

November 25, 2016

Hired Equipment Process Audit

Background

The City uses hired equipment truckers for various projects in Engineering Services, Parks, and Recreations and Real Estate and Facilities Management. The majority of the hired equipment contracts is employed by Engineering (over 95% plus) with a smaller number in other departments. The City Engineering Services branches (Sewer, Waterworks, and Streets) employ a large number of hired trucking/haulage companies on a regular basis with each branch maintaining its own registered list of preferred truckers.

The City has two categories of “hired” equipment. The first are those owned internally by the City and operated by City staff called “leased equipment”. The City equipment and crews will be employed first before outside contractors are called. The second category is externally owned and operated as “hired” equipment/truckers.

Preference to use external truckers at City job sites is based on a performance ranking system and on a rotational basis. The branch ranking system is based on previous year’s ratings, as recorded on the daily hired equipment performance sheets. Engineering ensures that the evaluation system used for hired trucker ranking is open, transparent and trusted. Drivers with perfect records from the previous year’s daily hired equipment sheets and no issues with administration will retain their ranking position (or move up if others above move down within their assigned branch). The City aims to distribute work requests equally between hired truckers. The position on the rotation for next service request is tracked by means of an internal dispatching program used by the branch dispatchers.

To improve the hired equipment process the City has initiated a “Tandem Operations Optimization” project that will review the current state with respect to operations costs, regular duties/credentials and explore future state involving use of technology to develop models or options that are operationally efficient. This project is scheduled to deliver a business case for action at the end of 2017.

Scope

The scope of the audit included a review of current practices relating to contracting operators and equipment used on City job sites. Internal audit would specifically examine:

- Selection and acquisition of contracting operators and equipment;
- Adherence to contract terms and conditions; and
- Completed work assessment.

The objectives were to determine the extent of compliance to applicable policies and procedures as well as effectiveness and efficiency of internal controls and business processes. The audit is not designed to detect fraud. Accordingly there should be no such reliance.

Conclusion

Internal controls relating to hired equipment operation and processes are adequate. To improve effectiveness of the business process, management regularly scrutinizes the selection, compliance and performance of the hired equipment operators. Potential for enhancing efficiency in administration and reducing safety risks are listed in this report.

The more significant findings and recommendations are:

- **Ensure External Contractors Meet City Safety Standard**
For safety of all, backhoe operators must show proof to the City as having the proficiency to operate this equipment at City work sites and meeting City's safety standards.
- **Review the Hired Equipment Contractors Process to gain Efficiency**
The process for managing hired equipment trucking requests, including scheduling and evaluation of contractors should be reviewed for operational efficiencies.
- **Business Continuity and Succession Planning**
A defined succession planning process will assist in maintaining continuity of operations at the branches.
- **Shared Hired Equipment Operator Database**
Sharing the Engineering preferred contractors database (e.g. with signed agreements) would improve the Hired Equipment process City-wide. Approved contractors can be engaged quickly by all departments as required.

Findings and recommendations have been discussed with appropriate management and work is underway to address them.