

Audit of City Cleaning Services (Part 2): Further Information on Outstanding Recommendations 3 and 9

Date: October 9, 2019

To: Audit Committee

From: Executive Director, Corporate Real Estate Management

Wards: All

SUMMARY

At its meeting of June 28, 2019, the Audit Committee directed staff to report back with further detailed reasons as to why Recommendations 3 and 9 from the Auditor General's 2016 report "Audit of City Cleaning Services - Part 2: Maximizing Value from Cleaning Contracts." have not been implemented, including specifics on which resources it would take for full implementation.

This report responds to this request, and outlines action taken by the Corporate Real Estate Management Division (formerly Facilities Management) in recent years that will contribute to the implementation of these Recommendations and sustain improvements to cleaning services over the long term.

RECOMMENDATIONS

The Executive Director, Corporate Real Estate 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 June 28, 2019, the Audit Committee adopted AU3.13 "Audit of City Cleaning Services: Outstanding Recommendations of Greatest Concern", which included a motion to report back to the October 25, 2019 meeting of the Audit Committee to provide detailed reasons why Recommendations 3 and 9 in the Auditor General's 2016 report on cleaning services have not been implemented, including which resources it would take for full implementation. The report is available online at: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.AU3.13>

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

At its June 28, 2019 meeting, the Audit Committee requested the Executive Director, Corporate Real Estate Management, to report back and provide detailed reasons why Recommendations 3 and 9 in the Auditor General's 2016 report on cleaning services

have not been implemented, including which resources it would take for full implementation. These recommendations are as follows:

- Part 2, Recommendation 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."
- Part 2, Recommendation 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."

Corporate Real Estate 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 recommendations 3 and 9 from part 2 of the cleaning audit are still outstanding, the City has implemented a number of actions that have resulted in resulted in positive benefits. This includes consolidating six contracts under a new contract with harmonized services, standards and controls to improve the ability for the City to administer and manage this portfolio. This contract was awarded in early 2017 and included close to 80 percent of the contracted cleaning portfolio where previous contracts were set to expire. The remaining contracted cleaning portfolio had active contracts that were entered into in 2015 under a three year term, with options to extend for an additional two years.

Concurrently, the division identified the need to move to a centralized model for contract management, procurement and quality assurance and compliance functions across the Division. Facilities Management operated under a decentralized model, with these functions being carried out by operational staff that were also responsible for the day-to-day operations of a portfolio of facilities. The City-Wide Real Estate Transformation, as well as the results from the custodial services audit, emphasized the need for dedicated resources with focused expertise in these areas to carry out these functions effectively. Centralized expertise and the standardization of facilities management functions will ensure the necessary skill sets and resources are in place to support the current and future Corporate Real Estate Management portfolio, supporting its contract management, procurement and quality assurance needs.

Developed of Centralized Operational Support Team

Over the late 2017 and into the summer of 2018, the necessary resource requirements were identified and created through an internal re-purposing of positions to build a centralized team to bring dedicated expertise in support of the operating units. This included support in the areas of procurement, contract management, quality assurance, compliance and health and safety. These are the resources that are required to improve procurement and contract management practices within the Division for both cleaning and other maintenance services. The division moved immediately to fill these positions and the team began to carry out compliance and quality assurance checks and to support new procurement initiatives and existing contracts.

Current Status

The centralized support staff were fully on-boarded in early 2019 and are focused on stabilizing and enhancing contract management practices, operational controls, as well as other core functions in support of the facilities operating units. This includes the development of a new custodial Request for Proposal that will complete the consolidation of City custodial contracts, align with industry standards, will harmonize standards across the contract cleaning portfolio, and will ensure the necessary controls are in place to address the issues identified through the custodial audits. This Request for Proposal is currently out to market and is expected to be awarded by early 2020.

Conclusion

Corporate Real Estate Management now has the necessary resources focused on procurement, contract management, quality assurance and compliance, along with the proper structure, to effectively manage its contracted services portfolio. A new custodial Request for Proposal is currently out to market and a new contract is expected to be awarded by early 2020. The Division is focused on actively managing existing contracts, and carrying out the necessary quality and compliance checks to ensure the City is receiving the value for money from its contracts.

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SIGNATURE

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