



Reconciliation of Preventive Maintenance/Demand Repair Programs and Elevator Contracts – Year End December 31, 2021

Item 9A

April 8, 2022

Building Investment, Finance and Audit Committee

Report: BIFAC:2022-39

To: Building Investment, Finance and Audit Committee
("BIFAC")

From: Vice President, Facilities Management

Date: April 4, 2022

PURPOSE:

The purpose of this report is to provide the BIFAC with the results of the Preventive Maintenance / Demand Repair programs and Elevator contracts reconciliation for the year ended December 31, 2021 and to provide details regarding process improvements to the monitoring of these programs.

RECOMMENDATION:

It is recommended that the BIFAC receive this report for information.

REASONS FOR RECOMMENDATIONS:

Background

At the November 3, 2021, BIFAC meeting, Facilities Management committed to completing a quarterly reconciliation of the Preventive Maintenance / Demand Repair programs and Elevator contracts to ensure the programs were in compliance with the approved awards and to take corrective action, when required, to ensure ongoing compliance.

These programs ensure that TCHC's grounds, elevators, fire life safety, mechanical, electrical, and heating ventilation and air conditioning (HVAC) equipment are properly maintained through best in class preventive maintenance programs and ensure that demand repairs are completed,

when required, to maintain buildings in a state of good repair and ensure tenant comfort. Facilities Management, Client Care, Maintenance Dispatch, Building Staff and Risk and Insurance utilize the programs.

Reconciliation to December 31, 2021

As of December 31, 2021, Facilities Management completed a detailed review of 101 programs / contracts, composed of twenty-three Preventive Maintenance / Demand Repair programs and seventy-eight Elevator contracts.

This review consisted of reviewing over 80,000 work orders over 200 staff hours. Below is a recap of the findings:

- 101 programs / contracts reviewed:
 - 101 were within TCHC approved budget
 - 50 were within the approved award amounts, had no previous change orders and required no action;
 - 46 were within the approved award amounts, had change orders processed prior and required no further action;
 - 3 were within the approved award amounts, had previous change orders processed and required a further change order to be approved as part of the April 8, 2022 BIFAC Agenda; and
 - 2 were within the approved award amounts, had no previous change orders and require a change order to be approved as part of the April 8, 2022 BIFAC Agenda.

The previous change orders approved on these programs were due to a variety of reasons:

- An increase in the number of buildings covered by the program due to new development and the change of contract managed buildings to direct management by TCHC:
 - From 2017 to 2021, there were approximately 1,060 units added through new developments along with an additional 3,831 units being added in late 2020 when the units in former contract managed OUW became direct managed units;
- A change in vendors due to issues with vendor's performance;
- An increase in the scope of work required to meet changes in regulatory requirements;

- An increase in costs due to inflation and Covid-19;
- An in year spend over approved annual spend (but not over total contract approved amount); and
- An extension of contract due to renewal not being actioned on time.

Details of process used for each reconciliation are included in Attachment 2 to this Report.

Details of the reconciliation for each contract are included in Confidential Attachment 3 to this Report, which summarizes the contract change to each program.

The next review will be completed at the end of Q1, 2022 and quarterly thereafter with the findings being provided to the BIFAC.

Lessons Learned

Below is a recap of the major lessons learned as a consequence of the reconciliation, as well as the action that has been taken to ensure the learnings are applied, going forward:

1. Obtaining full spend information
 - a. When creating dollar values for RFP's, the Business Unit responsible for the RFP needs to ensure it takes into account all TCHC Business Units that will access the contract and the associated spends in order to ensure proper amounts are established at the time of the contract award.
 - b. Going forward, Business Units will work more closely with Finance to ensure all amounts are properly captured.
 - c. The full implementation of the HoMES system will be a tool that will be used to ensure the full spend amounts are captured and tracked back to the appropriate contract.
2. Including all services
 - a. When creating RFP's, all services must be explicitly stated. This will help ensure proper spend amounts are established at the time of the contract award.
 - b. Going forward, Business Units will ensure all services are explicitly stated in the RFP.
3. Forecasting

- a. When change orders are being requested for changes to the contract (e.g. addition of buildings), forecasting needs to be completed to ensure sufficient funds to the end of the contract.
 - b. Going forward, Business Units will complete forecasting during the quarterly reconciliation process and at any time changes occur to the contract's scope of work.
 - c. Forecasting of spends will ensure that future change request are proactive versus reactive.
4. Tracking
- a. To ensure contracts are current, the expiry dates need to be more closely monitored so that contracts can be proactively tendered in advance.
 - b. Procurement is building a master database to track contracts coming up for renewal.

Process Improvements

A number of process improvements, outlined in Attachment 1 to this Report, either have or will be made to ensure that programs and contracts remain in compliance.

IMPLICATIONS AND RISKS:

TCHC is obligated to complete this work to either ensure compliance with various code requirements (e.g. Ontario Fire Code, Technical Standards and Safety Authority (TSSA)) and/or ensure its buildings are properly maintained. Properly maintained buildings preserve TCHC assets, help achieve a state of good repair for the portfolio and help provide a healthy, comfortable and safe home for our tenants.

Preventive maintenance is regularly occurring work that has a set cost determined during the procurement and award process.

Demand repairs are completed on an as needed basis and can vary from year to year. This can present challenges when determining the required approval amounts. Historic data, industry knowledge plus current market conditions are used to try to predict future spends.

As with any work performed, there is a risk that the work may not be performed satisfactorily nor represent value for money. To mitigate these risks, these programs are procured through a public procurement process and once awarded, any work arising from the preventive maintenance activities must be authorized by Facilities Management staff. Facilities

Management staff also perform random reviews of completed work to ensure the work was completed satisfactorily. For work generated from demand requests, site staff must confirm that the work was performed satisfactorily before approving the invoice for payment, by Finance staff. This inspection process that is in place is consistent with recommendations made by the Auditor General to ensure work is being performed satisfactorily and that there is value for money.

Quarterly reconciliation of the programs will ensure that they are closely monitored and any additional approvals required can be obtained in a timely manner to ensure there is no interruption with the completion of this required work.

SIGNATURE:

“Allen Murray”

Allen Murray
Vice President, Facilities Management

ATTACHMENTS:

Attachment 1: Process Improvements

Attachment 2: Reconciliation Process

Confidential

Attachment 3: PM/Demand Repairs Program 2021 Summary

Reason for Confidential Attachment: Third party commercial information supplied in confidence and commercial information belonging to TCHC that has monetary value or potential monetary value and whose disclosure could reasonably be expected to be injurious to its financial interests.

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Attachment 1: Process Improvements

Overview: As noted in this Report, improvements are required to the processes that TCHC applies to manage preventive maintenance and demand repair programs and elevator contracts. Below is an explanation of the improvements either already implemented or to be implemented.

The HoMES application permits TCHC staff to identify circumstances in which the value of work performed, pursuant to a contract, exceeds the amount approved for the contract. Business Units are able to see when a Purchase Order has been exhausted. In addition, this control prevents an invoice from being paid if there is no remaining balance on a PO. The reconciliation process described in this report identified a number of circumstances in which the amount spent on multi-year contracts exceeded the approved limit. The implementation of this quarterly reconciliation process will limit future opportunities for such circumstances to arise.

On a macro level, overall TCHC expenses is within budget with offsets between expenditure line items. Controls are in place to ensure that payments are only made for services provided or goods received.

Process Improvements: Immediate

- **Business unit:** Re-enforce the requirement to conduct diligent review of invoices and receipting the invoice in HoMES on a timely basis and to monitor PO balance vs anticipated future spend;
- **Business unit + Finance:** Conduct quarterly reviews of actual vs. budgeted spend, including accurate forecast of actuals;
- **Business unit:** Ensure a thorough scope of requirements are documented in the RFP. When it is recognized that a change order is required, ensure that the change order takes into account changes to the end of a contract and not only the current invoices;
- **Business unit:** Allow for enough time to go through the full RFP cycle. Procurement completes a kick off meeting with the business so they are aware of the timelines;
- **Procurement:** Build master database of Contracts coming up for renewal as a reminder to business units to allow for a timely RFP process. (new contract repository – Q2, 2022); and

- **Finance + Business Unit + Procurement:** Developed process to close old Purchase Orders on a monthly basis that should ultimately lead to more accurate financial reporting

Process Improvements: To be implemented:

At the present time, there is no visibility to report spend against a VAC award. As part of Track 2B – HoMES to be implemented in Q2, 2022, modifications will be made and staff will be trained to tag the VAC award number against each PO in order to track spend against the approved award.

In addition, Finance will be developing reporting that incorporates the VAC award amounts.

Attachment 2
Reconciliation Process completed for Preventative Maintenance and Demand Repairs

1. Reviewed approvals (VAC and any approved change orders) for the program to establish the approved spends by year as applicable;
2. Reviewed VAC to determine the allocation for:
 - i. Preventative Maintenance
 - (a) Amounts spent pursuant to contract are tracked and reported by Finance staff, via Blanket Purchase Orders, and reviewed, on a monthly basis, with the Business unit.
 - ii. Demand Remand Repairs:
 - (a) Worked with IT to extract demand work orders from the EasyTrac system associated with the particular category of work;
 - (b) Manually reviewed each demand work order to determine that it is correctly associated with the program;
 - (c) Totaled the demand work orders; and
 - (d) Compared totals to the total approved spend by year per program to calculate any required adjustments.