Presentation to the Audit Committee
July 4, 2016

Audit of City Cleaning Services

Part I: **Opportunities to Control Costs, Improve Productivity and Enhance Quality of Cleaning Services**

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

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Presentation Outline

1. Audit Objective, Scope, and Background

2. Findings and Recommendations

3. Summary and Recap

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Audit Objective and Scope

Objective:

- Assess whether cleaning services are effective, efficient and economical

Scope:

- The audit included the period of January 1, 2011 to December 31, 2015

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Audit Divided in Two Parts

- Part I – Overall Management

  "Opportunities to Control Costs, Improve Productivity and Enhance Quality of Cleaning Services"

- Part 2 – Procurement and Contract Management
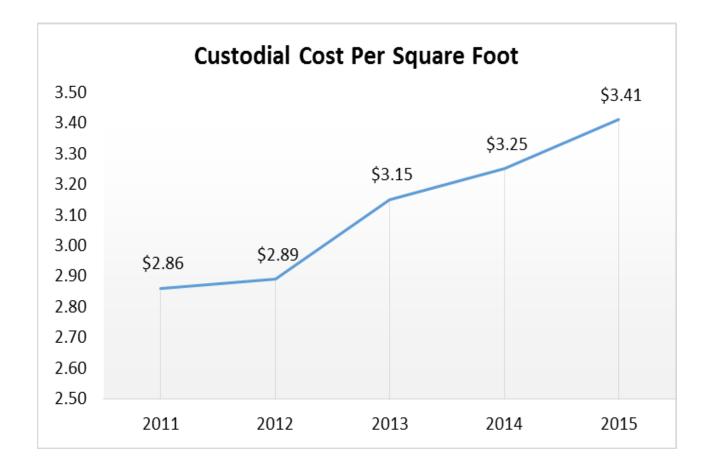
  "Maximizing Value from Cleaning Contracts"

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Background –

1. **Facilities Management is in transition – it hired new leaders (2014)** to oversee this area

2. **$140.7 million** for cleaning services over five years

3. **$30.5 million** spent in 2015
   - $22.2 million **in-house** cleaning services
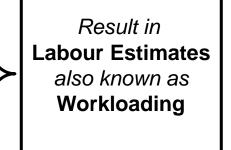   - $8.3 million **contracted** cleaning services

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Background – Rising Custodial Costs

Custodial Cost Per Square Foot

Key Cost Drivers

Three things drive cleaning costs:

1. Size of Cleanable Area

2. Cleaning Routines / Scope of Work

3. Supplies and Equipment

Result in
Labour Estimates
also known as
Workloading

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Findings – Category 1: Cleanable Area

- City uses gross floor area (GFA) instead of cleanable area

- No centralized repository – "Master List" for services by facility

- 2011 – Consultant measured cleanable area for hundreds of facilities at a cost of $184,000
  - Data has not been validated
  - Missed opportunities to use the data – only used for 3 facilities (one contract)
  - Management can still verify and leverage this data

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IMPACT – Category 1: Cleanable Area

- In-house services:
  - Cleanable Area is not used as the measure for cleaning service – as a result
    - ✓ Comparisons with industry benchmarks potentially invalid
    - ✓ Cannot verify value for money
    - ✓ Applicable to in-house and contracted services

- Contracted services:
  - 22 facilities reviewed
    - ✓ 11% difference between GFA and Cleanable Area
    - ✓ Estimated over-purchasing of cleaning by using GFA ~ $720,000 over 5 years

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Findings – Category 2: Cleaning Routines / Scope of Work

*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."*

Source: ISSA Smart Staffing Bidding and Estimating Guidebook

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Findings – Category 2: Cleaning Routines / Scope of Work

- 2011 – Industry standards adopted but not used
  - Purpose was to benchmark productivity and cost
  - Requirement for productivity measures was identified in 2005 by the Auditor General

- Cleaning routines not workloaded – to verify staffing levels
  - 2011 – $184K to measure facilities
  - 2011 – $566K for workloading software and other related costs
  - 2016 – workload data available for 39 of 265 facilities
    (measures and software could still possibly be used)

- Importance of Client Service Levels
  - Late 2015 – Custodial Standard Service Model (CSSM)
    - ✓ Three service levels: Minimal, Standard, Enhanced

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IMPACT – Category 2: Cleaning Routines / Scope of Work

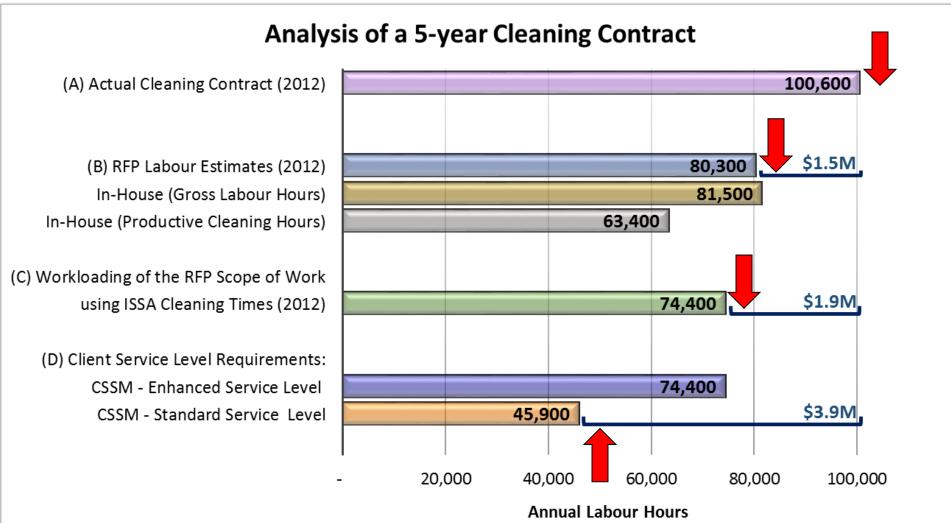## Significant opportunities to control or reduce costs

- **In-house services**:
  - ➢ $4.5 million over 5 years ($900,000 annually) for 9 facilities by adjusting service level
  - ➢ 153 facilities cleaned in-house

- **Contracted services:**

For 22 facilities within a 5-year contract	Savings (in millions)
• Contracted for more hours than in call	$ 1.5
• Call included more hours than industry requires	$ 0.4
• Estimated impact if Client Service Levels reduced from Enhanced to Standard (subject to verification with client)	$ 2.0
	$ 3.9

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Impact on Contracted Services

City saved but opportunity for more savings:

Analysis of a 5-year Cleaning Contract

Findings – Category 3: Supplies and Equipment

- City paid 87% more for supplies sourced through cleaning contractor

- Estimated $520,000 more over 5 years

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Other Findings

- **Monitor Performance**
  - Formal inspection program of cleaning services needed
    - ✓ Pilot for 33 out of 265 facilities in second half of 2015

- **Improve Procurement and Strengthen Contract Monitoring**
  - Limited bid response to procurement calls
  - Improve analysis to verify reasonability of costs when a contract amendment is needed
  - Actual cleaning hours less than vendor estimates
  - One contract was non-compliant with Fair Wage Policy
  - Improve evaluations of contractor performance

- **Address Vulnerable Sector Screening**

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Summary and Recap

- Part 1 - **14 recommendations** to improve productivity, control costs and enhance quality of services

- Part 2 - **16 recommendations** to minimize costs of current and future cleaning contracts

- **Management:**
  - Agrees with the recommendations
  - Hired leaders (2014) in to oversee this area – this audit helps to provide a roadmap of areas to be addressed
  - Prepared an action plan to implement as soon as possible

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Roadmap to Strengthen Business Practices

- Road map to assist Facilities Management

- By implementing recommendations it will help establish a **strong foundation** should the City move to a **more centralized City-wide service delivery model**

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