowledge and experience required to administer it. On the other hand, AWMSs do not have this expertise, do not participate in the day-to-day administration of the fleet and delegate their responsibilities to the CFM, notwithstanding the absence of a reporting relationship between the two roles.

In addition to the noted lack of experience in fleet management, the majority of AWMSs expressed a need for clarification of expectations with respect to their roles and responsibilities in this context.

RHQs were previously much more involved in managing the fleet and interacted more with the institutions. But since most decisions are made at NHQ, the RHQs tend to believe that most of the responsibilities fall under NHQ.

ISD 335 on Fleet Management states that “the Regional Administrator will audit the FMIS for accuracy and completion”. However, when asked about their involvement in the accuracy of the data in the ARI and FMIS systems, the Regional Managers, Contracting and Materiel Services agreed that this is an NHQ responsibility.

As outlined in the CMS Instructions on Physical Asset Verification, Regional Managers, Contracting and Materiel Services should review the completed count sheets to ensure the completeness and integrity of the inventory count. However, RHQs do not directly monitor the count operations in the institutions to ensure their integrity and completeness. They receive the fleet inventory counts of different institutions, then compile the information and send them to NHQ.

While the SLA provides details of the new division of responsibilities between the AWMS and CFM, it does not define the role and responsibilities of the RHQ.

Policies do not define in detail how NHQ, RHQ and the institutions should interact. The geographical distance, as well as the many different individuals involved in fleet management, increase the vagueness of roles and responsibilities and increase confusion, which is reflected in the quality of communication between the persons responsible for fleet management.

With the lack of a structured support and assistance mechanism or formal and clear communication of roles and responsibilities, the individuals responsible for fleet management may not have all the necessary tools and information to fulfill their obligations.

Conclusion

With respect to the first objective, the audit team found that CSC has defined fleet management policies in accordance with Treasury Board requirements. However, the following improvements are necessary:

- An update of all existing policies to enhance user understanding;
- Clarification and better communication of the distribution of roles and responsibilities among the individuals responsible for fleet management at NHQ, RHQs and in the institutions; and
- Implementation of a structured support and assistance mechanism that can provide the necessary tools to comply with CSC policies and to ensure fleet is properly managed.

3.2 Policy compliance

The second objective of the audit was to determine whether CSC accurately records and accounts for fleet assets. As previously mentioned in the Scope section of this audit report, the audit focused on validating the accuracy of the information contained in the IFMMS and ARI.

Annex A provides the overall assessment for all audit criteria.

3.2.1 Accuracy of the fleet asset database

The audit expected to find that all fleet assets were accurately recorded in IFMMS and ARI in a timely manner throughout their life cycle.

The audit assessed this criterion as being partially met. The findings are discussed below.

Overall, the information in ARI and IFMMS is incomplete and unreliable; however the information on new acquisitions has improved.

NHQ recognizes that there are many discrepancies between the information contained in the two databases, which requires reconciliation to correct them.

The audit team visited 12 sites and conducted a physical verification of the fleet assets using the information in the ARI and IFMMS.

For the 12 sites, we were able to confirm the physical existence of 96% (584 out of 606) of the vehicles. However, discrepancies were noted in the information contained in the systems, such as:

- 9% (52 out of 606) of the vehicles were registered in the IFMMS but not in ARI
- 4% (27 out of 606) of the vehicles were registered in ARI but not in the IFMMS

- 12% (71 out of 606) of the vehicles were registered at an institution other than the one indicated in the information in the ARI or IFMMS

In addition, the information of several vehicles (serial number, asset number, etc.) does not match the information in ARI or IFMMS, or the information in ARI is different from the information in IFMMS.

As far as CORCAN is concerned, the audit was able to verify the physical existence of 100% (12 out of 12) of the assets at the four CORCAN sites visited.

Physical inventory of the fleet is conducted, but their accuracy is still problematic.

NHQ sends a call letter to RHQ and the institutions each fiscal year to conduct a physical fleet asset verification and to verify the accuracy of the information in IFMMS. However, RHQ does not directly supervise physical inventory operations in the institutions. The audit found that inventories are carried out and the count is forwarded to RHQ and then to NHQ. However, when reviewing the inventory counts for the 12 sites visited, the audit found the following discrepancies:

- 4 out of 606 (less than 1%) vehicles were certified present in the inventory counts at one institution, yet they were physically at another institution
- 13 out of 606 (2%) vehicles used at some institutions were not included in their fleet

The new procedures for recording acquisitions are working; however, communication related to delivery needs improvement.

The audit expected to find that fleet assets are acquired in accordance with applicable policies.

We examined 294 new vehicle acquisitions nationally for the period from April 2018 to February 2019, taken from IFMMS and ARI, and found that 99% (292 out of 294) of these acquisitions were recorded in both systems. The acquisition process, now managed centrally by NHQ, has improved significantly and the resulting information is now more accurate.

Nonetheless, we believe that communication between NHQ, RHQ and the institutions can be further improved, especially with regard to the confirmation of vehicle receipt that is to be sent to NHQ. Delays in vehicles pick-ups from the dealer and in the confirmation of the receipt may incur costs.

At CORCAN, 79% (22 out of 28) of new acquisitions were registered in IFMMS and ARI, with 21% (6 out of 28) registered in IFMMS only.

3.2.2 Disposal process

The audit expected to find that fleet assets were disposed of in accordance with the requirements of the established policies and laws.

The audit assessed this criterion as being partially met. Findings are outlined below.

Disposal procedures are incomplete.

According to the applicable policies, vehicle disposal must occur within 30 days of receipt of the new asset. The institutions stated that they have difficulty in meeting this timeline. Occasionally,

the new vehicle cannot be immediately put into service, as it requires the installation of safety equipment or additional seats. Some institutions explained that delays in the disposal of old assets is the result of having to wait for disposal authorization from a Disposal Review Board (DRB). The applicable policies do not provide specific direction on how to proceed when institutions are unable to dispose of assets within 30 days of receiving the new asset.

As per Instruction CMS-INST-2018-024 CSC Fleet Asset Disposal Process, physical disposal is the responsibility of the institution or NHQ. The document does not provide any additional direction or guidance on the procedures for the physical disposal of assets.

When assets are disposed through the GCSurplus site, the institutions consider their responsibility to have ended once the asset is registered on the site. The vehicle is subsequently picked up directly by GCSurplus, but the procedures do not include any formal confirmation to NHQ from GCSurplus or the institution.

From a national sample of disposed vehicles taken from both systems (IFMMS and ARI), the audit team found evidence of disposal for 69% (157 out of 229) of the sample. Confirmation of disposal was not received by NHQ in the other cases.

A national DRB must meet monthly to approve any fleet asset disposals. However, 44% (100 out of 229) of vehicles disposed of in both systems could not be linked to a DRB that approved their disposal. Furthermore, a review of DRB reports from April 2018 to February 2019 showed that some vehicles were either on the same DRB authorization report several times or on consecutive DRB reports.

In general, information on out of service, pending disposal (surplus) or disposed vehicles is recorded in IFMMS and ARI, but tracking and reconciliation are not done regularly.

The audit expected to find that out of service, surplus or disposed vehicles would be consistently recorded in both systems in a timely manner.

A review of a national sample of 331 out of service, surplus or disposed vehicles taken from IFMMS or ARI for the period from April 2018 to March 2019 showed the statuses presented in the table below.

| Status of vehicles reviewed in ARI and IFMMS | Number | Percentage |
|---|------------|-------------|
| Disposed of (229) or retired (8) and removed from ARI and IFMMS | 237 | 72% |
| Disposed of and removed from ARI but in service in IFMMS | 39 | 12% |
| Disposed of and removed from ARI but surplus in IFMMS | 27 | 8% |
| Disposed of and removed from ARI but not found in IFMMS | 12 | 4% |
| Disposed of and removed from IFMMS but in service in ARI | 2 | 1% |
| Disposed of and removed from IFMMS but not found in ARI | 14 | 4% |
| Total | 331 | 100% |

There is an average of 78 days between the date of disposal and the date on which the disposed vehicle is removed from IFMMS.

Only NHQ updates information in both systems once confirmation is received from the institutions that the asset is no longer under CSC ownership. Sometimes, this confirmation is delayed, which consequently delays the recording of the disposal in both systems.

The procedures do not include institutions receiving confirmation that the information has been taken into account. Discrepancies that are not identified and therefore not corrected in IFMMS may have a negative impact on financial statements.

As for CORCAN, from a national sample of 15 out of service, surplus or disposed vehicles taken from IFMMS or ARI for the period from April 2018 to January 2019, the statuses of the vehicles examined are presented in the table below.

| Status of vehicles reviewed in ARI and IFMMS | Number | Percentage |
|--|-----------|-------------|
| Disposed of and removed from ARI and IFMMS | 8 | 53% |
| Disposed of and removed from ARI but in service in IFMMS | 1 | 7% |
| Disposed of and removed from ARI but surplus in IFMMS | 4 | 27% |
| Disposed of and removed from IFMMS but not found in ARI | 2 | 13% |
| Total | 15 | 100% |

Disposal information is generally recorded in ARI and IFMMS, but its accuracy needs to be further improved to allow a better reconciliation between the two systems.

Conclusion

With respect to the second objective, the audit found that, overall, fleet information is recorded in both ARI and IFMMS. The audit team noted several improvements in fleet management since the last audit; however, further improvements are still needed. Specifically:

- The information in ARI and the IFMMS is incomplete, unreliable and not regularly reconciled; and
- Different stages of the fleet asset disposal process need to be better defined or clarified so that disposals are better managed and all grey areas eliminated.

Recommendation 1

The Assistant Commissioner, Corporate Services should strengthen the management framework. Specifically:

- Ensure that all policies specific to fleet management are up to date and clear;
- Provide clarification and better communication of the distribution of roles and responsibilities among the individuals responsible for fleet management at NHQ, RHQs and in the institutions;
- Ensure implementation of a structured support and assistance mechanism that can provide CSC staff with the necessary tools to comply with policies and manage the fleet efficiently.

Management Response

We agree with this recommendation. By September 1, 2020, the ACCS will complete the implementation of the deliverables stated under recommendation 1 of the MAP

Recommendation 2

The Assistant Commissioner, Corporate Services must improve the fleet information contained in the Fleet Management System. Specifically:

- Ensure that the information contained in ARI and IFMMS is reconciled more regularly and any discrepancies corrected, to ensure reliable and comprehensive information;
- Clarify or better define all stages of the fleet asset disposal process in order to eliminate all grey areas.

Management Response

We agree with this recommendation. By December 31, 2020, the ACCS will complete the implementation of the deliverables stated under recommendation 2 of the MAP.

4.0 OVERALL CONCLUSION

The audit team found that, in general, CSC has defined fleet management policies in accordance with Treasury Board requirements.

However, the following improvements are necessary:

- An update of all existing policies to enhance user understanding;
- Clarification and better communication of the distribution of roles and responsibilities among the individuals responsible for fleet management at NHQ, RHQs and in the institutions; and
- Implementation of a structured support and assistance mechanism that can provide the necessary tools to comply with CSC policies and to ensure fleet is properly managed.

With respect to compliance, the audit found that, overall, fleet information is recorded in both ARI and IFMMS. We have noted several improvements in fleet management since our last audit; however, further improvements are still needed. Specifically:

- The information in ARI and the IFMMS is incomplete, unreliable and not regularly reconciled; and
- Different stages of the fleet asset disposal process need to be better defined or clarified so that disposals are better managed and all grey areas eliminated.

5.0 MANAGEMENT RESPONSE

Management agrees with the audit findings and recommendations as presented in the audit report. Management has prepared a detailed Management Action Plan to address the issues raised in the audit and associated recommendations. The Management Action Plan is scheduled for full implementation by December 31, 2020.

6.0 ABOUT THE AUDIT

6.1 Approach and methodology

Audit evidence was gathered through a number of methods.

Interviews

The audit team conducted interviews with senior management and staff at NHQ, RHQs and in the institutions. Interviewees included the National Fleet Manager, Institutional Heads, Site Fleet Managers and other staff members as required.

Review of documentation

The audit team reviewed relevant documentation such as legislation, policies, directives and reports. Specific documents reviewed included, but were not limited to, IFMMS and ARI procurement reports, physical asset verification of inventories, and GCSurplus surplus and disposal reports.

Testing

The audit team:

- reviewed relevant documents (vehicle list, ARI and IFMMS reports of additions, invoices, confirmation of receipt forms) to determine whether the acquired fleet assets were entered in IFMMS and ARI accurately and on time;
- compared fleet data in IFMMS with ARI to examine consistency and accuracy;
- compared a sample of the information contained in IFMMS and ARI with the physical inventory completed for fiscal year 2018-2019 to verify that the systems are up to date; and
- reviewed a sample of GCSurplus disposal reports to ensure that the systems are updated following the disposal of fleet assets.

Observations

The audit team carried out physical audits of the fleet assets at 12 sites to confirm that the fleet assets linked to the site visited were physically present and that all the vehicles present at the site were accounted for in the IFMMS and ARI systems.

Site selection

The sites selected for this audit are outlined in **Annex B**.

6.2 Previous fleet management audits and reviews

Audit of Fleet Life Cycle Management

In 2010, CSC's IAS completed an audit of the life cycle management of the CSC and CORCAN fleet. Following the audit, the primary recommendation to CSC was to strengthen tracking and reporting mechanisms to ensure that the information supporting fleet management was complete and reliable. It had also been recommended that the inventory process be improved, as well as the maintenance and updating of complete records on the planning, inventory, use and maintenance of the fleet in accordance with policies.

The primary recommendation to CORCAN was to maintain and submit records on the use and maintenance of vehicles, in accordance with Treasury Board policies and directives.

Audit of Asset Management

In 2016, CSC's IAS conducted an Audit of Asset Management. Overall, it was recommended that the management framework be clarified to ensure all aspects related to the acquisition, recording, safeguarding, yearly verification and disposal of assets are clearly defined, understood and observed. It was also recommended that all business units maintain accurate and up-to-date asset data in the Fixed Assets Module.

Fleet Assets Audit

The Fleet Assets Audit was initiated in September 2016. However, during the planning phase, the audit had to be postponed because significant deficiencies were identified. The Technical Services Branch was given time to address the concerns and to implement the relevant aspects of the Management Action Plan related to the Audit of Asset Management. According to the Plan, an analysis and cleanup of information on the fleet in the IFMMS and ARI databases was initiated and then finalized in December 2017. The objectives were to enhance fleet management and eliminate duplication while reducing tracking and counting efforts.

6.3 Statement of conformance

In my professional judgment as Chief Audit Executive, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the opinion provided and contained in this report. The opinion is based on a comparison of the conditions, as they existed at the time, against pre-established audit criteria that were agreed on with management. The opinion is applicable only to the area examined.

The audit conforms to the Internal Auditing Standards for the Government of Canada, as supported by the results of the quality assurance and improvement program. The evidence gathered was sufficient to provide senior management with proof of the opinion derived from the internal audit.

Christian D'Auray, CPA, CA
Chief Audit Executive

ANNEX A: AUDIT CRITERIA

The following table outlines the audit criteria developed to meet the stated audit objective and scope:

| Objective | Audit Criteria | Satisfied / Met with a few exceptions / Partially Met / Not Met |
|--|--|---|
| Provide reasonable assurance that CSC has put in place a management framework to support efficient and effective management of fleet assets. | 1.1 – <u>Policy Framework</u> – Policies specific to fleet tracking are up to date, clear and understood. | Not Met |
| | 1.2 – <u>Roles and Responsibilities</u> – Individuals responsible for the recording and safeguarding of fleet assets understand and are complying with their roles and responsibilities. | Not Met |
| Provide reasonable assurance that CSC is accurately recording and accounting for its fleet assets. | 2.1 – <u>Accuracy of Asset Database</u> – All fleet assets are recorded in both the fleet management information system (FMIS) and IFMMS in an accurate and timely manner throughout their life cycle. | Partially Met |
| | 2.2 – <u>Disposal Process</u> – Disposal of vehicles is being completed in accordance with the established policy and legislative requirements. | Partially Met |

ANNEX B: SITE SELECTION

| Region | Institutions |
|-----------------|---|
| Atlantic | <ul style="list-style-type: none">• Nova Institution for Women• Dorchester Penitentiary |
| Quebec | <ul style="list-style-type: none">• La Macaza Institution• Regional Reception Centre |
| Ontario | <ul style="list-style-type: none">• Bath Institution• Collins Bay Institution |
| Prairie | <ul style="list-style-type: none">• Edmonton Institution• Grierson Institution• Stony Mountain Institution |
| Pacific | <ul style="list-style-type: none">• Kwikwèxwelhp Healing Village• Mountain Institution• Mission Institution |