

Audit of City cleaning services: Outstanding recommendations of greatest concern

Date: June 13, 2019

To: Audit Committee

From: Interim General Manager, Facilities Management

Wards: All

SUMMARY

At its meeting of May 3, 2019, the Audit Committee directed staff to report back on recommendations 3 and 9 from the Auditor General's 2016 report "Audit of City Cleaning Services - Part 2: Maximizing Value from Cleaning Contracts." This report responds to this request for information and presents an overview of actions that Facilities Management has undertaken, and will continue to over the next few years, to address these recommendations. This includes the consolidation and standardization of custodial contracts and services in support of the City-Wide Real Estate transformation, which will consolidate and standardize facilities management functions City-wide; the development of new contract controls; and quality assurance measures. The report provides further detail on next steps that will be taken to ensure these recommendations are implemented and benefits will be realized.

RECOMMENDATIONS

The Interim General Manager, Facilities Management recommends that:

1. The Audit Committee receive this report for information.

FINANCIAL IMPACT

There is no financial impact associated with the adoption of this report.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting of May 3, 2019, the Audit Committee adopted AU2.6 "Auditor General's Response to the Audit Committee's Request on the Outstanding Audit Recommendations Which Are of Greatest Concern" and requested that staff report to the Audit Committee on recommendations 3 and 9 from the Audit of City Cleaning Services. The report is available online at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.AU2.6>

At its meeting of February 22, 2019, the Audit Committee adopted AU1.9 "Auditor General's 2018 Consolidated Status Report on Follow-up of Outstanding Audit Recommendations" and requested that the Auditor General report to the Audit Committee on outstanding audit recommendations of greatest concern. The report is available online at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.AU1.8>

At its meeting of October 28, 2016, the Audit Committee adopted AU7.10 "Status Report - Implementing received for information Status Report - Implementing Auditor General's Custodial Services Recommendations," which responded to City Council's directive to report back on the implementation of the Auditor General's recommendations. The report is available online at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.AU7.10>

At its meeting of July 12, 2016, City Council adopted AU6.9 "Audit of City Cleaning Services - Part 1: Opportunities to Control Costs, Improve Productivity and Enhance Quality of Cleaning Services" and AU6.10 "Audit of City Cleaning Services - Part 2: Maximizing Value from Cleaning Contracts" and issued a combined 31 directives to staff aimed at improving internal and contracted custodial services at the City of Toronto. The reports are available online at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.AU6.9>

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.AU6.10>

COMMENTS

Background

Facilities Management has been taking steps to address the recommendations in the Auditor General's Audit of City Cleaning Services reports (parts 1 and 2). Although a number of recommendations remain outstanding, a number of actions have been taken that have resulted in positive benefits. For example, in late 2016 and early 2017 Facilities Management issued and awarded a new custodial contract that consolidated 6 separate custodial contracts across 71 locations into one agreement. This allowed for the harmonization of service and standards, as well as costs and controls, and brought Facilities Management's cleaning contracts more closely in line with industry operational standards. In addition, Facilities Management has worked closely with clients at these locations to develop and refine service levels. As noted in the Auditor General's 2018 Annual Report, annual savings of approximately \$1.5 million have been achieved

through the changes in procurement and administration of cleaning contracts in Facilities Management.

The Division is continuing to address the recommendations and look for opportunities to enhance the benefits already achieved. Facilities Management still has multiple custodial contracts (including the one mentioned above) and is planning to address outstanding issues identified in the audit of City cleaning services report, and further structure agreements for cleaning services to align with industry best practices, ensuring the provision of high-quality custodial services and maximizing value to the City, through 2019 and into 2020. It is expected that through this next phase of improving the City's cleaning contracts that recommendations 3 and 9 from the cleaning audit report (part 2) will be addressed.

The status of recommendations 3 and 9 in the "Audit of City Cleaning Services - Part 2: Maximizing Value from Cleaning Contracts" report are outlined below.

Recommendation 3

The full recommendation is as follows:

- 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.

The City's existing Custodial Standard Service Model identifies a required cleaning task and associated frequency of service to achieve a desired result. The City's latest cleaning contract, which took effect in early 2017, incorporated industry standard cleaning task frequencies and, in doing so, led to a reduction in costs of approximately \$1.5 million per year. This was achieved by taking the various cleaning service levels across the various contracts and locations and bringing them in line with the Custodial Standard Service Model as much as possible. However, this model has also presented challenges due to the variability in the City's property portfolio (including asset type, usage, size, age, and other factors). It requires the client (in this case, various City Divisions with a variety of requirements) to translate the desired outcome to a needed task and frequency (frequency-based cleaning model). Furthermore, client Divisions have identified business requirements that require a higher level of service than is stipulated by the current model.

In light of the challenges associated with the existing frequency-based cleaning model, Facilities Management is planning to incorporate performance-based cleaning levels within the next custodial request for proposal. This will bring the City in line with developments within the facilities management industry, which has moved away from frequency-based models and accepted performance-based outcomes as a best practice. Moving to a performance specification, and fixed unit pricing, will also facilitate effective vendor management after contract award.

The actions noted above should allow Facilities Management an opportunity to further align contracted cleaning services to industry operational standards, and right-size

these services to the property condition and client need. Facilities Management will need to engage and educate clients on the shift to performance-based outcomes as a cleaning standard as part of its change management efforts in improving contracted cleaning services at the City. It is expected that these actions will be taken over the next year, with benefits to be realized in 2020.

Recommendation 9

The full recommendation is as follows:

- 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.

Facilities Management implemented new controls within the contract that was awarded in early 2017, enhancing the City's ability to monitor services delivered and hours through reports, documents and quality assurance requirements embedded into the Request for Proposal. This also consolidated and streamlined monitoring and control efforts, having to do this for one contract with one set of requirements, as opposed to 6 separate contracts. These changes have resulted in positive benefits for the City. For example, Facilities Management has at some locations conducted quality assurance inspections to review site conditions, site records, service levels, etc. Issues identified were provided to the vendor and Facilities Management is actively working with the vendor to rectify them. In addition, the ability to review payroll records and requirements to maintain site logs allows Facilities Management to cross reference hours paid for with hours received. However, while this contract covers the majority of the custodial services contracted by Facilities Management, two contracts still need to be updated. In addition, Facilities Management is actively implementing plans and practices to improve vendor and contract management practices across all of its contracts. Until these control and monitoring enhancements are embedded in contracts and are active across the full portfolio, this recommendation will remain open and not implemented.

Facilities Management is currently preparing to go to market with a new Request for Proposal for custodial services. This will cover the full Facilities Management portfolio and will include where feasible other Divisions and/or Agencies that also procure custodial services. This will allow for consistency and standardization of controls to monitor and control contracts. The new contract is expected to include a supplier performance management model. This model will encompass a vendor scorecard to assess achievement of the service levels specified in the contract. The scorecard will draw on supplier self-reporting on cleaning performance, attendance, activity, and work order data, putting the onus on the vendor to demonstrate performance and adherence to contract terms, with the necessary controls and attestation requirements. Facilities Management will review the scorecard, service level agreements, billing and payments, and other relevant information with the vendor at regular business review meetings and address any performance issues. Facilities Management will also capture a client experience rating through a structured survey. These are current industry practices and will allow for greater oversight and control of contracted custodial services across the vast portfolio that Facilities Management is currently managing. As with the actions

related to recommendation 3, the actions noted above will be taken over the next year, with benefits to be realized in 2020 and beyond.

Conclusion

Since the release of the Auditor General's two-part report on City cleaning services in 2016, Facilities Management has implemented numerous measures aimed at fulfilling the Council-approved recommendations, including the consolidation of custodial contracts, the inclusion of new controls in the most recent custodial contract, and new quality assurance measures.

Facilities Management is continuing to make improvements in areas aimed at addressing outstanding recommendations and maximizing value from its cleaning contracts. This is being done through further planned optimization of services and contracts across the City and other elements that will be embedded in upcoming Request for Proposals for custodial services, such as supplier performance management models and performance-based outcomes. These actions are being taken over 2019 with benefits expected to be realized in 2020 and beyond. These actions are expected to address multiple recommendations from the cleaning audit reports, including recommendations 3 and 9 (included in Part 2 of the audit) that were two of the recommendations outstanding that the Auditor General identified as of greatest concern. These actions further support the standardization of contracts and services, and centralization of facilities functions envisioned as part of the City-wide Real Estate transformation.

CONTACT

Marco Cuoco
Director, Business Management
Facilities Management, Corporate Services
Tel: 416-397-7338
Email: Marco.Cuoco@toronto.ca

SIGNATURE

Patrick Matozzo
Interim General Manager, Facilities Management