



Correctional Service
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Service correctionnel
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SAFETY, RESPECT
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FOR ALL

LA SÉCURITÉ,
LA DIGNITÉ
ET LE RESPECT
POUR TOUS

Audit of Fleet Life Cycle Management

Internal Audit

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Canada





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EXECUTIVE SUMMARY

The 2007-2010 Risk Based Audit Plan identified Correctional Service Canada (CSC) asset life cycle management as an area of consideration for an audit. Following a preliminary risk assessment of the area, it was determined that the scope of the audit would be limited to CSC and CORCAN¹ fleet assets².

Strong asset management, including fleet management, assists CSC and CORCAN in meeting the requirements of TB policies, directives and standards, and ensures effective stewardship of government assets.

At the end of fiscal year 2008-2009, CSC had a fleet of 1,757 vehicles³ with a net book value of \$23.6 M and spent approximately \$1.3M on vehicle repairs and maintenance, and \$3.8 M on vehicle fuel over that period. Fleet assets represented 11% of all non-infrastructure assets.

CORCAN had a fleet of 85 vehicles⁴ with a net book value of \$1.2 M and spent approximately \$150K on vehicle repairs and maintenance, and \$590K on vehicle fuel over that period. The fleet represented 7.5% of all CORCAN non-infrastructure assets.

The objectives of this audit were:

- To provide reasonable assurance that there is a management framework in place to support fleet lifecycle management; and
- To determine compliance with Treasury Board policies, directives and standards, CSC commissioner's directives and guidelines, and CORCAN governing principles related to key controls for the planning, acquisition, inventory, use, maintenance, and disposal of motor vehicles.

To achieve these objectives, the audit team reviewed key documentation and examined relevant policies, directives, standards, commissioner's directives, guidelines, and governing principles. In addition, the audit team visited 19 CSC sites (including NHQ, RHQs, parole offices, and institutions), and six CORCAN sites (including NHQ, RHQs and institutions), conducted interviews with national, regional and institutional staff, and carried out detailed audit tests to determine the extent to which controls over fleet life cycle processes exist and function as designed.

¹ CORCAN is a designated Special Operating Agency within CSC that provides a skills training and work placement program for federally sentenced offenders to promote successful re-entry into the labour market and reintegration into society. Products and services produced by CORCAN include office furniture, construction labour, agricultural products, manufacturing and a wide variety of custom products and services.

² Includes sedans, station wagons, vans, buses, trucks and motorized, purpose-specific equipment such as tractors and front-end loaders.

³ Extracted from the Fixed Asset Module of the Integrated Financial and Materiel Management System (IFMMS).

⁴ Extracted from the Fixed Asset Module of IFMMS.



OVERALL CONCLUSION

The results of this audit indicate that:

- Commissioner's directives and guidelines are in place at CSC, and governing principles are in place at CORCAN that reflect relevant TB policies, directives and standards, with the exception of an update required to a CORCAN Governing Principle related to inventories.
- Roles and responsibilities are defined, documented and communicated.
- Formal and peer-to-peer training is provided to staff involved in fleet management duties.
- Overall, procedures are performed in accordance with Treasury Board policies, directives and standards, CSC commissioner's directives guidelines, and CORCAN governing principles.
- Controls are in place, and function as intended for the planning, acquisition, use, maintenance, and disposal of motor vehicles; although opportunities for improvement of use and maintenance records exist.

The audit revealed that improvements can also be made in the following areas:

- For CSC's fleet, there is limited monitoring and reconciliation of data in the two systems that support fleet life cycle management. As a result, the fleet assets that CSC owns and maintains in the field are not accurately reflected in the Fixed Asset Module of the Integrated Financial Materiel Management System.
- Additional focus should be directed to CSC's annual physical inventory count, which was performed at less than 50 % of the sites visited; and
- In accordance with TB policies, CSC and CORCAN should enhance their procedures to confirm that vehicle operators have a valid driver's license for the class of vehicle that they are operating.

RECOMMENDATIONS

Recommendations have been made in the report to address identified areas for improvement. (See **ANNEX D**)



1.0 INTRODUCTION

The 2007-2010 Risk Based Audit Plan identified the Correctional Service Canada's (CSC) asset life cycle management as an area of consideration for an audit. Following a preliminary assessment, the scope of the asset life cycle management audit was focused first on fleet assets⁵. More information on the audit scope can be found in Section 3.2 of this report.

Strong asset management, including fleet management, assists CSC and CORCAN to meet the requirements of Treasury Board (TB) policies, directives and standards, and ensures effective stewardship of government assets.

CSC is a highly decentralized organization with its national headquarters (NHQ) in Ottawa, and 58 institutions, 73 parole offices, and five regional headquarters (RHQs) offices spread across Canada. CSC uses vehicles⁶ to transport offenders, monitor the perimeters of its institutions, monitor offenders on parole, and transport material for maintenance purposes.

CORCAN is also a highly decentralized organization with its NHQ in Ottawa, and 36 sites and five RHQs across Canada. CORCAN uses its vehicles⁷ for operations related to furniture production, construction labour, agricultural, and manufacturing.

CSC and CORCAN have different systems for managing the life cycle of their fleet assets. As a result, the following sections provide a separate overview of each process.

2.0 BACKGROUND

2.1 CSC

In 2008-09, fleet assets represented 11% of all non-infrastructure assets. Other non-infrastructure categories include:

- IT (35%);
- perimeter systems (29%);
- machinery and equipment (18%), and
- other miscellaneous (7%).

⁵ Fleet includes sedans, station wagons, vans, buses, trucks and motorized, purpose-specific equipment such as tractors and front-end loaders.

⁶ Includes 1,757 sedans, station wagons, vans, buses, trucks and motorized, purpose-specific equipment such as tractors and front-end loaders. Extracted from the Fixed Asset Module of IFMMS.

⁷ Includes 85 vans, trucks and motorized, purpose-specific equipment such as tractors and front-end loaders. Extracted from IFMMS.



At the end of fiscal year 2008-2009, CSC had a fleet of 1,757 vehicles and spent approximately \$1.3M on vehicle repairs and maintenance, and \$3.8 M on vehicle fuel during that period. The Ontario region had the largest vehicle inventory (25%), followed by the Quebec (22%), Prairies (22%), Pacific (17%), Atlantic (13%) regions, and National Headquarters (NHQ) (1%).

The following table⁸ summarizes the net book value, repair and maintenance expenses, and fuel expenses for CSC vehicles for the fiscal years⁹ 2006-2007, 2007-2008, and 2008-2009.

Net Book Value of CSC Fleet Vehicles

Costs	2008-2009	2007-2008	2006-2007
Opening assets balance	\$47,980,000	\$43,157,000	\$43,220,000
Acquisitions	7,939,000	8,087,000	4,397,000
Transfers, disposals, write-offs and other	(3,364,000)	(3,264,000)	(4,460,000)
Closing assets balance	52,555,000	47,980,000	43,157,000
Accumulated Amortization	(28,954,000)	(27,244,000)	(26,707,000)
Net Book Value	\$23,601,000	\$20,736,000	\$16,450,000

CSC Fleet Vehicle Maintenance & Repair Expenses

Costs	2008-2009	2007-2008	2006-2007
Maintenance & Repair Expense	\$1,312,000	\$1,016,000	\$965,000

CSC Fleet Vehicle Fuel Expenses

Costs	2008-2009	2007-2008	2006-2007
Diesel	665,000	583,000	624,000
Alternative fuel for vehicles (methane, propane, natural gas)	320,000	198,000	94,000
Gasoline	2,876,000	2,752,000	2,419,000
Total Fuel Cost	\$3,861,000	\$3,533,000	\$3,137,000

The fleet management function is located within Support Services / Technical Services in the Corporate Services Sector at NHQ. The NHQ Fleet Manager reports to the Director, Support Services, who reports to the Director General, Technical Services.

The principle documents providing guidance for managing fleet are Guidelines (GLs) 335: Fleet Management and GL 350-1: Asset Management. These documents contain requirements for the life-cycle management of CSC fleet vehicles located at NHQ, Regional Headquarters and institutional sites; their aim is to minimize life-cycle costs while meeting operational needs. In addition, CSC has published a number of other commissioner's directives (CDs) and guidelines (GLs) that relate to general asset management. (See **ANNEX A** for a list of all policy documents reviewed for the audit).

The life cycle of an asset includes six distinct stages: planning based on need, acquisition, inventory, use, maintenance, and disposal.

⁸ Figures extracted from the Financial Module of IFMMS and rounded to nearest thousand.

⁹ The fiscal year of the Government of Canada is April 1 to March 31.



Planning: Regional Fleet Managers determine their region's specific vehicle acquisition and disposal requirements. These are communicated to the NHQ Fleet Manager in response to a call letter sent in January or February of each year. NHQ fleet management will assess sedan, van and truck replacement requests against established criteria:

- a minimum of five years in service;
- more than 100,000 KMs travelled; and
- maintenance costs that exceed 33% of the purchase price.

All requests for acquisitions and disposals of motorized purpose specific equipment such as tractors and loaders are assessed on a case by case basis between the Chief of Work at the institution, the Fleet Manager RHQ and the Fleet Manager NHQ. NHQ fleet management provides the final approval for all vehicle replacements and develops CSC's overall Annual Fleet Plan.

Acquisition: The fleet acquisition process is performed centrally by the NHQ Fleet Manager who purchases vehicles through the National Master Standing Offer (NMSO) negotiated by Public Works and Government Services Canada (PWGSC). Vehicles not available through the NMSO are tendered through MERX¹⁰.

A recent change in management structure saw the centralization to NHQ of the acquisition process and collection of disposal proceeds. This process was implemented over a two-year period between 2006-07 and 2007-08.

Inventory: Each CSC site is required to perform an annual physical count of its fleet assets and reconciles it with the information in the Fixed Asset Module of the Integrated Financial Materiel Management System (IFMMS).

Use / Maintenance: The management of vehicle maintenance and usage remains the responsibility of each site. Where facilities are available, maintenance is performed within the institutions by inmates, and supervised by a CSC mechanic. Otherwise, maintenance is performed at local licensed garages or car dealerships.

To track the use and maintenance of its sedans, vans and trucks, CSC uses the services of Automotive Resources International Financial Services (ARI), a company that operates under a government Standing Offer. ARI provides comprehensive fleet management services, including fuel and maintenance credit card services, to all participating departments across the federal government. CSC has had an arrangement with ARI since 1995. The company also maintains a vehicle database and generates an annual report of CSC's vehicle statistics¹¹ for CSC.

¹⁰ MERX is an online electronic tendering service providing vendors with the most comprehensive source of public and private sector tenders in Canada.

¹¹ Includes a three-year comparisons of CSC's vehicle additions, disposals, fuel consumption, maintenance expenses, etc.



In 2008-2009, NHQ Fleet Management also began to track all newly acquired motorized purpose specific equipment such as tractors and loaders with ARI.

Disposal: Vehicles are disposed of regionally by public auction using an auctioneer listed in a NMSO. The proceeds of sale are sent by the auctioneer to NHQ to be posted against the vehicle's purchase price and this amount is included in the fleet budget for up to two fiscal years¹².

2.2 CORCAN

In 2008-09, fleet represented 7.46% of all CORCAN non-infrastructure assets. Other non-infrastructure categories include machinery and equipment (92.35%), and IT (0.19%).

At the end of fiscal year 2008-2009, CORCAN had a fleet of 85 vehicles and spent approximately \$150 thousand on vehicle repairs and maintenance, and \$590 thousand on vehicle fuel during that period. The Prairies region had the largest vehicle inventory (32%), followed by the Quebec (19%), Atlantic (18%), Ontario (15%), Pacific (8%) regions, and National Headquarters (NHQ) (8%).

The following table¹³ summarizes the net book value, repair and maintenance expenses, and fuel expenses for CORCAN vehicles for the fiscal years 2006-2007, 2007-2008, and 2008-2009.

Net Book Value of CORCAN Fleet Vehicles

Costs	2008-2009	2007-2008	2006-2007
Opening asset balance	\$2,073,000	\$1,395,000	\$1,375,000
Acquisitions	428,000	670,000	47,000
Transfers, disposals, write-offs and other	(37,000)	8,000	(27,000)
Closing assets balance	2,464,000	2,073,000	1,395,000
Accumulated Amortization	(1,230,000)	(946,000)	(883,000)
Net Book Value	\$1,234,000	\$1,127,000	\$512,000

CORCAN Fleet Vehicle Maintenance & Repair Expenses

Costs	2008-2009	2007-2008	2006-2007
Maintenance & Repair Expense	\$150,000	\$152,000	\$140,000

CORCAN Fleet Vehicle Fuel Expenses

Costs	2008-2009	2007-2008	2006-2007
Diesel	406,000	312,000	222,000
Alternative fuel for vehicles (methane, propane, natural gas)	24,000	18,000	22,000
Gasoline	161,000	165,000	200,000
Total Fuel Cost	\$591,000	\$495,000	\$444,000

¹² As indicated in section 4.10 of the TB Directive for the Disposal of Surplus Materiel.

¹³ Figures extracted from IFMMS and rounded to nearest thousand.



CORCAN's fleet management process is also decentralized and is described as follows:

Planning: Requests for vehicles are made on a case by case basis; CORCAN's site management team prepares a business case justifying the requirement to the CORCAN Regional Director. Capital expenditures are approved by the CORCAN Comptroller per CORCAN's governing principles (GPs).

Acquisition: Once approved at NHQ by CORCAN's Comptroller, fleet acquisition processes are performed at the site by the Business Manager. CORCAN purchases retired vehicles from CSC and Other Government Departments (OGDs), through public auction, and the NMSO offered by PWGSC. Vehicles unavailable through the NMSO are purchased in accordance with contracting regulations.

Inventory: Each CORCAN site performs an annual physical count of its fleet assets and reconciles it with the information in the Fixed Asset Module of IFMMS.

Use / Maintenance: CORCAN uses ARI to track its vans and trucks. In most cases, maintenance is performed by CORCAN staff. However, in some instances, maintenance is performed within the CSC institutions by inmates, and supervised by a CSC mechanic. Maintenance is also performed at local licensed garages or car dealerships.

Disposal: Before considering a disposal of surplus equipment, an internal analysis is performed to determine if the equipment can be used elsewhere within CORCAN. Equipment that is assessed as surplus is disposed of in accordance with the TB Directive on Disposal of Surplus Materiel.

3.0 AUDIT OBJECTIVES AND SCOPE

3.1 Audit Objectives

The objectives of this audit were:

- To provide reasonable assurance that there is a management framework in place to support fleet lifecycle management; and
- To determine compliance with Treasury Board policies, directives and standards, CSC commissioner's directives and guidelines, and CORCAN governing principles related to key controls for the planning, acquisition, inventory, use, maintenance, and disposal of motor vehicles.

Detailed audit criteria for each audit objective can be found in **ANNEX B**.

3.2 Audit Scope

This asset life cycle management engagement centered on CSC and CORCAN fleet vehicles including sedans, station wagons, vans, buses, trucks, specialized vehicles



which are licensed for driving, and motorized purpose-specific equipment such as tractors and front-end loaders.

The audit excluded:

- real property assets such as buildings; this will be covered by a separate audit scheduled for 2011-2012 as part of Accommodation and Infrastructure Planning¹⁴.
- IT assets. At the time of the writing of this report, the Office of the Controller General (OCG) is conducting a horizontal audit focused on the management control framework over IT Asset Management. CSC has been selected for this audit.
- the following asset categories: perimeter systems, machinery & equipment, equipment & tools, radio & A.V. equipment, health care supplies, and weapons. Each of these general categories contains a broad range of assets with significant differences in purpose, useful life, and planning, acquisition, use / maintenance and disposal procedures. As a result, further analysis would be required to identify the specific risks for each type of asset, and would be better served in a separate audit.

The audit was national in scope and included the processes, practices and information systems in place to support compliance with relevant TB policies, directives, and standards, CSC commissioner's directives and guidelines, and CORCAN governing principles. The audit included visits to a number of institutions, and CSC and CORCAN offices in all five regions as well as NHQ. The audit examined the systems and procedures in place from the beginning of fiscal year 2008-2009 to October 2009. In particular, the audit examined a sample of transactions from fiscal year 2008-2009 for the planning, acquisition, inventory, use, maintenance and disposal stages of the life cycle of CSC and CORCAN vehicles.

4.0 APPROACH AND METHODOLOGY

4.1 Audit evidence

Audit evidence was gathered through a number of techniques:

- **Interviews:** We conducted 70 interviews with the Regional Fleet Managers, Regional Asset Managers, Assistant Wardens Management Services, Site Fleet Managers, Chiefs of Work, CSC Mechanics, CORCAN Regional Business Managers, CORCAN Business Managers, and CORCAN Operations Managers during our visits to the regions. At NHQ, interviews were held with the Director, Accountability and Financial Reports, Chief Corporate Accounting, Manager Contracting and Materiel Services Asset Manager, CORCAN Comptroller, and

¹⁴ CSC Risk Based Audit Plan 2009-2010 to 2011-2012, p.24.



CORCAN Manager Internal Control and Audits. Meetings were also held with fleet and finance staff involved in the control framework at the national level.

- **Review of documentation:** We reviewed documentation such as process documents, procedure manuals, training material, and work descriptions.
- **Testing:** We tested the 2008-09 planning, acquisitions, inventory, and disposal activities for all vehicles at all sites visited. More specifically, we tested 48 CSC and three CORCAN acquisitions, 19 CSC and five CORCAN 2008-09 physical inventory counts, and 25 CSC vehicle disposals. We sampled 68 CSC and seven CORCAN use and maintenance transactions for June 2009 to determine compliance with Treasury Board policies, directives and standards, CSC commissioner's directives guidelines, and CORCAN governing principles related to key controls.

4.2 Site Visits

A total of 26 sites including institutions, parole offices, regional headquarters and national headquarters were selected for the audit (see **ANNEX C** for a list of sites visited) based on a number of elements including:

- existence of CSC garage facilities or usage of a local licensed garage or car dealer for maintenance;
- size of fleet and variety of fleet assets;
- geographic location: stand alone versus clustered institutions;
- cross section of NHQ, RHQ, parole offices, institutions and CORCAN sites; and
- classifications of institutions (maximum, medium, minimum, women, aboriginal).

5.0 CSC AUDIT FINDINGS AND RECOMMENDATIONS

CSC and CORCAN have different systems for managing the life cycle of fleet assets. As a result, the following sections will provide a separate overview of each organization's processes as well as our observations and recommendations.

5.1 Management Framework

We assessed the extent to which an appropriate management framework is in place to support fleet life cycle management by reviewing the following areas:

- policies and procedures;
- roles and responsibilities;
- training; and
- monitoring and reporting activities.



5.1.1 Policies and Procedures

We expected to find that commissioner's directives, guidelines and procedures¹⁵ are consistent with relevant TB policies, directives and standards.

CSC commissioner's directives and guidelines are consistent, and procedures are in accordance with TB policies, directives, and standards, although application varies between sites.

CSC has several CDs and guidelines that relate to the management of fleet, all of which are consistent with TB policies, directives, and standards. Although only three of 19 sites visited had documented the procedures to be followed by staff to meet policy requirements, overall, we noted compliance with policies, directives, standards, commissioner's directives and guidelines as discussed in section 5.2.

5.1.2 Roles and Responsibilities

We expected to find that roles and responsibilities were defined, documented, and communicated.

Roles and responsibilities for fleet life cycle management are defined, documented, and communicated in CSC commissioner's directives and guidelines.

For each phase of the life cycle, roles and responsibilities of staff involved in the use and management of CSC fleet vehicles are formally defined at the NHQ, RHQ, and site level, and documented and communicated in GL 335: *Fleet Management* and GL 350-1: *Asset Management*.

In addition, we obtained work descriptions for 37 of 57 fleet management staff interviewed for the audit. We noted that the roles and responsibilities of staff involved in the management of fleet vehicles are formally documented in generic work descriptions in 14 cases. In the other 23 cases we noted that the generic work descriptions describe the roles and responsibilities at a high level for asset management, but do not specifically reference fleet. Nevertheless, we found that roles and responsibilities are communicated peer-to-peer and are assigned consistently to the Works and Maintenance department at the institutions, Office Administrators at parole offices and the Regional Chief of Engineering at RHQ across regions.

5.1.3 Training and Awareness

We expected to find that training for fleet lifecycle management is available and provided to relevant employees.

¹⁵ Procedures followed by staff for conducting the planning, acquisition, inventory, use, maintenance and disposal phases of the life cycle.



We found that both formal and peer-to-peer training is provided to staff involved in fleet management to perform their required duties in accordance with CSC commissioner's directives and guidelines.

Most of the interviewees indicated that fleet training is mainly provided peer-to-peer. Some have completed formal required training such as Section 34 training, the public service procurement and materiel / asset management courses. A few have also have received ARI training and attended formal fleet training (the Annual Federal Fleet Workshop).

Overall, we found that formal and peer-to-peer training is provided to staff involved in fleet management to perform their required duties in accordance with commissioner's directives and guidelines, and based on results of the audit, this training appears to be adequate.

5.1.4 Monitoring and Reporting

We expected to find that monitoring and reporting practices are in place to ensure compliance with fleet lifecycle management policies, directives, standards, commissioner's directives, and guidelines.

The information available to support fleet life cycle management is not always complete and reliable.

The *TB Policy Framework for the Management of Assets and Acquired Services* requires departments to manage assets using financial and non-financial performance measures and results. Specifically, it states that sound stewardship in the management of asset is achieved through the management of systems, processes and information that provide the basis for managing the performance and for assigning costs. We found limited monitoring and reconciliation of data quality in the ARI and the Fixed Asset Module of IFMMS. These two systems are critical to support fleet life cycle management decisions and reporting.

For example, we noted that, in some cases:

- Vehicles were entered in one system but not into the other;
- After disposal, vehicles were still registered in one of the two systems;
- Vehicles were registered to the wrong site;
- Vehicles were duplicated in the two systems;
- Vehicle data in the information systems was not complete (missing: serial #, make, model, specification code, capital cost); and
- There was limited reconciliation between assets in service and the Fixed Asset Module of IFMMS¹⁶.

¹⁶ As noted in section 5.2.3.



CSC does not use the Fixed Asset Module of IFMMS for reporting purposes; the data in the system is not considered complete or reliable. Instead, CSC creates its reports based on the total assets purchased in the Financial Module of IFMMS¹⁷. Thus, for reporting purposes, vehicles are considered in-service as soon as payment is issued, not when the vehicle is physically received and placed into service. This creates a discrepancy between assets in-service and assets on-the-books. This situation could lead to a misrepresentation on the financial statements.

As a result, the fleet assets that CSC has in the field do not represent those in the Fixed Asset Module of IFMMS. Similarly, the fleet assets per the Fixed Asset Module of IFMMS do not represent CSC's financial statements. This is an issue that will need to be addressed as part of CSC's initiative to implement the Policy on Internal Controls and the preparation of auditable financial statements.

CONCLUSION

Key elements of the management framework are in place to support fleet life cycle management:

- CSC's Commissioner's directives and guidelines reflect relevant TB policies, directives and standards.
- Roles and responsibilities are defined, documented and communicated.
- Formal and peer-to-peer training is provided to staff involved in fleet management duties.

However, improvements can be made in the areas of monitoring and reporting. Specifically:

- There is limited monitoring and reconciliation of data in the two systems that support fleet life cycle management. As a result, the fleet assets that CSC owns and maintains in the field are not accurately reflected in the Fixed Asset Module of IFMMS.

RECOMMENDATION 1

The Assistant Commissioner Corporate Services should enhance monitoring and reporting mechanisms to ensure that the information available to support fleet management is complete and reliable.

¹⁷ As noted in section 2.1, the table that summarizes the net book value, repair and maintenance expenses, and fuel expenses for CSC vehicles for the fiscal years 2006-2007, 2007-2008, and 2008-2009 is based on the Financial Module of IFMMS and not the Fixed Asset Module of IFMMS."



5.2 Compliance with Controls

We determined the extent to which CSC is in compliance with Treasury Board policies, directives and standards, and CSC commissioner's directives and guidelines related to key controls for the planning, acquisition, inventory, use, maintenance, and disposal of motor vehicles.

5.2.1 Planning

We expected to find a formal planning process in place to meet life cycle program objectives. We also expected to find that the final fleet plan was approved in accordance with Guidelines 335, and that vehicles were purchased as planned.

A formal planning process is in place to meet life cycle program objective. The final fleet plan is approved in accordance with Guidelines 335. However, we identified some areas where improvements can be made.

Planning based on need is the first phase of any asset life cycle management process. As such, it dictates what will need to be done for all other phases from acquisition to disposal.

Section 7 of *GL 335: Fleet Management* lists the elements required for the Regional Fleet Acquisition Plans. The table below illustrates, by region, the information¹⁸ missing from the 2008-09 Regional Fleet Plans submitted by the Regional Fleet Managers.

Region	Required Data Elements					
	Current fleet details				If replacement vehicle is required	
	Fuel type	Mileage	Original Costs	Maintenance cost to date	New vehicle purchase costs	Total annual new vehicle costs
	Yes / No	Yes / No	Yes / No	Yes / No	Yes / No	Yes / No
Atlantic	Yes	Yes	No	No	Yes	Yes
Quebec	No	Yes	No	No	Yes	Yes
Ontario	Yes	Yes	No	No	Yes	Yes
Prairies	Yes	Yes	No	No	Yes	Yes
Pacific	No	No	No	No	No	No

In addition, section 7.3 b. of *GL 335* stipulates that requests for additional vehicles (an increase in the size of the fleet) require a justification / explanation (business case) and an approval by the Regional Deputy Commissioner. At the sites visited, there were 12

¹⁸ This table only indicates the categories where some information was missing. When the required information was provided for each region, we did not indicate the information in the table.



acquisitions, increasing the size of the current fleet in 2008-09. In five instances, business cases were not prepared.

For 17 other acquisitions, vehicles could not be traced back to the 2008-09 fleet plan.

5.2.2 Acquisition

We expected to find that vehicle acquisitions are approved in accordance with relevant policies and purchased in accordance with the procedures established by PWGSC.

The acquisition process is generally performed in accordance with the procedures established by PWGSC and relevant TB policies and directives, and CSC commissioner's directives and guidelines. However, in three cases, we did not receive sufficient documentation to verify approval.

Section 8.1 of *GL 335* indicates that CSC fleet motor vehicles shall be procured through Public Works and Government Services Canada (PWGSC). A second option may be to purchase a used vehicle from another government department or agency. We found that this process was followed.

All acquisitions must be approved by the budget manager with Section 34 of the Financial Administration Act authority. Prior to payment, as per Section 34, the Responsibility Centre Manager must acknowledge receipt of goods. For the sites sampled, out of the 48 vehicle acquisitions in 2008-2009:

- one invoice could not be located; and
- two invoices with Section 34 approval could not be located.

5.2.3 Inventory

We expected to find that a physical inventory of all fleet assets is conducted in accordance with TB standards, and CSC commissioner's directives and guidelines.

An annual physical inventory count of all fleet assets is not always conducted.

Section 10 of the *TB Inventories Accounting Standard 3.4* indicates that a complete physical count must be taken at least annually and that departments must possess reliable inventory records to support the amounts recorded in their financial statements.

We found that an annual count of fleet vehicles and equipment was performed at nine of the 19 sites visited. All nine sites that conducted a 2008-09 inventory also provided the 2007-2008 inventory count records to support that the 2008-09 inventory was performed within a year of the 2007-2008 inventory count. We were not provided with evidence that the physical inventory count was reconciled with the Financial Module of IFMMS.



All sites in the Atlantic and Ontario regions performed the annual physical inventory counts of fleet vehicles. In the Prairies and Pacific regions, not all sites met this requirement. None of the sites visited in the Quebec region, nor NHQ had performed a physical inventory count for either year.

5.2.4 Use

We expected to find that vehicles are used, and operating records are maintained and reported in accordance with TB policies and directives, and CSC commissioner's directives and guidelines.

Overall, the usage process is conducted in accordance with TB policies and directives, and CSC commissioner's directives and guidelines with the exception of the validation process for driver's licenses.

Section 9.8 of the *GL 335* indicates that all uses of a CSC vehicle, such as running expenses, maintenance and any incidents or accidents which occur must be recorded in the Vehicle Log Book, dated and signed by the vehicle operator.

In addition, we confirmed that vehicles were locked while parked to minimize the risk of theft. We also validated that vehicles were not smoked in as it is prohibited to smoke on or in Government of Canada property, and smoking in vehicles reduces auction value of vehicles during disposal.

During our vehicle inspections performed at the visited sites, we noted that:

- 77 % of the vehicles requiring a log book have one;
- 74 % of the log books available were accurate; and
- All vehicles were locked except four of 23 inspected in Pacific Region.

GOOD PRACTICE

CSC and CORCAN Atlantic RHQ use a schedule / booking tool on the Infonet for all vehicles in their fleet. When an employee needs to book the vehicle, the employee can view its availability on the Infonet and schedule usage. Only the user and Site Fleet Managers can modify a scheduled reservation.

The tool also provides management with a permanent record of vehicle usage. If a vehicle log book is not kept up-to-date, or gas slips are not remitted as required, the Site Fleet Manager can review the records, identify the user for a specific date, and follow-up accordingly.

We also noted that only one of 19 sites visited ensures that CSC vehicle operators have a valid driver's license for the class of vehicle that they are operating as required by section 11.1.1 of the *TB Motor Vehicle Operations Directive* and section 5.3.2 of the *TB Directive on Fleet Management for Light Duty Vehicles*.



5.2.5 Maintenance

We expected to find that vehicles are maintained, and maintenance expenses are incurred and approved in accordance with TB policies and directives, and CSC commissioner's directives and guidelines.

Vehicles are maintained and expenses are approved in accordance with TB policies and directives, and CSC commissioner's directives and guidelines. However, the maintenance records are not always up to date.

Section 5.3 of the *TB Directive on Fleet Management for Light Duty Vehicles* indicates that departments and agencies should monitor fuel consumption and vehicle operating and maintenance records to ensure that they are up to date. We noted that a maintenance log, which indicates the details of work performed on vehicles, is kept at 17 of 19 sites visited. However, a maintenance file, which contains the supporting documents (work order, approved invoice) for the work performed, is kept at only four out of 19 sites. Therefore, the total amount of maintenance performed on a specific vehicle and the criterion for disposal based on the maintenance cost¹⁹ could not be easily determined.

However, maintenance expenses and the monthly statement from ARI are approved according to policy.

5.2.6 Disposal

We expected to find that monitoring practices exist to identify appropriate disposal times for vehicles and that disposals are authorized in accordance with TB policies and directives, and CSC commissioner's directives and guidelines.

There are monitoring practices in place to identify the appropriate times for disposal of CSC vehicles, and the disposals are authorized in accordance with TB policies and directives, and CSC commissioner's directives and guidelines.

All 25 disposals in the 2008-2009 period met the required disposal criteria, and were approved in accordance with TB policies and directives, and CSC commissioner's directives and guidelines.

In addition, we noted that in the current fleet, there are:

- 13 vehicles that have more than 100,000 KM on the odometer; and
- 58 vehicles that have been in service for more than 5 years.

In accordance with **ANNEX E** of *GL 335*, Fleet Managers shall retain vehicles that are safe and economical to operate, even though the criteria indicates replacement,

¹⁹ When repairs to the vehicle reach one-third of its original purchase cost



provided the vehicle can be used for a longer period of time without excessive maintenance or operating cost, and a substantial reduction in its resale value.

CONCLUSION

Overall, procedures are performed in accordance with Treasury Board policies, directives and standards, and CSC commissioner's directives and guidelines. Controls are in place, and function as intended for the planning, acquisition, use, maintenance, and disposal of motor vehicles. However, opportunities for improvement exist in the following areas:

- Requests for additional vehicles should always be supported by a justification / explanation (business case) and approval by the Regional Deputy Commissioner;
- Additional focus should be directed to the annual physical inventory count, which was performed at less than 50 % of the sites visited; and
- CSC should ensure that vehicle operators have a valid driver's license for the class of vehicle that they are operating.

RECOMMENDATION 2

The Assistant Commissioner of Corporate Services, in collaboration with RDCs should ensure that:

- The inventory count process is enhanced including reconciliation of the IFMMS Fixed Asset Module and the Financial Module of IFMMS with ARI;
- Complete documentation related to the planning, inventory and use, maintenance is kept and up to date, in accordance with policies.



6.0 CORCAN AUDIT FINDINGS AND RECOMMENDATIONS

6.1 Management Framework

We assessed the extent to which an appropriate management framework is in place to support fleet life cycle management. This included a review of policies and procedures, roles and responsibilities, training, and monitoring and reporting activities.

6.1.1 Policies and Procedures

We expected to find that CORCAN governing principles and procedures are consistent with relevant TB policies, directives, and standards.

Overall, CORCAN governing principles and procedures are consistent with relevant TB policies, directives, and standards; however, an update to a Governing Principle is required.

CORCAN fleet is managed according to CORCAN GPs on capital assets. In general, CORCAN's GPs on capital asset are consistent with TB policies, directives, and standards. However, we noted that CORCAN's *GP 7.2-08 Fixed Assets and Depreciation* indicates that a physical inventory count must be done every three years; and not annually as per the *TB Inventories Accounting Standard 3.4*. Despite the wording of the GP, all five sites visited perform the inventory count annually.

Although each site visited also had informal procedures for fleet life cycle management that were not documented, overall, and as noted in section 6.2, we noted compliance with the *TB Inventories Accounting Standard 3.4*.

6.1.2 Roles and Responsibilities

We expected to find that roles and responsibilities are defined, documented, and communicated.

In general, CORCAN roles and responsibilities for fleet life cycle management are defined, documented and communicated.

The roles and responsibilities of staff involved in the management of CORCAN's fleet life cycle are defined and documented in *GP 4.8-01, 7.2-06, 7.2-07, and 7.2-08*, except for the addition to and removal from IFMMS, and the use and maintenance of fleet assets.

We found that roles and responsibilities were also assigned relatively consistently across regions and communicated peer-to-peer.



6.1.3 Training and Awareness

We expected to find that training for fleet lifecycle management is available and provided to fleet management staff.

We found that peer-to-peer training is provided to staff involved in fleet management to perform their required duties in accordance with Treasury Board policies, directives and standards, and CORCAN governing principles.

Fleet training is mainly provided peer-to-peer by colleagues. However, six of 13 interviewees indicated that they have completed public service procurement and materiel / asset management courses. In addition, all interviewees indicated that they have completed “Delegated Authority” training.

Although there is limited fleet specific training available for staff, interviewees described that the general training provided for their positions was sufficient, and did not identify any additional areas of concern.

6.1.4 Monitoring and Reporting

We expected to find that monitoring and reporting practices are in place to ensure compliance with fleet lifecycle management policies and practices.

There are monitoring practices for fleet life cycle management.

We noted that systematic monitoring and reporting practices such as management review, sign-off, and reconciliation are in place for the planning, acquisition, use, maintenance and disposal phases of the fleet life cycle.

CONCLUSION

Key elements of the management framework are in place to support fleet life cycle management:

- Overall, CORCAN governing principles reflect relevant TB policies, directives and standards.
- Roles and responsibilities are defined, documented and communicated.
- Limited formal training is available. But, peer-to-peer training is provided to staff involved in fleet management to perform their required duties in accordance with TB policies, directives and standards.
- Monitoring practices such as management review, sign-off, and reconciliation are in place for the planning, acquisition, use, maintenance and disposal phases of the fleet life cycle.



However,

- We noted that CORCAN's GP 7.2-08 *Fixed Assets and Depreciation* should be updated to reflect that a physical inventory count must be done annually as per the TB Inventories Accounting Standard 3.4.

To address the issues identified above, we propose the following recommendation:

RECOMMENDATION 3

The CEO CORCAN should ensure that CORCAN's GP 7.2-08 *Fixed Assets and Depreciation* is updated to reflect that a physical inventory count is done annually as per the TB Inventories Accounting Standard 3.4.

6.2 Compliance with Controls

We determined the extent to which CORCAN is in compliance with TB policies, directives and standards related to key controls for the planning, acquisition, inventory, use, maintenance, and disposal of motor vehicles.

6.2.1 Planning

We expected to find a formal planning process in place to meet life cycle program objectives. We also expected that the final fleet plan is approved in accordance with TB policies and directives, and CORCAN governing principles.

A formal planning process is in place to meet life cycle program objectives, and the capital plan, which includes fleet, and is approved in accordance with TB policies and directives, and CORCAN governing principles.

CORCAN GP 7.2-07 indicates that the Regional Director shall submit his/her business case for a new capital asset. We obtained a business case for each of the three additions to the fleet for the fiscal year 2008-2009. In addition, we obtained and reviewed the ongoing annual capital plan, which includes fleet.

6.2.2 Acquisition

We expected to find that vehicle acquisitions are approved in accordance with relevant TB policies and directives, and CORCAN governing principles, and purchased in accordance with the procedures established by PWGSC.

Acquisitions were approved and purchased in accordance with the procedures established by PWGSC, and relevant TB policies and directives, and CORCAN governing principles.

CORCAN GP 7.2-07 indicates that the Regional Director must maintain detailed project files for each capital purchase including, at a minimum, the business case



documentation, quotations and final invoice. A detailed file for each of the three capital purchases for the sites visited for the fiscal year 2008-2009 was obtained. In addition, all acquisitions were approved in accordance with Section 34 procedures.

6.2.3 Inventory

We expected to find that a physical inventory of all fleet assets is conducted in accordance with TB policies, directives and standards, and CORCAN governing principles.

A process is in place for an annual physical inventory, and inventory counts are performed annually in accordance with TB policies, directives and standards, and CORCAN governing principles.

Each year, the CORCAN Comptroller sends a call letter to the Regional Business Manager (RBM) and Regional Director to perform an annual inventory count of the fixed assets. The RBM delegates the actual count to one team member, and one finance person. Once the count is performed, the RBM examines the actual physical count and compares it to an IFMMS printout at the site. CORCAN has a sign off sheet on the inventory. The RBM and Regional Director reviews and signs the reconciliation. The Comptroller monitors the inventory process by validating the results of the inventory counts.

We noted that an inventory count of all fleet assets was performed at all five sites visited. In addition, these five sites provided the 2007-2008 inventory count records to support that the 2008-09 inventory was performed within a year of the 2007-2008 inventory count.

6.2.4 Use

We expected to find that vehicles are used, and operating records are maintained and reported in accordance with TB policies and directives.

The usage process for CORCAN vehicles is not always performed in accordance with TB policies and directives, including the validation of driver's licenses.

Section 5.3.3 of *the Directive on Fleet Management for Light Duty Vehicles* indicates that vehicle utilization data must be collected and tracked for all vehicle travel. During the vehicle inspection, four out of seven odometer readings did not match the last usage log. In addition, three vehicles were unlocked when left parked at an institution.

Also, we noted that none of the sites visited ensure that CORCAN vehicle operators have a valid driver's license for the class of vehicle that they are operating, as required by section 11.1.1 of the *TB Motor Vehicle Operations Directive* and section 5.3.2 of the *TB Directive on Fleet Management for Light Duty Vehicles*.



6.2.5 Maintenance

We expected to find that vehicles are maintained, and maintenance expenses are approved in accordance with TB policies and directives.

Vehicles are maintained and the maintenance expenses are approved in accordance with TB policies and directives. However, the maintenance records are not always up to date.

Section 5.3 of the TB *Directive on Fleet Management for Light Duty Vehicles* indicates that departments and agencies should monitor fuel consumption and vehicle operation and maintenance records to ensure that they are up to date. We noted that a maintenance log, which indicates the details of work performed, was only kept at two of five sites visited. In addition, a maintenance file, which contains the supporting documents (work order, approved invoice) for the work performed, was not kept at any of the sites visited.

However, the maintenance expenses are reconciled to the purchase orders and the monthly statement from ARI is reconciled to the actual invoices prior to management approval.

6.2.6 Disposal

We expected to find that monitoring practices exist to identify appropriate disposal times for vehicles and that disposals are authorized in accordance with TB policies and directives, and CORCAN governing principles.

All anticipated replacements must be submitted along with the business case. Asset disposals will be managed in accordance with the *TB Directive on the Disposal of Surplus Materiel*.

There were no vehicle disposals during fiscal year 2008-2009 or between April and October 2009. Consequently, we were not able to assess compliance with the disposal requirements at the time of the audit.

CONCLUSION

Overall, CORCAN governing principles reflect relevant TB policies, directives and standards. Controls are in place, and function as intended for the planning, acquisition, use, maintenance, and disposal of motor vehicles. However, opportunities for improvement exist in the following areas:

- Vehicle operation and maintenance records should be maintained and reported in accordance with TB policies and directives for fleet assets.
- CORCAN should ensure that vehicle operators have a valid driver's license for the class of vehicle that they are operating.



ANNEX A

KEY POLICY DOCUMENTS REVIEWED FOR THE AUDIT

The following are the key policy documents reviewed for the audit.

Treasury Board (TB) Policies

- TB - Inventories Accounting Standard 3.4
- TB - Directive on the Disposal of Surplus Materiel
- TB - Directive on Fleet Management – Executive Vehicles
- TB - Directive on Fleet Management – Light Duty Vehicles
- TB - Motor Vehicle Operations Directive
- TB - Policy on Management of Materiel
- TB - Policy Framework for the Management of Assets and Acquired Services

Guidelines (GL)

- 335 - Fleet Management
- 350-1 - Asset Management

Commissioner's Directives (CD)

- 350 - Materiel and Supply Management Services

CORCAN Governing Principles (GP)

- 4.8-01 – Capital Replacement
- 7.2-06 – Inventory Administration
- 7.2-07 – Capital Purchase
- 7.2-08 – Fixed Assets and Depreciation

Policy Bulletins

- 192 - Modification to GL 335 - Fleet Management
- 219 - Modification to CD 350 - Materiel and Supply Management Services

**ANNEX B****OBJECTIVES AND CRITERIA**

Objectives	Criteria
1. To provide reasonable assurance that there is a management framework in place to support fleet lifecycle management.	1.1 <i>Policies and procedures</i> – CSC commissioner’s directives and guidelines, and CORCAN governing principles policies are consistent with relevant TB policies, directives and standards.
	1.2 <i>Roles and responsibility</i> – CSC and CORCAN roles and responsibilities are defined, documented, and communicated.
	1.3 <i>Training and Awareness</i> - Training for fleet lifecycle management is available and provided to relevant employees.
	1.4 <i>Monitoring and Reporting</i> – Monitoring practices are in place to ensure compliance with fleet lifecycle management Treasury Board policies, directives and standards, CSC commissioner’s directives and guidelines, and CORCAN governing principles.
2. To determine compliance with Treasury Board policies, directives and standards, CSC commissioner’s directives and guidelines, and CORCAN governing principles related to key controls for the planning, acquisition, inventory, use, maintenance, and disposal of motor vehicles.	2.1 <i>Planning</i> - A formal planning process is in place to meet life cycle program objectives. The final fleet plan is approved in accordance with Treasury Board policies and directives, CSC commissioner’s directives and guidelines, and CORCAN governing principles.
	2.2 <i>Acquisition</i> - Vehicles acquisitions are approved and purchased in accordance with the procedures established by PWGSC, and relevant Treasury Board policies and directives, CSC commissioner’s directives and guidelines, and CORCAN governing principles.
	2.3 <i>Inventory</i> – A physical inventory of all fleet assets is conducted in accordance with Treasury Board policies, directives and standards, CSC commissioner’s directives and guidelines, and CORCAN governing principles.
	2.4 <i>Use</i> – Vehicles are used, and operating records are maintained and reported in accordance with Treasury Board policies and directives, CSC commissioner’s directives and guidelines, and CORCAN governing principles.
	2.5 <i>Maintenance</i> - Vehicles are maintained, and maintenance expenses are approved in accordance with Treasury Board policies and directives, CSC commissioner’s directives and guidelines, and CORCAN governing principles.
	2.6 <i>Disposal</i> – Monitoring practices exist to identify appropriate disposal times for vehicles. Disposals are authorized in accordance with Treasury Board policies and directives, CSC commissioner’s directives and guidelines, and CORCAN governing principles.

**ANNEX C****LISTING OF SITES**

Region	Sites
NHQ	CSC CORCAN
Ontario	CSC <ul style="list-style-type: none">• Ottawa District Office• Kingston Area Parole Office• RHQ• Kingston Penitentiary²⁰ CORCAN <ul style="list-style-type: none">• RHQ
Atlantic	CSC <ul style="list-style-type: none">• Staff College (Regional Training Facility)• Moncton Area Parole Office• RHQ CORCAN <ul style="list-style-type: none">• RHQ• Westmorland
Quebec	CSC <ul style="list-style-type: none">• Sainte-Anne-des-Plaines, Archambault, & Regional Reception Centre• Joliette• Longueuil Parole Office
Prairies	CSC <ul style="list-style-type: none">• Bowden Institution• Edmonton Institution for Women• Pê Sâkâstêw Centre CORCAN <ul style="list-style-type: none">• Bowden Institution
Pacific	CSC <ul style="list-style-type: none">• Ferndale• Mission• Abbotsford Parole Office• Kwikwexwelhp Healing Village CORCAN <ul style="list-style-type: none">• Ferndale

²⁰ Kingston Penitentiary was visited during the pilot testing of the audit tools. Data gathered during the pilot testing was not included in the analysis.



ANNEX D

AUDIT OF FLEET LIFE CYCLE MANAGEMENT
MANAGEMENT ACTION PLAN

RECOMMENDATION	ACTION SUMMARY	OPI	PLANNED COMPLETION DATE
Recommendation 1: The Assistant Commissioner Corporate Services should enhance monitoring and reporting mechanisms to ensure that the information available to support fleet management is complete and reliable.	NHQ Fleet Management will prepare and provide ARI fleet vehicle report to Finance.	ACCS	February 2010
	Finance will make reconciliation between the ARI report and the IFMMS Fixed Asset Module and the Financial Module of IFMMS.	ACCS	June 2010
	Finance and Fleet Management will put in place a process to ensure quarterly reporting between both system to ascertain accurate and consistent information.	ACCS	August 2010
	The current practice of site input of information into the Fixed Asset Module will be centralized and inputted by NHQ for consistent information.	ACCS	June 2010
	Information of proceeds from vehicle disposal will be forwarded by Fleet Management to Finance for input into the Fixed Asset Modules for complete life cycle information.	ACCS	May 2010
Recommendation 2: The Assistant Commissioner of Corporate Services, in collaboration with RDCs should ensure that:			



RECOMMENDATION	ACTION SUMMARY	OPI	PLANNED COMPLETION DATE
<ul style="list-style-type: none"> The inventory count process is enhanced including reconciliation of the IFMMS Fixed Asset Module and the Financial Module of IFMMS with ARI; Complete documentation related to the planning, inventory and use, maintenance is kept and up to date, in accordance with policies. 	As per reply to recommendation 1	ACCS and RDCs	June 2010
	NHQ Fleet Management will amend Guidelines to reflect change in operations with the full centralization practice undertaken in fiscal 2008/2009. Amendments will be included to reflect the change in approval process for vehicle additions (site requirement, regional fleet manager approval, RDC approval, NHQ approval).	ACCS and RDCs	December 2010
	Guideline amendments will include further concise instruction for CSC sites to conduct a yearly physical inventory count and be reported to NHQ. Yearly call letter will be forwarded to regions for the reminder of this activity requirement	ACCS and RDCs	December 2010
	A reminder will be made to regions that sites are required to report all non ARI maintenance information that is conducted at institution is required to be provided to ARI in accordance with policies.	ACCS and RDCs	February 2010



RECOMMENDATION	ACTION SUMMARY	OPI	PLANNED COMPLETION DATE
<ul style="list-style-type: none"> Ongoing driver's license validation process is enhanced. 	<p>With the current review and forthcoming amendments to Guideline 335, an amendment will be made to stipulate that users will be required to provide proof of valid driver's license on a yearly basis to the site fleet manager. Amendment will also include the requirement for operators to report any change in driver's license status to the site fleet manager. NHQ Fleet Management will on a yearly basis send a reminder to regions of this requirement</p>	<p>ACCS and RDCs</p>	<p>December 2010</p>
<p>Recommendation 3: The CEO CORCAN should ensure that CORCAN's <i>GP 7.2-08 Fixed Assets and Depreciation</i> is updated to reflect that a physical inventory count is done annually as per the <i>TB Inventories Accounting Standard 3.4</i>.</p>	<p>CORCAN GP 7.2-08 on Fixed Assets and Depreciation was updated in November to reflect CORCAN's practice to conduct annual inventory count.</p>	<p>CEO CORCAN</p>	<p>Completed</p>
<p>Recommendation 4: The CEO CORCAN should ensure that:</p> <ul style="list-style-type: none"> Vehicle operation and maintenance records are maintained and reported in accordance with TB policies and directives for fleet assets. An ongoing driver's license validation process is implemented. 	<p>CORCAN CEO will issue a memo to all budget managers to remind them of their obligation to maintain proper records on vehicle operation and maintenance.</p> <p>Each Regional Director will certify that required records are now in place.</p> <p>CORCAN will work with CSC Fleet NHQ Fleet Management group, in consultation with CORCAN Legal Counsel, to implement a driver's license validation process.</p>	<p>CEO CORCAN</p> <p>CEO CORCAN</p> <p>CEO CORCAN</p>	<p>December 2009</p> <p>January 2010</p> <p>To be determined in conjunction with NHQ Fleet Management Group</p>