Chapter 15
Saskatchewan Government Insurance—Monitoring Certified Vehicle Inspection Stations

1.0 Main Points

On behalf of the Saskatchewan Auto Fund (Fund), Saskatchewan Government Insurance (SGI) is responsible for the provincial vehicle inspection program.

The program's objective is to enhance traffic safety and provide consumer protection by ensuring vehicles comply with vehicle safety standards. The program includes certifying and monitoring about 930 certified inspection stations and more than 3,500 certified vehicle inspection technicians. It focuses on the safe driving condition of higher-risk vehicles including total-loss vehicles,[1] large commercial vehicles (e.g., buses, heavy trucks and trailers), and vehicles brought into the province from other jurisdictions.

We found that, for the 12-month period ended December 31, 2014, SGI did not have effective processes to monitor that certified inspection stations operate consistent with regulatory and internal policy requirements. SGI needs to retain sufficient evidence to show that SGI staff carried out inspections of certified inspection stations as expected – one of its key monitoring activities. This includes maintaining sufficient evidence that certified Preventative Maintenance Program inspection stations completed vehicle maintenance consistent with the approved preventative maintenance plan (i.e., for large commercial vehicles).

Also, SGI needs to assess the risks for its vehicle inspection program, including the risks of non-compliance with inspection standards and the impact on public safety. This will enable it to develop a risk-based monitoring plan for its vehicle inspection program.

2.0 Introduction

As administrator of the Fund, SGI provides vehicle registrations, driver's licenses, and related services for approximately 778,000 drivers and 1.1 million vehicles and trailers in Saskatchewan.[2] Under *The Traffic Safety Act*, SGI is responsible for overseeing the certification and operation of inspection stations. Vehicle inspections improve vehicle safety and enhance the safety of the general motoring public.

This chapter describes the results of our audit of SGI's processes to monitor that certified inspection stations operate consistent with regulatory and internal policy requirements.

[1] In Saskatchewan, when the cost to repair a vehicle and the vehicle's salvage value are greater than the value of the vehicle, it is considered a "total loss."
[2] *2013 Saskatchewan Auto Fund Annual Report*, p. 8.

3.0 BACKGROUND

In 2012, Saskatchewan law enforcement identified vehicle condition as a contributing factor in five fatal collisions that occurred in Saskatchewan.[3] In total, vehicle condition contributed to approximately 2% of property damage and personal injury claims in Saskatchewan.[4] Examples of common vehicle conditions that contribute to collisions include defective brakes, suspension, and steering.[5]

Vehicles in safe driving condition reduce the risk of collisions resulting from mechanical defects. *The Vehicle Inspection Procedure Regulations, 2007* establish minimum standards for vehicle safety.

On behalf of the Fund, SGI operates a provincial vehicle inspection program to determine whether certain vehicles registered for use on Saskatchewan's roads are in safe operating condition to reduce the risk of collisions resulting from mechanical defects.[6] The objective of the vehicle inspection program is to enhance traffic safety and provide consumer protection by ensuring vehicles comply with vehicle safety standards.

SGI's vehicle inspection program does not apply to all vehicles in Saskatchewan. Rather, the program targets vehicles brought into the province from other jurisdictions, total-loss vehicles, and large commercial vehicles. In 2014, approximately 118,000 vehicles were inspected out of the 1.1 million vehicles and trailers registered. The program is designed to help ensure total-loss vehicles are repaired correctly before being put into operation, and to protect consumers from unknowingly purchasing potentially unsafe vehicles.[7]

SGI requires most vehicles brought into Saskatchewan from out of province to pass a vehicle safety inspection before it registers them in Saskatchewan.[8] Also, it requires companies with large commercial vehicles (i.e., heavy trucks and trailers) to have those vehicles periodically inspected and complete routine maintenance to increase traffic safety.

SGI has assigned responsibility for administering the vehicle inspection programs to its Vehicle Standards and Inspection Department (Department). The Department consists of a support team, one manager, one supervisor, and seven safety officers (see **Figure 1** for Department expenses).

Under *The Traffic Safety Act,*[9] SGI is responsible for certifying inspection stations and individual technicians who meet the qualifications set out in legislation.[10] Certified inspection stations conduct inspections to verify that vehicles meet minimum standards for vehicle safety in Saskatchewan. SGI is also responsible for monitoring certified inspection stations and technicians for continued possession of the necessary qualifications and compliance with the legislation.[11]

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[3] *2012 TAIS Annual Report*, p.17. www.sgi.sk.ca/pdf/tais/TAIS_2012_03.pdf (23 July 2014). This report includes statistics on collisions that occurred in Saskatchewan including when out-of-province vehicles are involved in a collision.
[4] Ibid.
[5] Ibid.
[6] Obtained from SGI records at April 28, 2014.
[7] Ibid.
[8] www.sgi.sk.ca/individuals/registration/inspectionprograms/index.html (9 January 2015).
[9] *The Traffic Safety Act*, s.121.
[10] *The Vehicle Inspection Procedures Regulations, 2007*, (s.6-8) set out the qualifications.
[11] *The Traffic Safety Act*, s.123.

Figure 1—2013 and 2014 Vehicle Standards and Inspection Department Expenses

Expense	2013 Budget	2013 Actual	2014 Budget	2014 Actual
Salaries & Benefits	$ 1,118,607	$ 976,295	$ 1,089,755	$ 1,157,538
Other Expenses[a]	213,371	228,646	221,669	263,100
Total Expense	**$ 1,331,978**	**$ 1,204,941**	**$ 1,311,424**	**$ 1,420,638**

Source: Obtained from SGI internal records at January 6, 2015.
[a] Includes administrative, travel, tools, and supplies expenses.

At December 2014, Saskatchewan had 923 certified inspection stations that employed more than 3,500 certified inspection technicians.[12] In 2014, these inspection stations completed about 118,000 (2013 – 123,300) vehicle inspections consisting of:

- 43,600 light vehicle inspections (2013 – 42,000)
- 63,800 heavy commercial truck or trailer inspections (2013 – 71,700)
- 4,700 structural body integrity inspections (2013 – 4,600)
- 3,500 school bus inspections (2013 – 3,400)
- 2,400 motor coach or city bus inspections (2013 – 1,600)[13]

4.0 Audit Objective, Scope, Criteria, and Conclusion

The objective of this audit was to examine whether SGI had effective processes to monitor that certified inspection stations operated consistent with regulatory and internal policy requirements for the 12-month period ended December 31, 2014.

For the purposes of this audit, inspection stations included both businesses that complete inspections for others and businesses that complete inspections of their own vehicles. This audit also included monitoring of certified individual inspection technicians employed at these inspection stations.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate SGI's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. SGI's management agreed with the criteria (see **Figure 2**).

We examined SGI's processes for monitoring certified inspection stations and technicians by interviewing SGI staff and reviewing related documentation. We tested a sample of inspection station certifications, inspection station audits (i.e., monitoring activities), complaint investigations, and actions taken on identified incidents of non-compliance to determine whether SGI followed its processes. We also accompanied SGI

[12] Obtained from SGI records at January 15, 2014.
[13] Ibid.

staff to on-site visits to observe the certification, monitoring, and investigation processes.

Figure 2—Audit Criteria

1. **Certify vehicle inspection stations and inspection technicians**
   - 1.1 Verify applicants meet established requirements
   - 1.2 Resolve disputes with the certification process
   - 1.3 Issue appropriate certification
   - 1.4 Communicate inspection standards to certified inspection stations and technicians
2. **Monitor compliance of certified vehicle inspection facilities with standards**
   - 2.1 Use results of monitoring activities to set risk-based priorities in monitoring plan
   - 2.2 Identify non-compliance through completion of monitoring activities
   - 2.3 Investigate complaints about inspection stations and technicians
   - 2.4 Update monitoring plan to reflect risk
3. **Address identified non-compliance**
   - 3.1 Communicate action required for resolution of non-compliance
   - 3.2 Require prompt action on non-compliance
   - 3.3 Escalate action on continued non-compliance (e.g., suspend certification)
   - 3.4 Report key monitoring results

We concluded that, for the 12-month period ended December 31, 2014, Saskatchewan Government Insurance (SGI) did not have effective processes to monitor that certified inspection stations operate consistent with regulatory and internal policy requirements.

With respect to its certification processes, SGI had not set clear certification requirements for motorcycle technicians inspecting the safeness of motorcycles.

With respect to its monitoring processes, SGI did not formally assess or document the risks of non-compliance with inspection standards and the impact on public safety. It did not have a risk-based monitoring plan so that it could focus its monitoring activities on areas of higher risk. It did not retain sufficient evidence to show that staff carried out inspections of certified inspection stations (inspection station audits) as expected – one of its key monitoring activities. It did not provide its senior management with reports on whether its vehicle inspection program enhanced traffic safety and consumer protection as intended.

5.0 Key Findings and Recommendations

In this section, we set out the criteria (expectations) in italics, our key findings, and related recommendations.

5.1 Motorcycle Certification Requirements Needed

We expected the following. SGI would communicate established requirements that inspection stations and technicians must meet to be certified. It would maintain guidance to help staff assess applications for certification consistently and fairly, and would verify applicants' information. SGI would issue appropriate certification on a timely basis to appropriately-qualified applicants (i.e., within two weeks of verifying applicant information). It would communicate to certified inspection stations and technicians current vehicle inspection standards based on legislation and best practice. It would

provide orientation and training to new inspection stations and technicians on the inspection standards as necessary. SGI would resolve situations when applicants dispute its decision that they have not met requirements.

SGI used its public website to provide information on how to apply for certification and to set out requirements that inspection stations and technicians must meet to qualify for certification. These requirements were consistent with those set out in legislation.[14]

Instead of maintaining written guidance for assessing applications for certification, SGI relies on the knowledge and experience of its safety officers to assess applications. Its safety officers must have journeyperson certificates, at least five years practical experience in the repair and maintenance of commercial vehicles, and thorough knowledge of vehicle inspection methods and standards. Before being hired, safety officers must pass a written technical assessment to confirm their knowledge of mechanical repair and maintenance, vehicle inspection methods and standards, vehicle standards and regulations, as well as provincial vehicle safety programs. Confirming these credentials provides SGI with comfort that its safety officers make consistent judgements when assessing applications.

For a sample of safety officers, we found their credentials were consistent with the requirements described above. During our on-site observations and interviews with the safety officers, they displayed a thorough knowledge of SGI's vehicle inspection methods.

SGI maintains a comprehensive listing of standards for vehicle safety in its *Vehicle Safety Inspection Manual* (Manual). The Manual contains SGI's inspection methods, vehicle standards, rationale supporting its inspection methods and vehicle standards, general information about the inspection program, and a current copy of *The Vehicle Equipment Regulations, 1987*.

We verified SGI's participation on the Canadian Council of Motor Transportation Administrators (CCMTA). We also observed examples where SGI used knowledge of developing standards at the national level to help keep the standards set out in its Manual up to date and consistent with industry best practice.[15]

To assess the accuracy of the information on applications from inspection stations and technicians seeking certification, SGI's safety officers visit the related inspection station to verify station specifications. Also, they are to use these visits to:

- Determine whether the inspection station had the appropriate equipment necessary to carry out the types of inspections and service for which the inspection station applied.[16] Potential inspection station categories include:
  - Retail inspection station – complete safety inspections for the public
  - Dealer inspection station – complete safety inspections for the public and for vehicles that the inspection station is selling
  - Preventative maintenance program (PMP) inspection station – complete safety inspections of the station's fleet of vehicles (e.g., long-haul carrier companies).

[14] *The Traffic Safety Act* section 121, and *The Vehicle Inspection Procedures Regulations, 2007* sections 6-8.
[15] The CCMTA is a non-profit organization comprising representatives of the provincial, territorial, and federal governments of Canada which, through collective consultative process, makes decisions on administration and operational matters dealing with licensing, registration and control of motor vehicle transportation and highway safety www.ccmta.ca (14 December 2014).
[16] Inspection stations and technicians can apply to be certified to perform different types of inspections such as inspections of light vehicles, mid-size vehicles, heavy vehicles, taxis, buses, and trailers and of body integrity of vehicles.

Since December 2013, SGI has required all PMP inspection stations to implement and provide evidence of a preventive maintenance plan, and maintain a satisfactory carrier safety rating. As part of the certification process for PMP inspection stations, SGI reviews and approves the preventative maintenance program plan (PMP Plan).[17]

- Determine whether the inspection station was large enough to accommodate the types of vehicles (e.g., heavy vehicles, buses) it would be inspecting.

- Provide and explain SGI's inspection standards to inspection station staff.

SGI works with Saskatchewan Polytechnic to include specific training on SGI's Manual in relevant apprenticeship training courses for journeypersons (e.g., automotive, heavy-duty mechanics).

SGI requires certified technicians to have a set of technician's tools, be employed full-time by an inspection station, be capable of inspecting to the satisfaction of the safety officer, and be either an automotive repair journeyperson or an individual with at least three consecutive years of experience repairing vehicles. To verify requirements of technicians applying for certification, SGI safety officers review journeyperson trade papers and resumes, as well as hold conversations with potential technicians during on-site visits. SGI also requires technicians applying to inspect under the light vehicle or school bus programs to provide evidence that they have completed the three- or four-day course through Saskatchewan Polytechnic which covers inspection standards for those programs.

During 2014, SGI received 120 inspection station application forms of which it certified 98, rejected 8, and, at December 2014, was in the process of assessing 14 (i.e., pending).[18]

For the 30 certified applications in 2014 that we examined, we found SGI had retained appropriate supporting evidence showing it verified that each inspection station met the requirements. For the nine PMP inspection stations included in our sample, we found each of them had an approved PMP Plan.

We found that for the applications we tested, SGI issued certificates within two weeks after all required documentation was received and the inspection station certification visit had occurred. The issued certificates clearly identified the types of inspections (e.g., bus inspections) the inspection station and/or technicians could do, and the services the inspection station could offer.

In 2014, SGI certified 38 motorcycle technicians who certified 284 motorcycles (i.e., passed safety inspection) – 2014 was the first year of the motorcycle inspection program in Saskatchewan.

For two of five motorcycle technician applicants we examined, SGI did not have documentation that showed the technician's experience (e.g., at least three years relevant experience) and how it verified the technician had sufficient and appropriate experience. Unlike other types of vehicles where specific journeypersons exist, trade

[17] A PMP Plan is a planned maintenance schedule that sets out the maintenance to be completed on various parts of the vehicle and how often it will be completed (e.g., maintenance on brakes every set amount of kilometres).
[18] Technician applications are received and reviewed within related inspection station applications.

certification specific to motorcycles (e.g., motorcycle repair journeyperson) does not exist. As a result, for motorcycle technicians, SGI cannot use a review of journeyperson trade papers to help determine motorcycle technicians' capabilities. We found that, in the absence of a motorcycle trade certification, SGI had not set out what specific training or experience it required these technicians to have.

If SGI does not set requirements for training and experience of motorcycle technicians, there is increased risk that it may certify an insufficiently qualified technician, which in turn increases the risk that unsafe motorcycles are certified as safe. Riding unsafe motorcycles significantly increases the risk of accidents which may cause injury or death to riders and others.

1. **We recommend that Saskatchewan Government Insurance establish clear experience requirements that motorcycle technicians must meet to become certified under the motorcycle inspection program.**

During our on-site observations of inspection station visits, we noted that SGI safety officers provided SGI's Manual to inspection stations during the certification process. We further noted that SGI safety officers provided staff at inspection stations with reasons for the standards, upon request. When inspection standards were updated or when additional clarification on a standard was required, SGI emailed a bulletin to the signing officer at each inspection station to inform them of the update.

Also, SGI expected its staff to check, as part of its monitoring activities (i.e., inspection station audits), whether the inspection station was using up-to-date standards (including the most recent bulletins) issued by SGI. **Section 5.2** discusses the inspection station audits further.

SGI's Fair Practices Office received and tracked 151 inquiries/complaints related to the Vehicle Standards and Inspection Department.[19] We did not identify any instances of complaints related to SGI's inspection station or technician certification process.

5.2 Formal Assessment of Risks and Risk-Based Monitoring Plan Needed

We expected the following. SGI would use qualified staff to carry out its monitoring activities. SGI would assess the risk of certified inspection stations and technicians not complying with inspection standards and the resulting impact on public safety. It would develop a monitoring plan based on its risk assessment and update this plan based on risks identified through its monitoring activities. It would use this risk-based plan to monitor inspection stations. The monitoring plan would set out the objective of the inspection program, performance measures to monitor effectiveness of the program, and strategies and rationale for chosen monitoring activities. Monitoring would include conducting audits to determine whether inspection stations comply with inspection standards. It would re-inspect a sample of vehicles inspected by inspection stations. SGI would promptly follow up complaints about vehicle inspection stations and technicians.

[19] SGI's Fair Practices Office is responsible for receiving, investigating, and, to the extent possible, resolving inquiries and/or complaints about SGI programs and processes. www.sgi.sk.ca/contact/fairpractices.html (14 December 2014).

While we found SGI's safety officers had the skills and experience necessary to effectively carry out monitoring activities (as discussed in **Section 5.1**), SGI risk management processes focused only on entity-wide risks (e.g., competition from other insurance companies, corporate strategy) and not on the risks of its various departments, including those of the Vehicle Standards and Inspection Department. As such, the Vehicle Standards and Inspection Department was not expected to and did not formally assess or document (i.e., likelihood or severity) the risk of certified inspection stations and technicians not complying with inspection standards or risks that would prevent SGI's vehicle inspection programs from being effective (e.g., insufficient or inadequate inspections, inspection stations not following approved PMP Plans) and the resulting impact on public safety.

Because Saskatchewan has over 900 certified inspection stations and over 3,500 certified technicians located throughout the province, SGI needs to identify and document its risks to enable the development of a risk-based monitoring plan. Without a formal risk assessment, SGI cannot ensure its vehicle inspection monitoring activities are sufficient and that it appropriately focuses its monitoring resources.

2. We recommend that Saskatchewan Government Insurance assess the risks for its vehicle inspection program.

SGI monitors that certified inspection stations and technicians comply with standards using the following processes:

- **Inspection station audits** – SGI expects its safety officers to visit inspection stations every 12 months. SGI includes in performance expectations of individual safety officers the types of inspection station audits that it expects officers to focus on during the year (e.g., 30% of audits conducted should be of light vehicles). Using these general guidelines, safety officers decide which inspection stations to audit and when. Inspection station audits include examining inspection equipment, the inspection station's copy of the Vehicle Safety Inspection Manual, and inspection station documentation (e.g., inspection reports, decals). They may include re-inspecting a vehicle recently inspected by the inspection station, especially when SGI identified inspection issues. Officers are to complete standardized audit forms that list key areas to inspect for compliance (see Required Inspection Area column in **Figure 4**).

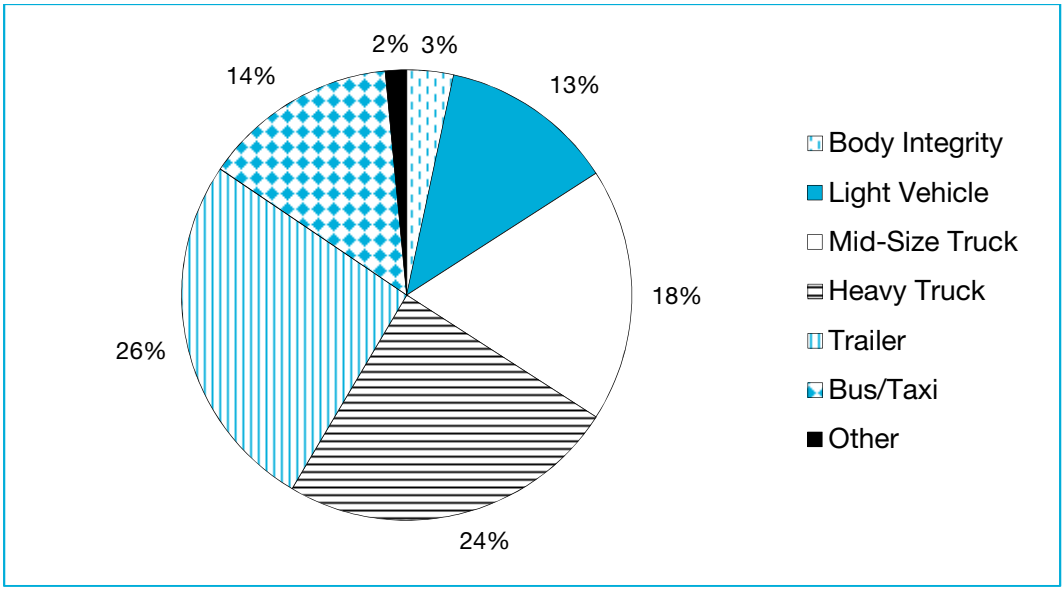
- **Complaint investigations** – SGI tracks and investigates, on a timely basis, complaints about inspection stations and technicians. This often includes re-inspecting vehicles to determine if non-compliance with inspection standards occurred.

- **Mystery shopper program** – SGI takes a vehicle that its safety officers previously inspected to an inspection station for an inspection. It compares the inspection station's inspection results to its results to identify inconsistencies.

SGI's 2014 inspection station audit plan indicated that it expected to audit 923 inspection stations (each certified inspection station every 12 months). In 2014, SGI carried out 553 inspection station audits (2013 – 460 inspection station audits) (see

Figure 3). This represents about 60% of certified inspection stations (2013 – 48% of certified inspection stations).

Figure 3—2014 Inspection Station Audits by Inspection Program



Source: Obtained from SGI records at January 14, 2015.
2013 inspection station audits by inspection program were: 3% body integrity, 13% light vehicle, 19% mid-size truck, 24% heavy truck, 24% trailer, 15% bus/taxi, 2% other (including motorcycles).

While SGI set some expectations for staff (e.g., 30% of inspection station audits should be light vehicles) to guide the extent of inspection station audits for certain types of vehicles, it did not do so for all vehicle types. Also, although the motorcycle inspection program was a SGI corporate priority for 2014, at December 2014, SGI had not formally set out the extent of inspection station audits expected for this type of vehicle.[20] Furthermore, SGI was unable to provide us with support for its expectations for individual safety officers as it had not formally assessed the risks for its vehicle inspection program.

Identifying the types of inspection stations and technicians that represent a higher risk would enable SGI to focus its monitoring activities on the areas of highest potential non-compliance or threat to public safety. Use of a risk-based plan to guide monitoring activities would help ensure that the vehicle inspection program maximizes its positive impact on public safety.

3. We recommend that Saskatchewan Government Insurance develop a risk-based monitoring plan for its vehicle inspection program including performance measures.

As part of its monitoring process, SGI re-inspects some vehicles inspected by inspection stations. In one of the 30 inspection station audits we examined, the audit included re-inspecting a vehicle, and for one of the inspection stations we visited, we observed a safety officer re-inspect a vehicle.

[20] www.sgi.sk.ca/individuals/registration/inspectionprograms/motorcycleinspection-faq.html (9 January 2015).

For the 30 inspection station audits we tested, as shown in **Figure 4**, we found that although safety officers consistently used the audit forms, they often did not document whether they completed the required steps and the results of the required steps.

Figure 4—SGI Inspection Station Audits: Provincial Auditor of Saskatchewan (PAS) Audit Findings for each SGI Required Inspection Area

SGI Inspection Station Audit Form Required Inspection Area	Description of SGI Requirement	PAS Audit Findings
Tools and equipment	Must be in accordance with *The Vehicle Inspection Procedure Regulations, 2007* and appropriate given the programs for which the inspection station is certified.	Assessments were properly documented in all items tested.
Clerical work/inspection station performance report	Identify any errors within vehicle inspection reports the inspection station submits to SGI.	Assessment of performance reports was not documented in 3 of 30 instances.
Decal inventory status	Addresses completeness of reporting back to SGI (i.e., has SGI received as many inspection reports from the inspection station as the inspection station has issued decals).	Assessment of decal inventory status was not documented in 14 of 30 instances.
Bulletins	Addresses whether the inspection station is keeping its Safety Inspection Manual current for changes to inspection standards sent by SGI.	Assessment of inspection manual was not documented in 15 of 30 instances.
PMP[a] Station carrier safety rating	The CCMTA[b] has a carrier profile report for each PMP inspection station which includes CCMTA's rating that is based on convictions, reportable collisions, or violations found in the inspection stations' vehicle fleets. The PMP rating is available to SGI for all PMP inspection stations and can be used as a tool to determine whether an inspection station is in compliance with SGI's inspection standards.	Assessment of PMP rating was not documented in 8 of 10 instances.
PMP Station Maintenance files reviewed	Addresses whether the inspection station is completing preventative maintenance that it agreed to complete (e.g., as set out in PMP Plan).	Assessment of maintenance files was not documented in 6 of 10 instances.

Source: SGI Inspection Station Audit Form and results of Provincial Auditor of Saskatchewan testing.
[a] PMP – Preventative maintenance program.
[b] CCMTA – Canadian Council of Motor Transport Administrators. The CCMTA developed a National Safety Code (NSC) containing minimum standards for safe operating of commercial vehicles, agreed to by all jurisdictions in Canada.

When an audit identifies non-compliance that requires a warning or suspension, SGI's processes require staff independent of the person completing the audit to review the inspection station audit forms. For one of the 30 inspection station audits we examined that resulted in a warning letter, SGI's audit file did not contain all documentation required by the inspection station audit form. We found that the audit file did support the non-compliance communicated in the warning letter. Furthermore, the independent review of the audit file did not include ensuring completeness of audit documentation.

Incomplete documentation of monitoring activities increases the risk that inspection station audits are not completed as expected. This in turn increases the risk that unsafe vehicles are being certified.

4. **We recommend that Saskatchewan Government Insurance, consistent with its established processes, clearly document the results of each inspection station audit.**

As noted in **Section 5.1**, to help reduce the risk of unsafe vehicles (typically heavy vehicles and buses) on Saskatchewan roads, SGI allows PMP inspection stations to self-inspect and expects them to follow the PMP Plan that SGI approved as part of its certification of that inspection station (SGI-approved PMP Plan). SGI expects its staff, as part of its inspection station audits, to check that the certified inspection station followed this plan.

As noted in **Figure 4**, we found that for 6 out of 10 PMP inspection station audits that we examined, SGI did not document its review of the adequacy of the PMP inspection station's preventative maintenance and whether that maintenance was consistent with the SGI-approved Plan.

Incomplete documentation of SGI's review of PMP inspection stations' preventative maintenance increases the risk that PMP inspection station audits are not completed as expected. SGI's audits of PMP inspection stations are critical to confirm that certified PMP inspection stations completed preventative maintenance as planned. Lack of preventative maintenance increases the risk that unsafe heavy vehicles and buses are operating on Saskatchewan roads.

5. **We recommend that Saskatchewan Government Insurance, consistent with its established processes, clearly document that certified Preventative Maintenance Program inspection stations complete vehicle maintenance consistent with the approved preventative maintenance plan.**

For the 12-month period ended December 2014, SGI carried out 103 complaint investigations resulting in the suspension of the certification of 16 inspection stations and the decertification of 48 inspection stations.

Of the 10 complaint investigations we examined, 7 included vehicle re-inspection to determine the validity of the complaint. Also, all of the 10 complaint investigations we examined were started within one month after the complaint was received. Investigations took between one day and five months to complete, depending on the complexity of the concern. We found that SGI investigated complaints on a timely basis and revised the priority of its monitoring activities (i.e., inspection station audits) as necessary.

In December 2014, SGI conducted seven mystery shopper instances (2013: six instances). SGI determined that six out of the seven inspection stations incorrectly certified SGI's mystery shopper vehicle (i.e., considered the vehicle to have passed safety inspection when it should not have). It noted that inspection stations failed to identify vehicle condition that did not comply with standards such as inappropriate window tinting and air bags, or driver seat adjustment controls that were not working. As

a result, it suspended two inspection stations and issued four inspection stations a warning.

With respect to the mystery shopper program, we found SGI followed its established process for selecting inspection stations; it selected inspection stations by region and where other monitoring activities had not recently taken place. The results of its investigations were clearly documented with appropriate actions taken to respond to identified non-compliance.

5.3 Non-Compliance Addressed but Program Results Not Sufficiently Communicated

We expected the following. SGI would give staff guidance on how to resolve identified cases of inspection stations and technicians not complying with inspection standards. Guidance would help ensure staff treat cases of non-compliance consistently. SGI would explain non-compliance concerns to inspection stations and technicians and require them to address non-compliance by a specified date. SGI would follow up non-compliance and escalate repeated or unresolved non-compliance. SGI would report key monitoring results to senior management and the Board.

SGI had a progressive discipline policy for staff to follow when inspection stations and technicians did not comply with inspection standards. This policy gave staff discretion to determine whether the issue could be resolved through other means during site visits (i.e., for lower-risk issues such as a minor error in paperwork, etc.) or whether formal action was necessary. For higher-risk issues (i.e., passing a vehicle as safe that did not meet the inspection standards), SGI expected its staff to prepare an incident report, which initiated a warning letter based on a standard template. It sent warning letters to inspection stations and/or technicians to communicate the non-compliance, required resolution, and consequences if non-compliance was not addressed within the required timeframe. SGI's progressive discipline policy set out consequences for continued non-compliance (e.g., when to suspend and when to decertify inspection stations due to non-compliance).

Through its monitoring activities, SGI identified about 65 issues of non-compliance with inspection standards during 2014. Common issues of non-compliance SGI identified included inspection stations making significant mistakes when completing inspection reports (36%) and inspection stations concluding that the vehicle met safety standards when it did not (56%). Safety officers indicated that the most common safety standards overlooked related to steering, brakes, and suspension.

For 10 non-compliance issues we examined, we found SGI clearly communicated why the inspection station and/or technician was not in compliance with the inspection standards and the consequences of continued non-compliance (typically via a warning letter). In one instance, SGI staff provided training at the inspection station to address the non-compliance rather than sending a warning letter. We found the deadlines SGI set for resolution followed its progressive discipline policy. For all items we examined, SGI completed appropriate follow up to determine whether the inspection station or technician complied by the deadline and took appropriate action as necessary.

Although SGI did not have formal policies setting out the inspection information to be reported to senior management or the Board, it had well-established reporting practices. Staff reported, using various ways, key results to senior management on the activities completed within the Vehicle Standards and Inspection Department. Senior management received reports on specific initiatives through regular meetings and performance reviews of the staff responsible for vehicle monitoring activities. Also, senior management reviewed and approved responses to all complaints SGI received about inspection stations and technicians we tested during the audit.

Annually, senior management received:

- A report on vehicle inspection information, including three-year trend information on the number of vehicle inspections completed, the number of certified inspection stations, and the average age of registered vehicles by vehicle type, etc.

- From SGI's Fair Practices Office,[21] a summary of the number of complaints related to vehicle standards and inspections

Annually, the Board and senior management received a report on traffic collisions in the province that provided a high-level overview of collisions where vehicle condition was a contributing factor.[22]

The Manual states that the objective of the vehicle inspection program is to enhance traffic safety and provide consumer protection by ensuring vehicles comply with SGI's standards. However, because SGI did not formally identify risks to the program or have a risk-based monitoring plan (as discussed in **Section 5.2**), senior management did not receive sufficient reports on the results of the vehicle inspection program (e.g., the impact the vehicle inspection program had on traffic safety, the quality and reliability of inspections completed by certified inspection stations). Without such reports it is difficult for senior management to determine the effectiveness of the program and to make decisions to adjust the program accordingly (e.g., increase or decrease program resources, change program objective or strategies).

6. We recommend that Saskatchewan Government Insurance report to senior management the results of its risk-based monitoring plan activities for its vehicle inspection program.

[21] SGI's Fair Practices Office receives, investigates, and, to the extent possible, resolves inquiries and/or complaints about SGI programs and processes www.sgi.sk.ca/contact/fairpractices.html (4 December 2014).
[22] *2012 TAIS Annual Report* www.sgi.sk.ca/about/publications/collisionstats/index.html (14 January 2015). The annual report indicates that the information is compiled from law enforcement and SGI insurance claim records.

6.0 Selected References

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