

# AUDITOR GENERAL

Halifax Regional Municipality



## Fleet Vehicle Use, Car Allowances and Mileage Audit

March 2020

**March 6, 2020**

The following audit of **Fleet Vehicle Use, Car Allowances and Mileage** completed under section 50(2) of the Halifax Regional Municipality Charter, is hereby submitted to the Audit and Finance Standing Committee of Regional Council.

Respectfully,

*Original signed by*

Evangeline Colman-Sadd, CPA, CA  
Auditor General  
Halifax Regional Municipality

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# Fleet Vehicle Use, Car Allowances and Mileage Audit

HRM and Halifax Water do not effectively manage use of light-duty fleet vehicles

## HRM

- Policy not updated since 2011 and has gaps
- Does not monitor utilization
- Project to address fleet management issues behind by more than a year

## Halifax Water

- Policy used, not updated since 2009
- Does not monitor utilization

Neither HRM's nor Halifax Water's policies ensure cost-effective option selected

## HRM

Identified employees who would have been paid less with a car allowance versus a personal vehicle mileage reimbursement over two-year audit period

2017-18: 19 employees  
2018-19: 17 employees

Does not monitor mileage claims for compliance with policy



## Halifax Water

All 24 employees with a car allowance were paid more than if they had personal vehicle mileage reimbursement over two-year audit period

Monitors mileage claims for compliance with policy

## Conclusion

Overall, HRM and Halifax Water are not effectively managing the use of light-duty fleet vehicles, which increases the risk neither are getting value-for-money from their light-fleet.

HRM has identified weaknesses in its fleet management practices but has not taken steps to address these. The vehicle use policy is outdated and has gaps. Corporate Fleet does not monitor utilization.

Halifax Water's fleet policy has not been updated recently. It does not cover utilization management and how much the vehicle is used is not monitored. Management told us they monitor for inappropriate fleet use.

Neither HRM's nor Halifax Water's travel policies require the lowest-cost choice be selected. Some HRM and Halifax Water employees were paid more than they would have been with other reimbursement options.

Although most HRM mileage expense reimbursements were compliant with policy, lack of management monitoring led to overpayments to some employees.

Halifax Water monitors car allowances and mileage expense reimbursements for compliance with policy. All mileage claims, and car allowances tested were compliant.

## Key Take-aways

- Corporate Fleet project to address fleet management issues behind schedule by over a year
  - No detailed plan to complete
- HRM's vehicle use policy is outdated.
- HRM and Halifax Water do not monitor utilization of light-fleet vehicles.
- Most HRM divisions we asked do not monitor for inappropriate fleet vehicle use.
  - We did not identify personal use of HRM or Halifax Water fleet vehicles.
- Neither HRM's nor Halifax Water's policies ensure cost-effective option selected
  - Identified HRM employees who collectively would have been paid at least \$62,000 less with a car allowance over two years.
  - All 24 Halifax Water employees with car allowances were paid \$81,610 more than with regular mileage over two years.
- HRM does not monitor mileage claims for compliance with policy.
  - Noncompliance led to \$7,477 overpayment over two years to nine employees.
- Halifax Water monitors compliance with mileage policy.

## Audit Results

### Fleet Policies Not Updated Recently

Both HRM's and Halifax Water's light-fleet vehicle and travel policies have gaps which should be addressed. Neither travel policy requires selecting the lowest-cost option when considering mileage reimbursement, car allowance, or fleet vehicle. Halifax Water's light-fleet vehicle policy does not require management to monitor fleet vehicle utilization. Neither HRM's nor Halifax Water's light-fleet vehicle policies include a monitoring process for personal use. HRM's policy has not been updated since 2011. Halifax Water's policy was last updated in 2009.

#### *Light-Fleet Vehicles*



HRM: Cars, trucks, vans and SUVs

Halifax Water: Passenger vehicles,  
¼ ton to 1-ton trucks

#### ***HRM's fleet vehicle-use policy outdated and has gaps***

HRM's fleet vehicle-use policy is outdated and has gaps. Corporate Fleet management has not reviewed the policy since it was developed in 2011 and does not follow many aspects of it.

The policy includes utilization targets and quarterly and annual utilization reports to senior management. Corporate Fleet does not monitor utilization. Management told us they do not know if the policy's utilization targets are appropriate. An internal HRM site has some utilization reports but they are not current and Corporate Fleet does not know if the reports are used. Most HRM division managers we spoke with were not aware of this report and those who were aware told us they do not use it. The policy does not allow personal use of fleet vehicles and has rules for taking fleet vehicles home while on call, but has no monitoring process to confirm there is no other personal use.

Fleet management also told us they do not know if the fleet vehicle-use policy was approved and said they are uncertain of their authority. However, it is an approved corporate policy. It gives Corporate Fleet responsibility to manage and coordinate the use, maintenance and assignment of fleet vehicles. This includes the ability to remove vehicles from business units if certain usage thresholds are not met. The policy calls for a committee of senior HRM managers to resolve disagreements between Corporate Fleet and fleet vehicle users. However, the committee does not exist. Corporate Fleet told us this has led to situations in which business units continue to have fleet vehicles that Corporate Fleet believes may not be needed. There may be opportunities to save money if some of these fleet vehicles were shared or if employees were paid mileage instead.

Vehicle-use policies are important to help ensure vehicles are appropriately used; policies should support an efficient fleet size. In its 2018-19 business plan, Corporate Fleet included a fleet rationalization project. However, the project is over a year behind and there are no detailed plans to finish. The project scope is expected to include updating the fleet vehicle-use policy; identifying areas for efficiency, such as usage and allocation; and clarifying management's authority.

#### **Recommendation 1**

HRM's Corporate and Customer Services should develop a detailed plan, with deadlines, and complete its fleet rationalization project. This should include updating the fleet-use policy, address monitoring of vehicle use, and clarify how disagreements between Corporate Fleet and fleet vehicle users will be settled.

#### **Management Response**

*Agree. Corporate and Customer Services will finish the Fleet Rationalization Project in fiscal 2020-21 as well as update the Fleet-use Policy.*

#### ***Halifax Water's fleet policy not updated recently, has gaps***

Halifax Water's fleet policy has not been updated since 2009. While it covers some key areas, such as personal use of fleet vehicles in on-call situations, there are gaps which should be addressed to help ensure the best value-for-money. It does not address monitoring for compliance with the policy. There are also no utilization targets or assigned responsibility to monitor utilization.

#### ***HRM taxable benefits may not be recorded***

The Canada Revenue Agency (Source: *Employers' Guide Taxable Benefits and Allowances*) considers personal driving in an employer-owned vehicle a taxable benefit to the employee. This includes travel between home and a regular place of employment, even if the employer requires the employee drive the vehicle home, such as when on call. HRM has a 2009 consultant opinion which indicates certain instances of taking a vehicle home while on call may not result in a taxable benefit.

We identified 23 HRM employees who took fleet vehicles home for on call use. Since the consultant opinion is old, and Canada Revenue Agency requirements may have changed, it is not clear whether these employees should have a taxable benefit. It is important that all benefits received by employees are accurately recorded for tax purposes. HRM may be subject to penalties and interest for unpaid amounts.

### **Recommendation 2**

HRM's Finance, Asset Management & Information, Communication, and Technology should clarify whether employees who take HRM-owned vehicles home while on call are receiving a taxable benefit under current Canada Revenue Agency requirements. If employees are found to have historical, unreported taxable benefits, HRM should determine how to address related unpaid income tax and Canada Pension Plan contributions.

#### **Management Response**

*Agree. FAM&ICT will reconfirm CRA's classification policies and will document the test for a vehicle to be classified as equipment in the policy. FAM&ICT will also explore whether or not the 23 employees received a taxable benefit and will report the benefits as required by CRA.*

### **Halifax Water taxable benefits mostly recorded**

Halifax Water correctly calculates most taxable benefits from employee fleet use. However, we identified four employees who received a taxable benefit that was not recorded. Management told us the employees' job requirements changed to include on-call work, but the resulting taxable benefit was missed. Income tax and any related Canada Pension Plan deductions were not withheld and remitted. Halifax Water may be subject to penalties and interest on unpaid amounts.

### **Recommendation 3**

Halifax Water should determine how to address historical, unreported taxable benefits and related unpaid income tax and Canada Pension Plan contributions.

#### **Management Response**

*Agreed. Halifax Water is currently reviewing all historical data to determine the taxable benefit amount. All impacted employees were notified that they will be receiving amended T4's once this review is finalized.*

### **HRM's local travel policy does not ensure cost-effective decisions are made**

HRM's local travel policy does not require using the most cost-effective option for employee travel. It states the municipality only provides a car allowance if this is most cost-effective option but does not require moving to this option, or to a fleet vehicle, if that is more economical.



We identified instances in which the most cost-effective option for employee travel was not used.

- Nineteen employees in 2017-18 and 17 in 2018-19 would have been paid less with a car allowance versus personal vehicle mileage reimbursement.
  - Differences ranged from approximately \$500 to \$4,000 per employee
  - Total additional amounts paid to these employees were more than \$62,000 for the two-year period (Net expense to HRM would be less due to HST rebates.)

### ***Breakdown by HRM Business Unit***

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#### **Transportation and Public Works:**

- 17 employees in 2017-18; 16 in 2018-19
- Additional amounts paid \$60,059 over two years

#### **Parks and Recreation:**

- 1 employee in 2017-18 and 2018-19
- Additional amounts \$1,958 over two years

#### **Corporate and Customer Services:**

- 1 employee in 2017-18
- Additional amount \$742

Many of these employees work in the same Transportation and Public Works division. The manager was not aware a car allowance was an option. Another manager told us it is an employee's choice whether to have a car allowance versus mileage reimbursement. In both instances, the managers were not monitoring to ensure the lowest-cost option for HRM was used.

We may not have identified all instances in which the most cost-effective option for employee travel was not used. HRM's financial system does not track mileage reimbursements separate from other local travel reimbursements. We made a conservative assumption that \$150 per monthly local travel expense claim related to parking or bridge tolls. We included any remaining amount in mileage costs.

HRM periodically compares its mileage rates to other organizations. The monthly car allowance rates are not included in this comparison and have not been updated since 2007.

#### **Recommendation 4**

HRM's Human Resources should update the local travel policy to require either selecting the most cost-effective option or documenting the business case for a more costly choice.

#### **Management Response**

*Agree. Human Resources with support from FAM&ICT will review and update the local travel policy to reflect the requirement for choosing the most cost-effective choice for HRM. If Business Units are not using the most cost effective choice a business case shall be conducted. The business case will consider, cost, impact on employee, operational efficiency and safety.*

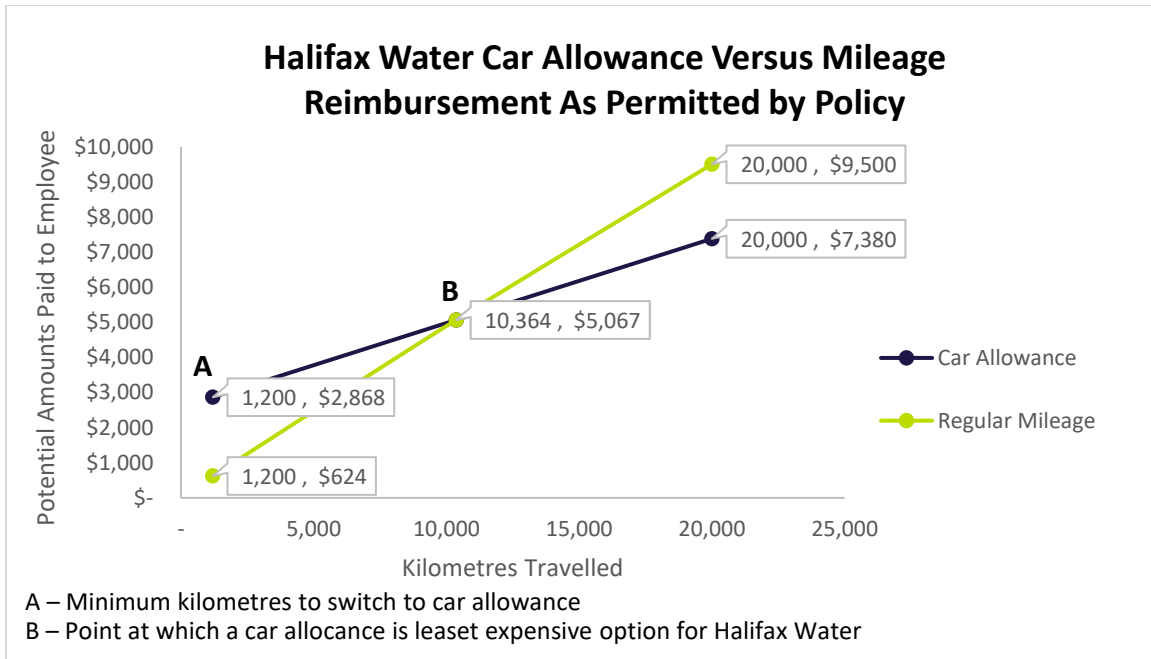
#### **Halifax Water's travel policy does not require cost-effective decisions**

Halifax Water's travel policy is not regularly reviewed. It does not require picking the most cost-effective option and management does not monitor to confirm employees have the least-expensive option for local travel.

All 24 Halifax Water employees receiving car allowances were paid more than if they used personal vehicles with mileage reimbursement. A car allowance is more cost-effective for Halifax Water if the employee drives more than 10,364 kilometres in a year. However, Halifax Water allows employees to switch to a car allowance at 1,200 kilometres, subject to management approval. This could result in employees being paid an additional \$2,244 each. (Net expense to Halifax Water would be less due to HST rebates.) Management has not reviewed this threshold in at least nine years.

- Total additional amounts (\$81,610): 2017 – \$43,360, 2018 – \$38,250
- Two employees getting regular mileage reimbursement were paid more than if they had received a car allowance.
  - Additional amounts paid ranged from \$539 to \$1,051 annually per person
  - The employee's manager's told us they do not monitor this because it is the employee's option.
  - An employee should not have available options which may be more costly for taxpayers.

Management should ensure the least expensive option is chosen unless there is a documented, approved business case for another option.



#### Recommendation 5

Halifax Water should update its travel policy to require selecting the most cost-effective option or documenting the business case for a more costly choice.

#### Management Response

*Agreed. Halifax Water will increase the estimated number of K/M to be driven from 1,200 to 9,000 and will require additional analysis to support the decision to pay a travel allowance. It is expected that these changes will significantly reduce the number of travel allowances paid.*

## Fleet vehicle utilization not monitored

### HRM does not monitor utilization

HRM does not manage utilization of its light-fleet vehicles, increasing the risk the fleet is not optimally used. Corporate Fleet told us they may consider utilization when deciding whether to replace individual vehicles, but they do not look at how fleet vehicles are used across the organization. Overall utilization is not a key factor in determining which fleet vehicle to replace.

We spoke with management in 11 HRM divisions that use light-fleet vehicles.

- We saw evidence that two of the 11 divisions monitor utilization.
- Nine of 11 divisions told us they do not monitor fleet vehicle utilization.
  - Two of the nine divisions said they assumed Corporate Fleet monitored this.

Corporate Fleet management told us they expect the fleet rationalization project will address this issue. Recommendation 1 addresses the need for HRM to complete this project.

We talked to business units about vehicles with low or high mileage compared to other fleet vehicles. In many instances, division supervisors provided operational reasons that explained why certain vehicles were used less often but still required.

We also found a business unit with vehicles that were clearly under-utilized which lacked an appropriate business case. Fleet vehicles were purchased for supervisory employees in the Corporate and Customer Services Business Unit. The analysis supporting the decision to purchase the vehicles was incomplete; it did not compare cost savings to costs of purchasing and operating the vehicles. Our analysis indicated the vehicle purchases would originally have been the cheaper option. However, management told us the division was restructured before the vehicles were purchased. As a result, the vehicles are under-utilized. In 2018-19, three of four supervisor vehicles were less than 30% utilized, based on kilometres driven. In addition, supervisors logged less kilometres when they started using fleet vehicles. Kilometres driven by all four supervisors decreased between 20% and 71% from 2016-17 to 2018-19.

HRM paid \$119,000 for the four vehicles and Corporate Fleet told us annual maintenance and fuel costs range from \$2,300 - \$3,000 per vehicle. In 2018-19, based on kilometres driven, HRM would have paid approximately \$13,600 in mileage reimbursement for the four supervisors. However, the estimated annual cost of the vehicles is an additional \$19,371 (see chart below).

**Additional Annual Cost to Provide Fleet Vehicle Instead of Paying Mileage**

Supervisor Vehicles	Local Mileage Expense if KMs Driven on Personal Vehicle	Estimated Annual Fuel and Maintenance Expense*	Capital Cost per Year (Purchase Price/Useful Life)	Variance Between Estimated Local Mileage Cost and Annual Vehicle Costs
Vehicle 1	\$2,046	\$2,300	\$5,955	\$(6,209)
Vehicle 2	\$6,384	\$2,300	\$5,955	\$(1,871)
Vehicle 3	\$2,586	\$2,300	\$5,955	\$(5,669)
Vehicle 4	\$2,633	\$2,300	\$5,955	\$(5,622)
<b>Total</b>	<b>\$13,649</b>	<b>\$9,200</b>	<b>\$23,820</b>	<b>\$(19,371)</b>

\*Estimated annual maintenance and fuel expense provided by Corporate Fleet.

Management told us the division restructuring led to a decrease in the amount supervisors drive but vehicles were still purchased due to advantages of having GPS data, such as improved route planning. This does not appear to represent good value-for-money for HRM.

***HRM inappropriate use monitoring is limited***

Most HRM divisions do not monitor light-fleet vehicles for inappropriate use. Our analysis of GPS data from the vehicle location system did not identify significant issues with personal use of vehicles. However, lack of monitoring means misuse can go unidentified.

**Recommendation 6**

HRM should monitor utilization of light-fleet vehicles, including checking for inappropriate use and developing utilization targets.

***Management Response***

*Agree. As per Management response to recommendation 1, the Fleet Rationalization Project scope will include monitoring of light fleet vehicles. Utilization of light-fleet vehicles can be monitored in order to recognize, identify and increase operational efficiencies. Data obtained regarding vehicle usage can be used as information if inappropriate use is suspected.*

***Halifax Water does not monitor utilization***

Halifax Water does not monitor light-fleet vehicle utilization, increasing the risk the fleet is not optimally used. Fleet management told us it is the responsibility of operational groups that use fleet vehicles, but none of the managers we talked to monitor this.

Fleet management told us they consider usage when making vehicle replacement decisions but could not support this.

Management has developed utilization reporting from the GPS system but told us they do not manage fleet to these targets. The report defines 100% utilization to be the vehicle in use for full-time work hours.

Based on this report, most Halifax Water fleet vehicles appear underutilized. Approximately half the vehicles (63 of 125) were less than 50% utilized. We discussed 15 of the 63 vehicles with the responsible management. They told us there were operational reasons why fleet vehicles are needed. However, given the number of light-fleet vehicles with low utilization rates, Halifax Water management needs to critically review this area and consider whether there are opportunities to reduce the light vehicle fleet and save money.

**Recommendation 7**

Halifax Water should review its fleet of light-duty vehicles and determine whether there are opportunities to reduce the number of vehicles while still meeting operational needs.

**Management Response**

*Agreed. Halifax Water will assess 2019 departmental utilization of light fleet vehicles and establish productivity standards by the end of 2020 and vehicle reductions shall be considered for 2021/22 purchases.*

**Recommendation 8**

Halifax Water should monitor utilization of light-fleet vehicles, including developing utilization targets.

**Management Response**

*Agreed. Halifax Water will begin regular reporting of monthly vehicle utilization to Directors, Superintendents and Supervisors commencing April 1, 2020 via monthly emailed reports and will consider how to incorporate productivity standards by the end of 2020.*

**Halifax Water monitors for inappropriate fleet use**

Most (4 of 5) Halifax Water department managers told us they perform some monitoring for inappropriate use of light-fleet vehicles. Halifax Water has standardized reports and alerts from the vehicle location system that managers can use to monitor fleet use. We saw evidence management received these alerts.

Our analysis of GPS data from the system did not identify significant issues with personal use of light-fleet vehicles.

**No Personal Use Identified; Risks Persist for HRM**

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Our analysis of GPS data for HRM and Halifax Water light-fleet vehicles did not identify personal use but HRM not monitoring

## **Mileage claim and car allowance compliance monitoring**

### ***HRM’s lack of monitoring creates risk of noncompliance***

HRM employees are paid mileage at \$0.46 per kilometre for the first 16,000 kilometres, \$0.42 per kilometre over 16,000 and up to 24,000 kilometres, and \$0.34 per kilometre above 24,000 kilometres. However, HRM has no process to track annual employee mileage to identify when employees should reduce their reimbursement rate. This means management is not likely to identify employees who have not followed the policy.

This practice has led to overpaying employees for mileage. We identified nine employees who drove more than 16,000 kilometres in a fiscal year. None of the nine reduced their mileage rate as required by policy. This resulted in \$7,477 overpayment for our two-year audit period. These employees work in the Transportation and Public Works Business Unit.

We may not have identified all employees who drove at least 16,000 kilometres in a fiscal year as HRM’s financial system does not track mileage reimbursement separately from other local travel reimbursement. Our analysis assumed local travel reimbursement amounts included \$150 per month in parking and bridge tolls; we assumed the remaining amount was for mileage reimbursement.

Most of the 90 local mileage claims sampled were compliant with policy.

- Two Transportation and Public Works Business Unit employees had two claims with large mileage amounts, covering multiple trips and dates. This is not allowed by policy.
  - Destination, kilometres and dates must be recorded.
- We sampled four more travel claims for these two employees and found three had large mileage amounts not separated by trip or date.
- The five claims with large mileage amounts had 3,071 kilometres in mileage, totalling \$1,413 reimbursement to the employees, with no supporting trip details.

### ***Halifax Water monitors mileage claims and car allowances for compliance***

Halifax Water monitors local mileage claims and car allowances for compliance with policy.

All 68 local mileage claims tested were complaint with policy.

Halifax Water tracks year-to-date mileage claimed to identify employees who must reduce their mileage rate.

- All four employees sampled who exceeded policy thresholds, reduced their mileage rate as per policy.

The accounting department monitors mileage claimed to ensure employees with car allowances continue to meet policy requirements.

- All car allowances paid during the audit period were compliant with policy.
- Car allowances were stopped for employees once they no longer met the requirements.



## Background

Corporate Fleet, a division of the Corporate and Customer Services Business Unit, is responsible for managing HRM municipal, police, fire, and transit vehicles (other than buses) and equipment; including procurement, purchase, maintenance and disposal. At Halifax Water, the Fleet and Building Maintenance Services division is responsible for managing the maintenance, repair and replacement of fleet vehicles.

Fleet vehicles are categorized as light, medium and heavy. Light-fleet vehicles include cars, trucks, SUVs and vans. HRM has 263 light-fleet vehicles. Halifax Water has 161 light-fleet vehicles.

### *Light-Fleet Vehicles*

HRM Business Unit	Cars	Trucks (Includes, Trucks, Vans and SUVs)
Corporate and Customer Services	11	46
Finance, Asset Management & ICT	–	1
Halifax Transit	9	6
Human Resources	–	2
Library	1	8
Parks and Recreation	6	48
Planning and Development	57	11
Transportation and Public Works	5	52
<b>HRM Total <sup>(1)</sup></b>	<b>89</b>	<b>174</b>
<b>Halifax Water Total <sup>(2)</sup></b>	<b>3</b>	<b>158</b>

Source: <sup>(1)</sup> HRM Corporate Fleet division, as of March 2019

<sup>(2)</sup> Halifax Water Fleet and Building Maintenance Services division, as of May 2019

Most of HRM's and Halifax Water's light-fleet vehicles have automatic vehicle locator GPS devices installed. This allows management to monitor fleet vehicles.

The Finance, Asset Management & Information, Communication, and Technology Business Unit is responsible for processing HRM's mileage reimbursements and monthly vehicle allowances. At Halifax Water, the Corporate Services division is responsible.

The tables below summarize local mileage and car allowance reimbursement rates as per policy and provide details of total expenses for the two years we audited.

**Mileage Rates**

HRM Mileage Rates		Halifax Water Mileage Rates	
Kilometres	Per Km Rate	Kilometres	Per Km Rate
16,000	\$0.46	5,000	\$0.52
Greater than 16,000 to 24,000	\$0.42	Greater than 5,000	\$0.46
Greater than 24,000	\$0.34	N/A	N/A

**Car Allowance Rates**

HRM			Halifax Water		
Monthly Flat Rate	Per KM Rate	Minimum Annual Kilometres (Fiscal Year) to Qualify	Monthly Flat Rate	Per KM Rate	Minimum Annual Kilometres (Calendar Year) to Qualify
\$240	\$0.19 (local travel) \$0.46 (out of town)	10,667	\$215	\$0.24	1,200

**Annual Expenses for Local Mileage and Car Allowance Reimbursements**

Expense Type	2018-19	2017-18
HRM – Local Travel	\$720,704	\$764,737
HRM – Car Allowances	\$ –	\$ –
Halifax Water – Local Travel	\$100,303	\$91,884
Halifax Water – Car Allowances	\$55,606	\$59,595

Source: SAP

## About the Audit

We completed a performance audit of the management of light-duty fleet vehicle use, car allowances and mileage. The audit scope included Halifax Water and HRM, except for Halifax Regional Police, and Halifax Regional Fire and Emergency.

The purpose of the audit was to determine whether HRM and Halifax Water are appropriately managing the use of light-duty fleet vehicles, mileage on employee personal vehicles, and car allowances. Our role is to express an independent audit opinion of this area.

The audit objectives were to determine whether HRM and Halifax Water:

- effectively manage the use of light-duty fleet vehicles and considers value-for-money; and
- effectively manage risks associated with car allowances and local mileage expense reimbursements.

We developed criteria for this audit. These were discussed with, and accepted as appropriate by, HRM management of Corporate Fleet; and Finance, Asset Management & Information, Communication, and Technology and by Halifax Water management.

1. Policies and procedures for the management and use of light-duty fleet vehicles should be documented.
2. Management should monitor to identify ineffective, inefficient or inappropriate use of light-duty fleet vehicles and act to improve if necessary.
3. Local mileage and car allowance policies should include requirements to select cost-effective options and should comply with relevant tax legislation.
4. Local mileage expense and car allowance reimbursements should comply with policy.
5. Local mileage expense and car allowance reimbursements should comply with tax legislation.
6. Controls over local mileage expense claims and car allowances should be designed appropriately and operating effectively.
7. Local mileage and car allowance expenses should be monitored to ensure they remain the most cost-effective solution.

Our audit period was April 1, 2017 through March 31, 2019. Information from outside the audit period was considered as necessary.

Our audit approach included: interviews with management; review of internal policies and processes; and data analysis and examination of fleet vehicle use, car allowances, mileage, and other relevant documentation on a sample basis.

This audit was conducted in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001 Direct Engagements published by the Chartered Professional Accountants of Canada.

We apply CPA Canada's Canadian Standard on Quality Control 1. Our staff comply with the independence and ethical requirements of the Chartered Professional Accountants of Nova Scotia Code of Conduct.

## Appendix 1 – Recommendations and Management Responses

### Recommendation 1

HRM's Corporate and Customer Services should develop a detailed plan, with deadlines, and complete its fleet rationalization project. This should include updating the fleet-use policy, address monitoring of vehicle use, and clarify how disagreements between Corporate Fleet and fleet vehicle users will be settled.

### Management Response

*Agree. Corporate and Customer Services will finish the Fleet Rationalization Project in fiscal 2020-21 as well as update the Fleet-use Policy.*

### Recommendation 2

HRM's Finance, Asset Management & Information, Communication, and Technology should clarify whether employees who take HRM-owned vehicles home while on call are receiving a taxable benefit under current Canada Revenue Agency requirements. If employees are found to have historical, unreported taxable benefits, HRM should determine how to address related unpaid income tax and Canada Pension Plan contributions.

### Management Response

*Agree. FAM&ICT will reconfirm CRA's classification policies and will document the test for a vehicle to be classified as equipment in the policy. FAM&ICT will also explore whether or not the 23 employees received a taxable benefit and will report the benefits as required by CRA.*

### Recommendation 3

Halifax Water should determine how to address historical, unreported taxable benefits and related unpaid income tax and Canada Pension Plan contributions.

### Management Response

*Agreed. Halifax Water is currently reviewing all historical data to determine the taxable benefit amount. All impacted employees were notified that they will be receiving amended T4's once this review is finalized.*

**Recommendation 4**

HRM's Human Resources should update the local travel policy to require either selecting the most cost-effective option or documenting the business case for a more costly choice.

**Management Response**

*Agree. Human Resources with support from FAM&ICT will review and update the local travel policy to reflect the requirement for choosing the most cost-effective choice for HRM. If Business Units are not using the most cost effective choice a business case shall be conducted. The business case will consider, cost, impact on employee, operational efficiency and safety.*

**Recommendation 5**

Halifax Water should update its travel policy to require selecting the most cost-effective option or documenting the business case for a more costly choice.

**Management Response**

*Agreed. Halifax Water will increase the estimated number of K/M to be driven from 1,200 to 9,000 and will require additional analysis to support the decision to pay a travel allowance. It is expected that these changes will significantly reduce the number of travel allowances paid.*

**Recommendation 6**

HRM should monitor utilization of light-fleet vehicles, including checking for inappropriate use and developing utilization targets.

**Management Response**

*Agree. As per Management response to recommendation 1, the Fleet Rationalization Project scope will include monitoring of light fleet vehicles. Utilization of light-fleet vehicles can be monitored in order to recognize, identify and increase operational efficiencies. Data obtained regarding vehicle usage can be used as information if inappropriate use is suspected.*

**Recommendation 7**

Halifax Water should review its fleet of light-duty vehicles and determine whether there are opportunities to reduce the number of vehicles while still meeting operational needs.

**Management Response**

*Agreed. Halifax Water will assess 2019 departmental utilization of light fleet vehicles and establish productivity standards by the end of 2020 and vehicle reductions shall be considered for 2021/22 purchases.*

**Recommendation 8**

Halifax Water should monitor utilization of light-fleet vehicles, including developing utilization targets.

**Management Response**

*Agreed. Halifax Water will begin regular reporting of monthly vehicle utilization to Directors, Superintendents and Supervisors commencing April 1, 2020 via monthly emailed reports and will consider how to incorporate productivity standards by the end of 2020.*

## Contact Information

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