HALIFAX

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Item No. 12.1.4
Transportation Standing Committee
June 23, 2022

TO: Chair and Members of Transportation Standing Committee

SUBMITTED BY: [redacted]
Jacques Dubé, Chief Administrative Officer

DATE: June 13, 2022

SUBJECT: **Evaluation of Updated 2008 HRM Vehicle Anti-Idling Policy**

ORIGIN

March 26, 2019 Regional Council motion (Item 10.1):

THAT Halifax Regional Council direct the Chief Administrative Officer to:

1. Update the 2008 HRM Vehicle Anti-Idling Policy, and consolidate related policies into that update, based on the findings of the staff report dated October 31, 2018 and ongoing monitoring of fleet vehicle idling activity;
2. Evaluate the impact of the new consolidated Policy on fleet vehicle and equipment idling, fuel consumption and greenhouse gas emissions after two years, and return to the Transportation Standing Committee with a report documenting progress; and
3. Develop business unit-specific greenhouse gas emission targets to reduce idling and fuel consumption, coupled with employee coaching and feedback on idling behaviour and fuel consumption.

MOTION PUT AND PASSED

LEGISLATIVE AUTHORITY

Administrative Order 1, Respecting the Procedures of the Council, Schedule 7, Transportation Standing Committee Terms of Reference, section 8 (a):

“The Transportation Standing Committee shall promote and encourage the development of integrated programs, policies and initiatives in the municipality that support the Municipality’s transportation goals and outcomes.”

RECOMMENDATION

It is recommended that the Transportation Standing Committee recommend that Regional Council direct the Chief Administrative Officer to:

1. Maintain the current 2008 HRM Vehicle Anti-Idling Policy;

2. Increase collaboration between Business Units and Corporate Fleet to identify and reduce idling; and

3. Continue supporting HalifACT, which includes commitments for achieving net zero emissions by 2030 for municipal operations by transitioning to electric vehicles (EVs), switching to clean and reliable energy sources and reducing energy use in buildings, lighting, fleet, waste and water operations.

BACKGROUND

The findings of the October 31, 2018 staff report[1] indicated that HRM's fleet vehicle idling emissions were significant and that work was needed to reduce them. Municipal vehicle and equipment idling consumes fuel, emits greenhouse gases and releases other harmful air pollutants that can impact human and environmental health. Some idling may be deemed "necessary" as part of maintenance or operational requirements, emergency response, ensuring employee and/or public health and safety (e.g., during extreme weather), or to power auxiliary equipment. However, engine idling in other cases is often unnecessary and avoidable, creating harmful pollution and wasting fuel.

The Municipality addresses fleet vehicle and equipment idling behaviour internally through a framework of corporate policies, programs, and plans, including the 2008 Vehicle Anti-Idling Policy (Attachment A). Environmental stewardship has become a much more pressing need in recent years for the Municipality. The HalifACT climate action plan[2], passed by Regional Council in June of 2020, is a community-wide response to the climate crisis that will build a more resilient and sustainable future while preparing for current and future climate impacts. It includes commitments to reducing emissions, switching to clean and reliable energy sources, and demonstrating local government leadership. The plan established a net-zero municipal operations target by 2030.

DISCUSSION

In further consideration of updating and consolidating the existing anti-idling policies, staff determined that doing so would have little effect when compared to other available actions. For this reason, a revised anti-idling policy was not pursued. The following developments were deemed to have a larger future impact on reducing greenhouse gases, pollutants, and costs to the region:

Relevant Vehicle Policies

- The Vehicle Anti Idling Policy (Attachment A) has been in effect since August 2008 and is readily accessible to municipal staff.
- The Municipal Fleet Driver/Operator's Manual was revised in March 2021 and is currently in use; a reference is made to the Anti-Idling Policy within the manual.
- The Fleet Use Policy is being revised and is taking into consideration the recommendations of the auditor general report "Fleet Vehicle Use, Car Allowances and Mileage Audit" – March 2020

[1] Report available online at https://www.halifax.ca/sites/default/files/documents/city-hall/regional-council/190326rc101.pdf

[2] Report available online at https://www.halifax.ca/sites/default/files/documents/city-hall/regional-council/200623rc916.pdf

(Attachment B). The suggested project scope from this audit includes identifying areas for efficiency, such as vehicle usage, allocation, steps toward idling reduction and clarifying management's authority. Executive Directors and associated managers are responsible to communicate the policy and to discipline for violations of rules, regulations, or conditions of use.

Current Vehicle Technology
It is anticipated there will be significant opportunities for fleet optimization from working closely with Northern Business Intelligence, HRM's partner for fleet solutions and automatic vehicle location (AVL) support. Improved reporting and visual dashboards for vehicle usage (fuel consumption, idling, speeding, etc.) will be made available to applicable business units. It will be the responsibility of these Business Units to follow up with this data to reduce unnecessary environmental and financial costs.

Corporate Fleet has started receiving newer vehicles which have auto start/stop technology. Many hybrid vehicles include this technology and there are more than 20 hybrids in use, with more on order. It is anticipated that this new technology will reduce idling, but it is currently too soon to tell by how much.

Municipal Electric Vehicle Strategy
The Municipal Electric Vehicle Strategy[3] was approved by Halifax Regional Council on November 23, 2021. Among other recommendations, the Strategy provides a road map for electrifying all corporately owned and operated light duty fleet vehicles by 2030. Vehicle electrification is expected to provide substantial environmental and economic benefits to the municipality, helping to achieve the goals of HalifACT. Electric vehicles do not idle, and their use would eliminate the excessive vehicle emissions currently seen in the light duty fleet of vehicles with internal combustion engines.

Evaluation of Idling:
Although the idling policies were not updated, an evaluation of idling taking by fleet vehicles was performed (see Figure 1 and Figure 2). Vehicles with AVL devices within Corporate and Customer Services (CCS), Planning and Development (PD), Parks and Recreation (PR), and Transportation and Public Works (TPW) were evaluated. Note this work was completed before the recent corporate reorganization. The former Business Unit names will be used in discussing this specific analysis. This dataset is for vehicles ranging from light duty (staff transportation) to heavy duty (street sweepers, road construction, etc.). At the time the data was captured, idling monitoring hardware and/or software had not been fully implemented for Halifax Regional Fire and Emergency (HRFE) fleet vehicles. Also, the AVL technology installed in transit fleet vehicles and transit buses did not capture idling data. As such, these vehicles were excluded from this report.

Total vehicle idling time was based on accumulated time from "idling events" for each vehicle. An idling event was deemed to have occurred when a vehicle idled for 200 seconds or longer. If a vehicle idled for less than this threshold during a single event, then it was not deemed to be idling (e.g., a short stop at a traffic light) and would not contribute to total vehicle idling time. It should be noted that the time period of 200 seconds could be shortened for future reporting but would produce a larger number of results, requiring a more granular review.

Idling percentage was calculated based on total vehicle idling time divided by total engine hours. For example, if a given vehicle accumulated a total of 2 hours of idling events out of a total of 4 operating hours, the idling percentage would be 50%.

[3] Report available online at https://www.halifax.ca/sites/default/files/documents/city-hall/regional-council/211123rc1522.pdf

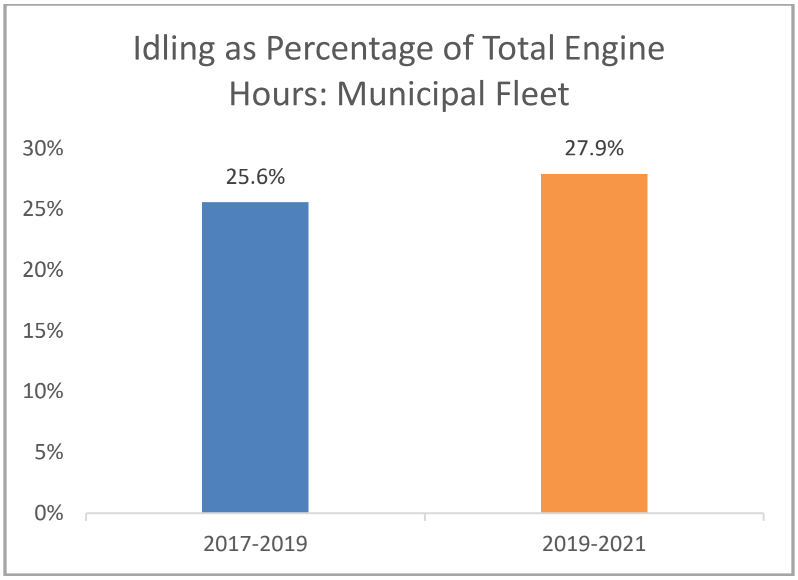

Figure 1 – Combined idling % using data from CCS, PD, PR and TPW vehicles. HRFE, HRP, and transit vehicles were excluded from this analysis.

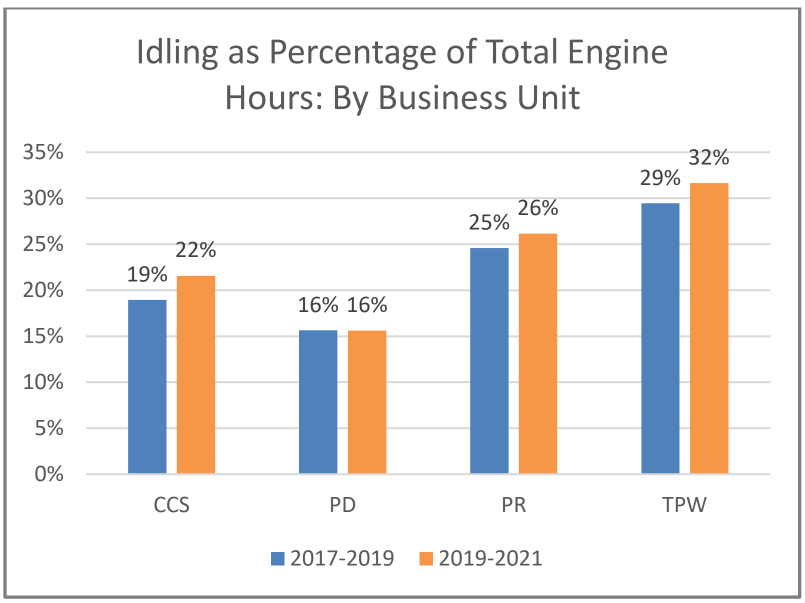

Figure 2 - Business unit idling % for CCS, PD, PR and TPW vehicles. HRFE, HRP, and transit vehicles were excluded from this analysis.

Figure 1 shows that fleet-wide idling has increased from 25.6% to 27.9% between the two reporting periods of 2017-19 and 2019-21 fiscal years, respectively. Figure 2 shows that the time spent idling has increased for three of the four Business Units evaluated. The intent of the graphs is to show the change over time, using the same calculation for idling times as mentioned above.

Some limitations in the reporting data include:

- The vehicle makeup has changed over time as more vehicles from different departments became active in the AVL reporting process.
- Idling exceptions were not included. Examples of allowable exceptions according to the policy (Attachment A, page 3) include: vehicle maintenance and diagnosis; operating in extreme weather conditions; and supporting operational requirements (e.g., snow clearing, road construction).
- The results do not take into consideration differences across reporting periods due to weather trends (e.g., total days of snowfall, heating degree days) or work plans (e.g., kms of roadway paved or maintained, new construction).
- It is very difficult to evaluate the data years later to determine acceptable idling limits.

For context, the Municipality's idling of 27.9% is close to the average of 25.5%, when compared by city size.[4] This average was calculated with a sample size of 2 million vehicles across North America and uses the same idling threshold of 200 seconds. This does not negate the fact that all cities can and should further reduce idling in their fleets.

To help the Municipality meet its goal of net-zero municipal operations by 2030, it is recommended that staff work with Corporate Fleet to identify and reduce idling through planned programming and the use of AVL data.

FINANCIAL IMPLICATIONS

There are no budget implications. The administration of the proposed policies can be carried out within the approved 2022/23 budget and with existing resources. Reducing unnecessary idling will result in fuel cost savings to HRM as demonstrated in the staff report dated October 31, 2018. Based on the assumptions in that report, the minimum cost of idling is estimated at $155,000 annually. A reduction in idling will result in a range of potential fuel savings from $0-$155,000 annually.

RISK CONSIDERATION

Additional staff time and resources would be required to rewrite anti-idling policies, with a risk of not reducing idling emissions and costs. Progression of the Municipal Electric Vehicle Strategy, along with proper follow-up and enforcement of existing fleet policies will help to mitigate this risk more effectively.

COMMUNITY ENGAGEMENT

There has been no community engagement completed to inform this report. However, significant community engagement relating to the items discussed above was completed during the development of HalifACT.

ENVIRONMENTAL IMPLICATIONS

Idling has environmental impacts as outlined in the staff report dated October 31, 2018. Applying appropriate resources to implement the HalifACT plan should more than compensate for the extra emissions from idling.

[4] https://my118.geotab.com/hrm/#trends, June 2022

ALTERNATIVES

Transportation Standing Committee could recommend that Regional Council direct the Chief Administrative Officer to update and consolidate current anti-idling policies as outlined in the recommendation report dated March 26, 2019[1].

ATTACHMENTS

Attachment A - 2008 Vehicle Anti Idling Policy

Attachment B - Auditor General Report - Fleet Vehicle Use, Car Allowances and Mileage Audit - March 2020

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: Chris Bernard, Clean Energy Specialist, Environment & Climate Change, 902.237.4765

ATTACHMENT A

Halifax Regional Municipality
Vehicle Anti Idling Policy
August 2008

Policy Intent

HRM is committed to becoming a healthy, sustainable and vibrant community. This includes an integrated systems approach to clean air, land, water and energy through a sustainable approach to the services and programs we deliver.

Vehicle emissions produce pollutants that contribute to climate change, smog and acid rain, some of the biggest environmental problems facing our planet today.

Reducing unnecessary idling has a positive effect on our air, land and water.

Policy Statement

The Halifax Regional Municipality has established a Vehicle Anti Idling Policy, which places limitations on engine idling. The policy applies to all vehicles used by HRM employees in the performance of their duties.

Definitions

Idling - means the engine is running while the vehicle is stationary or the piece of equipment is not performing work.

Vehicle - means any on road, or off road, self propelled vehicle that is required to be registered and have a licence plate issued by the Department of Motor vehicles

Equipment - means any self propelled/person operated equipment used in support of Municipal operations and services. (lawn mowers, bush cutters, boat engines, etc.)

Purpose

The purpose of the policy is to reduce the effect of HRM operations on our physical environment by:

- Reducing air pollution from vehicle and equipment exhaust
- Promoting energy conservation
- Reducing noise pollution
- Reducing wear and tear on HRM vehicles and equipment
- Reduce operational costs

Idling limitations

To ensure we approach vehicle idling in a consistent manner, all employees operating Municipal Vehicles and Equipment must adhere to the following idling limitations:

- Vehicles shall never be left idling when unattended
- Engine warm up periods will not exceed one (1) minute (provided air pressure for air brake systems are fully charged and all safety provisions are in place)
- Vehicles shall be shut down whenever idling periods are expected to exceed one (1) minute

* note HRM vehicles are not permitted to access “drive through services” as this too is unnecessary idling

Exceptions

As with all policies there will be some scenarios which are not conducive to the implementation of the limitations described above. Therefore, exceptions to this policy have been identified and only exists under the following circumstances:

- For vehicle maintenance and diagnosis purposes (to be kept to a minimum)
- Under extreme weather conditions or any other time when the health and safety of the employee or others may be jeopardized. To enable proper snow/ice clearing from vehicles.
- If the unit is not expected to be able to restart due to a mechanical problem. In this case, the vehicle is to be sent to Fleet Services for repair.
- Vehicles that need to be running to support operational requirements or while on an emergency scene
- Transit Vehicles in revenue service while carrying passengers.
- Engine is immediately required to power auxiliary equipment. (Hoist, lift platforms, hydraulic pumps, water pumps, etc.)
- This policy does not apply to typical stop and go traffic or when the unit is used for traffic control and is required to be running.

Original Signed | August 18, 2008

Dan English CAO | Date

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 polices 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

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.

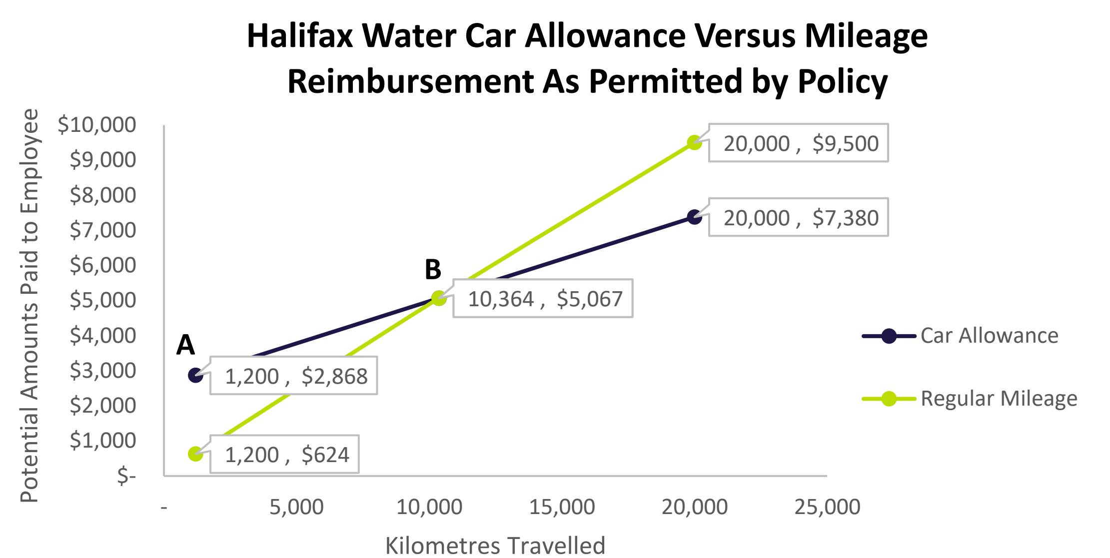
Halifax Water's travel policy does not require cost-effective decisions

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.



A – Minimum kilometres to switch to car allowance
B – Point at which a car allocance is leaset expensive option for Halifax Water

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)
Total	**$13,649**	**$9,200**	**$23,820**	**$(19,371)**

*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
HRM Total [1]	**89**	**174**
Halifax Water Total [2]	**3**	**158**

Source: [1] HRM Corporate Fleet division, as of March 2019

[2] 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.

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