

**MANAGEMENT OF FLEET VEHICLE/VESSEL
AUDIT**

FINAL REPORT

by:

Office of Internal Audit and Evaluation

Report submitted to the Parks Canada Audit Committee on December 10, 2009.

**Her Majesty the Queen of Canada, represented by
the Chief Executive Officer of Parks Canada, 2010
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TABLE OF CONTENTS

| | |
|---|----------|
| SUMMARY | i |
| 1. BACKGROUND | 1 |
| 2. OBJECTIVES AND SCOPE | 1 |
| 3. METHODOLOGY | 2 |
| 4. STATEMENT OF ASSURANCE | 3 |
| 5. CONCLUSIONS | 3 |
| 6. OBSERVATIONS AND RECOMMENDATIONS | 4 |
| 6.1 MANAGEMENT CONTROL FRAMEWORK (MCF) | 4 |
| 6.1.1. Policies, Directives and Procedures | 4 |
| 6.1.2. Authority, Responsibility and Accountability | 7 |
| 6.1.3. Compliance Monitoring | 8 |
| 6.1.4. Periodic Verification Against Records | 9 |
| 6.1.5. Systems Facilitate Management..... | 10 |
| 6.2 LOCAL MANAGEMENT OF VEHICLES AND VESSELS | 13 |
| 6.2.1. Vehicle Acquisition | 14 |
| 6.2.2. Vehicle Use | 15 |
| 6.2.3. Vehicle Disposal | 17 |
| 6.2.4. ARI Invoices | 17 |
| 6.2.5. Other Observations | 18 |
| 6.2.6. Vessels | 19 |

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SUMMARY

Parks Canada Agency's (PCA) daily operations include providing information to visitors, maintaining roads within the boundaries of parks, providing safety patrols, providing utilities to townsites and restrooms, wildlife research and much more. PCA manages a fleet of vehicles and vessels to help in the delivery of its mandate in order to provide the best service possible to its visitors. PCA business is year-around with the peak of visitors during summer season in most of the parks and sites. As of January 2009, based on data from the financial system (STAR), PCA's fleet of vehicles was composed of 1374 vehicles, representing a total acquisition value of \$35,965,045 and a book value of \$7,832,074. The vessel fleet was composed of 203 vessels, representing a total acquisition value of \$10,575,750 and a book value of \$1,871,636.

The management of fleet vehicle/vessel audit was included in the Internal Audit and Evaluation Plan 2008-09 approved by the Chief Executive Officer based on a recommendation of the Parks Canada Audit Committee. Recurrent issues identified during the conduct of regular financial and administration control audits throughout the Agency lead to the interest in assessing controls, from a national perspective, for the management of the PCA fleet.

The management of each fleet (vehicles/vessels) occurs at the local level, either the field unit/service center or the site/park. The National office Real Property group is responsible for the administration of the Treasury Board Directive on Fleet Management: Light Duty Vehicles, the Directive on Parks Canada's Light Fleet and the new Canadian Shipping Act, 2001 (CSA,2001) regulating the marine community.

The objectives of the audit were:

- to provide assurance to senior management that the management control framework in place is adequate,
- to ensure that the light fleet vehicles, vessels and ARI cards are managed efficiently and effectively with due diligence for value-for-money, and
- to confirm that use and management of these assets are in compliance with policies and regulations in effect.

The audit was national in scope and included audit testing related to, among other things, inventorying, acquisition, use, disposition, and monitoring of passenger vehicles, light trucks, and vessels owned or leased by PCA. When payments for fuel or vehicle maintenance were done using the ARI fleet credit cards, the credit card statements were verified against a sample of relevant invoices. Similar tests were not performed when purchases were made with government acquisition cards, which in theory should be used in limited circumstances, or when fuel from a third party was

purchased by contract or purchase order. The use and control procedures for bulk fuel storage tanks located in some field units were also not examined.

After reviewing background information associated with TBS fleet management and CSA 2001 requirement, visits to field units and service centers were organized and the sample was developed using the information in the asset management system and considering field units geographical location in Canada, to ensure a proper representation of PCA's operations. According to the Asset Management System (AMS) the selected field units and service center represented 819 vehicles from a possible 1,551 and 140 vessels from a possible 284. Note, these figures differ from those recorded in the STAR financial system. The AMS system is not used by all field units and is not updated, for example, with disposal information as regularly as STAR. Eight field units and one service center were visited between June 9, 2008 and November 13, 2008.

Statement of assurance

In our opinion, sufficient audit work has been performed and the necessary evidence has been gathered to support the conclusions contained in this report.

Conclusion

Although vehicles and vessels are used as intended by PCA, a number of deficiencies were identified in the management control framework that impact its effectiveness. Field units and service centers have worked toward ensuring that the vehicles and vessels are managed to ensure the safety of the staff and the operations. However, improvements are required to establish clear governance and accountability, better define roles and responsibilities, and monitor activities to ensure compliance with acts and directives and effective and efficient management of light fleet vehicles and vessels.

Summary of Audit Report Evaluation

| Reference | Management process | Coding | Description |
|-----------|---|---------------|------------------------------|
| 6.1 | Management control framework | RED | Unsatisfactory |
| 6.2 | Local management: vehicles, vessels and ARI cards | YELLOW | Moderate improvements needed |

Recommendations and Management Responses

MANAGEMENT CONTROL FRAMEWORK

1. The Director General, Infrastructure & Real Property, should ensure that PCA's policy's instruments, directives, or guides support the TBS Directive on Fleet Management: Light Duty Vehicles and CSA, 2001 and are communicated.

2. The Director General, Infrastructure & Real Property, should ensure that policy's instruments, directives, or guides related to vehicle and vessel management are revised and updated on a regular basis.
3. The Director General, Infrastructure & Real Property, in collaboration with CFO, director generals and field unit superintendents and service center directors, should ensure that roles and responsibilities are documented, communicated and accessible to all parties.
4. The Director General, Infrastructure & Real Property, should establish a process to be able to report periodically on the extent of compliance with the policies, directives, acts, and performance standards.
5. The Director General, Infrastructure & Real Property, in collaboration with the CFO should clarify and communicate the requirements for reconciliation of the physical count of vehicles and vessels between the financial system and the fleet management system.
6. The Director General, Infrastructure & Real Property, should ensure that the Agency uses the ARI management system or that ARI management system exemption is requested through TBS.
7. The CFO should communicate the costs that must be capitalized when acquiring a new vehicle or vessel.

LOCAL MANAGEMENT

8. The Director Generals should keep a copy of the record of authorization to buy a vehicle outside the Preauthorized Vehicle List.
9. The Director General, Infrastructure & Real Property, should ensure that field unit/service centers clarify and communicate the use of logbooks for all Parks Canada owned vehicles and seasonal leases.
10. The DG Eastern Canada and DG Western and Northern Canada should ensure that field units and service centers are aware of the necessity of reconciling gas or maintenance receipts with monthly statements.
11. The DG Eastern Canada and DG Western and Northern Canada should ensure that field units and service centers are aware that all invoices need to be signed under S34 before payment is authorized.

12. The Chief Financial Officer (CFO) should ensure that clear guidance is provided and remind users of the appropriate use of the acquisition card, and the appropriate mode of payment for vehicle expenses.
13. The CFO and the Director General, Infrastructure & Real Property, should ensure that users are reminded of the appropriate use of personal reward cards when buying for the Agency.
14. The Director General, Infrastructure & Real Property, who is responsible for the CSA,2001 compliance should ensure that
 - registration procedures or plans exist, including name and address on registration.
 - certification schedule training requirements and tracking tools exist.
 - measures are taken to confirm compliance with the first inspection and the self-inspection.

Overall Management Response

Parks Canada concurs with the findings of this audit and welcomes the recommendations as an opportunity to improve the management of its fleet.

Parks Canada manages the fourth largest fleet among federal departments after the Department of National Defence, the RCMP and the Department of Fisheries and Oceans. National leadership of the fleet management function now falls under the responsibility of the Director General, Infrastructure and Real Property, a position newly created in March 2009.

In 2004, the *Directive on Parks Canada's Light Fleet* was approved as Parks Canada's first national fleet directive. This directive provided direction on environmental leadership and corporate identity to complement the Treasury Board Secretariat directive and guideline on light vehicle fleet. Since 2004, greenhouse gas emissions generated by the Parks Canada fleet have decreased by 16% from 14.0 kilotonnes to 11.8 kilotonnes. Also, light on-road vehicles have been consistently ordered in white and the fleet is progressively becoming a uniform colour with uniform markings as older vehicles are replaced.

While the *Directive on Parks Canada's Light Fleet* has been effective at meeting its objectives, this audit has highlighted that there are key gaps in governance and controls. To address these gaps, a new management framework is currently under development and builds on the strengths of the existing Treasury Board Secretariat *Fleet Management: Light Duty Vehicles* and the *Directive on Parks Canada's Light Fleet*. The central components of this framework will be the establishment of two distinct comprehensive directives that address the vehicle fleet and vessels respectively with a planned effective date of April 2010.

The national vehicle fleet directive will establish clear accountabilities, define roles and responsibilities and establish a compliance monitoring mechanism. It will also include provisions for a mechanism that will render accurate and complete information on inventory, maintenance, fuel consumption and operating costs.

The new national directive on vessel management will build on the *Parks Canada Guidelines to Small Vessel Regulations (Canada Shipping Act, 2001)* developed in June 2009 and will outline roles and responsibilities and promote compliance with the *Canada Shipping Act, 2001*.

1. BACKGROUND

Parks Canada Agency's (PCA) daily operations include providing information to visitors, maintaining roads within the boundaries of parks, providing safety patrols, providing utilities to townsites and restrooms, wildlife research and much more. PCA manages a fleet of vehicles and vessels to help in the delivery of its mandate in order to provide the best service possible to its visitors. PCA business is year-around with the peak of visitors during summer season in most of the parks and sites. As of January 2009, based on data from the financial system (STAR), PCA's fleet of vehicles was composed of 1374 vehicles, representing a total acquisition value of \$35,965,045 and a book value of \$7,832,074. The vessel fleet was composed of 203 vessels, representing a total acquisition value of \$10,575,750 and a book value of \$1,871,636.

The management of fleet vehicle/vessel audit was included in the Internal Audit and Evaluation Plan 2008-09 approved by the Chief Executive Officer based on a recommendation of the Parks Canada Audit Committee. Recurrent issues identified during the conduct of regular financial and administration control audits throughout the Agency lead to the interest in assessing controls, from a national perspective, for the management of the PCA fleet.

The management of each fleet (vehicles/vessels) occurs at the local level, either the field unit/service center or the site/park. The National office Real Property group is responsible for the administration of the Treasury Board Directive on Fleet Management: Light Duty Vehicles, the Directive on Parks Canada's Light Fleet and the new Canadian Shipping Act, 2001 (CSA,2001) regulating the marine community.

2. OBJECTIVES AND SCOPE

The objectives of the audit were:

- to provide assurance to senior management that the management control framework in place is adequate,
- to ensure that the light fleet vehicles (including ARI card) and vessels are managed efficiently and effectively with due diligence for value-for-money, and
- to confirm that use and management of these assets are in compliance with policies and regulations in effect.

The audit was national in scope and included audit testing related to, among other things, inventorying, acquisition, use, disposition, and monitoring of passenger vehicles, light trucks, and vessels owned or leased by PCA. When payments for fuel or vehicle maintenance were done using the ARI fleet credit cards, the credit card statements were verified against a sample of relevant invoices. Similar tests were not performed when purchases were made with government acquisition cards, which in theory should be used in limited circumstances, or when fuel from a third party was

purchased by contract or purchase order. The use and control procedures for bulk fuel storage tanks located in some field units were also not examined.

3. METHODOLOGY

Review of background information included:

- TBS Directive on Fleet Management: Light Duty Vehicles,
- the Directive on Parks Canada's Light Fleet,
- the Canada Shipping Act (CSA) 2001,
- web research for similar risk assessments and audits, and
- meeting with the Chief, Environmental Management, from the Real Property section who is responsible for the management of the directive on fleet and the CSA,2001.

Visits to field units were organized and the sample was developed using information in the asset management system and considering field units geographical location in Canada, to ensure a proper representation of PCA's operations. According to the Asset Management System (AMS) the selected field units and service center represented 819 vehicles from a possible of 1,551 and 140 vessels from a possible of 284. Note, these figures differ from those recorded in the STAR financial system. The AMS system is not used by all field units and is not updated, for example, with disposal information as regularly as STAR.

Nine locations were visited between June 9, 2008 and November 13, 2008. Each field unit superintendent or a delegated representative was informed of the findings within his or her field unit prior to the audit team's departure. The following locations were visited: (included in parentheses the specific historic site or park visited)

- Banff
- Yoho/Kootenay/Lake Louise
- Jasper
- Cape Breton (Fortress of Louisbourg National Historical Site of Canada (NHSC) and Cape Breton Highlands National Park of Canada (NPC))
- Coastal British Columbia (Fort Rodd Hill NHSC, Gulf Islands National Park Reserve of Canada, Pacific Rim NP Reserve of Canada)
- Northern Prairies (Elk Island NPC, Prince Albert NPC)
- Central Ontario (Trent-Severn Waterway NHSC)
- Eastern Ontario (Rideau Canal NHSC, St.Lawrence Islands NPC)
- Ontario Service Center

Interviews were also conducted with the Chief, Environmental Management from the Real Property branch, the DG Western and Northern Canada and e-mail questions were exchanged with DG Eastern Canada.

Our observations and recommendations have been made in accordance with the Audit Reporting Rating System described below:

| Audit Reporting Rating System | | |
|--------------------------------------|---------------------------------|--|
| RED | Unsatisfactory | Controls are not functioning or are nonexistent. Immediate management actions need to be taken to correct the situation. |
| ORANGE | Significant improvements needed | Controls in place are weak. Several major issues were noted that could jeopardize the accomplishment of program/operational objectives. Immediate management actions need to be taken to address the control deficiencies noted. |
| YELLOW | Moderate improvements needed | Some controls are in place and functioning. However, major issues were noted and need to be addressed. These issues could impact on the achievement of program/operational objectives. |
| BLUE | Minor improvements needed | Many of the controls are functioning as intended. However, some minor changes are necessary to make the control environment more effective and efficient. |
| GREEN | Controlled | Controls are functioning as intended and no additional actions are necessary at this time. |

4. STATEMENT OF ASSURANCE

In our opinion, sufficient audit work has been performed and the necessary evidence has been gathered to support the conclusions contained in this report.

5. CONCLUSIONS

Although vehicles and vessels are used as intended by PCA, a number of deficiencies were identified in the management control framework that impact its effectiveness. Field units and service centers have worked toward ensuring that the vehicles and vessels are managed to ensure the safety of the staff and the operations. However, improvements are required to establish clear governance and accountability, better define roles and responsibilities, and monitor activities to ensure compliance with acts and directives and effective and efficient management of light fleet vehicles and vessels.

6. OBSERVATIONS AND RECOMMENDATIONS

6.1 MANAGEMENT CONTROL FRAMEWORK (MCF)

| | | |
|------------|----------------|--|
| RED | Unsatisfactory | Controls are not functioning or are nonexistent. Immediate management actions need to be taken to correct the situation. |
|------------|----------------|--|

Every organization and program should have a management control framework in place in order to support its operations and allow employees to perform their duties in an efficient and effective manner. Key elements of an effective management control framework would include at least: clear governance and accountability, role and responsibilities well defined, and regular monitoring to ensure that initiatives implemented are working as intended.

To determine whether the management control framework in place is adequate, we used the following audit criteria:

1. Policies/directives/ procedures are established, communicated, regularly revised and updated when required.
2. Authority, responsibility and accountability are clearly established, communicated and accepted.
3. Compliance with fleet and vessel management acts/policies/directives/procedures is monitored regularly.
4. Vehicles/Vessels are periodically verified against records.
5. Financial and asset systems are used to facilitate the management of the fleet and vessels.

Conclusion

The Agency must reinforce its management control framework to manage its fleet of vehicles and vessels. Clear governance and accountability must be established, roles and responsibilities better defined and monitoring processes developed. Moreover, an asset management system must be used through Parks Canada.

6.1.1. Policies, Directives and Procedures

Light vehicles fleet: As listed under Schedule II (section 2) of the Financial Administration Act (FAA), PCA must manage its fleet in accordance with *TBS Directive on Fleet Management: Light Duty Vehicles*. TBS also developed a non-mandatory *Guide to Fleet Management* to help departments and agencies with the application of the Directive on Fleet Management.

Departments and agencies may develop internal policies, directives and guides to adapt TBS policies and directives to the nature of their operations. However, these policies and directives must complement or supplement the rules set out in TBS policies and directives. PCA developed a

Directive on Parks Canada's Light Fleet that details some environmental concerns to take into account when planning vehicle acquisitions and fleet identification for the Agency.

A preauthorized vehicle list has been established to ensure that the Agency not only acquires vehicles that meet its needs, but also takes into consideration environmental aspects of vehicle management. The following criteria, from the PCA directive, are used to developed the preauthorized vehicle list, each year:

- Vehicles are on the Government Motor Vehicles Ordering Guide
- Most fuel-efficient vehicles in the class
- Alternative fuel and hybrid vehicles are included
- Exclude full-size vehicles, but may include a basic full-size pick-up
- Exclude four-wheel-drive vehicles, but may include all-wheel-drive cars
- Consider fuel consumption, costs, safety, standard equipment and corporate identity requirement.

The framework of policy, directives and tools (e.g., the preauthorized vehicle list) exist and these documents were made available either prior or during the course of this audit on the Parks Canada Intranet. However, the framework is:

- a) Not always complete (i.e., the Parks Canada directive for example does not specify that the TBS directive takes precedent should the two contain contradictory or inconsistent information; the framework does not include specification of roles and responsibilities for parts of the process as outlined below; no criteria or guidelines exist to guide the DGs on which requests for non-standard vehicles to approve).
- b) Not always clearly communicated (i.e., the list of preauthorized vehicles is sometimes viewed as mandatory when in fact the intent was to use it as a guide to thinking through user needs to find the best mix of vehicles to meet operational and environmental requirements).
- c) Not always updated in a timely manner (e.g., the site was still displaying the 2008 preauthorized vehicle list one month after the communication of the 2009 preauthorized vehicle list; the Parks Canada Directive July 2004 was not updated to reference the November 2006 changes to the TBS directive).

Vessel fleet: For the management of its vessels, the Agency must comply with the new Canada Shipping Act (CSA), 2001, the principal legislation governing safety in marine transportation. This Act, administered by Transport Canada (TC), regulates vessel operations in Canada. On July 1, 2007, the Canada Shipping Act, 2001 regulations came into force, including the regulation on registration, which provided an extra 2 years to comply with. The new regulations have several implications for management of the vessels (boats and barges) owned by PCA. The Act reinforces the necessity of certification for vessel operators, and addresses vessel registration, vessel construction, inspections and emergency material required on board. Most of PCA's boats are

considered small commercial vessels and are bound by the small commercial vessel regulations. However, some sites have boats that exceed the standards of the category and therefore other regulations apply to these boats. In the 9 locations visited, 4 barges and one boat (Boston Whaler) were found that would not be included under the small commercial vessels regulation. This regulation, with the CSA 2001, provides the core framework for vessel management and during the course of this audit a link to the information on vessel registration was made available on the Parks Canada Intranet.

An issue with the communication of changes regarding CSA,2001 was noted. PCA's delegate, at the sessions offered by Transport Canada (TC) to inform departments and agencies on changes involved with the application of the new CSA,2001, did not forward the information to field units. This lack of communication resulted in duplication of work at the field unit level. Seven locations visited had started communication with TC or other organizations to understand the impact of CSA,2001 and 2 locations have written three directives on what applied in the CSA,2001 regulations and some useful information to ensure compliance.

Recommendations

1. The Director General, Infrastructure & Real Property, should ensure that PCA's policy's instruments, directives, or guides support the TBS Directive on Fleet Management: Light Duty Vehicles and CSA, 2001 and are communicated.

Management response 1: Agree

Real Property communicated the CSA registration procedures to the fleet network in Fall 2008 and posted all Agency and Treasury Board Secretariat fleet related documents on the Agency intranet site in January 2009.

The Parks Canada Fleet Management Directive will be revised and submitted for Executive Board approval with an effective date of April 2010. It will, among other things, describe the hierarchy of policy instruments for fleet management. It will support Treasury Board direction and will outline Agency-specific direction. It will be sent to all executives, the fleet network and will be posted on the intranet.

The Parks Canada *Guidelines to Small Vessel Regulations* (Canada Shipping Act, 2001) was developed and distributed to the fleet network and posted on the intranet in June 2009. It provides guidance to promote compliance with the Canada Shipping Act, 2001. Real Property will also produce a new directive on vessel management that will outline roles and responsibilities and promote compliance with the CSA, 2001. It will be submitted for Executive Board approval with an effective date of April 2010.

2. The Director General, Infrastructure & Real Property, should ensure that policy's instruments, directives, or guides related to vehicle and vessel management are revised and updated on a regular basis.

Management response 2: Agree

At the time of the audit, the only Agency policy instrument related to fleet was the *Directive on Parks Canada's Light Fleet*, which was produced in 2004 and updated in 2008. The Preauthorized Vehicle List is updated each time PWGSC makes a change to the Departmental Individual Standing Offer list, on average 6 times each year. Real Property sends out the updated versions to the fleet network each time changes are made. The Preauthorized Vehicle List is also available on the intranet but lack of trained staff to post to the intranet prevented Real Property from maintaining the latest version of the List in 2008. Real Property trained a staff member in Fall 2008 and is now in a position to update its intranet content regularly. The Director General, Infrastructure & Real Property, will update its directives and guidelines related to vehicle and vessel management on a regular basis.

6.1.2. Authority, Responsibility and Accountability

Roles and responsibilities must be clearly established, communicated and accepted by all parties to ensure the delivery of Agency's activities in an efficient and effective manner. Lack of clarity in roles and responsibilities increase the risk that a task will be done by more than one individual or worse not done. The impact could be a reduction of efficiency in the delivery of a program and/or a breach of compliance with policies, directives or the law, which in turn could have legal repercussions for the Agency.

With respect to roles, a general shared perception was found that the Real Property group is responsible for updating the PCA's directive and the Preauthorized Vehicle list and to answer questions on vehicle acquisition. The two operational director generals are responsible to approve the acquisition of any vehicle not on the preauthorized vehicle list. Field unit superintendents or site/park managers or directors are responsible for acquiring, maintaining and disposing of the vehicle. These roles and responsibilities and other required as part of good management practice are not documented.

It was expected that field unit superintendents would have appointed a person or persons to oversee the vehicles and vessels in their field units (although this is not required in the Parks Canada Directive). We found that superintendents could identify the responsible person(s) for vehicles and vessels acquisition, maintenance and disposition. However, many elements of operating a fleet such as inventory, logbooks and usage monitoring were not assigned. For example, in one field unit the manager identified as audit contact reported that the field unit did not own a boat, while in fact it has

one boat. The audit team discovered the boat through interviews, for another project with the manager responsible.

In a decentralized organization, like PCA, it is important to have clear roles and responsibilities established to ensure clarity in the process, accountability of actions and increased efficiency. At the time of this audit, roles and responsibilities with regards to fleet and vessel management at PCA is still unclear and not documented.

Recommendation

3. The Director General, Infrastructure & Real Property, in collaboration with CFO, director generals, field unit superintendents and service center directors, should ensure that roles and responsibilities are documented, communicated and accessible to all parties.

Management response 3: Agree

The revised Parks Canada fleet management directive as well as the new vessel management directive will be developed in collaboration with the DCFO, directors general, field unit superintendents and service center directors and will outline roles and responsibilities. These directives will be submitted to Executive Board for approval with an effective date of April 2010. They will be communicated to executives and the fleet network and will be posted on the Agency intranet.

6.1.3. Compliance Monitoring

Monitoring activities are necessary in a management framework to confirm compliance with acts, policies and directives, and whether performance targets are being achieved in order to identify issues, best practices, and take corrective action when required.

Monitoring activities should exist at various levels of a process. At a national level (i.e. other than Field Unit Superintendent level), monitoring would provide assurance of compliance with acts, policies and directives. At a local level, monitoring would ensure that vehicles receive the expected maintenance or a review of vehicle use to ensure that use is always for business purposes and to ensure the maximum use of a vehicle.

Light vehicles fleet: The Directive on Parks Canada's Light Fleet includes a specific target to ensure that 20% of vehicles purchased within a class are hybrids when these are available. This target aimed at significantly improving PCA's fuel economy. Concerns raised with hybrid vehicles are their cost and their low availability; for example, in 2008, hybrid vehicles were not available for government purchase.

Two issues were noted with implementation and monitoring of this target. First, the target is established for the Agency as a whole and no specific targets were setup at a field unit level. In practice, not all field units are expected to meet the 20% target given different operational contexts (i.e., some may exceed the target while others will not). In the absence of field unit specific targets it is not clear how the Agency will reach its overall target.

Second, National Office uses a purchasing list provided by PWGSC to monitor progress against the target. Agency personnel review the list and classify vehicles as hybrid or not, and then calculate the percentage of hybrid vehicles in each class. The list of vehicles provided by PWGSC is not verified against Parks Canada's own inventory of vehicles and the determination of which vehicles are hybrids depends in most cases on the judgement of the Agency personnel reviewing the list. There is a risk that either the purchasing list or the classification of vehicles will contain errors leading to misleading conclusions about progress against the target.

It was expected that Agency and /or field unit targets, along with progress against targets, would be subject to periodic analysis and review both to guide future vehicles purchases and/or for future target setting. The audit team did not find evidence of this had occurred.

Recommendation

4. The Director General, Infrastructure & Real Property, should establish a process to be able to report periodically on the extent of compliance with the policies, directives, acts and performance standards.

Management response 4: Agree

The revised Parks Canada fleet management directive and the new vessel management directive will include a review process to monitor compliance with applicable policies, directives and acts. These directives will be submitted for Executive Board approval with an effective date of April 2010.

6.1.4. Periodic Verification Against Records

It is important that information contained in PCA's records (STAR and AMS) be kept accurate and complete for reporting purposes and to adequately support decision-making. Verification of recorded information should be a regular practice to confirm its accuracy and completeness. Any discrepancy between the record in STAR and the record in AMS and the physical count should be analysed and records should be amended accordingly.

At the local level, all sites and parks visited keep a record of owned vehicles. Records can be a paper listing or a system listing, depending on the site or the park. The Agency has not standardized

its record keeping or its monitoring of assets (i.e. inventory vs records), therefore some field units don't have an overall listing of vehicles and vessels as the count and record keeping are done by site or by park or by groups. All sites and parks visited were able to provide a listing of their vehicles, but not of their vessels.

The record and count kept by individual parks and sites are not compared to STAR or AMS to ensure completeness of data. Therefore, there is no assurance that data from either system reflects the reality of the fleet.

Having accurate and complete information only at a local level limits the Agency's ability to report and to support its decision-making.

Recommendation

5. The Director General, Infrastructure & Real Property, in collaboration with the CFO should clarify and communicate the requirements for reconciliation of the physical count of vehicles and vessels between the financial system and the fleet management system.

Management response 5: Agree

The Director General, Infrastructure & Real Property, in collaboration with the CFO, will outline a standard for record keeping in the revised Parks Canada fleet management directive and the new vessel management directive. The directives will outline the requirements for reconciliation between the physical count of vehicles and vessels and the fleet management system as well as between the financial system and the fleet management system. These directives will be submitted to Executive Board for approval with an effective date of April 2010.

6.1.5. Systems Facilitate Management

In a strong management control framework, systems are used to maintain detailed information on activities and assets. Access should be granted based on necessary information required to perform their job. The *TBS Directive on Fleet Management: Light-Duty Vehicles* specifically describes mandatory requirements the Agency's fleet management information system should meet to monitor and report on essential information such as maintenance cost, type of vehicle, and fuel purchases. As per the directive, the system must meet the following requirements:

- *Systems must generate a single, coherent, department-wide view of all maintenance, operating and repair costs related to fleet management.*
- *...supply a database and system capable of meeting all internal and external reporting requirements.*
- *One headquarters manager must be authorized to be accountable for maintaining a complete and accurate vehicle fleet database that is responsive to reporting requirement.*

- *Vehicle odometer readings must be regularly reported to the appropriate authority for input into the fleet management database.*
- *Departments must ensure that fleet credit cards are used to pay for all operation and maintenance expenses on government vehicles.*
- *...expenditure made on the operation and maintenance of government vehicles must be reported to the appropriate authority for input into the fleet management database.*

In order to help departments and agencies with the necessity of having a fleet management system, the Government of Canada, through PWGSC, created a standing offer for a fleet management system. ARI Financial Services won the latest standing offer. Since Budget 2005, it is mandatory for all departments and agencies to use PWGSC's standing offers where they exist. ARI is a monitoring system that records expenses made against a vehicle. The system is efficient if each vehicle has an ARI card assigned to it and that vehicle's maintenance and operating expenses are charged to the card or are added to the system in case where the ARI card is not accepted.

Departments and agencies must use the ARI fleet management system; unless a business case is developed and presented to TBS to demonstrate that another approach is more cost-effective and respect the mandatory specifications. Ultimately an exemption has to be obtained to use another system. In either case, the information concerning vehicle-operating costs must be tracked and monitored. None of the 9 locations visited are using the ARI management system. However, the ARI card is used to pay for vehicles operating expenses. Depending on the location, the ARI card could be assigned to a specific vehicle, to a person or not assigned and available upon request.

The Agency currently has an Asset Management System (AMS) that could meet all the tracking and monitoring requirements, however the use of this system is not mandatory and therefore not used in all field units and service centers. The Agency, through the Real Property group, is currently studying the possibility of moving to another asset management system that would better suit the operational needs of the Agency. Field units, sites, and parks that use AMS enter all necessary information in the system as dictated by the TBS directive. However of the 9 locations visited, only 2 locations and 1 national park use AMS. This situation limits the use of the system for reporting purposes.

Vehicles and vessels also need to be capitalized and entered into the Agency's STAR financial system. STAR cannot store all the information required in the TB Directive for managing the fleet and vessels. The *PCA Asset Accounting Policy and Procedures* define in accounting general terms what is an asset and what should be or must be capitalized. No further details have been added to confirm which if any extra expenses incurred before the vehicle/vessel is ready for PCA use, must be included in the capitalization. As a result, when entering the value of a vehicle, not all field units and service centers capitalize the same cost. While some decided that only the initial purchase cost of the vehicle should be capitalized, others capitalized the cost of the identifiers and any add-on

necessary to use the vehicle for their duties, therefore capitalization within the Agency is not consistent. However, vessel capitalization is standard.

The lack of a mandatory asset management system reduces the ability of the Agency to effectively and efficiently manage its fleet and vessels and to report on them. Lack of a mandatory system means that the Agency is not in compliance with the information requirements set out in the *TBS Directive on Fleet Management: Light-Duty Vehicles*.

Recommendations

6. The Director General, Infrastructure & Real Property, should ensure that the Agency uses the ARI management system or that ARI management system exemption is requested through TBS.

Management response 6: Agree

Real Property initiated a consultation process on the implementation of the ARI fleet management system and the ARI garage management systems in April 2009 and feedback has been positive.

The National Fleet Working Group was established in November 2009 and includes staff members nominated by the CFO, DG Eastern Canada, DG Western & Northern Canada and the Director General, Infrastructure and Real Property. By January 2010, this working group will make a recommendation to the Director General, Infrastructure & Real Property, the CFO, DG Eastern Canada and DG Western and Northern Canada on whether the Agency should use the ARI fleet management system or seek Treasury Board Secretariat approval to use a different system.

The revised Parks Canada fleet management directive will include specific direction on the use of a fleet management system. It will be submitted to Executive Board for approval with an effective date of April 2010.

7. The CFO should communicate the costs that must be capitalized when acquiring a new vehicle or vessel.

Management response 7: Partially agree

The accounting terms in the Agency's Asset accounting Policy does provide clear direction on the inclusion of any other significant costs incurred to make the asset operational to the cost to be capitalized. Finance will remind the Financial Community of this policy and its proper application. A reminder will be added to the mid-year and year-end review package as well as to

the year-end instructions, which are communicated to the Finance Community in October/January and February of each year.

6.2 LOCAL MANAGEMENT OF VEHICLES AND VESSELS

| | | |
|---------------|------------------------------|--|
| YELLOW | Moderate improvements needed | Some controls are in place and functioning. However, major issues were noted and need to be addressed. These issues could impact on the achievement of program/operational objectives. |
|---------------|------------------------------|--|

Vehicles and vessels are costly to buy and to maintain. To ensure proper use of public money, departments and agencies must ensure they manage their fleet in accordance with their operational needs and within the directive and act's limits. Planning and monitoring the use of vehicles/vessels are two activities that will help in reducing the risk of losing money by disposing of vehicles/vessels that are costly to maintain and keep vehicles/vessels with low maintenance costs. It should be noted that only 8 of the 9 locations visited had vessels.

The report is organized in the following sections with the basic audit criteria for each section noted.

Vehicles: Vehicles are locally managed using the criteria setup in the *Directive on Fleet Management: Light-Duty Vehicles* and the PCA directive, specifically that for:

- 1 Vehicle Acquisition
 - A. The Preauthorized List is used or DG approval for exemption is on file.
 - B. Vehicles were acquired through PWGSC.
 - C. Vehicles are white.
- 2 Vehicle Use
 - A. Logbooks are used and results monitored.
 - B. Vehicle identifiers are applied to the vehicle.
 - C. Insurance is obtained when necessary.
- 3 Vehicle Disposal
 - A. Done according to government procedures.
- 4 ARI Invoices
 - A. Are reconciled and properly signed under section 34.
- 5 Other Observations

Vessels

- 6 Field Units/Service Centers have worked toward complying with the CSA,2001 (i.e., boat registrations, crew certifications, emergency material on board, and first inspections and subsequent self-inspections).

Conclusion

At the local level, vehicles are bought and disposed of using the requirement of the TBS Directive on Light Fleet and the PCA directive. Use of log books or other tools to monitoring vehicle operations and use are not compliant with the directives. The ARI invoice management process needs improvement. Individual plans and procedures have been put in place to ensure compliance with the CSA,2001 boat registration, crew certifications and emergency material on board. To ensure compliance with the first inspection and subsequent self-inspections field units should consult TC.

6.2.1. Vehicle Acquisition

As noted in section 6.1.1, the PCA Directive, indicates that field units and service centers must buy their vehicles from the Preauthorized Vehicle List or receive an exemption from the Director General, Eastern Canada or Director General, Western and Northern Canada. The exemption is done through a request form signed by the FUS and sent to the DG with, at the minimum, the park or the site vehicle replacement plan. The audit team found that both director generals would approve a request if the FU is able to justify the requirement for the vehicle. The audit team was not able to confirm the application of this control as exemption request forms are not kept by the DGs and most FU will attach the request form to the payment documents. The audit team would have expected that at the minimum the DGs would be able to confirm what they approved.

Once a vehicle is approved for purchase, the field unit prepares a purchase order and transmits it to contracting who in turn requests that PWGSC acquires the vehicle as per the TBS Directive on Fleet Management: Light-Duty Vehicles. All locations visited are buying their vehicles through PWGSC in accordance with the directive.

Since Fall 2004 all new vehicles bought by the Agency must be white as per the PCA Directive on Fleet. All vehicles seen in the locations bought after the application of this guideline were white.

Recommendation

8. The Director Generals should keep a copy of the record of authorization to buy a vehicle outside the Preauthorized Vehicle List.

Management response 8: Agree

The Director General, Eastern Canada and Director Western & Northern Canada will maintain a file, if not already done, which includes the authorization for all vehicles that fall outside the preauthorized vehicle list.

6.2.2. Vehicle Use

The use of a logbook or other appropriate utilization tool is mandatory under the *Directive on Fleet Management: Light-Duty Vehicles* to track vehicle utilization data. Six locations out of the 9 locations visited do not use logbooks or other utilisation tracking tools. Two locations visited are using logbooks each time the vehicle is used. One location has mandatory logbooks, however only required that they be filled in when gas or maintenance is necessary.

Monitoring of log book to collect information on purposes and patterns of use, mileage and maintenance schedules is expected. Such analysis can support decision-making on the right number of vehicles/vessels necessary for a field unit and also reduce the risk of unexpected costs linked to maintenance and potentially increase the employees' safety. Only one location visited is monitoring the use of the logbooks.

It was expected that field units would have an overall monitoring program to ensure that regular maintenance was done on all vehicles. Each type of vehicle has its own maintenance schedule set up by the manufacturer (e.g., how often the oil should be changed). Sites visited report that they will either follow the maintenance schedule from the manufacturer or modify the oil change schedule to have a standard operation for all vehicles. None of the locations visited have setup monitoring to ensure that their maintenance is regularly done on all vehicles.

All vehicles owned by the Agency must have a standard identifier in accordance with the *Government Identity Program and the Parks Canada Identity Program Light Fleet Identifier Guideline*. The identification of the vehicles permits visitors and citizens to identify PCA workers easily when they need them. At the locations visits all passenger vehicles and light trucks owned by the Agency are identified in accordance with the Parks Canada Identity Program with the exception of warden vehicles that were in the transition phase to modify their vehicles in accordance with the changes occurring within the warden duties.

The Government of Canada is self-insured for all vehicles owned by departments or agencies and driven in Canada. For vehicles driven to the USA, departments and agencies must be commercially insured against third-party liability risks and personal injury. Within Parks Canada, the Real Property group is responsible for obtaining insurance for a vehicle, on request, for travel to USA. All locations visited know the rules for self-insurance in Canada and USA travel. Compliance or non-compliance with this ruling was impossible to verify, since logs of where the vehicles were used were not available for 8 of the 9 locations visited.

PCA vehicles must be used by authorized employees and for work purposes only. Unless an employee is on call, all PCA vehicles must be parked at the PCA designated area. When a vehicle is

not parked in an authorized area or is not being used for business purposes, both vehicle and passengers are not covered by the Government self-insurance. Car keys should be kept in a common area to facilitate the use of the vehicles.

Monitoring to ensure that vehicles are used for business related activities and returned to PCA parking is not done in any of the locations visited. When questioned about the fact that some employees might use vehicles for non-authorized travel, managers said that employees were informed of the proper use of vehicles and that non-authorized travel was not a big concern. However, one vehicle was parked in front of an employee's residence for a week while the employee was on holidays. Although the vehicle appeared not to be used for personal purposes, it was not available for other employees during this time. Verifying that all vehicles are either with an authorized employee working or parked in an authorized parking lot was not possible through the audit. Schedules of where vehicles are did not always exist and the area to look for a vehicle was too large. Eight out of the 9 locations visited have not centralized vehicles keys to ensure that monitoring can be done or that vehicles can be used by another unit.

Recommendations

9. The Director General, Infrastructure & Real Property, should ensure that field unit/service centers clarify and communicate the use of logbooks for all Parks Canada owned vehicles and seasonal leases.

Management response 9: Agree

The mandatory use of logbooks is clearly described in the Treasury Board Directive on Fleet Management. This Directive has been communicated to the fleet network several times since it came into effect in November 2006. A link to this directive has been on the Agency intranet site since 2007. The revised Parks Canada fleet management directive that will take effect April 2010 will reference the TBS directive. The review process under the upcoming Agency directive on fleet will include logbook usage.

10. The DG Eastern Canada and DG Western and Northern Canada should ensure that field units and service centers are aware of the necessity of reconciling gas or maintenance receipts with monthly statements.

Management response 10: Agree

The Director General, Eastern Canada and Director General, Western and Northern Canada, will ensure the Agency's expectations with respect to the reconciliation of ARI cards is clearly communicated to the FUS through a weekly teleconference. A memo to FUS will follow this discussion (Fall 2009), which will outline the FU's accountability to ensure the reconciliation is completed on a monthly basis.

6.2.3. Vehicle Disposal

Disposal of a vehicle should be done within 2 months of the in-service date of the new vehicle as per the *Directive on Parks Canada's Light Fleet*. Use of the vehicle beyond that point requires explicit approval of the Field Unit Superintendent. The audit team noted that in two locations the superintendent had approved the use of the vehicle for a summer season instead of leasing a vehicle. This practice should be considered as a best practice as it is an efficient and effective use of resources.

The TBS Directive requires that vehicles be disposed of through the Crown Assets, section of PWGSC or an auctioneer on the PWGSC standing offer. All locations visited were following the rules concerning disposal.

6.2.4. ARI Invoices

The Financial Administrative Act (FAA) requires signature of section 34 and that all invoices be properly authorized under S34 prior to payment. This authorization confirms the receipt of the good or service and that the price is in accordance with the agreement.

All visited locations are using the ARI cards for some operating costs linked with vehicles. ARI statements were reviewed to ensure that adequate reconciliation occurs and proper authorization is obtained. The manager responsible for a budget or his/her delegate can do reconciliation. However, only the manager having the authority over the budget can grant the authorization under S34.

Two of the nine locations visited are properly reconciling the gas or maintenance receipts to the ARI monthly statement. The other seven locations do not receive all receipts therefore reconciliation can't be done. Lack of reconciliation increases the risk of paying for inappropriate expenses.

The audit team found that one location used an annual pre-authorized section 34 for paying ARI expenses, which equals a blank check. The other locations were in compliance.

Recommendation

11. The DG Eastern Canada and DG Western and Northern Canada should ensure that field units and service centers are aware that all invoices need to be signed under S34 before payment is authorized.

Management response 11: Agree

The Director General, Eastern Canada and Director General, Western and Northern Canada, will ensure the Agency's expectations with respect to the section 34 is clearly communicated to the FUS through a weekly teleconference. A memo to Superintendents will follow this discussion

(Fall 2009), which will outline the FU's accountability to ensure invoices are properly authorized under section 34 prior to payment.

6.2.5. Other Observations

Interviews revealed that some maintenance and fuel expenses are paid using acquisition cards. TBS *Policy on Acquisition Cards* provides some flexibility regarding its application within departments. The Agency has a directive specifying when and under what circumstances acquisition cards may be used. The guidance with respect to use of acquisition card does not address the issue of use of these cards when the ARI card is not accepted. Currently, users are seeking advice from different groups in the Agency (e.g., Real Property, Finance) and do not always receive the same direction.

In accordance with *Parks Canada's Code of Ethics*, employees are not permitted to accumulate rewards on their own personal loyalty cards for fuel purchases for government fleet vehicles, as it can be seen as a conflict of interest. *The Guide to Fleet Management Chapter 1: Light-Duty Vehicles* reiterates this information. Although the audit did not focus on this element, interviews revealed that most of the staff interviewed was not aware of the restriction. Moreover, in one of the locations visited the audit team found that employees were using their personal reward cards.

Recommendations

12. The Chief Financial Officer (CFO) should ensure that clear guidance is provided and remind users of the appropriate use of the acquisition card, and the appropriate mode of payment for vehicle expenses.

Management response 12: Agree

The DCFO will communicate the directives, remind users of the appropriate use of the acquisition card, and communicate information on the methods of payment available for the maintenance of the fleet. A note will be sent to the Finance community and information will be available on Intranet by the end of November 2009.

13. The CFO and the Director General, Infrastructure & Real Property, should ensure that users are reminded of the appropriate use of personal reward cards when buying for the Agency.

Management response 13: Agree

The DCFO will update the Employee Acknowledgement of Responsibilities and Obligations Form to reflect any restrictions regarding personal rewards and will communicate this information to the Finance community. A note will be sent to the Finance community and information will be available on Intranet by the end of November 2009.

The Director General, Infrastructure & Real Property, in consultation with the CFO, sent out a bulletin to the fleet network in May 2009 to remind fleet users on the appropriate use of personal reward cards when using the ARI credit card. The fleet network includes asset management and finance representatives from all field units, service centres and the national office.

6.2.6. Vessels

Boat Registrations: Since CSA, 2001, it is mandatory for all boats owned in Canada to be registered with Transport Canada. Most vessels owned by Parks Canada fall under the Small Commercial Vessel Regulation and must be registered with Transport Canada by July 2009. Seven locations of the 9 visited have either completed the registration of their boats or are working toward having their boats registered by the deadline.

One of the requirements when registering a vessel is to prove the ownership of the boat. (i.e. purchase invoice) Most vessels have been in field units for years and tracing back the proof of ownership is almost impossible. The manager responsible for registration is entitled to testify that the boat belongs to the unit through a legal process. There is a residual risk that testimony may be inaccurate and someone else may be able to prove through purchasing documents that the boat belong to them and claim his property.

When registering a boat, Transport Canada requires the boat owner's name and address. No directive has been implemented to ensure that all boats have a standard owner's name and address. The result is that name ranges from Her Majesty the Queen to the name of the park. Addresses range from the national office to a park address. The impact of not having a standardized owner's name and address is that information regarding the vessels could be lost. Registration needs to be renewed every five years and if TC renewal papers are not sent to the appropriate address, it could create delays in renewing registration.

Once a boat is registered with TC, the field unit or service center must print the boat number on the boat and have the registration paper on board. All audited locations were in compliance.

Crew Certification: Certification required for operating a vessel is different depending on the vessel's size and use. All locations visited confirmed that training is provided to their staff. Four locations developed training and a certification program that includes more than the minimum requirements. Four locations believed that only one lifetime certification was necessary, however they did not contact TC to ensure they were compliant. Record keeping of the certifications was different, incomplete and inconsistent across the Agency. Locations do not rely on a system to record the certification and therefore the information is with the manager. If the manager leaves the site, the information may be lost.

Emergency material on board: According to Part V of the Small Vessel Regulations it is mandatory to have safety material on board before sailing. Visited locations are complying with the requirements. It is the boat operators' responsibility to verify that all necessary material is on board. Some locations keep a checklist to be completed before leaving shore and logbooks under hard covered case in the boats. Every field unit should implement such a system as best practice.

First Inspections and subsequent self-inspections: Transport Canada has established the Small Vessel Monitoring and Inspection Program to help vessel owners with the safety of life, property and the environment. The program includes a mandatory thorough inspection by Marine Safety (TC), called the first inspection. After the first inspection the owner should perform annual self-inspection and Marine Safety will perform spot checks. Field units and service centers should consult TC to ensure how to implement the first and subsequent self-inspections. One location visited consulted TC and they were informed to move on with the self-inspection, even if first-inspection was not done.

Recommendations

14. The Director General, Infrastructure & Real Property, who is responsible for the CSA,2001 compliance should ensure that:
- ▶ registration procedures or plans exist, including name and address on registration.
 - ▶ certification schedule training requirements and tracking tools exist.
 - ▶ measures are taken to confirm compliance with the first inspection and the self-inspection.

Management response 14: Agree

The Parks Canada Guidelines to Small Vessel Regulations (Canada Shipping Act, 2001) were distributed in June 2009. They provide guidance on registration, training and tracking tool requirements, equipment requirements and inspections. They also include several Web links to relevant sections of the Transport Canada website.