



Hamilton

**CITY OF HAMILTON  
OFFICE OF THE CITY AUDITOR**

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	September 8, 2022
<b>SUBJECT/REPORT NO:</b>	Accessible Transit Services: DARTS Fleet Management and Vehicle Safety Audit (Report #50695) (AUD22007) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Brigitte Minard CPA CA, CIA, CGAP (905) 546-2424 Ext. 3107  Domenic Pellegrini CPA, CMA, CIA (905) 546-2424 Ext. 2492  Charles Brown CPA, CA (905) 546-2424 Ext. 4469  Fleet Challenge Canada Inc.
<b>SUBMITTED BY:</b>	Charles Brown CPA, CA City Auditor Office of the City Auditor
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That Report AUD22007 and Appendices “A”, “B” and “D” to Report AUD22007, respecting the Accessible Transit Services: DARTS Fleet Management and Vehicle Safety Audit (Report #50695) be received;
- (b) That the Management Response, as detailed in Appendix “C” to Report AUD22007 be approved; and
- (c) That the General Manager of Public Works be directed to report back to the Office of the City Auditor by January 2023 with a detailed management action plan, which will then be reported to the Audit, Finance and Administration Committee for approval.

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

## **EXECUTIVE SUMMARY**

As a result of a confidential Fraud and Waste report, expressing safety concerns with respect to the management of fleet, the Office of the City Auditor (OCA) initiated an audit of DARTS' vehicle maintenance and fleet inspection practices. DARTS is an external organization that provides accessible transit services in Hamilton under contract with the City. The OCA used the services of Fleet Challenge Canada (FCC) to conduct the main parts of the review.

The overall objective of the audit was to assess the maintenance and inspection activities employed by DARTS and its sub-contractors, with a view to concluding on the effectiveness of these processes in ensuring the safety of vehicles placed into service.

The primary tool used to evaluate the current state of inspection and maintenance practices of DARTS was a planned sample of 40 (39 actual) vehicles during the first week of the review. The results were unequivocally poor. We found that 46% of the vehicles failed the independently conducted inspections.

According to FCC, this level of failure is "exceptionally high" and a decision was made to continue with further inspections of the entire fleet. The fail rates showed some improvement over time, mainly during the last weeks of the inspection process. The overall fail rate for first inspections, was 32%. For a commercial operation that serves a vulnerable population, we found this to be unacceptable, indicating an inadequate level of inspection and maintenance rigour that is systemic.

The audit found numerous issues relating to safety, and many opportunities for improvement. Issues were found with brakes, tires, exhaust systems, steering and suspension systems, including a "singular matter of urgency" – that being defective and/or seized emergency brakes which bear "rollaway" risk.

In terms of processes, we found various weaknesses related to inspection processes, quality assurance, safety awareness and training, contract oversight, qualifications, data management, and minimum standards requirements.

Perhaps most concerning to OCA is that the DARTS subcontractors were seemingly incapable of maintaining their fleets to the standards of safety required. These concerns are only magnified with the observation by FCC that some vehicles were taken out of service and retired permanently, shortly after the start of the vehicle inspection campaign.

OCA also had several additional audit findings related to contract management and oversight.

**Alternatives for Consideration –Not Applicable**

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial: None.

Staffing: None.

Legal: None.

**HISTORICAL BACKGROUND**

The Office of the City Auditor Work Plan 2019 to 2022 (AUD19007) included the completion of a DARTS Audit, noting that the audit was pending the completion of a revised Master Operating Agreement (MOA) between the City and DARTS. A revised MOA has not been completed, therefore plans to audit have up to now, been paused.

Disabled and Aged Regional Transportation System (“DARTS”) is an external organization that provides accessible transit services in Hamilton under contract with the City.

In the course of its work in managing the City of Hamilton’s Fraud and Waste Hotline, OCA received a confidential Fraud and Waste report in September 2021 that was originally received by the Transit Division. The Transit Division notified the Office of the City Auditor (OCA) of the report promptly. An allegation was made that a DARTS subcontractor performing maintenance on part of their fleet, did not have professional mechanics servicing the vehicles used in providing DARTS services, and that vehicles were being put on the road that were unsafe due to inadequate inspection and maintenance.

The OCA requested that the Transit Division investigate this matter further and to report back what it found to OCA. Transit began to investigate and while doing this, worked with Legal and Risk Management Services to enforce the City’s contractual rights with DARTS per the Master Operating Agreement (MOA).

While the Transit Division continued to investigate, areas of concern remained, including incomplete vehicle inspection tracking, certificates of insurance (COI) not being readily available, and issues with COIs when they were provided.

As a result of the above information the OCA made the decision to independently investigate this matter further by undertaking a full audit of DARTS’ vehicle maintenance and fleet management. With the ongoing issues encountered by the Transit Division in obtaining vehicle inspection information, insurance documentation and further concerns

about DARTS oversight of their sub-contractors, the OCA was concerned about whether the compliance of DARTS with respect to inspection and maintenance activities had any impact on public safety.

The OCA sourced an external firm (Fleet Challenge Canada, “FCC”) that specializes in fleet compliance to complete a thorough review of the inspection, maintenance and fleet management activities performed on DARTS operated vehicles with a view to identifying any control weaknesses or compliance issues that may impact public safety. This work included vehicle inspections completed by licensed Automotive Service Technicians and/or Truck and Coach Technicians.

On March 24, 2022 this issue was reported by the City Auditor as a “Serious Matter” to Council, per the “City Auditor Reporting of Serious Matters to Council” policy. The two criteria being applied were that there was a situation that could threaten public safety and could have a significant adverse impact on the City’s vulnerable populations. The OCA informed Council that a comprehensive audit was being completed.

This report communicates the results of the audit.

#### **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

None.

#### **RELEVANT CONSULTATION**

Appendix “C” to Report AUD21006(a) includes a response from management responsible for overseeing accessible transit services within the City’s Transit Division of the Public Works Department.

The Legal and Risk Management Services Division was also consulted during this audit.

#### **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

The audit objective was to assess the fleet management and vehicle safety practices of the City’s accessible transit service provider, DARTS, in order to identify opportunities for improved economy, efficiency and effectiveness for the management of the contract between the City and DARTS. We also assessed the effectiveness of the Transit Division’s oversight and management of the contract with DARTS.

As part of a sample of vehicles that were put through safety inspections conducted by an independent third-party garage, 39 vehicles were inspected, with a resulting failure rate of 46%. The high failure rate led to a decision by the OCA, in consultation with Transit, to inspect all vehicles in the fleet as part of the audit.

The Audit Report summarizing all the review activities can be found at Appendix “A” to Report AUD22007.

The OCA engaged Fleet Challenge Canada (FCC) to conduct the safety review in accordance with its established practices and expertise, and to separately report their findings. The Fleet Challenge Canada Report is Appendix “B” to Report AUD22007.

Overall, 73 recommendations were made to Transit management, including recommendations for improvement at DARTS. Given the breadth and depth of recommendations, balanced with the need to bring forward timely findings to Council and the public, Transit management has agreed to provide OCA with one overall Management Response, with a commitment to provide a detailed set of management action plans for each recommendation to the OCA by January 2023, one that we fully expect to be coordinated with DARTS, the service provider. These will be brought forward and reported to the Audit, Finance and Administration Committee upon acceptance and review by the OCA.

The Recommendations and Management Response can be found in Appendix “C” to Report AUD22007.

An infographic summarizing the key information for this audit can be found in Appendix “D” to Report AUD22007.

## **ALTERNATIVES FOR CONSIDERATION**

Not applicable.

## **ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN**

### **Healthy and Safe Communities**

Hamilton is a safe and supportive City where people are active, healthy, and have a high quality of life.

### **Built Environment and Infrastructure**

Hamilton is supported by state-of-the-art infrastructure, transportation options, buildings and public spaces that create a dynamic City.

### **Our People and Performance**

Hamiltonians have a high level of trust and confidence in their City government.

**APPENDICES AND SCHEDULES ATTACHED**

Appendix "A" to Report AUD22007 – Accessible Transit Services: DARTS Fleet Management and Vehicle Safety Audit Report (Report #50695)

Appendix "B" to Report AUD22007 – Fleet Challenge Canada City of Hamilton DARTS Fleet Review

Appendix "C" to Report AUD22007 – Recommendations and Management Response

Appendix "D" to Report AUD22007 – Accessible Transit Services DARTS Fleet Management and Vehicle Safety Infographic