



# AUDITOR GENERAL'S REPORT ACTION REQUIRED

## Audit of City Cleaning Services – Part 2: Maximizing Value from Cleaning Contracts

<b>Date:</b>	June 14, 2016
<b>To:</b>	Audit Committee
<b>From:</b>	Auditor General
<b>Wards:</b>	All
<b>Reference Number:</b>	

### SUMMARY

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This report presents the results of the audit of cleaning services provided by the Facilities Management Division. The objective of this audit was to assess whether these services are effective, efficient and economical.

The audit results are presented in two separate reports:

- Part 1, the management of overall cleaning services provided by Facilities Management, is contained in a separate report entitled *Opportunities to Control Costs, Improve Productivity and Enhance Quality of Cleaning Services*
- Part 2, the procurement and administration of cleaning services obtained under contract, is contained in this report.

This report includes 16 recommendations to strengthen the procurement, management, and administration of cleaning contracts. Addressing the recommendations in a timely manner presents an opportunity to achieve significant savings on current and future cleaning contracts by:

- Ensuring cleaning specifications are data driven
- Improving procurement of cleaning services
- Strengthening contract monitoring to ensure value-for-money is achieved.

## RECOMMENDATIONS

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### The Auditor General recommends that:

1. City Council request the General Manager, Facilities Management to ensure specifications, included in call documents to procure cleaning services, are based on accurate measurements of cleanable area.
2. City Council request the General Manager, Facilities Management, in consultation with the Director, Purchasing and Materials Management Division, to ensure the labour estimates included in call documents for cleaning services are developed using benchmarked industry cleaning times.
3. City Council request the General Manager, Facilities Management to compare current contracted cleaning service levels to the standard service level in the Custodial Standard Service Model and industry cleaning times to examine opportunities to reduce costs.
4. City Council request the General Manager, Facilities Management to ensure the scope of work included in future procurement processes for contracted cleaning services is consistent with the Custodial Standard Service Model.
5. City Council request the General Manager, Facilities Management, in consultation with the Director, Purchasing and Materials Management Division, to review the sourcing of consumables to determine the most economical procurement strategy for the supply of consumables to facilities where cleaning services are provided by a vendor.
6. City Council request the General Manager, Facilities Management to implement appropriate controls to monitor the acquisition and use of consumables provided by contractors.
7. City Council request the General Manager, Facilities Management, in consultation with the Director, Purchasing and Materials Management Division, to review the evaluation process for the procurement of cleaning contracts. Such review to consider industry practices for evaluation criteria, scoring methodology, and weighting of criteria including the relative importance of price.
8. City Council request the General Manager, Facilities Management, in consultation with the Director, Purchasing and Materials Management Division, to ensure adequate analysis of the reasonability of the cost of contract changes is performed. Documentation to support the cost of contract changes should be retained in the respective purchasing and contract files.

9. City Council request the General Manager, Facilities Management, to implement controls to monitor actual services delivered and cleaning hours provided are in accordance with contracts. Where services do not adhere to contracts, payments should be adjusted for any variances in actual cleaning hours provided.
10. City Council request the General Manager, Facilities Management, in consultation with the Director, Purchasing and Materials Management Division, to review the standard call documents for cleaning contracts to ensure that the pricing structure allows changes to be made where the actual services delivered significantly deviates from the award.
11. City Council request the General Manager, Facilities Management to monitor and supervise all cleaning contracts to ensure compliance with contractual terms and obligations to maintain, and make available for review, the records related to the contract.
12. City Council request the General Manager, Facilities Management to work collaboratively with the Fair Wage Office to provide any necessary contract related records required to strengthen the compliance reviews conducted to ensure fair wages.
13. City Council request the City Manager, in consultation with the City Solicitor, to consider the City's obligation to notify appropriate authorities about contractor business activities related to irregular contractor payroll records.
14. City Council request the General Manager, Facilities Management to develop and implement a standard protocol for evaluating custodial contractor performance. The protocol should include:
  - a. A standard form for contractor performance evaluation
  - b. Annual review cycles and a mandatory review prior to exercising a renewal option on a contract
  - c. Documentation of the results of such performance evaluations to be retained within the contract file.
15. City Council request the General Manager, Facilities Management to complete a service review of all current cleaning contracts including an analysis of their cost effectiveness. The results of such review to be reported to Government Management Committee.
16. City Council request the City Manager to request Division Heads and Chief Executive Officers of City agencies and corporations to review the issues and recommendations included in this report and consider the relevance to their respective operations.

## **Implementation Points**

Recommendations contained in this report should be implemented immediately as the Facilities Management Division prepares to competitively procure new cleaning contracts beginning in the fall of 2016.

## **Financial Impact**

This report identifies an opportunity to achieve savings by implementing industry and corporate cleaning standards. We identified that, for one client group, transitioning 22 facilities to these standards could result in cost savings of up to \$3.9 million over five years.

The Facilities Management Division currently contracts for cleaning services at 112 facilities. By extending the analysis to all of these facilities it is possible that additional savings may be identified in the future. The extent of the savings is not determinable at this time.

## **DECISION HISTORY**

The Auditor General's Audit Work Plan included an audit of management controls, cost and quality of custodial services.

<http://www.toronto.ca/legdocs/mmis/2015/au/bgrd/backgroundfile-76340.pdf>

## **ISSUE BACKGROUND**

Facilities Management advised that a five-year strategic plan including restructuring has been developed and includes:

- 2014 – Facilities Management leadership change for operations (new Director)
- 2015 – Facilities Management appointed a General Manager accountable for operations and capital and created a Project Management Office (PMO) structure as a "Centre of Expertise" for Facilities Management related project management
- 2015 – Facilities Management Service Standards Committee (FMSSC) approved City-wide Custodial Standard Service Model (CSSM)
- 2015 – began developing a new Service Partnership Agreement (SPA) framework
- 2016 – review of its data management strategy
- 2016 – review of its contract management strategy

Addressing the recommendations in this audit will help guide initiatives in these areas.

## COMMENTS

This report presents the results of the audit of cleaning services provided by the Facilities Management Division. The objective of this audit was to assess whether these services are effective, efficient and economical.

This report includes 16 recommendations to strengthen the procurement, management, and administration of cleaning contracts. Addressing the recommendations in a timely manner presents an opportunity to achieve significant savings on current and future cleaning contracts.

Effective procurement requires sufficient planning by both the Facilities Management Division and Purchasing Materials and Management Division. An integral step in effectively procuring contracts is to ensure the scope of work is clearly and accurately defined. Facilities Management should improve its processes to gather, validate and leverage important operating information used to develop cleaning specifications.

After services have been procured, effective contract management is required to ensure maximum value is achieved from contracted services. This review identifies the need to strengthen the oversight of contracted cleaning services, including vendor compliance with fair wage requirements.

Based on our review of the largest cleaning contract managed by the Facilities Management Division, we estimate that the City has contracted for 35 per cent more cleaning hours than necessary. This translates into \$1.9 million over five years. Furthermore, aligning scope of work at 22 facilities to the newly developed corporate cleaning standard could result in additional cost savings of up to \$2.0 million over five years.

For all current contracts, Facilities Management should review whether cost reductions can be negotiated before exercising any remaining renewal options. In some cases, to reduce costs, it may be more beneficial to return to the market rather than to exercise the renewal option. Recommendations contained in this report should be implemented immediately as the Facilities Management Division prepares to competitively procure new cleaning contracts beginning in the fall of 2016.

The Auditor General has issued a separate letter to management detailing other less significant issues that came to our attention during the audit.

The audit report entitled "Audit of City Cleaning Services – Part 2: Maximizing Value from Cleaning Contracts" is attached as Appendix 1. Management's response to recommendations contained in the audit report is attached as Appendix 2.

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## **SIGNATURE**

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Beverly Romeo-Beehler, Auditor General

## **ATTACHMENTS**

- Appendix 1: Audit of City Cleaning Services – Part 2: Maximizing Value from Cleaning Contracts
- Appendix 2: Management's Response to the Auditor General's Audit of City Cleaning Services – Part 2: Maximizing Value from Cleaning Contracts

**AUDITOR GENERAL'S REPORT**

**Audit of City Cleaning Services**

**Part 2:  
Maximizing Value from Cleaning Contracts**

**June 14, 2016**

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**Beverly Romeo-Beehler, CPA, CMA, B.B.A., JD**  
**Auditor General**



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## EXECUTIVE SUMMARY

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The Auditor General's Audit Work Plan included an audit of management controls, cost and quality of custodial services. Cleaning services is a component of the broader custodial services portfolio that includes other services, such as pest control and garbage and recycling services.

***\$140.7 million  
spent over a five  
year period***

The audit focused on cleaning services which make up the majority of custodial expenditures. Gross expenditures for cleaning services over the past five years were \$140.7 million.

***\$30.5 million  
spent on cleaning  
services in 2015***

Gross expenditures of \$30.5 million for cleaning services in 2015 were comprised of:

- \$22.2 million for in-house cleaning services, and
- \$8.3 million for contracted cleaning services

***Over \$50 million  
in custodial  
contracts with all  
renewals***

Facilities Management currently contracts for cleaning at 112 facilities. As of September 2015, there were 25 multi-year custodial services contracts underway totalling over \$50 million including all renewal options. The total spending on contracted custodial services in 2015 was approximately \$9 million of which \$8.3 million was for cleaning services.

***Objective of our  
audit***

The objective of this audit was to assess whether cleaning services provided by the Facilities Management Division (Facilities Management) are effective, efficient and economical.

***Two separate but  
related audit  
reports***

The audit results are presented in two parts.

Part 1, the management of overall cleaning services provided by Facilities Management, is contained in a separate report, entitled *Opportunities to Control Costs, Improve Productivity and Enhance Quality of Cleaning Services*

Part 2, the procurement and administration of cleaning services obtained under contract, is contained in this report.

## **(1) Ensure Cleaning Specifications are Data Driven**

*Accurate operating information is critical before issuing a call*

An integral step in effectively procuring contracts is to ensure the scope of work is clearly and accurately defined. Findings indicated that Facilities Management did not effectively gather, validate and leverage important operating information to develop cleaning specifications. In particular:

*Ensure specifications are based on areas to be cleaned*

- Cleaning specifications should be based on areas to be cleaned. Facilities Management does not have complete and accurate measurements of the cleanable area for each facility. Where cleanable area measurements are available, they have generally not been validated or used. Gross floor area, is used when procuring cleaning services. The gross floor area includes areas that do not require cleaning.

*Establish labour estimates using industry and corporate standards*

- The estimated cleaning hours are not determined in a systematic manner by applying industry time standards to each task and cleanable area within a facility. As a result, the City is contracting for labour in excess of what is required when compared to industry benchmarks. Based on our review of the largest contract, we estimate that the City has contracted for 35 per cent more cleaning hours than necessary. This translates into \$1.9 million over five years. Furthermore, aligning the level of cleaning services to the newly developed corporate cleaning standard could result in additional cost savings.

*Ensure cleaning supplies are economically sourced*

- The City is paying more for consumables through its contracted cleaners than if such products were provided directly by the City. The purchasing power of the City, especially when combined with affiliated agencies and corporations, could allow for the centralized sourcing of cleaning supplies and equipment at more economical prices.

***Implement recommendations for procurement processes commencing in the fall of 2016***

Improvements to the collection and analysis of data on cleanable area, labour estimates, and consumable supplies is important because each of these factors are key cost drivers in cleaning contracts. Recommended improvements should be implemented by Facilities Management as it prepares for a new competitive procurement of cleaning contracts in 2016 and as it moves towards a City-wide integrated real estate strategy.

**(2) Improve Procurement of Cleaning Services**

The competitive procurement process to acquire cleaning services can be strengthened by:

- Structuring contracts to yield better value
- Integrating corporate and industry standards into call specifications
- Ensuring the costs for contract changes are reasonable and in accordance with original contract terms and conditions

**(3) Strengthen Contract Monitoring to Ensure Value-for-Money Is Achieved**

***Enhanced monitoring is needed***

Improved monitoring of contracts is needed. For example, our review of a sample of contracts and vendor records identified matters that went undetected by Facilities Management staff, including:

- Vendors appear to be providing an average of 17 per cent fewer cleaning hours than they estimated were needed. The fixed price contracts were based on the estimated cleaning hours submitted by the vendor.
- A vendor was non-compliant with fair wage requirements. Some contracted employees were being paid in cash; employees were being paid on the paycheque of another person; and the sign-in / sign out registers were not retained for all facilities as required under the contract.

***Facilities Management is currently piloting quality assurance inspections***

Facilities Management does not have a standard process for evaluating contractor performance. Given the number and value of contracts being managed, the Division should develop and implement a formal process to regularly evaluate contractor performance. A quality assurance inspection process is currently being piloted with one client group.

### **Conclusion**

***Immediate implementation of recommendations can achieve cost savings in current and future cleaning contracts***

This report includes 16 recommendations. This report provides a road map to strengthen the procurement, management, and administration of cleaning contracts.

Our analysis of the largest cleaning contract indicated that, although the key objective of contracting out in order to achieve cost savings was realized, the City missed the opportunity to reduce costs even further. Lessons learned can be used to achieve additional savings from current and future cleaning services contracts.

Recommendations should be implemented immediately as Facilities Management prepares to competitively procure new cleaning contracts beginning in the fall of 2016.

***Findings have relevance to other City divisions, agencies and corporations***

Many of the issues and recommendations included in this report are relevant to other City Divisions, agencies and corporations which oversee their custodial services independently of the Facilities Management Division.

The recommendations are also relevant as the City considers a City-wide real estate strategy. Policy, process, and internal control improvements that result from implementing the recommendations can be leveraged across the City. By strengthening Facilities Management, a strong foundation is established, should the City decide to move towards a more centralized City-wide service delivery model.

The Auditor General has issued a separate letter to management detailing other less significant issues that came to our attention during the audit.

Finally, we would like to express our thanks for the cooperation we received from staff of the Facilities Management Division, the Chief Corporate Officer's Business Performance Management unit and the Fair Wage Office during this audit.

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## BACKGROUND

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***Facilities Management contracts for janitorial and other services***

Facilities Management provides custodial services for certain City divisions, agencies and corporations. In order to provide these services, Facilities Management supplements its in-house cleaning staff with a number of vendor contracts to provide cleaning, pest control, garbage, and recycling services.

***\$140.7 million spent over a five year period***

The audit focused on cleaning services which make up the majority of custodial expenditures. Gross expenditures for cleaning services over the past five years were \$140.7 million.

***\$30.5 million spent on cleaning services in 2015***

Gross expenditures of \$30.5 million for cleaning services in 2015 were comprised of:

- \$22.2 million for in-house cleaning services, and
- \$8.3 million for contracted cleaning services

***Over \$50 million in multi-year custodial contracts currently underway***

Facilities Management currently contracts for cleaning at 112 facilities. Cleaning contracts are generally extended for five years when all renewal options are exercised. As of September 2015, there were 25 custodial services contracts underway. The total value of these multi-year contracts was in excess of \$50 million including all renewal options. In 2015, approximately \$9 million was spent on contracted custodial services of which \$8.3 million was for cleaning services.

**Analysis of the Reported Cost Savings from One Contract**

***In 2011, the TPS reported that contracting out cleaning could result in considerable savings***

A 2011 report by the Chair of the Toronto Police Services (TPS) Board to the City's Budget Committee stated that "contracting out the cleaning of all police facilities could result in considerable savings and should be considered by the City". The TPS performed a cursory comparison of the cost to clean two TPS facilities of similar size. One facility had cleaning services provided by a contractor. A second facility was cleaned by Facilities Management staff. Based on information provided by Facilities Management, TPS staff reported that cleaning costs were about 47 per cent less when performed by an outside contractor.

<http://www.toronto.ca/legdocs/mmis/2011/bu/bgrd/backgroundfile-35114.pdf>

***In 2012, City staff reported that contracted cleaning saved \$800,000 annually***

A five-year contract to clean TPS facilities was awarded in February 2012 for approximately \$10 million. In September 2012, City staff forecasted that the contracting out of cleaning services at TPS facilities would result in \$800,000 in annual savings.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.GM16.11>

***Cleaning costs have been reduced by contracting out***

In an effort to verify the cost savings that were achieved through cleaning service contracts, we compared the costs under this five-year contract to the costs incurred when the facilities were cleaned by Facilities Management staff.

Based on our analysis of information provided by Facilities Management, cost savings have been realized by contracting out cleaning services. In the first year, the City saved \$1.2 million on cleaning costs. This is a 39 per cent decrease in the costs to clean police facilities.

***There are opportunities to achieve additional savings***

Although contracting out the cleaning of police facilities has reduced costs, our audit identifies opportunities to achieve additional savings. The audit results in this report describe areas for improvement with both procurement and contract management practices.

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## **AUDIT OBJECTIVES, SCOPE AND METHODOLOGY**

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***Audit objective***

The objective of this audit was to review cleaning services provided by Facilities Management, to ensure services are being provided effectively, efficiently and with due regard for economy.

***Two separate but related audit reports***

The audit results are presented in two parts.

Part 1, the management of overall cleaning services provided by Facilities Management, is contained in a separate report, entitled *Opportunities to Control Costs, Improve Productivity and Enhance Quality of Cleaning Services*

Part 2, the procurement and administration of cleaning services obtained under contract, is contained in this report.

***Scope***

The audit commenced in September 2015. The audit focused on cleaning services provided by Facilities Management during the period from January 1, 2011 to December 31, 2015.

Certain City divisions, agencies and corporations, oversee their own cleaning services independent of Facilities Management. Any contracts for cleaning services by these business units are not included in the scope of this audit.

***Methodology***

Our audit methodology included the following:

- interviews with City staff in the Facilities Management, Purchasing and Material Management, and Legal Services Divisions, as well as, certain client groups
- review of relevant records, documents, and management reports, including Council and Standing Committee minutes
- research on audit reports issued in other jurisdictions as well as cleaning industry standards
- review of procurement processes used to source goods and services
- review of a sample of contracts, invoices, and other documents for contracted cleaning services
- analysis of operating and financial information

***Compliance with generally accepted government auditing standards***

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## AUDIT RESULTS

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### A. ENSURE CLEANING SPECIFICATIONS ARE DATA DRIVEN

*Better operating information needed before going to market*

Effective procurement requires sufficient planning by both the Facilities Management and Purchasing Materials and Management Divisions. Basic operating information must be gathered and validated before going to market to procure cleaning services, including:

- 1. Cleanable area** – The cleanable area includes those areas that require regular cleaning such as the surface areas of floors, restrooms, carpets, and lobbies. The cleanable area excludes elevator shafts and other areas that are not routinely cleaned. The gross floor area (GFA) is the total constructed area of a facility regardless of whether it is subject to cleaning or not.
- 2. Scope of Work** – Cleaning routines set out the specific cleaning tasks to be performed and the frequency of the tasks performed for each cleanable area.
- 3. Labour Estimates** – Industry standard cleaning times can be used to estimate how long it should take to complete the cleaning routines.
- 4. Supplies and Equipment** – The quantities of consumable materials for each facility and any equipment.

This information is included in call documents used to procure multi-year cleaning contracts. Any inaccuracies in this information can have a significant financial impact over the life of a multi-year contract.



## **A.1. Ensure Contract Specifications Only Include Areas to Be Cleaned**

*Cleanable area information is crucial for accurate bid estimates*

The size of the area to be cleaned is an important measurement to have when procuring cleaning services. Cleanable area<sup>1</sup> - and not the gross floor area (GFA)<sup>2</sup> - is a major cost driver for cleaning services. Inaccurate measurements of cleanable area will result in inaccurate estimates of labour requirements and associated costs.

*GFA has been used when procuring cleaning services*

Cleaning specifications should be based on areas to be cleaned. Facilities Management does not have complete and accurate measurements of the cleanable area for each facility in its portfolio. Where cleanable area measurements are available, they have generally not been validated or used. Typically, call specifications have been based on a facility's gross floor area rather than the cleanable area.

*Contracts include areas that do not require cleaning*

Since the gross floor area and cleanable area are different, the associated cleaning costs will vary greatly. For example, for the facilities we reviewed on a \$10 million cleaning contract, total GFA was 11 per cent greater than the cleanable area. The contract included 60,600 square feet of space which did not require cleaning. Based on this contract's labour cost of \$2.39 per square foot, we estimate that the City may be paying up to \$720,000 more than necessary over the five years of this contract.

*Specifications should be based on cleanable area*

To minimize future cleaning costs, the specifications included in any competitive procurement for cleaning services should be based on accurate measurements of the cleanable area, not the gross floor area.

### **Recommendation:**

- 1. City Council request the General Manager, Facilities Management to ensure specifications, included in call documents to procure cleaning services, are based on accurate measurements of cleanable area.**

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<sup>1</sup> The **cleanable area** of a building refers to the areas that actually need cleaning rather than the building's gross floor area. The cleanable area excludes elevator shafts, mechanical areas, storage rooms and other areas that are not routinely cleaned.

<sup>2</sup> The **gross floor area** is the total constructed area of a facility regardless of whether it is subject to cleaning or not.

## **A.2. Establish Labour Estimates Using Industry and Corporate Standards**

***According to the ISSA, data driven estimates should be used for developing a staffing plan***

According to the ISSA Smart Staffing Bidding and Estimating Guidebook<sup>3</sup>, knowing the number of labour hours helps to determine whether the contractor is adequately staffed and helps in the evaluation of contractor proposals. According to the Guidebook,

*“Many people in our industry believe that they can walk into a facility and, using their experience, quickly determine how many hours or employees are needed to clean the building. This guesswork is not a reliable or an accurate method for developing a staffing plan. Neither is relying on the way you’ve always staffed the building. Even if you do produce estimates that appear correct, your figures cannot be relied on or defended because they are not data driven.”*

***Labour requirements should be determined in a systematic manner***

When procuring cleaning services, Facilities Management should calculate the labour requirements in a systematic manner by applying industry time standards to each task and cleanable area within a facility. This is consistent with how the industry calculates costs.

Instead, Facilities Management bases procurement specifications on:

- the number of in-house cleaning staff historically assigned to clean the facility
- specifications from prior procurement calls

According to the ISSA Smart Staffing Bidding and Estimating Guidebook:

*“Workloading is the only reliable method of determining how many service hours are needed for your building. Workloading answers the question, “How long should it take to clean my building?” By systematically applying time standards to each task and area within a facility, workloading embodies the cliché, “time is money.” It is the realization that every task takes time, and it “dollarizes” that time.”*

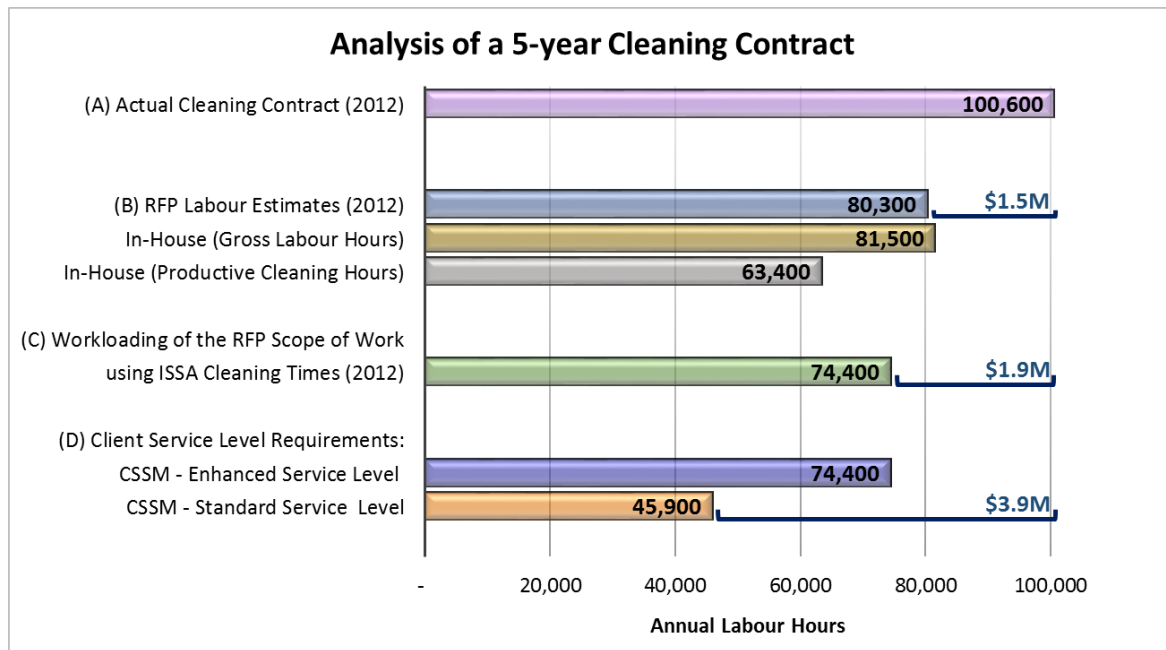
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<sup>3</sup> The ISSA Smart Staffing Bidding and Estimating Guidebook can be obtained at: <http://europe.issa.com/data/File/Education/2013%20Education%20Catalog.pdf>

***Impact of workloading the largest five-year cleaning contract***

To demonstrate the potential cost savings that can be achieved when workloading<sup>4</sup> is performed, we analyzed 22 out of 25 facilities that remained unchanged in the largest five-year cleaning contract. This analysis is summarized in Chart 1. Additional information to explain the analysis is provided below the Chart.

**Chart 1:**



**Additional Information:**

*(A) Actual Cleaning Contract*

***Contracted labour exceeded RFP requirements by 20,000 hours annually or \$1.5 million***

The cleaning contract includes 100,600 annual cleaning hours with a total labour cost of \$7.2 million over five years. The contract includes 20,000 more annual labour hours than the estimated 80,300 cleaning hours specified in the Request For Proposal (RFP). An adequate explanation for why the City awarded \$1.5 million in excess of what was specified in the call was not provided.

<sup>4</sup> **Workloading** is the process of using specific information about a building such as individual measurements (i.e. room dimensions), floor types (i.e. carpet, tile) and fixture counts (sinks, toilets), and calculating the amount of time to clean the areas to generate an average per visit cleaning time.

*(B) RFP Labour Estimates*

***Labour estimates in the RFP were based on City workforce cleaning those facilities***

When preparing an RFP, it is important to use the net cleaning hours, after removing non-productive time, such as vacation time. The expected cleaning hours needed to complete the scope of work serves as the basis for comparing bids. Bidders then submit pricing that incorporates their labour costs including wages and benefits, which must comply with the City's Fair Wage Policy and other legislative requirements.

The cleaning hours specified in the RFP were based on the number of City employees historically assigned to clean these facilities. In this case, the City used gross labour hours<sup>5</sup> to estimate cleaning time, even though the productive cleaning hours of its workforce were approximately 78 per cent of gross labour hours.

*(C) Workloading the RFP Scope of Work*

***ISSA Cleaning Times were not used to estimate labour requirements***

Facilities Management adopted ISSA Cleaning Times as its benchmark for productivity and workloading in 2011. These industry standards provide an estimate for the time required to complete cleaning tasks. Although Facilities Management intended to apply the ISSA Cleaning Times, this standard was not used. In our view, had the ISSA Cleaning Times been used, there would have been cost savings.

***Use of industry standards could have saved \$400,000 over 5 years***

For the contract we analyzed, using ISSA Cleaning Times, 74,400 cleaning hours are required annually to complete the scope of work. The RFP included almost 6,000 additional hours per year, which is equivalent to \$400,000 over the term of the contract. When combined with the award of excess hours discussed in part (A), Facilities Management contracted for an extra 35 per cent more cleaning hours than necessary, costing \$1.9 million over five years.

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<sup>5</sup> **Gross labour hours** includes statutory holidays, vacation, illness, or any other absences; **Productive cleaning hours** are the actual hours available to perform cleaning tasks.

*(D) Client Service Level Requirements*

***Aligning scope of work to the corporate cleaning standard will reduce costs***

The scope of work varies by client and facility. The goal of the 2015 Custodial Standard Service Model (CSSM) is to harmonize cleaning services being provided by Facilities Management. The CSSM provides the following three levels of cleaning services: minimal, standard and enhanced. Once the level of desired service is selected, the service should be workloaded using industry cleaning times to benchmark the labour cost to provide the level of service.

The standard service level in the CSSM is generally used for a “Standard building environment with an aim to balance cost and client service”. The enhanced service level is intended for “Executive, Political or show piece facilities/areas with an emphasis on high service level”. Management advised that the contract analyzed in Chart 1 provides the enhanced level of cleaning service. It is possible that all facilities in the contract may not require the enhanced service level.

In the contract above, if only half of the facilities need to be cleaned at the enhanced service level, and the other half can be adjusted to the standard service level, then the savings would be almost \$2 million over five years. If all facilities in this contract can be adjusted to the standard service level, then the savings would be \$3.9 million over five years.

***Bidders advise the City that its labour estimates are too high***

Also of note, was that for another RFP, two bidders were disqualified because they submitted bids with fewer cleaning hours than specified in the RFP. They advised the City that its estimate of cleaning hours for the RFP scope of work was greater than what would be required under industry standards. The City responded that the hours specified in the RFP was the basis for comparison in evaluating the bids and awarding the contract.

***Improved labour estimates needed for 2017 contracts***

These examples demonstrate that the City can achieve significant cost savings when labour estimates for all contracts are based on industry and corporate standards.

Facilities Management should ensure proper cost reductions are negotiated before exercising any remaining renewal options by taking into account:

- cleanable area measurements
- service level adjustments based on corporate standards
- workloading based on industry standards

In some cases, to reduce costs, it may be more beneficial to return to the market rather than to exercise the renewal option.

This information can be used by Facilities Management as it prepares for a new competitive procurement process in the fall of 2016 for the cleaning contract we analyzed.

**Recommendations:**

- 2. City Council request the General Manager, Facilities Management, in consultation with the Director, Purchasing and Materials Management Division, to ensure the labour estimates included in call documents for cleaning services are developed using benchmarked industry cleaning times.**
- 3. City Council request the General Manager, Facilities Management to compare current contracted cleaning service levels to the standard service level in the Custodial Standard Service Model and industry cleaning times to examine opportunities to reduce costs.**
- 4. City Council request the General Manager, Facilities Management to ensure the scope of work included in future procurement processes for contracted cleaning services is consistent with the Custodial Standard Service Model.**

### **A.3. Ensure Cleaning Supplies Are Economically Sourced**

*City Stores supply cleaning materials*

City Stores regularly stocks many of the consumable products used by Facilities Management for cleaning. This includes toilet paper, hand towels, hand soap, garbage bags and cleaning supplies. In-house cleaning staff generally obtain their supplies from City Stores.

*Contractors supply consumables*

Current cleaning contracts require vendors to supply all consumables for a fixed monthly price, unless otherwise specified. Call document specifications for consumables, including product types and volumes, are based on historical consumption when services were provided directly by Facilities Management staff.

*Annual costs for supplies increased by more than \$100,000 when provided by contractor*

The City is paying more to source consumables through its contracted cleaners than if such products were provided directly by the City. For example, for one large cleaning contract we reviewed, the City paid 87 per cent more for supplies after requiring the vendor to supply all consumables. We estimate that the City could have saved \$520,000 over five years if consumables were provided directly by the City.

*City does not monitor actual quantities supplied*

Furthermore, the City does not monitor the actual quantities of materials supplied by the vendor and consumed at each facility for reasonableness. There is a risk that the vendor may be providing less product than was specified.

*City benefits from bulk purchasing of supplies*

Given the purchasing power of the City, especially when combined with affiliated agencies and corporations, the centralized sourcing of cleaning supplies and equipment can result in more economical prices from larger volumes.

#### **Recommendations:**

- 5. City Council request the General Manager, Facilities Management, in consultation with the Director, Purchasing and Materials Management Division, to review the sourcing of consumables to determine the most economical procurement strategy for the supply of consumables to facilities where cleaning services are provided by a vendor.**

- 6. City Council request the General Manager, Facilities Management to implement appropriate controls to monitor the acquisition and use of consumables provided by contractors.**

## **B. IMPROVE PROCUREMENT OF CLEANING SERVICES**

As of September 2015, there were 25 custodial services contracts underway. These multi-year contracts total over \$50 million including all renewal options. The total spending on contracted custodial services in 2015 was approximately \$9 million of which \$8.3 million was for cleaning services.

### **B.1. Improved Procurement Evaluation Processes Can Yield Better Value**

*Cleaning contracts used to be awarded based on lowest price*

Cleaning services are not complex. The Federal Government's Janitorial Services National Strategy<sup>6</sup> provides guidance in determining the most appropriate proposal evaluation and supplier selection methodology. For standard requirements, suppliers are selected based on lowest priced, technically compliant bid. Similarly, prior to 2011, most Facilities Management cleaning contracts were awarded to the compliant bid with the lowest price. Vendors were required to declare compliance with the City's Fair Wage Policy.

*Additional criteria have been considered when awarding recent contracts*

More recent competitive procurement processes for cleaning contracts, initiated by Facilities Management, have considered qualitative evaluation criteria such as:

- Experience and qualifications
- Proposed staff team and resources
- Proposed services and operations
- Work plan and deliverables
- Labour dispute and emergency planning

For these procurements, price accounted for 25 to 30 per cent of the overall score when evaluating proposals.

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<sup>6</sup> The Federal Government's Janitorial Services National Strategy can be found at: [https://buyandsell.gc.ca/cds/public/2014/02/28/e36cdb57c0f01828e8ceceba781759d5/final\\_national\\_strategy\\_janitorial\\_services.pdf](https://buyandsell.gc.ca/cds/public/2014/02/28/e36cdb57c0f01828e8ceceba781759d5/final_national_strategy_janitorial_services.pdf)



*The majority of current contracts have been awarded to incumbent vendors*

Six out of seven contracts we reviewed were awarded to the incumbent vendor. In general, competing submissions by other proponents were either:

- declared non-compliant because the submission failed to meet mandatory requirements; or
- failed to meet the minimum threshold score required for qualitative evaluation criteria; or
- declared non-compliant because price schedule was not completed correctly.

*Procuring services based on lowest bid price from pre-qualified vendors may improve competition*

A competitive process that is too complex can reduce the number of potential bidders. As a result, the procurement process can lose its competitive quality if most proponents are eliminated or fail to bid because of the complexity. To ensure ample opportunity is provided for potential bidders to meet the qualitative requirements, the City could pre-qualify potential vendors to a roster and simplify the bidding process. The City can then use the roster list of qualified vendors to procure services on a lowest price basis.

**Recommendation:**

- 7. City Council request the General Manager, Facilities Management, in consultation with the Director, Purchasing and Materials Management Division, to review the evaluation process for the procurement of cleaning contracts. Such review to consider industry practices for evaluation criteria, scoring methodology, and weighting of criteria including the relative importance of price.**

**B.2. Perform Analysis to Ensure Contract Changes Represent Good Value**

*No evidence that reasonability analysis of added costs was performed*

Cleaning contracts may be extended for a maximum of five years. During this time, changes can be made through contract amendments. The original contract terms for additional work should be applied to determine the amount of any adjustment to the contract price. Potential contract amendments should be evaluated based on hourly rates established in the contract and ISSA Cleaning Times for the additional work. This will ensure that the proposed amendment is reasonable.

For the contract changes that we reviewed, there was no documentation retained to show how the price of contract amendments were determined. For example, on two separate contracts, there were amendments for \$625,000 and \$485,000 where there was no evidence that any analysis was performed to demonstrate the reasonability for the added costs from these contract changes.

*2 similar facilities on separate contracts with same vendor with a 36% price difference*

Another amendment for \$425,000 was initiated to add a new facility onto one of these contracts for three years. The price of a comparable facility in the current contract was used for the added facility. This cost was 36 per cent higher than the cost under the expiring contract for the same scope of work. No documentation was retained to evidence that the cost was reasonable and that it was determined in accordance with contract terms.

*Renewal options are exercised without adequate cost analysis*

Before exercising the renewal options in multi-year contracts, staff should assess whether the contract prices are still fair and reasonable. Where amendments significantly expand the contracted scope of work and increase the cost, Facilities Management should consider whether retendering the contract is warranted, especially prior to exercising any renewal options.

**Recommendation:**

- 8. City Council request the General Manager, Facilities Management, in consultation with the Director, Purchasing and Materials Management Division, to ensure adequate analysis of the reasonability of the cost of contract changes is performed. Documentation to support the cost of contract changes should be retained in the respective purchasing and contract files.**

## **C. STRENGTHEN CONTRACT MONITORING TO ENSURE VALUE-FOR-MONEY IS ACHIEVED**

Cleaning services were contracted out to meet two objectives: reduce cleaning costs and improve service quality.

*A full service review of all cleaning contracts has not been performed*

In April 2012, City Council directed the City Manager to “conduct a full service review on all cleaning contracts, including an analysis of their cost effectiveness, prior to the approval of the 2013 Budget”.

(<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.GM12.21>)

To date, a service review of all cleaning contracts, as requested by City Council, has not been conducted.

*Inadequate monitoring of the achievement of objectives for outsourced cleaning*

In addition, Facilities Management is not adequately measuring and monitoring vendor performance against the contract scope of work to determine whether the key objectives are being achieved.

### **C.1. Monitor Contractor Cleaning Hours Provided**

*Contract price is based on the estimated cleaning hours and hourly rates*

For each location included in a contract, the vendor provides a fixed price (per week or month of service) based on the estimated cleaning hours. These hours are based on the size of the area to be cleaned and the cleaning routine for each facility.

*Bids include more cleaning hours than needed*

As detailed in Section A of the report, there are several indicators that the cleaning hours included in procurement calls are too high and that vendors' bids include more hours than are needed.

*Facilities Management does not monitor the actual labour provided*

Facilities Management does not monitor the actual labour provided by the contractor relative to estimated cleaning hours included in vendors' bids. Our analysis of vendor payroll records, staff schedules, and sign-in and sign-out books for two large contracts indicated that, on average, the actual cleaning hours provided were 17 per cent lower than the hours the vendor estimated were needed.

***Variances between actual and cleaning hours estimated by the vendor***

Variances between actual and estimated cleaning hours may, in part, be due to specifications that have been developed based on inaccurate data such as gross floor area instead of cleanable area. In addition, the specifications included labour estimates included in the specifications were not based on industry standard cleaning times.

***Payments are not adjusted to match services provided***

Invoices are not adjusted to reflect variances between actual and estimated cleaning hours because the vendor provides a fixed price for the contracted services. Facilities Management, in consultation with the City Solicitor, should consider whether current contract terms will permit adjusting payments to reflect actual hours worked.

If the contract terms allow for adjustments to invoices based on actual cleaning hours provided and contract management controls were in place to monitor service delivery, then there is an opportunity to avoid costs of up to an estimated \$2.5 million on the two contracts we reviewed. This estimate is determined by extending the variance we identified in our sample across all facilities in the two contracts we reviewed. If similar variances between actual and contracted cleaning hours are present in other cleaning contracts this estimate may increase.

If contract terms do not allow for adjustments to invoices based on actual cleaning hours provided, prior to exercising any renewal options, Facilities Management should consider whether the variances are of such significance that retendering the contract is warranted.

***Pricing structure of future cleaning contracts should be reviewed***

Estimated cleaning hours included in future procurement calls for cleaning contracts should take into account cleanable area measurements, service level adjustments based on corporate standards, and workloading based on industry standards. Future procurement calls for cleaning contracts should also include the flexibility to adjust payments to reflect the actual labour hours provided.

**Recommendations:**

- 9. City Council request the General Manager, Facilities Management, to implement controls to monitor actual services delivered and cleaning hours provided are in accordance with contracts. Where services do not adhere to contracts, payments should be adjusted for any variances in actual cleaning hours provided.**
- 10. City Council request the General Manager, Facilities Management, in consultation with the Director, Purchasing and Materials Management Division, to review the standard call documents for cleaning contracts to ensure that the pricing structure allows changes to be made where the actual services delivered significantly deviates from the award.**

**C.2. Strengthen Monitoring of Compliance with Fair Wage Requirements**

*The Fair Wage Office ensures compliance with Policy*

The Fair Wage Office monitors contractor compliance with the City's Fair Wage Policy and By-Law. The City's Fair Wage requirements form part of the contract with the vendor.

*Contracts include record retention requirements*

As part of the contract, vendors are required to retain financial and related records, such as, timesheets, payroll and employee registers for a period of three to five years following completion of the contract.

*The Fair Wage Office investigates complaints*

The Fair Wage Office investigates complaints and takes action when it is determined that a contractor has failed to pay its workers the prescribed hourly wage rates, vacation and holiday pay and applicable amount for fringe benefits shown in the applicable fair wage schedule.

*Fair Wage Office reviewed six cleaning contracts in 2015*

The Fair Wage Office completed compliance reviews for six cleaning contracts during 2015. The Office concluded that all vendors were in compliance with the City's Fair Wage Policy and By-Law.

***The Auditor General's Office reviewed one contract and found vendor records did not match***

One of these contracts was selected in our sample. We compared the vendor's payroll records, vendor staff schedules, and Corporate Security sign-in and sign-out books retained at City sites. Numerous irregularities were noted and are described below. We requested that the Fair Wage Office further investigate our observations.

Facilities Management confirmed that the vendor only retained logbooks that record employee arrival and departure at City facilities for the current month. The contract requires the contractor to retain these records for five years after the contract is complete. At least one year of records related to the current contract and five years of records from the prior contract were not retained.

***The Auditor General's Office requested the Fair Wage Office to further examine these issues***

Through the investigation the vendor also disclosed that:

- Some employees were being paid in cash. No payroll records were available
- Other employees were being paid on their spouse's payroll cheque; that is, two people were paid on the same paycheque under one name
- An individual on the payroll resides in another country.

***Fair Wage Office issued a warning letter to the vendor for contract violations***

Following its investigation of our concerns, the Fair Wage Office issued a warning letter to the vendor informing them that although they could not complete the investigation, because not all employment records were available, the vendor was not in compliance with the City's Fair Wage Policy and By-Law.

***City should review its reporting obligations***

The vendor's business practices for processing employee payroll raises a question regarding whether appropriate employment practices, including income deductions, have been reported to the appropriate authorities for all employees. The City should review its obligation to report such unusual occurrences to the appropriate authorities.

***Better coordination between Facilities Management and Fair Wage Office***

It is Facilities Management's responsibility to ensure that vendors comply with contract requirements including the retention of records. The Division did not ensure that appropriate records were being retained as required by the contract. The Fair Wage Office is responsible for conducting an appropriate audit of the vendor's compliance with the City's Fair Wage Policy and By-Law.

Going forward, improved contractor monitoring and an ongoing collaborative working relationship between Facilities Management and the Fair Wage Office can help to ensure situations such as this do not go undetected.

***An audit of the Fair Wage Office has been initiated***

The Auditor General is initiating a new project that will review the audit process used by the Fair Wage Office. The objective of this review is to improve compliance audits that are undertaken to ensure contractors are meeting fair wage requirements.

**Recommendations:**

- 11. City Council request the General Manager, Facilities Management to monitor and supervise all cleaning contracts to ensure compliance with contractual terms and obligations to maintain, and make available for review, the records related to the contract.**
- 12. City Council request the General Manager, Facilities Management to work collaboratively with the Fair Wage Office to provide any necessary contract related records required to strengthen the compliance reviews conducted to ensure fair wages.**
- 13. City Council request the City Manager, in consultation with the City Solicitor, to consider the City's obligation to notify appropriate authorities about contractor business activities related to irregular contractor payroll records.**

### **C.3. Evaluate Contractor Performance Regularly and in a Consistent Manner**

*Evaluations of contractor performance are important*

To ensure that the City is receiving value-for-money, it is important that the City receives quality cleaning services. The evaluation of contractor performance is therefore critical to ensuring value-for-money. Performance results should be considered prior to selecting contractors for new contracts and when exercising renewal options.

*No standard process to monitor contractor performance*

Despite the large number of cleaning contracts managed by Facilities Management, no standard protocol to evaluate a contractor's performance is in place for these contracts. Each manager overseeing cleaning contracts uses a different method for evaluating contractor performance.

*Pilot project of monthly quality assurance inspections initiated in 2015*

In September 2015, the Chief Corporate Officer reported to Government Management Committee that in Q2 of 2015, Facilities Management commenced a pilot project of monthly quality assurance inspections in Toronto Police facilities. In addition, the Chief Corporate Officer indicated that Facilities Management would be expanding the monthly quality assurance inspection process to all City buildings (serviced by Facilities Management) over a 12 to 18 month period starting in Q1 of 2016.

<http://www.toronto.ca/legdocs/mmis/2015/gm/bgrd/backgroundfile-83107.pdf>

As part of this initiative, Facilities Management should ensure that standard protocols are used to evaluate the contractor's performance, relative to the level of service being purchased. Client groups should also complete performance evaluations confirming that it received quality services. The contractor's performance should be considered when renewing or extending contracts.



**Recommendations:**

- 14. City Council request the General Manager, Facilities Management to develop and implement a standard protocol for evaluating custodial contractor performance. The protocol should include:**
  - a. A standard form for contractor performance evaluation**
  - b. Annual review cycles and a mandatory review prior to exercising a renewal option on a contract**
  - c. Documentation of the results of such performance evaluations to be retained within the contract file.**
- 15. City Council request the General Manager, Facilities Management to complete a service review of all current cleaning contracts including an analysis of their cost effectiveness. The results of such review to be reported to Government Management Committee.**

**D. RESULTS ARE RELEVANT FOR CITY DIVISIONS, AGENCIES, AND CORPORATIONS**

*Findings are relevant to those independently overseeing custodial services*

Many of the issues and recommendations included in this report may be relevant to other City divisions, agencies and corporations, which oversee their custodial services independently of the Facilities Management Division.

Management representatives in each of these organizations should review the issues and recommendations in this report relative to their respective organization.

The recommendations are also relevant as the City considers a City-wide real estate strategy. Policy, process, and internal control improvements that result from implementing the recommendations can be leveraged across the City. By strengthening Facilities Management, a strong foundation is established, should the City decide to move towards a more centralized City-wide service delivery model.

**Recommendation:**

- 16. City Council request the City Manager to request Division Heads and Chief Executive Officers of City agencies and corporations to review the issues and recommendations included in this report and consider the relevance to their respective operations.**

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## **CONCLUSION**

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This audit has highlighted opportunities to save on current and future cleaning contracts. There are a number of lessons learned that can be applied in moving forward to minimize costs while achieving maximum value from contracted cleaning services.

This review has illustrated that significant savings can be achieved from future cleaning contracts by effectively planning for the procurement of cleaning services. The planning must ensure accurate operational information is available and applied to develop call specifications. In addition, the application of industry and newly adopted corporate standards for custodial services could further reduce future costs if applied properly and consistently.

The implementation of the recommendations will ensure cleaning contracts are effectively monitored in order to achieve maximum value.

Recommendations should be implemented immediately as Facilities Management prepares to competitively procure new cleaning contracts beginning in the fall of 2016.

Finally, we would like to express our thanks for the cooperation we received from staff of the Facilities Management Division, the Chief Corporate Officer's Business Performance Management unit and the Fair Wage Office during this audit.

**Management’s Response to the Auditor General’s Review of  
Audit of City Cleaning Services – Part 2: Maximizing Value from Cleaning Contracts**

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: <i>(Comments are required only for recommendations where there is disagreement.)</i>	Action Plan/Time Frame
1.	<b>City Council request the General Manager, Facilities Management to ensure specifications, included in call documents to procure cleaning services, are based on accurate measurements of cleanable area.</b>	X		<p>OVERALL CONTEXT: Facilities Management (FM) has developed a five (5) year strategic plan including restructuring. See below:</p> <ul style="list-style-type: none"> <li>▪ June 2014 - FM leadership change for Operations (new Director)</li> <li>▪ 2015 - FM appointed a GM accountable for operations and capital. Structured also a Project Management Office (PMO).</li> <li>▪ 2015 - Facilities Management Service Standards Committee (FMSSC) approved City-wide Custodial Standard Service Model (CSSM)</li> <li>▪ 2015 - began developing a new Service Partnership Agreement (SPA) framework</li> <li>▪ 2016 - reviewing its data management strategy</li> <li>▪ 2016 reviewing its contract management strategy</li> </ul>	<p>Based upon business delivery requirements and economic feasibility, Facilities Management will base procurement documents on measurements of cleanable area, or an otherwise accepted industry methodology of determining required data to procure cleaning services. This will be done to complement City-wide cleaning standards and included in all future calls.</p> <p>Timeline: Q3 2016</p>

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
2.	<p><b>City Council request the General Manager, Facilities Management, in consultation with the Director, Purchasing and Materials Management Division, to ensure the labour estimates included in call documents for cleaning services are developed using benchmarked industry cleaning times.</b></p>	X		<p>OVERALL CONTEXT: Facilities Management (FM) has developed a five (5) year strategic plan including restructuring. See below:</p> <ul style="list-style-type: none"> <li>▪ June 2014 - FM leadership change for Operations (new Director)</li> <li>▪ 2015 - FM appointed a GM accountable for operations and capital. Structured also a Project Management Office (PMO).</li> <li>▪ 2015 - Facilities Management Service Standards Committee (FMSSC) approved City-wide Custodial Standard Service Model (CSSM)</li> <li>▪ 2015 - began developing a new Service Partnership Agreement (SPA) framework</li> <li>▪ 2016 - reviewing its data management strategy</li> <li>▪ 2016 reviewing its contract management strategy</li> </ul>	<p>Facilities Management Division will immediately put in place and adopt an industry standard that is aligned to business delivery requirements and that will complement the cleaning standards that were adopted in Nov. 2015. The standards will be included in all future calls.</p> <p>Timeline: Immediately. Any exceptions based on client requirements will be documented and adjusted as required.</p>

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
3.	City Council request the General Manager, Facilities Management to compare current contracted cleaning service levels to the standard service level in the Custodial Standard Service Model and industry cleaning times to examine opportunities to reduce costs.	X		<p>OVERALL CONTEXT: Facilities Management (FM) has developed a five (5) year strategic plan including restructuring. See below:</p> <ul style="list-style-type: none"> <li>▪ June 2014 - FM leadership change for Operations (new Director)</li> <li>▪ 2015 - FM appointed a GM accountable for operations and capital. Structured also a Project Management Office (PMO).</li> <li>▪ 2015 - Facilities Management Service Standards Committee (FMSSC) approved City-wide Custodial Standard Service Model (CSSM)</li> <li>▪ 2015 - began developing a new Service Partnership Agreement (SPA) framework</li> <li>▪ 2016 - reviewing its data management strategy</li> <li>▪ 2016 reviewing its contract management strategy</li> </ul>	<p>Facilities Management Division will conduct an analysis that will be completed against current contracts and the Custodial Standard Service Model.</p> <p>Timeline: Q4 2016</p>

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
4.	City Council request the General Manager, Facilities Management to ensure the scope of work included in future procurement processes for contracted cleaning services is consistent with the Custodial Standard Service Model.	X		<p>OVERALL CONTEXT: Facilities Management (FM) has developed a five (5) year strategic plan including restructuring. See below:</p> <ul style="list-style-type: none"> <li>▪ June 2014 - FM leadership change for Operations (new Director)</li> <li>▪ 2015 - FM appointed a GM accountable for operations and capital. Structured also a Project Management Office (PMO).</li> <li>▪ 2015 - Facilities Management Service Standards Committee (FMSSC) approved City-wide Custodial Standard Service Model (CSSM)</li> <li>▪ 2015 - began developing a new Service Partnership Agreement (SPA) framework</li> <li>▪ 2016 - reviewing its data management strategy</li> <li>▪ 2016 reviewing its contract management strategy</li> </ul>	<p>Facilities Management Division to ensure that all future procurement specifications will conform to the Custodial Standard Service Model (CSSM) reported to the Facilities Management Service Standards Committee in 2015.</p> <p><u>Timeline:</u> Immediately.</p>

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
5.	City Council request the General Manager, Facilities Management, in consultation with the Director, Purchasing and Materials Management Division, to review the sourcing of consumables to determine the most economical procurement strategy for the supply of consumables to facilities where cleaning services are provided by a vendor.	X		<p>OVERALL CONTEXT: Facilities Management (FM) has developed a five (5) year strategic plan including restructuring. See below:</p> <ul style="list-style-type: none"> <li>▪ June 2014 - FM leadership change for Operations (new Director)</li> <li>▪ 2015 - FM appointed a GM accountable for operations and capital. Structured also a Project Management Office (PMO).</li> <li>▪ 2015 - Facilities Management Service Standards Committee (FMSSC) approved City-wide Custodial Standard Service Model (CSSM)</li> <li>▪ 2015 - began developing a new Service Partnership Agreement (SPA) framework</li> <li>▪ 2016 - reviewing its data management strategy</li> <li>▪ 2016 reviewing its contract management strategy</li> </ul>	<p>Facilities Management Division to facilitate a feasibility study to assess City Stores and facilities management's procurement and logistical capacity. A business case will be prepared which identifies the investment as well as the potential return required to undertake internal management of custodial supplies and appropriate action will be taken based on the business case.</p> <p>Timeline: Q4 2016</p>

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
6.	City Council request the General Manager, Facilities Management to implement appropriate controls to monitor the acquisition and use of consumables provided by contractors.	X		<p>OVERALL CONTEXT: Facilities Management (FM) has developed a five (5) year strategic plan including restructuring. See below:</p> <ul style="list-style-type: none"> <li>▪ June 2014 - FM leadership change for Operations (new Director)</li> <li>▪ 2015 - FM appointed a GM accountable for operations and capital. Structured also a Project Management Office (PMO).</li> <li>▪ 2015 - Facilities Management Service Standards Committee (FMSSC) approved City-wide Custodial Standard Service Model (CSSM)</li> <li>▪ 2015 - began developing a new Service Partnership Agreement (SPA) framework</li> <li>▪ 2016 - reviewing its data management strategy</li> <li>▪ 2016 reviewing its contract management strategy</li> </ul>	<p>Facilities Management Division will conduct a review of industry standards in an effort to monitor consumables provided by contractors and an appropriate action plan will be put in place.</p> <p>Timeline: Q4 2016</p>



Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
7.	City Council request the General Manager, Facilities Management, in consultation with the Director, Purchasing and Materials Management Division, to review the evaluation process for the procurement of cleaning contracts. Such review to consider industry practices for evaluation criteria, scoring methodology, and weighting of criteria including the relative importance of price.	X		<p>OVERALL CONTEXT: Facilities Management (FM) has developed a five (5) year strategic plan including restructuring. See below:</p> <ul style="list-style-type: none"> <li>▪ June 2014 - FM leadership change for Operations (new Director)</li> <li>▪ 2015 - FM appointed a GM accountable for operations and capital. Structured also a Project Management Office (PMO).</li> <li>▪ 2015 - Facilities Management Service Standards Committee (FMSSC) approved City-wide Custodial Standard Service Model (CSSM)</li> <li>▪ 2015 - began developing a new Service Partnership Agreement (SPA) framework</li> <li>▪ 2016 - reviewing its data management strategy</li> <li>▪ 2016 reviewing its contract management strategy</li> </ul>	<p>Facilities Management Division and Purchasing and Materials Management Division will review the importance of price versus technical requirements to determine the appropriate weighting to be given to both. This will apply to future custodial procurement calls.</p> <p>Timeline Q4, 2016</p>

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
8.	City Council request the General Manager, Facilities Management, in consultation with the Director, Purchasing and Materials Management Division, to ensure adequate analysis of the reasonability of the cost of contract changes is performed. Documentation to support the cost of contract changes should be retained in the respective purchasing and contract files.	X		<p>OVERALL CONTEXT: Facilities Management (FM) has developed a five (5) year strategic plan including restructuring. See below:</p> <ul style="list-style-type: none"> <li>▪ June 2014 - FM leadership change for Operations (new Director)</li> <li>▪ 2015 - FM appointed a GM accountable for operations and capital. Structured also a Project Management Office (PMO).</li> <li>▪ 2015 - Facilities Management Service Standards Committee (FMSSC) approved City-wide Custodial Standard Service Model (CSSM)</li> <li>▪ 2015 - began developing a new Service Partnership Agreement (SPA) framework</li> <li>▪ 2016 - reviewing its data management strategy</li> <li>▪ 2016 reviewing its contract management strategy</li> </ul>	<p>Facilities Management Division, in consultation with the Purchasing and Materials Management Division will develop a procedure in regards to the approach for contract amendments for all future custodial procurement calls.</p> <p>Timeline: To be finalized by Q1 2017.</p>

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
9.	City Council request the General Manager, Facilities Management, to implement controls to monitor actual services delivered and cleaning hours provided are in accordance with contracts. Where services do not adhere to contracts, payments should be adjusted for any variances in actual cleaning hours provided.	X		<p>OVERALL CONTEXT: Facilities Management (FM) has developed a five (5) year strategic plan including restructuring. See below:</p> <ul style="list-style-type: none"> <li>▪ June 2014 - FM leadership change for Operations (new Director)</li> <li>▪ 2015 - FM appointed a GM accountable for operations and capital. Structured also a Project Management Office (PMO).</li> <li>▪ 2015 - Facilities Management Service Standards Committee (FMSSC) approved City-wide Custodial Standard Service Model (CSSM)</li> <li>▪ 2015 - began developing a new Service Partnership Agreement (SPA) framework</li> <li>▪ 2016 - reviewing its data management strategy</li> <li>▪ 2016 reviewing its contract management strategy</li> </ul>	<p>Facilities Management Division will develop an integrated contract compliance audit process. This will be implemented in partnership with the Purchasing and Materials Management Division (PMMD) and in consultation with Legal Services.</p> <p>Facilities Management will immediately incorporate contract compliance clauses in all future custodial call documents. This will allow the City to adjust payments in the event that services being provided by the vendor are not in compliance with the services awarded under the contract.</p> <p>Timeline: Q2 2017</p>

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
10.	City Council request the General Manager, Facilities Management, in consultation with the Director, Purchasing and Materials Management Division, to review the standard call documents for cleaning contracts to ensure that the pricing structure allows changes to be made where the actual services delivered significantly deviates from the award.	X		<p>OVERALL CONTEXT: Facilities Management (FM) has developed a five (5) year strategic plan including restructuring. See below:</p> <ul style="list-style-type: none"> <li>▪ June 2014 - FM leadership change for Operations (new Director)</li> <li>▪ 2015 - FM appointed a GM accountable for operations and capital. Structured also a Project Management Office (PMO).</li> <li>▪ 2015 - Facilities Management Service Standards Committee (FMSSC) approved City-wide Custodial Standard Service Model (CSSM)</li> <li>▪ 2015 - began developing a new Service Partnership Agreement (SPA) framework</li> <li>▪ 2016 - reviewing its data management strategy</li> <li>▪ 2016 reviewing its contract management strategy</li> </ul>	<p>Facilities Management Division will develop an integrated contract compliance audit process. This will be implemented in partnership with the Purchasing and Materials Management Division (PMMD) and in consultation with Legal Services.</p> <p>Facilities Management will immediately incorporate contract compliance clauses in all future custodial call documents. This will allow the City to adjust payments in the event that services being provided by the vendor are not in compliance with the services awarded under the contract.</p> <p>Timeline: Q2 2017</p>

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
11.	City Council request the General Manager, Facilities Management to monitor and supervise all cleaning contracts to ensure compliance with contractual terms and obligations to maintain, and make available for review, the records related to the contract.	X		<p>OVERALL CONTEXT: Facilities Management (FM) has developed a five (5) year strategic plan including restructuring. See below:</p> <ul style="list-style-type: none"> <li>▪ June 2014 - FM leadership change for Operations (new Director)</li> <li>▪ 2015 - FM appointed a GM accountable for operations and capital. Structured also a Project Management Office (PMO).</li> <li>▪ 2015 - Facilities Management Service Standards Committee (FMSSC) approved City-wide Custodial Standard Service Model (CSSM)</li> <li>▪ 2015 - began developing a new Service Partnership Agreement (SPA) framework</li> <li>▪ 2016 - reviewing its data management strategy</li> <li>▪ 2016 reviewing its contract management strategy</li> </ul>	Facilities Management Division will work with all staff to develop a process to monitor all cleaning contracts. A full review will be done by the end of the year (2016).

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
12.	City Council request the General Manager, Facilities Management to work collaboratively with the Fair Wage Office to provide any necessary contract related records required to strengthen the compliance reviews conducted to ensure fair wages.	X		<p>OVERALL CONTEXT: Facilities Management (FM) has developed a five (5) year strategic plan including restructuring. See below:</p> <ul style="list-style-type: none"> <li>▪ June 2014 - FM leadership change for Operations (new Director)</li> <li>▪ 2015 - FM appointed a GM accountable for operations and capital. Structured also a Project Management Office (PMO).</li> <li>▪ 2015 - Facilities Management Service Standards Committee (FMSSC) approved City-wide Custodial Standard Service Model (CSSM)</li> <li>▪ 2015 - began developing a new Service Partnership Agreement (SPA) framework</li> <li>▪ 2016 - reviewing its data management strategy</li> <li>▪ 2016 reviewing its contract management strategy</li> </ul>	<p>Facilities Management Division will ensure that all future custodial call documents include additional contract compliance clauses. This will strengthen the City's ability to ensure Fair Wage compliance. Timeline: Immediate – (For all go-forward)</p> <p>Facilities Management will review current contracts. All non-compliance will be communicated to vendors as required. Timeline: Q4 2016.</p> <p>Facilities Management Division will implement an annual internal audit process in partnership with the Fair Wage Office and PMMD to ensure that vendors are complying with Fair Wage policies. Timeline: Q2 2017</p>
13.	City Council request the City Manager, in consultation with the City Solicitor, to consider the City's obligation to notify appropriate authorities about contractor business activities related to irregular contractor payroll records.	X			<p>The Fair Wage Office will investigate with Legal Services the appropriate action required to comply with recommendation #14 regarding contractor business activities related to irregular payroll records.</p> <p>Timeline: End of 2016</p>

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
14.	<p>City Council request the General Manager, Facilities Management to develop and implement a standard protocol for evaluating custodial contractor performance. The protocol should include:</p> <p>a. A standard form for contractor performance evaluation</p> <p>b. Annual review cycles and a mandatory review prior to exercising a renewal option on a contract</p> <p>c. Documentation of the results of such performance evaluations to be retained within the contract file.</p>	X		<p>OVERALL CONTEXT: Facilities Management (FM) has developed a five (5) year strategic plan including restructuring. See below:</p> <ul style="list-style-type: none"> <li>▪ June 2014 - FM leadership change for Operations (new Director)</li> <li>▪ 2015 - FM appointed a GM accountable for operations and capital. Structured also a Project Management Office (PMO).</li> <li>▪ 2015 - Facilities Management Service Standards Committee (FMSSC) approved City-wide Custodial Standard Service Model (CSSM)</li> <li>▪ 2015 - began developing a new Service Partnership Agreement (SPA) framework</li> <li>▪ 2016 - reviewing its data management strategy</li> <li>▪ 2016 reviewing its contract management strategy</li> </ul>	<p>Facilities Management Division and PMMD will work together to develop a standardized process for the evaluation of custodial proposals and procurement documentation, including an annual review process and an option renewal process. <u>Timeline:</u> Q4 2016</p> <p>Facilities Management Division and PMMD will centrally coordinate all contract evaluation and develop a standardized committee comprised of standing members and client representatives to ensure an objective assessment of all custodial proposals. <u>Timeline:</u> Q4 2016.</p>

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
15.	City Council request the General Manager, Facilities Management to complete a service review of all current cleaning contracts including an analysis of their cost effectiveness. The results of such review to be reported to Government Management Committee.	X		<p>OVERALL CONTEXT: Facilities Management (FM) has developed a five (5) year strategic plan including restructuring. See below:</p> <ul style="list-style-type: none"> <li>▪ June 2014 - FM leadership change for Operations (new Director)</li> <li>▪ 2015 - FM appointed a GM accountable for operations and capital. Structured also a Project Management Office (PMO).</li> <li>▪ 2015 - Facilities Management Service Standards Committee (FMSSC) approved City-wide Custodial Standard Service Model (CSSM)</li> <li>▪ 2015 - began developing a new Service Partnership Agreement (SPA) framework</li> <li>▪ 2016 - reviewing its data management strategy</li> <li>▪ 2016 reviewing its contract management strategy</li> </ul>	<p>Facilities Management Division will carry out a service review of all current cleaning contracts including an analysis of their cost effectiveness. The results of such review to be reported to Government Management Committee.</p> <p>Timeline: Facilities Management will report back to GMC in Q1 2017.</p>
16.	City Council request the City Manager to request Division Heads and Chief Executive Officers of City agencies and corporations to review the issues and recommendations included in this report and consider the relevance to their respective operations.	X			The City Manager will request Division Heads and Chief Executive Officers of agencies and corporations review the issues and recommendations included in this report and consider the relevance to their respective operations. – Q3