



# The Operations Audit

A CostDown Consulting Training File

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Programs and Training that Improve  
Driver and Fleet Performance



## The Opportunity

***Improve the process; reduce the cost.  
It's as simple as that.***

Most companies that operate fleets and employ drivers spend millions of dollars annually in equipment, labor & fuel.

However, only a surprisingly small number of these companies understand how significant the opportunity to reduce these costs is by simply improving the Operating Processes they use to manage their employees and assets.

Consider the following sample 'Operating Process' questions and the impact these processes have on your costs ...



## Sample Operating Process Questions

- o How effectively do your branches manage **Driver Productivity** ?
- o Does current **Equipment Utilization** performance assure the smallest fleet needs ?
- o Are **Fuel** costs controlled and managed aggressively ?
- o Are your **Routes** effectively providing the required service within the least amount of miles possible?
- o Is full **Equipment Capacity** obtained at every opportunity ?



## How Good Are Our Processes ?

For many executives, the answers to these questions are disconcerting and the reason is this ...

**Regardless of the amount of technology or training your company has provided, the 'truth' of how effectively trucks and drivers are actually managed in the field is often unknown.**



## How Good Are Our Processes ?

### Technology Example

For example, suppose your company recently provided field locations with a Driver Productivity Tracking Program.

Knowing that the program is available does not provide an executive insight into how effectively each field location is actually managing driver productivity :

- o Is the performance data shared with the drivers ?
- o Are individual performance goals established ?
- o Are drivers held accountable for making their goals ?
- o Are productivity obstacles being researched and removed ?

The introduction of new technology by itself will not drive improved performance. Supporting processes must be effectively defined and consistently followed .



## How Good Are Our Processes ?

### Training Example

Here's another example:

Six months ago your company developed and provided training on a Routing Best Practice designed to reduce total operating miles :

- Was the Best Practice implemented and is it still in place ?
- Are all new employees that make routes fully trained ?
- Are drivers monitored to make sure routes are run as built ?
- When volumes are low, are all drivers kept working at the expense of route integrity ?

As with our technology example, training by itself will not drive improved performance. Supporting processes must be effectively defined and consistently followed .



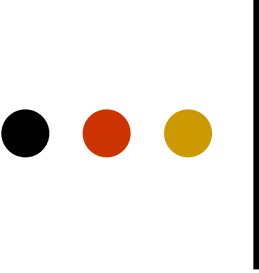
## The Operations Audit

Regardless of the amount of technology or training your company has provided, the **'truth'** of how effectively trucks and drivers are actually managed in the field is often unknown.

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The processes used to manage your employees and assets directly and significantly impact your operating costs. The best way to determine the **'truth'** and improve these critical processes is through an Operations Audit.

An Operations Audit is an objective and detailed analysis of those operating processes that influence, manage and control employee productivity and asset utilization.



# The Operations Audit

We will discuss how an Operations Audit is conducted by outlining each of the four steps used in an effective audit:

## **THE 4 STEPS OF AN OPERATIONS AUDIT**

- 1. Identify the Primary Processes that will be audited**
- 2. Break the Primary Processes into their Audit Components**
- 3. Analyze each Audit Component through use of observations, interviews, reports and published policy**
- 4. Compile a Summary of Significant Findings and New Process Recommendations**



## Step 1 – Primary Processes

Primary Processes
Driver Retention
Driver Productivity
Fleet Utilization
Fuel Management
Routing & Planning

Step 1 – Identify the **Primary Processes** to be audited

**Primary Processes** are those processes that most impact your costs and the control of your Employees and Assets. CostDown Consulting specializes in improving 5 Primary Processes and these are the ones we will use in our examples and discussion.

## Step 2 – Audit Components

AUDIT COMPONENTS OF DRIVER PRODUCTIVITY
Supervisory Control
Driver Performance Review
Goal Assignment/Monitoring
Attendance History
Hours Worked
Delay Time
Miles Driven/Load Delivered
Shop History
Off Route Audits
Departure Times
Reported Delays

Primary Processes
Driver Retention
Driver Productivity
Fleet Utilization
Fuel Management
Routing & Planning

Step 2- Break each Primary Process into its **Audit Components**

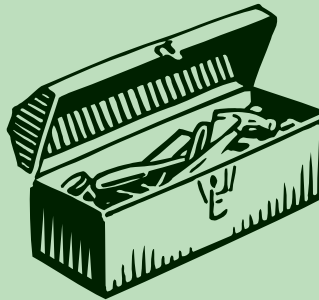
**Audit Components** are both the existing and expected procedures, measurements and activities used to manage a Primary Process.

In our example, we have selected the Primary Process of Driver Productivity and broke it into some of its Audit Components.

## Step 3 – Analyze Audit Components

### AUDIT TOOLBOX

- Interviews
- Work Observations
- Existing Reports
- Policy Reviews



Step 3- **Analyze Audit Components** using Interviews, Observations, Reports & Policy Reviews

**Analyzing Audit Components** is by far the most critical step of the Operations Audit.

**It is the Analysis of Audit Components that defines the ‘truth’ and opportunities of how employees and assets are currently managed.**

We will now look at overviews and examples of how to use each of the 4 Audit Tools.

## Step 3 – Analyze Audit Components

### Audit Tool: Interview

During the interview process, employee responses may be vague, inconclusive or evasive. The auditor must be skilled at 'drilling down' with follow-up questions to determine exactly how or if the employee is currently managing a component and if it is effective ....

Interview Questions: Driver Productivity / Supervisory Control	
Q	How do you Improve the Productivity of assigned Drivers?
A	I put copies of their monthly revenue per truck report in their mail file.
Q	How do you know the reports are read ?
A	Usually the driver lets me know he got the report.
Q	How does that hold a driver accountable for his productivity performance ?
A	He can see his performance every month.
Q	Do you discuss his performance with him ?
A	Only if it is really bad.
Q	What is 'really bad' ?
A	Under \$11,000/month
Q	How many of your drivers were under \$11,000 last month ?
A	6 I think.
Q	Show me last month's report for your drivers.

# Step 3 – Analyze Audit Components

## Audit Tool: Work Observations

### Work Observations

consist of documenting how employees do their work to define how they currently manage their responsibilities and to look for improvement opportunities.

For example, when and how often

loads are made could be critical to Capacity & Route Efficiency, so observing the scheduling of ‘Loads Built’ against ‘Inventory Received’ might identify significant opportunity to both improve capacity and reduce total route miles.

Time/Day	Loads Built / Inventory Received							Total Lds	Total Inv
	<u>S</u>	<u>M</u>	<u>Tu</u>	<u>W</u>	<u>Th</u>	<u>Fr</u>	<u>Sa</u>		
5:00 AM		22		17	13	Inv	6	58	1
6:00 AM			18		5 / Inv	26		48	1
7:00 AM				13			Inv	13	1
8:00 AM					4	13		17	
9:00 AM		2	18					20	
10:00 AM					7	9	3	19	
11:00 AM		Inv	Inv		6			6	2
12:00 PM			Inv		Inv		Inv	0	3
1:00 PM		Inv		Inv				0	2
2:00 PM		4	7	Inv				11	1
3:00 PM		4 / Inv				Inv		4	2
4:00 PM				11				11	
5:00 PM			1				19	20	
6:00 PM		3			22	1		26	
7:00 PM								0	
8:00 PM				7				7	
9:00 PM		11		1				12	
10:00 PM	13	2						15	
<b>Total Lds</b>	<b>13</b>	<b>48</b>	<b>44</b>	<b>49</b>	<b>52</b>	<b>49</b>	<b>28</b>	<b>287</b>	
<b>Total Inv</b>	<b>0</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>		<b>13</b>

# Step 3 – Analyze Audit Components

## Audit Tool: Existing Reports

**Existing Reports** are used to validate claims and analyze performance trends.

In this example, a supervisor claimed his driver Marty Wicks didn't need a Performance Review because he was number one in Driver Productivity.

Driver Productivity Report: ABC Fleet Operating Company - Home Heat Division										
Jan-07			Total Miles				Total Hours Worked			
ID	Last	First	This Month	Prior Month	6 Month Average	Rank	This Month	Prior Month	6 Month Average	Rank
30098	Mortinson	Buddy	5,301	4,888	4,643	13	203	0	201	7
30998	Williams	Mark	4,699	4,795	5,429	4	198	196	204	5
31002	Stevens	Ron	5,523	4,147	5,356	5	176	188	199	8
31088	Brown	Nancy	4,662	4,720	5,237	7	210	208	219	3
31122	Miller	Jeffrey	5,021	4,983	5,028	9	221	219	222	1
31155	Talon	Mike	5,200	4,860	5,125	8	230	228	221	2
32000	Ferris	George	5,101	5,192	4,895	12	225	202	210	4
32001	Fessiu	Majja	4,778	4,157	5,566	2	205	203	199	8
32003	<b>Wicks</b>	<b>Marty</b>	4,789	4,689	5,799	<b>1</b>	199	185	188	<b>6</b>
32112	Jones	James	5,170	4,491	5,460	3	213	211	210	4
32119	Schmdit	Leeland	4,422	4,417	4,633	14	203	195	201	7
32193	Sutherland	Freddie	4,988	4,382	5,017	10	200	198	219	6
32221	Peterson	Carl	4,412	4,588	4,934	11	199	217	201	7
32233	Lloyd	Kerry	4,881	4,502	5,272	6	199	209	204	5

While it is true he is ranked 1<sup>st</sup> in Total Miles, his Hours Worked is ranked 6th suggesting he may get the longest runs with the least amount of stops. Mr. Wicks does need a Performance Review.

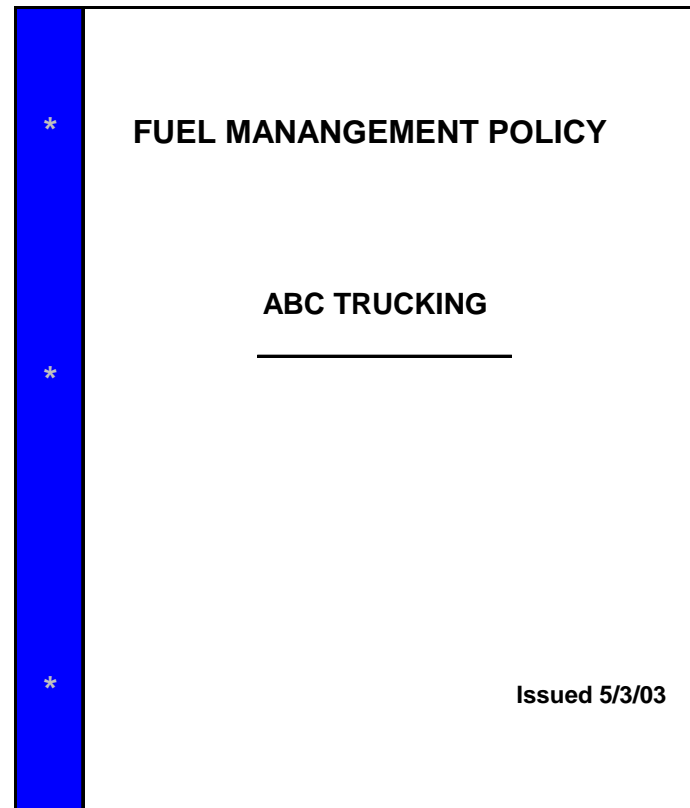
## Step 3 – Analyze Audit Components

### Audit Tool: Policy Review

The Policy Review is used to determine if existing policies are in use and if they are effective.

Often strong policies are in place that effectively control employees and assets but field personnel are not adhering to the policies.

Two of the other Audit Tools – Work Observations and Interviews – will help identify issues with policy non-compliance.





## Step 3 – Analyze Audit Components

### **CRITICAL FOR SUCCESS**

To be effective, the Analysis of Audit Components must be administered with a ‘bulldog’ attitude and a ‘show-me’ approach.

Vague answers are unacceptable; unsubstantiated claims are disregarded. Auditor Work Observations, Employee Interviews, Existing Reports and Policy Reviews must be used to validate each component’s audit.

The auditor must be relentless at drilling down into an Audit Component to precisely define how it is currently being managed and to identify cost-reduction opportunities.

## Step 4 – Summary & Recommendations

After completing a review of an Audit Component, the Significant Findings are summarized.

**Significant Findings** are those current activities that may be negatively impacting the control and performance of employees and assets.

### **SIGNIFICANT FINDINGS:**

#### **Driver Productivity / Supervisory Control**

Based on interviews and review of bulletin boards, there are no established productivity goals.

Dispatcher & 3 other supervisors are assigned from 13-25 drivers each. Large disparity in work load.

Found 7 drivers with up to 4 months tenure not yet assigned to any supervisor.

Rev/Tk reports are placed in Driver Folders but no process in place to regularly review report or even validate that driver read it.

Only Supervisor Jim Smith audits Hours Worked as part of Supervisory Control Process

Etc...



## Step 4 – Summary & Recommendations

Recommendations are then made based upon the Summary of Significant Findings.

A professional Outside Auditor will provide recommendations as part of the executive review, incorporating his or her industry experience into the solutions.

If using an Internal Auditor (company employee), a committee method may be employed to come up with the improved processes.

A simple way to develop improved processes is by looking at each significant finding and asking 3 simple questions: Who Better / How Better / What Better.

**Who Better ?**

**How Better ?**

**What Better ?**



## Step 4 – Summary & Recommendations

Example: Recommendation Development Who/How/What

**Issue: Auditor found seven new drivers with up to 4 months tenure not yet assigned to any supervisor for productivity management.**

**WHO BETTER** – Currently ownership of assigning new drivers to a supervisor mentor prior to their pulling a load is vague. Auditor recommended WHO is the Assistant Branch Manager (ABM) who is currently in charge of driver orientation.

**HOW BETTER** – The auditor recommended HOW is that the New Driver Orientation Program be modified to require the ABM open each session by assigning and introducing new drivers to their supervisor mentors.

**WHAT BETTER** – Each driver supervisor will now be responsible for acclimating new drivers during their first few weeks by using daily phone calls to answer questions, eliminate new employee hurdles and make him/her feel part of the company family. The recommended WHAT better is that this process will help reduce driver turnover ratios while reinforcing critical company policies.



# Operations Audit Tips

- **Use an industry experienced outside auditor.** He/she will question everything and not overlook processes 'always done that way'. Additionally, an outside auditor will provide unique insights based on experiences with other industry companies.
- **Don't assume that your most profitable locations are your best managed locations.** Much of their profitability may be a result of lower fixed costs, higher rates or other factors than effective management processes.
- **Immediately share results with other regions and branches.** Expedite company-wide cessation of bad practices and implementation of beneficial processes.



# Operations Audit Tips

- **Make sure branch personnel are on board.** Their cooperation is essential. The Operations Audit is a methodology that will help them reduce their costs and should not be used to find fault or punish field personnel.
- **Place a mid-to-high-level manager in charge of implementation.** Many companies develop excellent processes only to see them fail due to weak implementation efforts and lack of follow-through.
- **Track and celebrate your cost reductions.** Communicate progress to all field locations and provide recognition to field employees that demonstrate outstanding improvement.

# The Operations Audit



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*Contact us for a  
no cost; no obligation  
consultation*

## Existing and Prospective Clients:

As an executive, you realize that it is often difficult to determine the 'truth' of how well your trucks and drivers are being managed in the field.

An Operations Audit is the most effective means to define that truth while identifying specific opportunities to improve driver and fleet performance; thereby reducing your company's costs.

Performed properly, the Operations Audit assesses your field management team's strengths and weaknesses while tapping into their valuable knowledge and experience.

Use of an experienced outside industry professional like CostDown Consulting will assure an unbiased assessment while generating new program recommendations company insiders might not be familiar with. To find out more about our Operations Audit service, please visit our [Services](#) page.

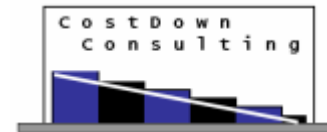
Thank you for your time. I hope you found this training file of use and my sincerest wishes for a very prosperous year.



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