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
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
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”
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
Background – Rising Custodial Costs

Custodial Cost Per Square Foot

- 2011: $2.86
- 2012: $2.89
- 2013: $3.15
- 2014: $3.25
- 2015: $3.41
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
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
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
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
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
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
  - 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

  **Total Savings:** $3.9
Impact on Contracted Services

City saved but opportunity for more savings:

Analysis of a 5-year Cleaning Contract

(A) Actual Cleaning Contract (2012) - 100,600

(B) RFP Labour Estimates (2012)
   - In-House (Gross Labour Hours) - 81,500
   - In-House (Productive Cleaning Hours) - 63,400
   - Savings: $1.5M

(C) Workloading of the RFP Scope of Work using ISSA Cleaning Times (2012)
   - Savings: $1.9M

(D) Client Service Level Requirements:
   - CSSM - Enhanced Service Level - 74,400
   - CSSM - Standard Service Level - 45,900
   - Savings: $3.9M

Annual Labour Hours - 20,000 to 100,000
Findings – Category 3: Supplies and Equipment

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

- Estimated $520,000 more over 5 years
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
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
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