



Toronto Community Housing Corporation

Embedding Accountability into Service Delivery: Lessons Learned from the Audit of Contracted Property Management Services

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Executive Summary

Audit of property management service delivery

This report presents the results of our audit of property management at the Toronto Community Housing Corporation (TCHC) and highlights longstanding challenges TCHC has faced in managing its residential buildings. The purpose of the audit was to assess TCHC's oversight of contracted property management service delivery and performance.

TCHC is the largest social housing provider in Canada and the second largest in North America. TCHC is wholly owned by the City of Toronto and operates as a non-profit. It is a \$10 billion public asset that provides homes to nearly 110,000 residents in about 60,000 low and moderate-income households.

TCHC contracts out the property management of about 20% of its portfolio

TCHC contracts with two private sector companies to take care of property management for about 20 per cent of its properties. These companies calculate and collect rents, clean and maintain buildings, and oversee and deliver routine repairs. In this report, we call these contract-managed properties "the CM portfolio".

TCHC directly manages 80% of buildings

TCHC employees provide property management services for the remaining 80 per cent of TCHC properties. In this report, we call these TCHC directly managed properties "the DM portfolio". TCHC management also oversees the contracts and monitors the performance of the private sector property managers.

Audit focuses on property management of the contract-managed (CM) portfolio

A full examination of the entire TCHC portfolio was beyond the scope of this audit. Instead, our approach was to review day-to-day property management services (including operations and maintenance) of the subset of TCHC buildings making up the CM portfolio.

Exhibit 1 provides further detail on the background and history of contracted property management of TCHC communities.

TCHC has ultimate accountability and responsibility for all services to its residents

Regardless of whether buildings are managed directly by TCHC staff or through contracted service providers, TCHC management is ultimately responsible for the services provided to residents in its buildings in support of its core mission:

"... to provide clean, safe, well-maintained, affordable homes for residents. Through collaboration and with residents' needs at the forefront, we connect residents to services and opportunities, and help foster great neighbourhoods where people can thrive."

Mayor's Task Force on Toronto Community Housing

Mayor's Task Force looked at how to improve service to TCHC residents

In 2015/16, the Mayor's Task Force on Toronto Community Housing was tasked with examining how TCHC served the people of Toronto and how it was governed. The ultimate goal of the Task Force was to recommend to the Mayor what adjustments to the governance and operation of TCHC were necessary to improve service to its residents. The Task Force issued an interim report "Improved Living at Toronto Community Housing: Priority Actions" and a final report "Transformative Change for TCHC"¹.

Task Force recommendations led to TCHC action plan to improve building condition, tenant satisfaction, and quality of service

The Task Force made a number of recommendations that were relevant to this audit including a focus on:

- developing and implementing an action plan to improve building conditions, address tenant satisfaction concerns and improve quality of service
- reviewing current private sector management contracts and adopting clear performance standards to ensure equity in tenant services
- effective performance measurement and establishing measures to track performance and to regularly monitor performance with metrics

In response, TCHC management brought forth action plans for "Getting it Done"².

We reviewed the recommendations and TCHC management's action plan commitments that were relevant in the context of our audit of contracted property management to assess whether concerns identified by the Mayor's Task Force in 2015/16 had been addressed. Our findings are discussed throughout this report.

Report Highlights:

Audit provides lessons relevant for TCHC's entire portfolio

While we understand that TCHC is working to bring all of their residential buildings back under its direct management, many of our audit observations highlight lessons to apply as TCHC continues to move forward with ongoing transformation³.

It is our view that the findings and recommendations from our report can help to improve oversight, and management of site staff and site work that are relevant for TCHC's entire portfolio of over 2,100 buildings.

¹ [Item 11 - Mayor's Task Force Final Report Update - Attachment 2.pdf \(torontohousing.ca\)](#)

² [Getting it done: Real change at Toronto Community Housing](#), Response to the Interim Report of the Mayor's Task Force, September 10, 2015

³ <https://www.torontohousing.ca/about/restructuring-plan/Pages/default.aspx>

3 key lessons learned

In this report, we highlight three key lessons learned from this audit to support TCHC's success in managing its buildings under the new structure:

1. Setting up successful service delivery by providing clear, consistent specifications and embedding accountability into the design of service agreements
2. Monitoring performance to hold service providers accountable for making sure services are getting done correctly
3. Building trust and confidence through accurate and transparent reporting that supports the Board in holding management accountable for improving outcomes

These themes are relevant for service delivery, regardless of whether they are internally delivered directly by TCHC staff or through a contractor (and their subcontractors).

1. Setting Up Successful Service Delivery – Accountability by Design

Goal to provide all tenants the same level and standards of service

TCHC's commitment has been to provide its tenants the same level and standards of service regardless of whether the building is operated by TCHC directly or through a contracted property management company. Regardless of the approach that is adopted for property management services, TCHC's objectives for its buildings are:

- Clean, well-maintained buildings
- High-quality service
- Seamless service (no variation in quality)
- Informed and engaged tenants
- Operational efficiency

Service standards should be the same regardless of where TCHC residents live

To achieve this goal, **TCHC needs to have the same service level expectations and clear, consistent performance requirements across its entire portfolio.** This expectation has been highlighted many times before.

For example, in its 2015 interim report, the Mayor's Task Force reported residents saying that:

*"Buildings that are operated by external property management companies **don't always have the same level of service** as those run by TCHC."*

Consistent service through stronger contracts with clear, well-defined and measurable performance expectations

TCHC's "Getting it Done" report⁴ responded with an action plan to address the Task Force report, recognizing that:

"It is vital that they meet the same service standards as Toronto Community Housing staff so that residents receive consistently good service no matter where they live. This has not always been the case...these benefits can only be realized through stronger contracts with clear, well-defined and measurable performance expectations."

Contract should support TCHC's goal for consistently good service at all TCHC buildings

Therefore, we expected that TCHC would properly plan and design contracts for property management services:

- to effectively support its ability to achieve its desired outcomes, and
- to hold the contracted property management companies accountable for their performance.

Instead, we found:

Service expectations were not always clear or consistent

- TCHC's contracts did not always clearly set out TCHC technical specifications and service requirements. TCHC's expectations for its directly managed buildings and for buildings managed by contracted service providers were not always consistent.

Better outcome measures for quality and tenant satisfaction are needed

- TCHC's contracts needed better performance measures to effectively address the key areas where TCHC wanted to improve service delivery outcomes. In our view, the measures included in the contracts did not effectively support TCHC's ability to monitor quality of work and factors impacting tenant satisfaction.

TCHC did not always collect reliable data to be able to effectively assess performance

- TCHC did not always track, monitor and take action on key performance indicators (KPIs) included in the contracts. Where TCHC was tracking KPIs, the data being used was not fully reliable because TCHC and its contracted property managers were not consistently and completely tracking all relevant information. This means TCHC used data that was not fully reliable to report on and compare performance metrics across its portfolio.

⁴ [Getting it done: Real change at Toronto Community Housing](#), Response to the Interim Report of the Mayor's Task Force, September 10, 2015

Set clear, consistent service standards for all buildings

Accordingly, we have made recommendations to set clear and consistent requirements for all TCHC buildings. We also recommend establishing measures or key performance indicators that support desired outcomes.

Clear service expectations are necessary for creating clear accountabilities

Clear service expectations are necessary for creating clear accountabilities regardless of who is delivering the service. As TCHC moves forward with its transformation and decentralizes decision-making to local service hubs across the city, clear service expectations will need to be a fundamental aspect of the accountability framework for TCHC management, staff, and contracted service providers.

Moving forward, collect reliable data to track performance, drive decisions and continuously improve

As TCHC moves forward, management has indicated that accountability will be driven by service quality indicators. We recommended that TCHC ensure it collects reliable data to track performance related to these indicators, and enhance reporting that will drive decisions to continuously improve.

2. Monitoring Performance – Accountability for "Getting it Done" Right

TCHC committed to improved vendor performance management across its entire portfolio.

Mayor's Task Force recommended TCHC better monitor and measure performance

In 2015/16, the Mayor's Task Force⁵ recommended that TCHC consider:

- *"How setting a basic and professional cleaning standard can be **consistently followed and monitored across the portfolio**"*
- *"How it could recast its contracts and relationships with third party property managers to **improve quality of service**"*
- *"How tenant satisfaction with **repairs and contract work can be measured**— possibly by rolling out the "Closing the Loop" program portfolio-wide"*

⁵ [Item 11 - Mayor's Task Force Final Report Update - Attachment 2.pdf \(torontohousing.ca\)](#)

TCHC management committed to enhancing performance management

In TCHC's Action Plan, communicated through its "Getting it Done" report⁶, TCHC management responded that:

- *"Contract-managed buildings will be held to the new standards and will be required to provide service delivery plans that can be **monitored for compliance** ... **Well-defined service standards**, documented cleaning routines, staff training **and performance management** will ensure that changes and more consistency will be evident over the long-term."*
- *"We are **enhancing our contractor performance management team** in September 2015 as part of our work to manage vendors and contractors more closely. This will help outline clear expectations of service delivery to residents, **ensure high-quality work**, and **ensure that contractors are treating residents with respect and courtesy.**"*
- *"By October 2015, we will introduce enhancements to our **contractor/vendor management program to monitor quality of work and vendor performance.**"*

TCHC management committed to continuously and rigorously monitoring performance

When the current property management services contracts were awarded, TCHC Management advised the Board that:

*"staff will **continuously and rigorously monitor the performance** of the vendors during the course of the project."*

Contract included mechanisms designed to monitor performance

The contracts did include mechanisms for TCHC to regularly monitor contract performance, assess compliance with TCHC policies, procedures, guidelines and directives, and take action when performance does not meet expectations.

In practice, TCHC's oversight and monitoring was not sufficient

However, we found TCHC's oversight and monitoring of contracted property managers was not sufficient. TCHC did not continuously and rigorously:

- Monitor \$22 million in annual operating expenditures
- Monitor contract performance and service quality
- Ensure performance issues were properly communicated, escalated when needed, and resolved in a timely manner

Records were not sufficient to show proper monitoring and inspection of work was occurring

Furthermore, documents and records we reviewed were not sufficient to show that the contracted property management companies were properly and consistently monitoring and/or inspecting their third-party subcontractors' work. In addition, some site staff seemed to take a reactive rather than proactive approach to monitoring performance.

⁶ <https://www.torontohousing.ca/capital-initiatives/capital-repairs/capital-investment/Documents/12038.pdf>

Areas of note were that:

- multi-year subtrade contracts were often not competitively procured
- during our site visits, we observed some indicators of the need for better monitoring of the quality of workmanship and routine repairs or maintenance that needs to be done
- some CM site staff advised us that they signed off on service tickets without confirming work was completed properly

TCHC has not leveraged incentive clauses to foster continuous improvement

We also found that although the contracts included performance incentive clauses, there were no clear protocols for how these clauses would be implemented to incentivize the contracted property managers to improve the tenant experience. The clauses were never exercised.

Monitor and verify that work completes is of good quality

Accordingly, we have made recommendations for more robust processes to monitor and verify that expenses are valid, and that work is completed in accordance with specifications and is of sufficient quality.

Escalation and accountability protocols should be in place moving forward

As TCHC moves forward, sufficient performance monitoring at the local service hubs and organization-wide levels will be needed to make sure that work is getting done right and TCHC is delivering high-quality service to its residents. Escalation and accountability protocols should be in place where performance is not meeting service expectations.

3. Building Trust and Confidence – Accountability Through Accurate and Transparent Reporting

Trust and confidence is built by consistently delivering services well

When services are delivered well, they will result in higher public trust and higher confidence in TCHC by its residents and by members of the public.

Oversight, monitoring, and management is critical to earning trust

Critical to earning and improving trust and confidence is providing oversight, monitoring, and management. This starts with having reliable, transparent information on how well TCHC is doing on achieving its goals for transformative change.

We noted throughout this report that many issues we observed during our audit were not new. Although management committed to changes and improvement, many key changes and improvements did not fully materialize in practice and concerns continued to persist.

Important that the Board is provided with information to support decision making and continuous improvement

Moving forward, even as TCHC looks to bring property management back "in-house" (as described further in Exhibit 1), it is important that management monitor performance using the right KPIs and reliable data. TCHC's Board should be provided reliable, data-driven information on the state of affairs and areas that continue to need improvement. In turn, the Board should hold management accountable for delivering on improved outcomes.

Conclusion

Long-standing issues

For many years, TCHC has been aware that a key to better performance is through improved monitoring. This is what management committed to each time the contract for property management services was retendered. However, substantive changes in the contract-managed portfolio were not achieved.

Recommendations designed to help TCHC attain its goals

The recommendations in our report highlight that TCHC can set up successful service delivery by defining clear and consistent performance requirements, and by building accountability into its service agreements. Our recommendations also highlight that reliable data is needed to strengthen oversight and monitoring that services are performed well and work is completed with high quality.

The Auditor General will also continue to support TCHC's efforts to build trust and confidence by bringing independent and objective information to the Board, City Council, and residents of TCHC and Toronto, and by shining a light on areas that need strengthening. To this end, the Auditor General is considering including audits of TCHC vendor management and service delivery at buildings directly managed by TCHC, as well as an audit of TCHC's capital planning and delivery in a future Work Plan.

We express our appreciation for the co-operation and assistance we received from management and staff of the Toronto Community Housing Corporation, and their contracted property management companies.

Audit Results

This section of the report contains the findings from our audit work followed by specific recommendations.

A. Setting Up Successful Service Delivery – Accountability by Design

Residents should receive consistently good service no matter where they live

TCHC's 2015 "Getting it Done" report⁷ responding to the Mayor's Task Force interim findings recognized that:

"It is vital that they meet the same service standards as Toronto Community Housing staff so that residents receive consistently good service no matter where they live. This has not always been the case...these benefits can only be realized through stronger contracts with clear, well-defined and measurable performance expectations."

All parties need to have a consistent understanding of what the services requirements are, the standard of quality they must meet, and the consequences if expectations are not met

To support successful service delivery, responsible parties need to be clear on what they are expected to do, how and when the work is to be completed, and how they will be held to account.

This means that regardless of whether property management services are performed by in-house staff (supported by TCHC's vendors) or contracted service providers, to ensure accountability, TCHC needs to have clear, well-defined and measurable performance expectations by establishing:

1. Clear and consistent requirements across all TCHC buildings, which specify the service expectations, standard or quality of service, and when the work is to be performed.
2. Outcome measures or key performance indicators (KPIs) that the service provider will be compared against.
3. Compliance monitoring and oversight mechanisms and the consequences if TCHC has identified that service requirements, performance outcomes, or KPIs are not met.

⁷ [Getting it done: Real change at Toronto Community Housing](#), Response to the Interim Report of the Mayor's Task Force, September 10, 2015

TCHC management committed to a clear set of KPIs and accountabilities for the delivery of work

Before awarding the current property management services contracts, TCHC management told the Board that the new contract structure had been revised to include:

- a clear set of KPIs and accountabilities for the delivery of the work
- realistic KPIs consistent with expectations on the directly managed properties, and tied to continuous improvement
- a management fee structure that includes incentives for satisfactory performance relative to KPIs
- requirements for monthly and quarterly reviews of KPI performance to standards
- more robust documentation and audit requirements to ensure proponents are using appropriate subtrades

We expected contracts that addressed prior observations and risks

Therefore, we expected TCHC's contracts for property management services to be set up in a manner that supported consistently good service across TCHC buildings.

We found that:

Contracts did not clearly set out TCHC's service expectations

1. Contract specifications were not always clearly defined and did not always clearly set out TCHC's expectations and performance measures related to property management services so that all TCHC properties received consistently good service.

Contracts did not define all relevant performance measures

2. Contracts did not define all relevant performance measures and expected outcomes to effectively address key areas where TCHC wanted to improve service delivery during the current contract term.

Data to assess performance was not always reliable or collected

3. For some performance measures, data was not collected. For other measures, TCHC and its contracted property managers were not consistently and completely tracking all relevant information in the system. This meant metrics and comparisons based on this data were not fully reliable.

These areas are discussed in further detail in the sections that follow.

A. 1. Set Clear and Consistent Requirements for All TCHC Buildings

2016 Task Force highlighted need for equity in tenant services

The January 2016 report from the Mayor's Task Force, "*Transformative Change for TCHC*"⁸, highlighted that questions were raised by some tenants about the level of service that they received. The Task Force went on to recommend TCHC review current private sector management contracts, adopting clear performance standards to ensure equity in tenant services.

To address these concerns, TCHC should have made sure property management agreements clearly reflected service expectations that were consistent across its entire portfolio.

a) Property management contracts did not reflect all of TCHC's service expectations

Property management contracts should reflect consistent service requirements for all TCHC buildings

TCHC should properly plan and define service level expectations for property management services to effectively support its ability to achieve desired outcomes and to hold the service providers (be it internal TCHC staff, TCHC vendors, or contracted property management companies) accountable for their performance.

For contracted property management companies ("CM companies"), this means making sure that contracts have consistent service requirements as would be expected for the directly managed properties.

Contracts include varying levels of detail regarding requirements and expectations

During our audit, we found that for some of the property management service areas⁹ included in the contracted "Scope of Work", the service expectations, specifications, and requirements ranged from quite detailed to very little detail. For example, the cleaning requirements were quite detailed and matched standards set for buildings managed directly by TCHC.

TCHC should provide up-to-date specifications and require consistent service across all properties

However, there were a number of areas of work where the service standards in the property management contracts were not clearly defined or differed from the requirements used for TCHC's directly managed (DM) properties.

⁸ [Item 11 - Mayor's Task Force Final Report Update - Attachment 2.pdf \(torontohousing.ca\)](#)

⁹ Service areas include: cleaning and routine maintenance, preventative maintenance, remedial repairs, tracking and addressing Municipal Licensing & Standards (MLS) orders and Toronto Fire Services (TFS) notices of violations and orders, vacancy management and tenant placement, rent subsidy administration, rent collection, arrears management and eviction prevention, unit inspections, and finance and administration functions

For example, for buildings it directly manages, TCHC requires a three-step bed bug treatment process that includes an initial inspection and treatment, a second follow-up treatment, and a follow-up inspection. No such requirement was specified in the scope of work for pest management services included in the property management contracts for the contract-managed (CM) portfolio. Although TCHC subsequently shared with the CM companies the scope of work and requirements from its Integrated Pest Management RFP for its direct managed buildings in September 2018, the CM companies were only encouraged but not required to ensure consistent service at CM buildings. As a result, only one CM company adopted a three-step treatment process.

Painting and preventative maintenance are other examples where TCHC needs to clarify its expectations and requirements so that there is consistent service delivery expectations across all properties.

b) Property managers' specifications for subtrades also need to be consistent with TCHC's requirements

Subtrade contracts are not always consistent with TCHC's requirements

Contract terms between the CM companies and their subcontractors were not always consistent with TCHC's requirements and/or the standards used for similar services at the buildings directly managed by TCHC.

We reviewed a sample of quotes, subtrade contracts, and purchase orders and found that the agreed-upon scope of work between the CM companies and their subcontractors were not always clear and/or detailed. For example, we found:

- Some subcontracts did not incorporate some of TCHC's scope of work requirements from the RFP for property management services into the contract requirements for that type of service. This includes the contracts for HVAC preventative maintenance, landscaping, and snow removal.
- Where TCHC had not clearly defined its expectations for the CM companies, the CM companies in turn did not include more detailed specifications or requirements in contracts with their subtrades.

Accountability stems from clear, well-defined requirements

Without clearly defined performance requirements or specifications, deliverables and/or timelines, it is difficult to assess whether subcontractors are delivering what is required of them and to hold them accountable for their performance.

c) TCHC should verify that agreements address all of its service expectations

TCHC should verify it has provided up-to-date specifications

Where property management service providers are not meeting TCHC's performance expectations and/or the service provider is performing at a level that is less than would be expected, TCHC should review whether it has provided clear direction on its expectations.

More specifically, if TCHC expects service delivery to be consistent across all of its buildings, then it should make sure the same standards, specifications, and requirements have been included in the scope of work for their property management service providers and their vendors.

TCHC should verify subcontracts reflect its expectations

While the property management services contracts allowed TCHC to obtain copies of all agreements between the CM companies and their subcontractors, TCHC had not previously done so. Therefore, they could not have identified the discrepancies between the requirements and specifications included in the subcontracts and TCHC's standards and/or expectations.

Recommendation:

- 1. The Board request the Chief Executive Officer, Toronto Community Housing Corporation, to**
 - a. review property management service delivery expectations for the maintenance, operation and repair of buildings and identify where minimum mandatory standards, specifications, and requirements vary from building to building.**
 - b. clarify to its service providers (be it internal TCHC staff, TCHC vendors, or contracted property managers and their subtrades) any additional expectations and requirements not captured in existing contracts and service-level agreements to ensure performance requirements are consistently defined for the entire TCHC portfolio.**
 - c. implement a process to ensure updated versions of relevant TCHC standards, specifications, and requirements are applied to all service providers whenever TCHC revises its requirements to support consistent service delivery across all TCHC buildings.**

A. 2. Establish Measures or Key Performance Indicators that Support Desired Outcomes

Consistent quality service has been a recurring theme when it comes to transformative change for TCHC.

TCHC management committed to measuring contractor performance, timeliness, and quality

In its 2015 "Getting it Done" report¹⁰ responding to the Mayor's Task Force observations and recommendations, TCHC management committed to:

*"ensuring contractors and vendors provide quality service to residents. **We will be measuring contractor/vendor performance with a focus on: timeliness of response and getting the job done right the first time; quality of work** and ensuring it meets resident and Toronto Community Housing expectations; and respect for residents and staff."*

TCHC management committed to continuously and rigorously monitor performance

In recommending the award of the property management services contracts, TCHC management advised that:

*"The RFP outlined a **clear set of KPIs and accountabilities** for the delivery of the work" and that "Staff will continuously and rigorously monitor the performance of the vendors during the course of the project."*

We expected TCHC to have meaningful measures to assess outcomes

Therefore, we expected TCHC to have clearly defined KPIs to monitor and assess tenant satisfaction, building condition, cleanliness and quality of work at CM buildings, and that the outcome measures would be consistent across the entire TCHC portfolio.

Performance measures can be improved

We found that although TCHC had prescribed 39 key performance indicators (KPIs) in their property management agreement:

- a) KPIs focused mainly on timeliness not quality
- b) KPIs did not directly address tenant satisfaction concerns
- c) Many KPIs were not tracked or monitored

¹⁰ [Getting it done: Real change at Toronto Community Housing](#), Response to the Interim Report of the Mayor's Task Force, September 10, 2015

a) KPIs focus mainly on timeliness not quality

Many KPIs included in the contracts focused on assessing how promptly the contracted property manager completed required tasks. For example,

- % of routine maintenance work orders completed *within 5 business days*
- % of common space cleaning work orders completed *within 4 hours*
- % of capital expense quotes prepared *within 5 days* for TCHC approval
- % of required financial reports submitted *on-time*

Measures needed to monitor quality of work

These measures focused on outputs. TCHC should have established measures to support monitoring of outcomes like completion of work to the expected level of quality and in accordance with specifications. For example, TCHC did not include any KPIs to monitor:

- Quality of routine maintenance work (e.g., % of routine maintenance work orders, such as in-unit pest treatment requests or other in-unit work orders completed to TCHC's defined standards)
- Quality of remedial repair work (e.g., % of remedial repair projects completed to TCHC's specifications)
- Quality of unit turnover work (e.g., % of unit turnover work / in-suite repairs completed to TCHC's specifications)

b) KPIs do not directly address tenant satisfaction concerns

Factors impacting tenant satisfaction need to be addressed

Some of the key factors impacting tenant satisfaction (as assessed through the *Tenant Experience Survey*), were not areas where KPIs or service level targets were clearly set out in the contracts. For example, the 2018 *Tenant Experience Survey* gathered the tenant's perspective on whether:

- It was easy to request repairs
- Maintenance staff were respectful / helpful
- Repairs were done properly
- Repairs were done when you were told they would be done
- Maintenance staff cleaned up before leaving

These are all areas where TCHC management reported that contract-managed buildings received lower tenant satisfaction ratings than buildings directly managed by TCHC.

Tenant satisfaction should inform performance gaps

TCHC should develop ways to measure and improve outcomes in areas where there were performance gaps identified in tenant experience surveys, especially since one of TCHC's objectives was to improve tenants' experiences at the contract-managed buildings.

For example, there were no measures or assessments of how well the complaints were addressed, or whether the complaints were addressed to the tenant's satisfaction (e.g., % of work orders receiving satisfactory tenant satisfaction rating for "Closing the Loop"¹¹).

Better questions can help get to the root cause of tenant dissatisfaction

Performance information should be gathered to help get to the root cause of tenant dissatisfaction so that concerns can be addressed and monitored, and outcomes can be improved.

For example, while the Tenant Experience Survey asks if "it was easy to request repairs", it is hard to distinguish who is responsible when there are lower ratings – the TCHC Client Care call centre who take tenant calls for repairs, or the local property manager.

Similarly, a Tenant Experience Survey question asking if "repairs were done properly" does not clarify if the responses are related to in-unit repairs, which are typically the responsibility of the property manager, or building repairs which could be the responsibility of TCHC or its property managers, depending on whether it is a small remedial repair, demand capital maintenance, or a large capital project.

c) Many KPIs were not tracked or monitored

TCHC management committed to managing vendors more closely and holding contractors to account for quality of work

In its 2015 "Getting it Done" report¹² responding to the Mayor's Task Force, management continued to emphasize their commitment that

*"Vendors and contractors carrying out work for Toronto Community Housing must be **held accountable for the quality of this work**. This not only directly benefits residents, but also maximizes the limited dollars available for maintenance and repairs ... Toronto Community Housing has been **managing vendors and contractors more closely** to ensure that contractors are performing high quality work and are treating residents with respect and courtesy."*

¹¹ As part of the 2015 corporate plan, TCHC introduced the Closing the Loop pilot project to measure resident satisfaction with repairs – after a repair job is completed, residents receive a phone call and are asked to rate the quality of the work and the courteousness of the person doing the repairs

¹² [Getting it done: Real change at Toronto Community Housing](#), Response to the Interim Report of the Mayor's Task Force, September 10, 2015

TCHC management considered the contracted property management difficult to administer and ensure compliance

However, we noted that in November 2016 prior to awarding the current property management contracts, TCHC management raised concerns that the program was difficult to administer because it required significant management resources to ensure compliance with service-level performance expectations.

TCHC does not regularly assess, track, and monitor KPIs that are outcome-oriented

During our audit, TCHC management advised us that they did not track or monitor many of the 39 KPIs established in the property management contracts were not tracked or monitored, including KPIs for:

- % of Emergency Maintenance Work Orders attended within 4 Hours
- % of Preventative Maintenance Routines being completed at defined standards
- % of Building Condition Audits meeting defined standards.

More examples of the KPIs not tracked and monitored are detailed in Exhibit 2.

Measuring performance outcomes is key for improving service to tenants, monitoring the value of spending, and having the data to be able to make reasonable decisions.

Mayor's Task Force highlighted measuring performance is an essential management tool as TCHC moves to a decentralized housing model

The January 2016 Mayor's Task Force report, "*Transformative Change for TCHC*"¹³, highlighted that

"Measuring performance is an essential management tool that will help ensure the decentralized housing model is working efficiently and effectively."

"As TCHC moves to a decentralized housing model and the transformative recommendations are implemented, they will need to develop performance measures or 'scorecards' to ensure greater accountability of local Operating Units."

Task Force recommended TCHC establish measures to track and regularly monitor performance

The Task Force recommended that:

"That TCHC/NewHome develop management agreements to clarify the authority of local Operating Units to make decisions, to establish measures to track performance and to regularly monitor performance with metrics."

¹³ [Item 11 - Mayor's Task Force Final Report Update - Attachment 2.pdf \(torontohousing.ca\)](#)

Recommendation:

2. The Board request the Chief Executive Officer, Toronto Community Housing Corporation, to review and update how TCHC measures and evaluates performance against its objectives, expectations and/or priorities for day-to-day property management across its entire portfolio. In doing so, TCHC should:
 - a. develop additional methods of measuring performance, including additional key performance indicators to monitor and measure performance against TCHC's desired outcomes. Such methods and measures should address, among other things, quality of completed property management work (e.g. preventative maintenance, routine repairs and maintenance work orders, cleaning, etc.).
 - b. develop ways to measure tenant satisfaction in order to decipher who is responsible for improving their performance (be it TCHC internal staff, TCHC vendors, or contracted service providers and their subtrades).

A. 3. Gather Reliable Data to Track Performance, Drive Decisions, and Continuously Improve

Reliable data is needed to assess performance, build accountability, and make decisions

Collecting high-quality performance data helps provide the information needed to drive future decisions and continuously improve. Key to this is making sure TCHC can rely on the data it is using to build accountability and help make the best decisions possible.

TCHC relied on work order management system (EasyTrac) data

TCHC relied on data and records from its work order management system (EasyTrac) to assess the CM companies' performance against KPIs. However, during our audit, we found that TCHC did not always collect reliable data to be able to effectively assess performance of its contracted property managers.

- For some performance measures, data was not collected.
- For other measures, TCHC and the CM companies were not consistently and completely tracking all relevant information in the system. This meant metrics and comparisons based on this data were not fully reliable.

Some data cannot be verified as accurate, complete or reliable

For example, the CM companies were required to complete 80 per cent of work orders for routine maintenance (business hours) within five business days or less. While TCHC did monitor and track this KPI, the KPI was determined based on work order data captured in EasyTrac. TCHC contract management staff did not regularly monitor or review the information recorded in the system.

For the sample of work order records we reviewed, we found that it was difficult to reconcile the information between work orders indicated as complete (in EasyTrac) and actual work performed. Often, CM site staff actions taken to respond to work orders were not adequately documented in EasyTrac. Therefore, we were unable to verify that the information in TCHC's work order management system was accurate, complete, and reliable.

Data that is not fully reliable is used to compare performance

Although the data from the TCHC work order management system was not fully reliable, we noted that TCHC used this routine maintenance data from EasyTrac to report to its Board and to compare performance of DM buildings and CM buildings – concluding superior performance at directly managed buildings.

Data reliability concerns are not new

Data reliability concerns are not new. In 2008, TCHC management identified the need to support uniform and documented responses to tenant requests for service. In 2016, TCHC management suggested that non-compliance with the work order process may be one of the reasons for lower scores in the contract-managed portfolio relative to direct-managed portfolio.

Additional service quality indicators planned

As TCHC moves forward with transformative change, TCHC management has indicated that accountability will be driven by Service Quality Indicators that will measure the performance of TCHC's service delivery model and systems from four pillars:

1. Safety and support
2. Cleaning
3. Maintenance
4. Tenancy management

TCHC needs to make sure that the data it uses to monitor these KPIs is accurate, complete, and reliable.

Recommendation:

3. **The Board request the Chief Executive Officer, Toronto Community Housing Corporation, to ensure data used to assess, compare, and report on performance and outcomes is collected in a consistent manner across the TCHC portfolio, and that the data collected is accurate, complete and reliable.**

B. Monitoring Performance – Accountability for "Getting it Done" Right

Mayor's Task Force reported residents saying some work completed by staff and contractors is of poor quality

The need to monitor performance and quality of maintenance service is not new. For example, in its 2015 interim report, the Mayor's Task Force reported residents saying that:

*"Performance and quality of maintenance service at TCHC varies ... Some requests for repairs take a long time before the repair is complete ... Tenants are not routinely being asked for their feedback on whether the repair was performed properly or on time ... **Some work completed by staff and contractors is of poor quality. Tenants told us that staff or contractors sometimes make things worse than before the repair ... Buildings are not always kept clean.**"*

TCHC management acknowledged repairs not being done right the first time – and said this is not acceptable

TCHC's "Getting it Done" action plan¹⁴ responding to the Mayor's Task Force Interim Report acknowledged:

*"When residents request a repair, it needs to be done quickly. The work should be high quality and the service respectful and courteous. In the past, **we have experienced repairs not being done right the first time or vendors not being on site when they were supposed to be. This is not acceptable.**"*

TCHC management committed to enhancing contractor performance management

In response, TCHC Management committed:

*"By October 2015, we will introduce enhancements to our contractor/vendor management program to **monitor quality of work and vendor performance** ... We will be measuring contractor/vendor performance with a focus on: **timeliness of response and getting the job done right the first time; quality of work and ensuring it meets resident and Toronto Community Housing expectations; and respect for residents and staff***

*The Contractor Performance Management team will manage relationships with contractors and vendors. They will be responsible for onboarding of contractors and vendors to Toronto Community Housing programs; **performance reviews and feedback; creation of vendor performance measures; and data collection.** Legal and Procurement staff will also be involved in developing **an escalation process to ensure that vendors who consistently deliver poor service can be removed from our vendor roster.**"*

TCHC management committed to continuously and rigorously monitor vendor performance

In turn, at the time the current property management services contracts were awarded, TCHC Management advised the Board that:

*"staff will **continuously and rigorously monitor the performance of the vendors during the course of the project**"*

¹⁴ [Getting it done: Real change at Toronto Community Housing](#), Response to the Interim Report of the Mayor's Task Force, September 10, 2015

Contract included mechanisms for contract monitoring

During our audit, we found the property management contracts did include mechanisms for TCHC to regularly monitor contract performance, assess compliance with TCHC policies, procedures, guidelines, directives, and take action when performance does not meet expectations.

TCHC's oversight and monitoring of CM companies was not sufficient

Based on all of these commitments, we expected TCHC to be effectively monitoring performance and making sure the CM companies were addressing performance concerns. Instead, we found TCHC's oversight and performance monitoring was not sufficient.

Effective monitoring is critical for accountability

As TCHC moves forward, effectively monitoring performance of any service provider is critical for accountability, regardless of whether service is delivered by internal TCHC staff, TCHC vendors, or other contracted service providers and their subcontractors. It is essential for TCHC to have effective monitoring processes to ensure it is responsibly using its resources to deliver value for money for its stakeholders.

TCHC needs to strengthen its monitoring processes

In the context of its contracted property management companies, we found TCHC needs to strengthen its monitoring processes by:

- a) More effectively monitoring expenditures
- b) Improving how it monitors contract performance and service quality
- c) Ensuring performance issues are properly communicated, escalated when needed, and resolved in a timely manner

Each of these are discussed in the sections that follow.

B. 1. TCHC Needs to More Effectively Monitor Expenditures

\$22 million in operating expenditures annually for CM buildings

Annually, TCHC paid about \$22 million for operating expenses¹⁵ which are flow-through costs from the property managers to operate the buildings.

TCHC did not obtain or retain detailed supporting documentation for these operating expenditures

Although this is a significant amount of annual spending, we found TCHC's monitoring was generally limited to reviewing the income statement and performing variance analysis for reasonability and trending. TCHC did not ordinarily obtain and retain detailed supporting documentation for operating expenditures to monitor, review, or verify that the expenditures flowed through by the contracted property management companies were properly substantiated.

¹⁵ Aside from the annual management fees, TCHC paid the property managers' costs for direct routine maintenance, preventative maintenance and cleaning as well as wages and benefits of site staff.

Contract allows access to CM companies' records

While the contracts required the CM companies to give TCHC access to all documents, papers, and records related to the contract upon request, TCHC rarely exercised this access as part of regular and ongoing monitoring.

TCHC relied on financial audits

TCHC relied mainly on audits performed by its external financial statement auditors. However, the purpose of these external audits was to provide an opinion that the financial statements (for the group of CM properties) were prepared, in all material respects, in accordance with the noted basis of accounting.

Given the significant level of expenditures, TCHC should also have a process for periodic internal audits or other independent reviews to assess contract compliance and evaluate internal controls to ensure expenses are valid and work has been completed.

TCHC did not obtain or review documentation to validate service delivery or value-for-money

TCHC did not typically obtain and retain supporting documentation from its contracted property managers to validate service delivery or verify that the costs incurred represent value-for-money. In particular, TCHC did not obtain and review:

- Call documents, contracts, and purchase orders
- Evidence of the receipt of goods or services (e.g. service ticket, time sheets, site logs)
- Evidence of contracted property managers' inspection of work performance and quality
- Supporting invoices from subtrades

TCHC relied on the CM companies to ensure work is meeting requirements

TCHC instead relied mainly on the CM companies to ensure work was meeting requirements. The lack of scrutiny by TCHC of flow-through expenditures increases the risk that TCHC will not be able to identify when expenditures do not represent value for money, or where work has not been performed or has not been completed to the required level of quality.

Majority of subcontracts were awarded through non-competitive procurement processes

For example, the CM companies entered into third-party subcontracts for the maintenance, operation and repair of TCHC buildings within the CM portfolio. The majority of subcontracts for the maintenance, operation and repair of buildings within the CM portfolio were awarded through non-competitive procurement processes.

TCHC only required the CM companies to obtain three quotes for "not-in-contract" (NIC) expenditures greater than \$5,000. However, we found that in some cases TCHC contract management staff approving NIC work should have probed further and asked questions on the scope and reasonableness of costs when quotes provided by CM companies were not consistent or comparable or did not provide sufficient information to assess the price.

If TCHC wants service providers to more competitively award subcontracts, it needs to clarify that in its specifications.

Concerns with procurement practices are not new

Concerns with procurement practices are not new. In 2016, when evaluating the CM portfolio, TCHC management identified that there was no requirement under the 2012 RFP for proponents to establish or maintain procurement practices consistent with standards established by TCHC.

Difficult to assess value for money when contracts are not competitively procured

Where contracts are not competitively procured or the process to obtain quotes is not robust, it is much more difficult to determine whether or not the contracted services represented good value.

Although the property management contracts required that any subcontracts do not exceed the costs of similar contracts for residential properties of a similar type, age and condition, TCHC did not obtain the contract scope and pricing for each category of work and compare the scope and pricing to the cost of similar contracts within buildings it directly operates.

There was less incentive for the CM companies to obtain appropriate pricing and value for money when arranging for subcontracts for the maintenance, operation and repair of TCHC buildings because the costs related to these contracts are borne entirely by TCHC.

Not possible to assess if TCHC is paying more for services in CM buildings

It was difficult to assess if TCHC was paying more or less for maintenance, operation and repair work in CM buildings because, as described in section A, the scope of work, requirements, and technical specifications are not clearly defined in the CM companies' subcontracts. Even if the dollar spend per unit can be compared, it is not possible to tell if the same scope of work is being performed for that level of spending.

We did note that for cleaning, where the scope of work and requirements were more clearly defined and comparable, it appears that the hourly rate TCHC paid to its own vendors was lower than the hourly rates that CM companies paid their subcontractors.

TCHC should analyze and monitor scope and pricing of subcontracts

As part of its oversight of property management services, TCHC should analyze and monitor the scope and pricing of any subcontracts for the maintenance, operation and repair of buildings to assess value for money, reasonableness, and whether there are any price variances for different service providers used across its portfolio for similar scopes of work.

Assess whether better pricing, quality, and value can be achieved by procuring services for its entire portfolio

TCHC should analyze whether it can obtain better pricing, quality, and overall value for money through economies of scale by procuring and selecting common contractors / subcontracts for its entire portfolio.

Recommendations:

4. The Board request the Chief Executive Officer, Toronto Community Housing Corporation, to:
 - a. obtain and retain key supporting documents, including site sign-in/sign-out logs, service tickets, preventative maintenance reports, and other records to support expenditures charged to TCHC by its service providers.
 - b. verify the services are delivered in accordance with the RFP/contracts before payment is made.
 - c. implement a process for periodic internal audits or other independent reviews to confirm that internal controls to ensure expenses are valid and work has been completed, are consistently implemented in practice.

5. The Board request the Chief Executive Officer, Toronto Community Housing Corporation, to review third-party contracts for the maintenance, operation and repair of buildings across TCHC's entire portfolio to:
 - a. ensure they do not exceed the costs of similar contracts for residential properties of a similar type, age and condition.
 - b. identify opportunities to achieve better value for money through economies of scale, by procuring and awarding contracts that enable all vendors to provide services to all its buildings regardless of whether they are directly managed or managed by contracted property managers.

B. 2. TCHC Needs to Monitor Contract Performance and Service Quality

We expected TCHC to monitor that services are actually performed and are of sufficient quality

While the CM companies are responsible for making sure their staff and subcontractors are performing work in accordance with TCHC's requirements, TCHC still needs robust processes to monitor and verify that expenditures are valid, and work is completed in accordance with specifications and is of sufficient quality.

TCHC relied heavily on CM companies' quality assurance processes

Given the performance concerns and low tenant satisfaction scores of the past, TCHC did not monitor service delivery to the level we expected.

During our audit, we found TCHC relied heavily on the effectiveness of the CM companies' quality assurance processes. Yet, when we reviewed documents and records retained by the CM companies, the records we reviewed were not sufficient to show that CM companies properly and consistently monitored and/or inspected their subcontractors' work.

TCHC needs better processes to monitor and verify work

More specifically:

- a) TCHC needs to make sure site staff properly inspect subcontractors' work to identify and resolve quality and performance issues in a timely manner – During our site visits, we observed some indicators that there should be better monitoring of the quality of workmanship and routine repairs or maintenance that needs to be done.
- b) TCHC needs to make sure site staff obtain and review proper documentation as evidence that work was performed as contracted and as invoiced.
- c) We identified other measures to strengthen how TCHC oversees the quality of subcontractors engaged to perform work.

These findings are discussed in greater detail in the sections that follow.

Monitoring of service delivery is a key management responsibility, regardless of whether the work or service is delivered internally by TCHC staff, TCHC's vendors, or contracted service providers and their subcontractors. TCHC needs to ensure it has robust processes to monitor and verify work performed by its vendors and contractors.

a) TCHC needs to make sure site staff properly inspect subcontractors' work to identify and resolve quality and performance issues

Tenant complaints about quality of work

Quality concerns were readily identifiable by reviewing tenant complaints in TCHC's work order management system and when we conducted site visits.

For example, tenant complaints logged in TCHC's work order tracking system included cases where tenants indicated contractors did not complete work orders properly. Some examples of work order tickets indicated:

"Tenant reporting pest control - serviceman attended her unit and spent only 10 mins and didn't spray the area that needed to be sprayed"

"I'm concerned what treatment was done, how it was performed and repeating it without addressing these concerns, particularly with the pest control company, would be a waste of time, money, ineffective and risk resistance to future treatments."

"tenant reporting contractors improperly replaced tiles. The contractors did not remove baseboards, left wide gaps between tiles/baseboards, used an excessive amount of glue and broke toilet flush. Tenant reports that the repair is incomplete"

"tenant reporting landscaping contractors who use leaf blowers scatter leaves all over the place and leave it without picking them up; these leaves get blown on to tenant door steps. Tenant indicating that when they attend it always looks as if nothing has been done"

Some tickets were closed but EasyTrac did not indicate that tenant concerns were addressed. Other tickets continued to remain open for several months. There is no indication that TCHC staff monitoring performance and service quality of the CM portfolio identified and followed up on these.

Quality of workmanship is observable through site visits and inspections

During our audit, while visiting some buildings in the CM portfolio, we also observed indicators that there should be better monitoring of the quality of workmanship and of the need for routine repairs or maintenance work. Examples we observed included cleaning, repairs at common areas, and painting as illustrated in the photographs that follow. We expected TCHC staff overseeing the CM portfolio to be identifying and addressing the quality of workmanship and monitoring work completed.



Photograph 1: Staircase not properly cleaned



Photograph 2: Paint over electrical outlet at vacant unit



Photograph 3: Peeling paint approximately a year after painting job



Photograph 4: Uneven painting on unit door



Photograph 5: Underground garage not properly cleaned



Photograph 6: Damaged hallway ceiling was not repaired

TCHC should monitor that CM companies have properly inspected work

TCHC should have monitored that quality concerns had been identified and addressed by the CM companies – CM companies were responsible for arranging and supervising the work.

Based on documents and records obtained and retained by TCHC and the CM companies, it is our view that TCHC staff were not exercising sufficient oversight to make sure that the CM companies had adequately supervised, regularly monitored, and/or inspected the work performed by their subcontractors.

CM companies advised they followed up on subcontractor no-shows but no documentation to demonstrate

For example, for pre-scheduled cleaning, snow removal, landscaping services and pest management services, the CM companies advised us that if there were no-shows or if site staff found deficiencies in the quality of work, they would contact the subcontractor to follow up. However, the companies were unable to provide sufficient evidence (e.g. completed inspection reports or checklists, deficiency reports, site logs, attendance logs, etc.) that site staff consistently inspected subcontractors' work for quality and completeness or tracked attendance at the sites.

Some CM site staff advised us that they sign off on service tickets without inspecting work

As another example, we found that six of 45 service tickets supporting repair and maintenance work we reviewed were not signed off by the CM companies' staff. Even where the service tickets were signed off, we could not rely on this as evidence that adequate supervision and/or inspections of the work performed because multiple CM staff advised us that site staff signatures or initials on service tickets did not mean that they had inspected the work conducted or that work was performed satisfactorily. They advised that sign-offs were merely an acknowledgement that the subcontractor had attended the site to perform work.

Reactive rather than proactive approach taken to monitoring

Different CM site managers advised us that they relied on tenant complaints to identify when services were not satisfactory or when maintenance requests were not fulfilled. This means they are reactive rather than proactive in monitoring, questioning and addressing performance and quality concerns. A reactive approach may impact tenant satisfaction.

TCHC should have been monitoring CM inspections and conducting its own reviews

A key monitoring control TCHC included in its RFP / contracts was a requirement for property management staff to perform, at monthly intervals, physical inspections to confirm conformity to normal maintenance standards. TCHC staff did not monitor that CM inspections had occurred; they had not requested, obtained, or reviewed reports of such inspections from the CM companies.

Had TCHC been exercising the appropriate level of contract oversight and monitoring of property management service delivery, concerns with the quality or performance should have been promptly raised and questioned by TCHC staff responsible for oversight and monitoring contract compliance.

b) TCHC needs to make sure site staff obtain and review documentation to evidence that work was performed as contracted

TCHC monitoring should include review of records supporting completion of work

Supporting documentation retained by the CM companies should be obtained and reviewed by TCHC

Had TCHC been exercising the appropriate level of contract oversight and monitoring of property management service delivery, it is our view that the following matters should have been questioned by TCHC staff and promptly escalated through the contracted process for managing performance concerns.

For example,

TCHC did not regularly monitor compliance of preventative maintenance

- i. **Preventative maintenance** – TCHC should be regularly monitoring for compliance with required preventative maintenance routines. Where proper preventative maintenance does not occur, it may result in service interruptions and cost TCHC more in the long-run because poorly maintained building systems often have shorter lifespans.

Preventative maintenance KPIs were included in the contracts but TCHC did not regularly assess and monitor the measures

Although the property management contracts included a requirement to complete 95 per cent of preventative maintenance routines¹⁶ to defined standards and a KPI to monitor this requirement, we found TCHC did not monitor compliance on a regular basis.

TCHC staff overseeing CM companies ordinarily only asked for preventative maintenance reports when the CM companies requested additional funds for capital expenditures to repair and/or replace building systems, parts, or equipment.

HVAC (heating, ventilation, and air conditioning) preventative maintenance is an area of significant concern.

HVAC maintenance records should have been promptly reviewed by CM company and regularly reviewed by TCHC

We reviewed HVAC preventative maintenance records retained at a sample of seven buildings managed by one of the CM companies. We found documents at four of the buildings that in our view, should have been regularly reviewed by the CM company and by TCHC staff overseeing the CM company. Illustrative examples of these documents are shown in Figures 1 and 2.

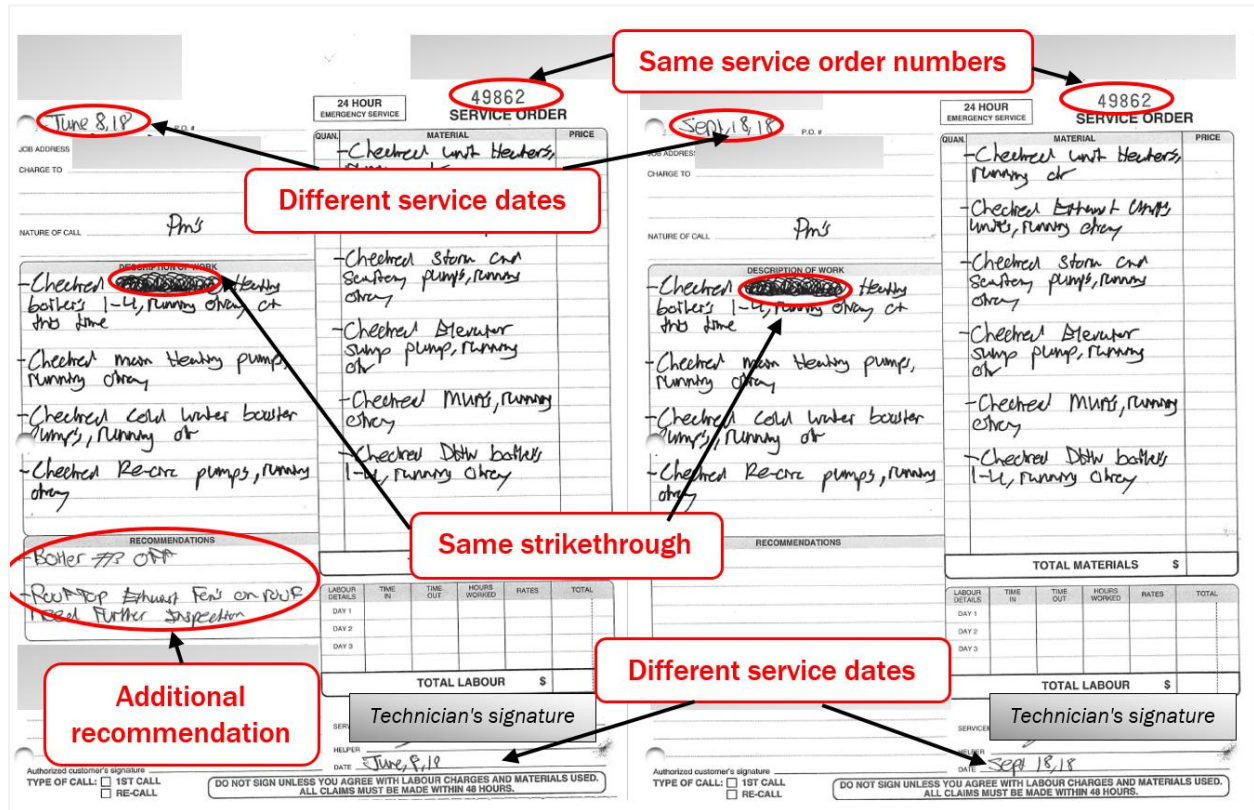
We expected that TCHC staff overseeing CM companies would periodically request to see preventative maintenance reports or service records to verify that work was being performed in accordance with the contract. If TCHC staff were effectively monitoring performance throughout the contract period, they should have asked questions about the site records.

Examples of documents kept on site that appear to be duplicates or copies with only the dates of service changed

The documents in Figures 1 and 2 are service tickets submitted by subcontractors. The documents are nearly identical copies except that the dates on the service tickets have been altered. We expected that staff overseeing and monitoring service delivery would have asked questions about the service tickets and performed additional inspections to make sure the required preventative maintenance activities were performed. During our audit, we did not find documentation to indicate that these specific records were questioned and additional inspections performed.

¹⁶ Preventative maintenance includes HVAC preventative maintenance, monthly pest management of common areas, landscaping, snow removal services

Figure 1: Illustrative Examples of Documents Retained On-Site



Notes:

- The example documents show the same service order receipt (#49862) issued on two separate dates (June 8, 2018 and Sept 18, 2018).
- Much of the service order description of services provided appear to be a copy, including the strikethrough.
- The only difference being the June 8, 2018 service order appears to have "recommendations" made as a result of the service performed.
- The CM company advised that as staff reviewed the maintenance log books, missing service orders were noted, and a request was made for the subcontractor to provide the appropriate documentation. The CM company further advised that it appears that the technician decided to copy their last report and adjust where required for the dates the paperwork was missed and to update any notable items and that the technician should have properly prepared individual service orders to reflect each visit.

Please note contents on this page were revised on November 2, 2021

Figure 2: Illustrative Examples of Documents Retained On-Site

The image displays two service order forms. The left form is dated July 3, 2018, and the right form is dated Oct 23, 2018. Both forms have the same first three digits of the service order number, 370. Red callout boxes highlight these similarities and differences:

- Different service dates:** Points to the dates July 3, 2018 and Oct 23, 2018.
- Same first three digits of service order number:** Points to the 370 prefix on both forms.
- Same text:** Points to the identical descriptions of work on both forms.
- Different ink used for dates and signatures:** Points to the handwritten dates and signatures.
- Missing technician's signature:** Points to the signature line on the left form.
- Same signature of acceptance:** Points to the acceptance lines on both forms.

Notes:

- The example documents show the same first three digits of the service order receipt (#370xx) issued on two separate dates (July 3, 2018 and Oct 23, 2018)¹⁷.
- The service order description of services provided appears to be an exact copy.
- Ink used to sign and date July 3 and Oct 23 service orders is different than the ink on the base service order.
- The signature of acceptance appears to be an exact copy.
- The CM company advised that as staff reviewed the maintenance log books, missing service orders were noted, and a request was made for the subcontractor to provide the appropriate documentation. The CM company further advised that it appears that the technician decided to copy their last report and adjust where required for the dates the paperwork was missed and to update any notable items and that the technician should have properly prepared individual service orders to reflect each visit.

¹⁷ The service order receipt retained at the site appears to be a partial photocopy of the October 23, 2018 service order. In addition to the July 2018 service order shown above, we also observed this same partial photocopy showing different service dates in May 2018, August 2018, and September 2018.

Significant deficiencies in record keeping were observed at some sites

Additionally, for the sample of seven CM buildings we reviewed, out of a total of 224 service records we expected to find retained on site to support the work performed, we could not find 123 (55%) of those records. At two buildings, 90 per cent of the service records were not retained on site. The CM company provided copies of records after we requested them. They advised that depending on the site staff and technician, service orders may be completed while in attendance or completed later and delivered to the site. However, given the issues with documents present at other buildings, documents not obtained and retained at the time work was actually performed causes concern as to the degree the CM company and TCHC were providing oversight of these subcontractors.

One CM company retained better records than the other

The same subcontractor was used by the other CM company as well. However, we found this other CM company maintained better records.

TCHC concerns with HVAC preventative maintenance

An internal TCHC management report indicates that due to an increasing number of issues raised by tenants and TCHC staff with respect to the mechanical equipment at some properties, TCHC conducted an audit to determine the level of preventive maintenance that was being performed. TCHC hired a consultant to review preventative maintenance at a sample of TCHC buildings in late 2018.

TCHC's consultant found CM buildings were "overwhelmingly not in full compliance with contract requirements"

As part of the review of one of the CM companies, conducted between December 2018 and January 2019, the consultant assessed compliance against 168 items included in TCHC's scope of work for preventative maintenance of mechanical-electrical systems, including HVAC. The consultant's March 2019 report indicated that the 12 sampled buildings were "overwhelmingly (87 per cent) not in full compliance with contract requirements with respect to required preventive maintenance. Major equipment is not being kept in working order".

TCHC subsequently expanded the review to the other CM company and at TCHC's direct-managed buildings. The consultant reported:

- Overall compliance scores for a sample of four buildings in the other CM company's portfolio were in the range of 20% to 40%, with an average of 28% (based on the observations made during the audit visits and on the available preventative records).
- In a sample of 12 buildings managed directly by TCHC, the overall compliance assessed by the consultant was better - in the range of 50% to 75%, with an average of 64%.

Better, but not full compliance in DM buildings

The results of these reviews are consistent with our findings and indicate that strengthened monitoring of compliance with TCHC's required preventative maintenance routines is needed across the entire TCHC portfolio.

Building condition assessments set the baseline for holding preventative maintenance service providers accountable

It also should be noted that, to properly hold service providers accountable for completing expected preventative maintenance, it is important to have a proper baseline of the condition of building systems at the beginning of each new contract term because many TCHC buildings are considered to be in poor or critical condition (as noted in Exhibit 1).

Establishing the baseline as close as possible to the contract initiation date helps TCHC to demonstrate, where necessary, the adverse impact on building condition as a result of failures to properly perform contracted preventative maintenance. We found that the majority of building condition assessments for CM buildings were five or more years old at the end of 2019 – with 70 per cent of assessments completed in 2013 and 2014¹⁸.

Fire and life safety preventative maintenance records are incomplete

Records for fire and life safety equipment preventative maintenance retained at sites were also incomplete. For example, we examined the monthly inspection records (service ticket or inspection report) for 15 buildings from May 2017 to December 2019. We found the completeness of records varied greatly from site to site, with anywhere from three to 88 per cent of monthly fire alarm system inspection records missing.

It is important that service and inspection records, including monthly service ticket or inspection reports be properly retained as supporting documentation for the proper completion of preventative maintenance work and to show compliance with regulatory requirements.

We expected TCHC to be closely monitoring violation notices and orders

- ii. **Violation notices and orders** – We expected TCHC to be closely monitoring the timely resolution of violation notices and orders because matters identified may impact the health and safety of residents.

We noted that the property management contracts include requirements and KPIs that all violation notices or orders issued by Toronto Fire Services (TFS) and Municipal Licensing & Standards (MLS) be resolved within 30 days.

¹⁸ Based on data TCHC provided in July 2020

Resolving Toronto Fire Services notices of violation

Yet, we found that out of nearly 170 violation notices or orders issued by TFS from May 2017 to December 2019, only 40 per cent were resolved within 30 days and over 15 per cent were outstanding for over 90 days including three notices of violations from May/June 2019 that were still being addressed as of February 2020¹⁹.

Resolving open MLS orders – oldest order dates back to 2013

For MLS orders, we found that while TCHC sends weekly exception reports listing outstanding orders to the contracted property managers, TCHC does not always make sure the orders have been resolved in a timely manner. For example, an exception report from November 2019 included nearly 50 outstanding MLS orders related to the CM portfolio. Nearly all had been outstanding for over 30 days, with the oldest originating in January 2013.

Central monitoring of compliance issues across entire TCHC portfolio is needed

TCHC has established a Corporate Fire Life Safety Unit to help keep buildings in compliance with fire regulations. There does not appear to be a similar unit for MLS orders or other regulatory compliance issues. Centralized monitoring and reporting can increase accountability for timely resolution of compliance issues.

Cleanliness of buildings is an area of tenant concern

- iii. **Cleaning** – In TCHC's "Getting it Done"²⁰ report responding to the findings from the Mayor's Task Force, TCHC management committed to addressing cleaning service quality at CM buildings and indicated:

TCHC advised, in 2015, that it was already addressing issues with cleaning service quality

*"We are already **addressing resource challenges and issues with consistency in cleaning service quality**, and have introduced an improved service delivery model with the flexibility to redeploy cleaning resources to other buildings as they are needed. We are also developing a new model for weekend and evening cleaning that will be introduced by the end of 2015.*

***Contract-managed buildings will be held to the new standards and will be required to provide service delivery plans that can be monitored for compliance.** We anticipate that these changes will result in a noticeable difference in building cleanliness."*

Therefore, we expected TCHC's monitoring of the CM companies' performance would be focused on improving outcomes for CM buildings.

¹⁹ We excluded 14 Notices of Violation from our analysis that required TCHC to deliver capital improvement.

²⁰ [Getting it done: Real change at Toronto Community Housing](#), Response to the Interim Report of the Mayor's Task Force, September 10, 2015

TCHC staff advise they do not have capacity to regularly monitor cleanliness

Instead, we found that TCHC's oversight of cleaning was limited. TCHC staff did not review checklists/logs to confirm daily, weekly and/or monthly cleaning routines were completed on-schedule in accordance to the requirements. Also, during site visits we performed during our audit, we observed examples of poor cleaning, as illustrated previously in Photographs 1 and 5 in Section B.2.

TCHC staff advised us that they did not have the capacity to proactively perform monthly "clean building" inspections to monitor the cleanliness of all the buildings within the CM portfolio. Instead, TCHC contract management staff inspected each building once quarterly. TCHC staff reported results for CM buildings ranging from 80 to 97 per cent compliant based on their assessment of the cleanliness at sampled areas/floors within the buildings on the inspection dates, even though the 2018 Tenant Experience Survey indicates less than half of tenants were satisfied with the cleanliness of their buildings.

TCHC has not adopted risk-based approach to monitoring performance

Of note is that TCHC staff did not adjust the frequency and nature of inspections to proactively focus on improving performance at higher-risk buildings based on findings from previous inspections, or where there was a higher rate of tenant complaints. TCHC staff advised that it was mainly due to workload and capacity limits.

TCHC should monitor timeliness and quality of routine repairs

- iv. **Routine repairs and maintenance requests** - TCHC should be regularly monitoring timeliness and quality of completed work orders or service calls for repairs and maintenance including: in-unit pest treatment, in-unit repairs of kitchens and/or washrooms, and other operating repair needs identified by site staff and/or tenants.

Service tickets missing for 47% of maintenance calls

While we found the CM companies' subcontractors sometimes left a copy of a service ticket after they attended to a work order, these documents were not consistently obtained or retained in an organized manner. Nearly half of the 69 repairs and maintenance calls we reviewed were not supported by service tickets. Missing records are an indication that site staff were not regularly checking for completeness of records to show work was performed.

TCHC relies on tenant complaints to identify service issues

Rather than proactive monitoring, both TCHC and the CM companies rely on tenant complaints to identify that a service has not been completed properly.

Record retention issues noted for other services

- v. **Other services** - Similar to our findings for repairs and maintenance, Table 1 summarizes our findings that records retained for other categories of work were also incomplete and that TCHC's RFP / contract for property management services did not clearly specify the records it expected the CM companies to obtain and retain from their subtrades.

Table 1: Records Retained for Other Categories of Operating Expenditures

Areas of Services	Contracted record retention requirements	Review Results
Cleaning	<u>No requirement</u> for the CM companies to retain documents for cleaning services performed.	Both CM companies did not retain service tickets or logs of cleaning services performed.
Plaster and Painting	<u>No requirement</u> for the CM companies to retain service tickets for plaster and painting services.	<ul style="list-style-type: none"> • One CM company tracked the service requests and delivery monthly on a spreadsheet. • The other CM company did not track service requests to ensure they were fulfilled as per contract terms.
Snow Removal Services	RFP <u>requires the CM companies to record snow and ice log</u> on a daily basis (October – April).	<ul style="list-style-type: none"> • One CM company does not keep any records. • The other CM company kept some records. Based on our review at 7 buildings, the retention of snow logs varied from 3%- 59%, with an average of 33%, during the period from May 2017 to December 2019.
Landscaping	<u>No requirement</u> for the CM companies to retain documents for landscaping services performed.	Both CM companies did not retain service tickets or logs of landscaping services performed.
Monthly Pest Treatment	RFP <u>requires the CM companies to retain service tickets</u> for pest management services.	Based on sample testing, <ul style="list-style-type: none"> • one CM company retained 32% of the service tickets • the other CM company only retained approximately 21% of service tickets.

c) Other improvements to strengthen how TCHC oversees the quality of subtrades engaged to perform work in its buildings

When the property management contracts were awarded, TCHC management reported to the Board that the RFP included more robust documentation and audit requirements to ensure proponents used appropriate subtrades.

Instead, we found that TCHC was not:

TCHC does not verify subcontractors' qualifications

- Verifying that subcontractors engaged by CM companies met TCHC's qualification requirements for its own vendors

TCHC does not have current list of subcontractors

- Ensuring it had an up-to-date list of all the subcontractors engaged to work in its contract-managed buildings

Recommendations:

- 6. The Board request the Chief Executive Officer, Toronto Community Housing Corporation, to implement robust monitoring processes to verify that property management (including operations and maintenance) service providers are meeting performance requirements, including the quality of workmanship and conformity to specifications and requirements. Such processes should include:**
 - a. conducting, with sufficient frequency, site visits, inspections or reviews and documenting the results.**
 - b. reviewing tenant complaints to identify trends in concerns with the conformity of specific categories of work.**
 - c. enhanced monitoring in areas where there is a higher prevalence of tenant complaints, lower tenant satisfaction ratings, and potential for health and safety risks.**
 - d. documenting concerns raised and responses from service providers on any remedial action that has been taken.**

- 7. The Board request the Chief Executive Officer, Toronto Community Housing Corporation, to strengthen how TCHC oversees the quality of subcontractors engaged to perform work in its buildings by:**
 - a. verifying that subcontractors engaged meet TCHC's qualification requirements for its own vendors.**
 - b. ensuring TCHC has an up-to-date list of all the subcontractors engaged to work in its buildings.**

B. 3. Performance Issues Need to be Communicated, Escalated, Tracked and Continuously Improved

TCHC management reported performance would be assessed through monthly and quarterly reviews

When the CM contracts were awarded, TCHC management reported to its Board that the RFP included requirements for monthly and quarterly reviews of KPI performance to standards.

The property management contracts indicated that TCHC would monitor contract performance on an ongoing basis and complete an annual contract evaluation and then discuss the results with the CM companies. The RFP also indicated evaluations would be based on regular and informal site inspections, audit of records, performance to KPI, variance to budget analysis, tenant complaints, and tenant satisfaction surveys.

TCHC management did not retain proper records to show they sufficiently managed contract performance issues

However, we found that records related to monitoring of contract performance and communication of performance issues by TCHC management were not always retained centrally. The challenges arising from a lack of central performance records is further exacerbated by turnover in TCHC management responsible for overseeing and managing CM companies. Specifically, we found

TCHC did not centrally track performance issues

- TCHC's staff communicated issues verbally or through emails to site management. However, these performance concerns were not logged and/or tracked centrally. According to TCHC management, systemic performance issues were communicated during regular meetings with management from the CM companies; however, TCHC did not retain meeting minutes.

No annual performance evaluations

- TCHC management did not complete annual performance evaluations for either of the CM companies.

Non-compliance letters took many days to resolve

- From May 2017 to August 2020, TCHC sent eight letters to CM management outlining contract non-compliance. These letters related to a variety of issues, including outstanding deficiencies from fire inspections and audits, inadequate snow/ice clearing at the properties, non-compliance of HVAC preventative maintenance and violations of building codes. Based on the records provided by TCHC, seven non-compliance letters have been resolved. It took from 10 to 402 days before the issues were resolved.

Staff turnover and lack of documentation make it difficult to verify concerns were properly addressed

As a result of significant staffing changes at TCHC, there were questions that current TCHC staff could not answer. Based on documentation retained and made available during the audit, it was difficult to verify whether TCHC's concerns with contractor performance were properly identified, monitored, communicated and escalated for action. Where performance concerns are not adequately documented and reported, it is difficult for TCHC to demonstrate that any issues that needed to be addressed were brought forward to the CM companies' attention.

Better tracking of performance issues and record retention is needed

Better tracking of performance issues and record retention is needed to support TCHC's ability to enforce contract provisions related to performance, should it be warranted.

Contract included incentive fee structure – but TCHC has not leveraged these terms to improve performance

When the CM contracts were awarded, TCHC management reported to the Board that the structure of the RFP was revised to include a management fee structure that included incentives for satisfactory performance relative to KPIs. To date, TCHC has not leveraged these financial terms to foster continuous performance improvement by the CM companies. More specifically,

- TCHC has not exercised its right to withhold monthly management fee payments where a CM company is not fulfilling the terms of the contract, even when TCHC issued letters of non-compliance and such non-compliance was not rectified within 30 days.
- TCHC also has not paid a performance incentive fee to CM managers. Although the current property management contracts include a clause that enables TCHC to pay a performance incentive fee where the contracted property managers achieve key performance indicator targets, the contracts are not clear on which specific KPI would be used to evaluate performance for the purposes of paying a performance incentive fee.

Moving forward, monitoring of decentralized tenant service hubs will be very important

As TCHC moves forward with its transformation, sufficient performance monitoring of service delivery – at the local Tenant Service Hub level as well as across the entire TCHC portfolio – will be needed to make sure that work is getting done right and TCHC is delivering high-quality service to its residents. Escalation and accountability protocols should be in place where performance is not meeting service expectations.

Recommendations:

8. The Board request the Chief Executive Officer, Toronto Community Housing Corporation, to implement a process for documenting, escalating, and following up on service provider performance issues to ensure corrections are made in a timely manner. Such processes should include documenting results of actions that respond to:
 - a. performance issues identified through inspections and review of records.
 - b. performance issues identified through comparison of performance to KPI, tenant complaints, and tenant satisfaction surveys.
 - c. performance issues identified in annual contractor performance evaluations.
 - d. performance issues identified in letters of non-compliance.

9. The Board request the Chief Executive Officer, Toronto Community Housing Corporation, in consultation with legal counsel, to review incentive fee structures in contracts and supporting processes to be able to exercise contract clauses in order to support continuous improvement of performance by service providers.

C. Building Trust and Confidence – Accountability Through Accurate and Transparent Reporting

Trust and confidence is built by consistently delivering services well

When services are delivered well, they will result in higher public trust and higher confidence in TCHC by its residents and by members of the public.

Oversight, monitoring, and management is critical to earning trust

Critical to earning and improving trust and confidence is providing oversight, monitoring, and management when work is performed by others. It is something TCHC management must work at and demonstrate through their actions.

Providing accurate, complete and transparent information leads to increased confidence

Trust and confidence can be built by providing accurate, complete and transparent information about where TCHC is with its action plans for implementing transformative change. The Board needs accurate, data-driven information to make key continuous improvement decisions. Residents need information they can rely on.

Trust is eroded when commitments aren't followed through in practice

But public trust and confidence can be eroded when the commitments and actions TCHC management reports to the Board, its residents, and the public aren't proven in practice.

We noted throughout this report that many issues we observed during our audit are not new, even though in the past TCHC made commitments to change in each area. For example,

TCHC committed to making changes

In 2008, TCHC management advised the Board that they would:

- develop an **accountability framework** that tenants in each building may use to hold management accountable for cleanliness, repairs and courtesy
- **monitor performance** of property management companies to **ensure that performance standards, as stated in the contract, are fulfilled**
- interpret and **administer performance-based contracts**

In the 2015 report, "Getting it done: Real change at Toronto Community Housing, Response to the interim Report of the Mayor's Task Force", TCHC management advised the Board that they would improve residents' satisfaction with the state of the buildings they live in across the city with an action plan that would:

1. Improve cleaning services
2. Improve elevator reliability and performance
3. Increase resident satisfaction with repairs
4. Improve the service provided by contract-management companies
5. Reduce electricity costs and improve energy conservation
6. Enhance pest management

Examples of past commitments that did not fully materialize:

- **monitoring quality of work and vendor performance**

Specific actions committed by management included:

- **holding vendors and contractors more accountable** by enhancing contractor/vendor management program to **monitor quality of work and vendor performance**
- **measuring contractor/vendor performance** with a focus on: timeliness of response and getting the job done right the first time; **quality of work** and ensuring it meets resident and Toronto Community Housing expectations; and respect for residents and staff

- **contracts that include clear expectations that supported consistent service delivery to all buildings**
- **improving service in contract-managed communities through stronger contracts with clear, well-defined and measurable performance expectations**, so that they meet the same service standards as Toronto Community Housing staff and so that residents receive **consistently good service no matter where they live**
- **monitoring cleaning in a manner focused on improving service delivery**
- **improving cleaning services** where contract-managed buildings will be held to the new well-defined service standards and documented cleaning routines and will be required to provide service delivery plans that can be **monitored for compliance**
- **an escalation process for performance concerns**
- developing an **escalation process** to ensure that vendors who consistently deliver poor service can be removed from our vendor roster

And in 2016/17 when evaluating the contract-managed properties and recommending the award of new property management contracts, Management advised the Board of improvements to the contract structure, including:

- **continuously and rigorously monitoring performance and KPIs**
- A clear set of **KPIs and accountabilities for the delivery of the work**. Staff will **continuously and rigorously monitor the performance** of the vendors during the course of the project
- **established KPIs tied to continuous improvement**
- Realistic **KPIs consistent with expectations on the direct-managed properties and tied to continuous improvement** rather than an arbitrarily assigned value. Specific **year-over-year improvements** are expected for maintenance work order completion rates, administrative service request completion rates, building condition audit compliance, vacancy management, arrears management, and annual rent review compliance.
- **applying incentives for satisfactory performance**
- A management fee structure that includes **incentives for satisfactory performance** relative to KPIs.
- **regularly reviewing KPI performance**
- Requirements for monthly and quarterly **reviews of both financial performance to budget and KPI performance to standards** with variance analysis.
- **auditing of subtrades**
- More robust documentation and audit requirements to ensure **proponents are using appropriate subtrades**.

Many issues and concerns persist

These changes and improvements reported by TCHC management did not fully materialize in practice. The lack of follow-through, especially relating to performance evaluation and accountability, resulted in many of the issues and concerns, raised many times before, that continue to persist.

When TCHC management makes the same commitments to the Board, residents, and members of the public, over and over again, and then those commitments are found not to have been implemented, it erodes trust and confidence in the organization.

Moving forward, the Board should have data-driven information to hold management accountable






Moving forward, even as TCHC looks to bring property management back "in-house" and continues to transform service delivery, it is paramount that management ensures that reliable information systems are in place and that it brings forward accurate and transparent information on the state of affairs and areas that continue to need improvement.

As circled on Figure 3 includes TCHC's 2020-2021 Strategic Priorities to once again:

- Establish Key Performance Indicators that measure success and provide a clear understanding of performance, with measurable outcomes
- Improve service delivery through the analysis of tenant complaint and tenant experience data

As TCHC moves forward with its transformation, and has again committed to taking action through its 2020-2021 Strategic Priorities, it is important that TCHC management provide accurate, data-driven information and transparently communicate to the Board its progress on the strategic actions it has committed to. In turn, the Board should hold management accountable for delivering on outcomes.

Figure 3: TCHC 2020-2021 Strategic Priorities

 					
Goal 1	Goal 2	Goal 3	Goal 4	Goal 5	Goal 6
 Support the rights of every tenant to have reasonable enjoyment of their homes.	Build high performing teams that bring to life a culture of tenant service.	Empower and support frontline leadership and employees in resolving issues and challenges locally in support of tenant needs.	Develop a business intelligence foundation that enables timely decision making and identifies tenant service success measures.	Transform the way we work through the implementation of effective and efficient tenant service processes, systems and tools.	Work with the City of Toronto to expeditiously deliver on Tenants First directives and commitments.
 By the end of 2021...	By the end of 2021...	By the end of 2021...	By the end of 2021...	By the end of 2021...	By the end of 2021...
<p>Tenants' homes will be well-maintained and made accessible by TCHC.</p> <p>We will deliver \$1.56b of the 2017 to 2026 10 year capital plan repairs for tenants' homes.</p> <p>We will achieve an FCI of 15.9% (tracking to an FCI of 10% by the end of 2026).</p> <p>We will know what needs and supports are required for new and existing tenants and will be able to address needs as defined within our mandate.</p> <p>Tenants will feel supported and be connected to the services they need.</p> <p>We will have accurate and appropriate information that enables the delivery of quality service and support to tenants.</p>	<p>TCHC's Culture Model will be embedded in the way every employee works to support tenants.</p> <p>We will be on the path to having a diverse and inclusive work environment where employees feel safe, valued, empowered and inspired to deliver high quality service.</p> <p>Our culture will be one that inspires employee trust in the organization and supports employees to make tenant-focused decisions at every level of the organization.</p>	<p>Frontline leadership and employees will be engaged and equipped with a common understanding of TCHC's obligations and rights as a landlord and provider of services to tenants.</p> <p>We will have processes and tools in place that empower frontline leadership and employees to make tenant-focused decisions locally.</p>	<p>There will be trusted sources of data and governance in place that enable TCHC to collect and analyze data to make informed and timely business decisions.</p> <p>We will have begun the process to collect socio-economic and race-based data to enable a greater understanding of tenants and their experiences.</p> <p>We will have standardized performance measurement and will engage tenants locally in assessing the quality of service they receive.</p>	<p>HoMES will be fully operational, providing integrated housing and tenancy management services.</p> <p>All business processes will be clearly defined and aligned to the new decentralized tenant-facing organizational structure.</p> <p>We will be an agile service-oriented organization that provides a flexible work environment for staff.</p>	<p>We will have progressed on the transition of the Seniors Housing Unit into the City's new Seniors Housing Corporation in accordance with the City of Toronto timelines.</p> <p>We will have operationalized the Integrated Service Model across the Seniors Housing Unit portfolio.</p> <p>In collaboration with the City of Toronto, we will have issued purchase agreements for the transfer of 623 standalone homes.</p> <p>We will have clarity on the future of the Development team within TCHC.</p> <p>We will have concluded discussions with the City about the TCHC Mandate Agreement to form part of the new Shareholder Direction.</p>
 How we plan to do it	How we plan to do it	How we plan to do it	How we plan to do it	How we plan to do it	How we plan to do it
<p>Support tenants through partnerships with key social services, setting them up for success and fostering reasonable enjoyment for the entire community.</p> <p>Collaborate with tenants on the design of tenant engagement systems.</p> <p>Engage and educate tenants to share appropriate information with TCHC and understand how this information will be used.</p> <p>Confront anti-Black racism experienced by Black tenants.</p> <p>Deliver the \$350 million 2021 capital repair program.</p> <p>Revitalize TCHC communities.</p>	<p>Develop a TCHC Confronting Anti-Black Racism Strategy for staff and tenants.</p> <p>Develop a Diversity and Inclusion Strategy for recruitment and training that is reflective of the tenant populations we serve.</p> <p>Complete tenant-focused leadership development training for every people manager at TCHC.</p> <p>Develop a tenant service excellence curriculum to be taken by every employee.</p> <p>Build tenant service orientation competencies into employee performance management systems.</p>	<p>Identify barriers to positive tenant experiences and empower employees to act and drive improvements.</p> <p>Launch and operationalize tenant service hubs in 107 communities.</p>	<p>Define data requirements and best practices and implement data governance practices, forming a centre of excellence for the organization.</p> <p>Develop a data and analytics framework and integrated platform that will inform tenant-focused resource allocation decisions.</p> <p>Establish Key Performance Indicators that measure success and provide a clear understanding of performance, with measurable outcomes.</p> <p>Improve service delivery through the analysis of tenant complaint and tenant experience data.</p>	<p>Review and map all operational business processes and accompanying roles and responsibilities, to identify opportunities for the improvement of service to tenants.</p> <p>Identify efficiency measures that demonstrate the impact of improved processes in service to tenants.</p> <p>Develop robust and equitable flexible work policies for employees.</p>	<p>Implement the Integrated Service Model for the Seniors Housing Unit.</p> <p>Negotiate a Shared Service Agreement with the City's new Seniors Housing Corporation (pending Council direction).</p> <p>Facilitate the due diligence process with non-profit agencies for purchasing the standalone homes.</p>

Source: <https://www.torontohousing.ca/about/our-strategic-plan/Documents/2020-2021-Strategic-Priorities.pdf>

Recommendation:

- 10. The Board request the Chief Executive Officer, Toronto Community Housing Corporation, to provide data-driven reporting that supports the Board's decision making and ability to hold management accountable for continuous improvement and better outcomes.**

Conclusion

Long-standing issues

For many years, TCHC has been aware that a key to better performance is through improved monitoring. This was made evident each time the contract for property management services was retendered. However, substantive changes were never made.

Recommendations designed to help TCHC attain its goals

TCHC needs to set up successful service delivery by defining clear and consistent performance requirements and building accountability into its service agreements. TCHC also needs to strengthen oversight and monitoring so that services are performed and work is completed with quality. Our recommendations are designed to assist TCHC in attaining this goal.

The Auditor General will also continue to support TCHC's efforts to build trust and confidence by bringing accountability through independent and objective information to the Board, City Council, and residents of TCHC and Toronto, and by shining a light on areas that need strengthening.

Audit Objectives, Scope and Methodology

Audit included in the 2019 Work Plan

The Auditor General's 2019 Audit Work Plan included an audit of contracted property management services to assess TCHC's oversight of the property managers' service delivery and performance.

Audit focus is on the administration of contracted property management services

The objectives of this audit were to:

- evaluate the adequacy and effectiveness of TCHC's oversight and monitoring of contracted property management services
- assess the extent to which key performance targets and efficiencies have been achieved
- determine whether the expected outcomes of contracting out the property management services have been realized.

Scope

This audit focused on activities related to TCHC's oversight of contracted property management services²¹ during the period from May 1, 2017 to April 30, 2020.

Regardless of whether buildings are managed directly by TCHC staff or through contracted service providers, TCHC management is ultimately responsible for the services provided to residents in its buildings.

We reviewed the procurement processes for the contracted property management services including tender documents, bid proposals and related contracts. We identified areas where TCHC can enhance and better document its procurement processes. The Auditor General will issue a separate letter to management providing more details and recommendations regarding these less significant issues that came to our attention during this audit.

²¹ The following property management services were not included in the scope of this audit: Arrears Collection Process, Tenant and Visitor Parking Program, Vacancy Management, Tenant Placement Services, Health and Safety, Mould Management

We also reviewed the billing and collection of current and outstanding rents and the remittance of revenue to TCHC for a sample of 60 files, as well as reporting of vacancies and occupancies for the entire contract-managed portfolio in a sampled month. Our findings were generally consistent with our 2019 audit, "Safeguarding Rent-Geared-to-Income Assistance: Ensure Only Eligible People Benefit"²². TCHC's contract-managed portfolio was included in that audit and our file reviews in the current audit cover a similar period as the 2019 RGI audit; therefore, no additional findings or recommendations are included in this report.

Areas not covered within the scope of this audit

TCHC is directly responsible for capital planning and budgeting, capital investment and repairs, elevator maintenance, community safety, and revitalizations across its entire portfolio of units, buildings, and communities. A review of these areas, that are the direct responsibility of TCHC staff but have an impact on service delivery and tenant satisfaction for the CM portfolio, was not included within the scope of this audit.

Methodology

Our audit methodology included the following:

- review and analysis of 2017 tender documents including bid proposals and related contracts
- review of board and committee reports and financial budgets relevant to contracted property management
- review of policy requirements, procedures and guidelines relevant to contracted property management
- interviews with staff from TCHC
 - Asset Management (Environmental Health Unit)
 - Facilities management (Elevator & Fire life safety)
 - Resident and Community Services (Community Safety Unit)
 - Procurement
 - Finance
- interviews with staff from contracted property management companies
- site visits of nine contract-managed TCHC developments

²² <https://www.torontoauditor.ca/report/safeguarding-rent-geared-to-income-assistance-ensuring-only-eligible-people-benefit/>

- review of documentation retained by TCHC and contracted property management companies at head office and a selection of site locations
- review of a sample of contracts between contracted property management companies and their subcontractors covering the following categories of work:
 - Cleaning
 - Pest Control
 - Fire life safety preventative maintenance
 - HVAC preventative maintenance
 - Painting
 - Ground services (landscaping and snow removal)
- review of a sample of tenant files
- other procedures as considered appropriate

Limitations to our audit

Our findings and conclusions were based on the information available at the time the audit was completed. In some cases,

- contracted property management companies could not locate the information we requested
- staff turnover limited TCHC management's ability to answer our questions

Compliance with generally accepted government auditing standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Exhibit 1: Background and History of Contracted Property Management at TCHC Buildings

TCHC owned by City of Toronto

Toronto Community Housing (TCHC) is the largest social housing provider in Canada and the second largest in North America. TCHC is wholly owned by the City of Toronto and operates as a non-profit. It has 2,100 buildings, 50 million square feet of residential space and represents a \$10 billion public asset.

110,000 residents from diverse backgrounds

TCHC provides homes to nearly 110,000 residents in about 60,000 low and moderate-income households. Residents come from many different backgrounds with a diversity in age, education, language, mental and physical disability, religion, ethnicity and race.

Most household rent is geared to 30% of gross income

According to TCHC's 2019 Annual Report:

- 35% of residents are children and youth, 37% are adults, and 28% are seniors
- 89% of households pay rent-geared-to-income (RGI), with most RGI rent assessed at 30% of gross income
- 26% of households are single parent families
- 43% of RGI households report living with a member with a disability
- 40% of residents live with mental health issues

TCHC funded by rent it collects and subsidies from City of Toronto

TCHC also reported that it receives operating funding from rent paid by residents (58%) and from City of Toronto subsidies (39%). The remaining operating funding (3%) comes from rental of commercial spaces, parking, laundry and cable fees, and income from investments.

TCHC contracts out the property management of 20% of its portfolio

TCHC has contracts with two private sector companies to take care of property management for about 20 per cent of its properties – about 12,000 households. In this report, we call contract-managed buildings "the CM portfolio". These companies are required under contract to do the same property management functions that TCHC employees do: they calculate and collect rents, clean and maintain buildings, and make or oversee some non-capital repairs.

TCHC manages 80% of buildings and monitors CM contract performance

TCHC employees provide property management services for the remaining 80 per cent of TCHC properties. In this report, we call direct-managed properties "the DM portfolio". As well, TCHC is responsible to monitor contract performance of the CM portfolio.

TCHC responsible for services to all TCHC residents regardless of who manages properties

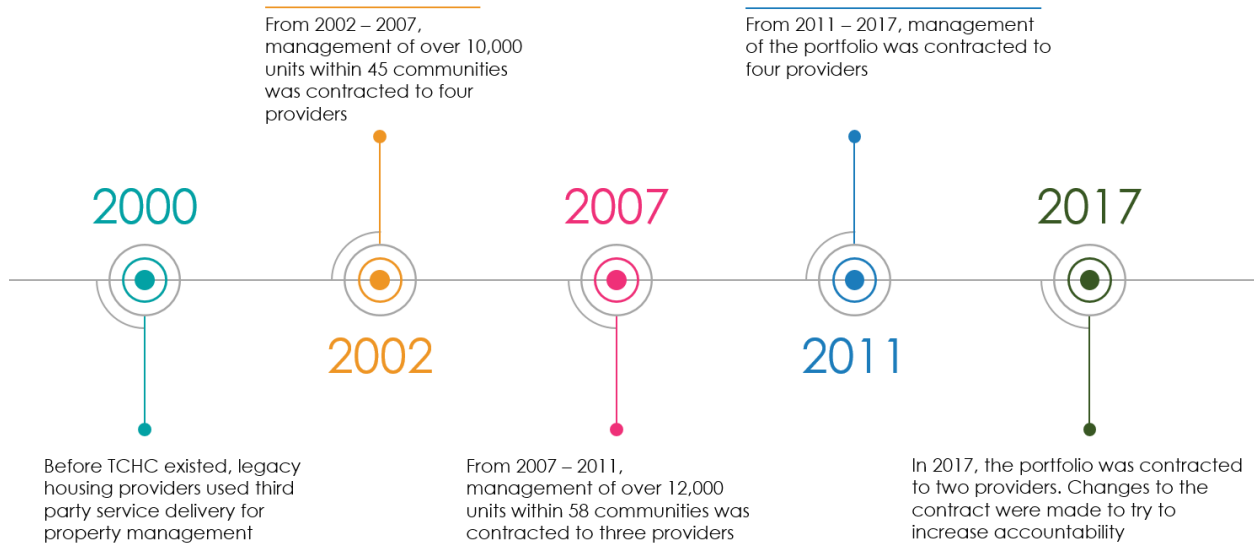
Regardless of whether buildings are managed directly by TCHC staff or through contracted service providers, TCHC management is ultimately responsible for the services provided to residents in its buildings.

History of Contracted Property Management

TCHC has a long history of using a contracted property management service delivery model

Prior to the creation of TCHC on January 1, 2002, the predecessor housing agencies used third-party service delivery for property management. Since the time it was formed, TCHC has continued to contract out property management services for a portion of its portfolio. Figure 4 below illustrates how contracted property management evolved through the years.

Figure 4: History of TCHC's Contracting of Property Management Services



High proportion of buildings in CM portfolio were in a "poor" or "critical" state of good repair

In 2017, when the current property management contracts were awarded, approximately 75 per cent of the CM portfolio was considered to be in poor or critical condition, based on TCHC Facility Condition Index²³ (FCI) data. Buildings with higher FCI, and in particular a "critical" FCI rating, can experience:

- Increased risk of failure to components
- Greater maintenance and operating costs
- Negative impacts on personnel and residents

²³ The Facility Condition Index (FCI) is the ratio of capital liability (the value of capital renewal needs) to the replacement value of the building. FCI provides a sense of the condition of the portfolio of properties. For example, an FCI of 5% is considered "good"; an FCI over 30% is classified as "critical".

TCHC paid two property management companies about \$30M in 2019

In 2019, TCHC paid two property management companies approximately \$6 million in management fees to manage the 12,000 household units in the CM portfolio. TCHC also paid approximately \$22 million to the same companies for operating expenditures the companies made related to the maintenance, operation and non-capital repair of CM properties and an additional \$2 million for "not-in-contract" expenditures. TCHC, as the property owner, is responsible for managing capital repairs. Table 2 summarizes these expenditures.

Table 2: Annual Expenditures Paid to/through Contracted Property Management Companies, 2019

Region	# of Units	Property Management Fees	Operating Expenditures	Additional "Not-in-Contract" and Other Expenditures	Total
West	3,830	\$1,925,000	\$8,195,000	\$952,000	\$11,072,000
Central	2,500	\$1,235,000	\$4,354,000	\$589,000	\$6,178,000
East	5,870	\$2,946,000	\$9,008,000	\$844,000	\$12,798,000
Total	12,200	\$6,106,000	\$21,557,000	\$2,385,000	\$30,048,000

TCHC management advised that during the three-year period from 2017 to 2019, \$12.7 million was spent on demand capital maintenance for buildings in the CM portfolio²⁴.

Transitioning contract-managed buildings back under TCHC's direct management

City Council motion to transition property management of buildings

On April 16 and 17, 2019, City Council adopted a motion²⁵ to

"direct the President and Chief Executive Officer, Toronto Community Housing Corporation to work in partnership with City Staff to develop a plan to transition contract managed buildings to direct-managed buildings or any other options as outlined in the Tenants First or the Shareholder Agreement itself, to improve service to tenants, and report jointly to the Board of Directors of the Toronto Community Housing Corporation and the appropriate City committee in time to give any notice required to the property management companies."

TCHC transitioned some of its contract-managed units back to direct service delivery

Subsequent to our audit, TCHC transitioned all 24 developments and more than 3,800 CM units in the West region to a TCHC direct-management service delivery (DM) model in late 2020.

²⁴ TCHC's total expense for demand capital maintenance during the same period was \$153.7 million

²⁵ <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.MM6.14>

TCHC recently advised that they will be transitioning the rest of the CM portfolio back to direct management, in four stages, starting from January 2022. Once the process is completed in April 2022, all properties in TCHC's family portfolio will be directly managed by TCHC using the Hub-Based Service Model and all TCHC seniors-designated buildings will be managed by the Senior Housing Unit using the Integrated Service Model.

Exhibit 2: Key Performance Indicators (KPI)

Maintenance and Cleaning					
#	Key Performance Indicator	Target	Frequency	Measurement	Monitored?
1	% of Routine Maintenance Work Orders completed within 5 Business Days	80%	Monthly	Easytrac	Yes, but data is not complete / reliable
2	% of Emergency Maintenance Work Orders attended within 4 Hours	90%	Monthly	Easytrac	No
3	% of Common Space Cleaning Work Orders completed within 4 Hours	90%	Monthly	Easytrac	No
4	% of Cleaning Routines completed on-schedule / at defined standard	90%	Monthly	Building Inspection	"on-schedule": No "at defined standard": Yes, but quarterly and do not cover parking garage
5	% of Work Order records meeting Documentation Standards	95%	Quarterly	Administrative Audit	No
Building Condition Audit / Preventative Maintenance					
#	Key Performance Indicator	Target	Frequency	Measurement	Monitored?
6	% of Building Condition Audits meeting defined standards – Interiors	95%	Bi-Annual	Building Inspection	No
7	% of Building Condition Audits meeting defined standards – Exterior	95%	Bi-Annual	Building Inspection	No
8	% of Preventative Maintenance Routines being completed at defined standards	95%	Bi-Annual	Building Inspection	No
9	% of Fire Notice of Violations / MLS Orders resolved within 30 days	100%	On-Going	TCH Life Safety	Yes, weekly exception reports but not resolving timely
10	% of required Fire Alarms System Tests conducted compliantly (Monthly / Annually)	100%	On-Going	TCH Life Safety	Yes, through fire life safety audits and / or part of quarterly clean building inspection
11	% of Capital Expense Quotes prepared within 5 days for TCH Approval	90%	On-Going	TCH Asset Mgmt.	No
Tenancy Administration					
#	Key Performance Indicator	Target	Frequency	Measurement	Monitored?
12	% of Administrative Service Requests resolved within 2 Business days	90%	Monthly	Easytrac	Yes, but data is not complete / reliable
13	% of Complaints resolved within 3 Business days 90%	90%	Monthly	Easytrac	No
14	% of Service Request records meeting Documentation Standards	95%	Quarterly	Administrative Audit	No
Vacancy Management (7 KPI)*					
Arrears Management (10 KPI)*					
Rent Subsidy Administration (4 KPI)*					
Health and Safety (2 KPI)*					
Finance and Administration					

#	Key Performance Indicator	Target	Frequency	Measurement	Monitored?
38	% of Required Financial Reports submitted on-time	100%	As defined	TCH Finance	Yes
39	% of Required Tenancy Administration Reports submitted on-time	100%	Monthly	TCH Asset Mgmt.	Yes

**Note: These areas were not included within the scope of our audit; however, we were advised by the (former) TCHC Senior Director responsible for oversight of the property management contracts that some KPI were not tracked and monitored*

Appendix 1: Management's Response to the Auditor General's Report Entitled: "Toronto Community Housing Corporation – *Embedding Accountability into Service Delivery: Lessons Learned from the Audit of Contracted Property Management Services*"

Recommendation 1: The Board request the Chief Executive Officer, Toronto Community Housing Corporation, to:

- a. review property management service delivery expectations for the maintenance, operation and repair of buildings and identify where minimum mandatory standards, specifications, and requirements vary from building to building.
- b. clarify to its service providers (be it internal TCHC staff, TCHC vendors, or contracted property managers and their sub trades) any additional expectations and requirements not captured in existing contracts and service-level agreements to ensure performance requirements are consistently defined for the entire TCHC portfolio.
- c. implement a process to ensure updated versions of relevant TCHC standards, specifications, and requirements are applied to all service providers whenever TCHC revises its requirements to support consistent service delivery across all TCHC buildings

Management Response: <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree
Comments/Action Plan/Time Frame:
<p>The Auditor General’s audit of TCHC’s contracted property managed services was completed between 2017 and 2020. During this same period, TCHC undertook a strategic restructuring of its operations with the goal of improving service to tenants. TCHC welcomes the findings and recommendations of the Auditor General as they reflect the changes that we have begun to implement as part of our restructuring efforts, which include service standards and measures that are being implemented across the organization. Through the establishment of 88 tenant service hubs, we are bringing service closer to tenants and each hub will have direct accountability for the achievement of service delivery targets. Although we have more work to do, early service and quality measures suggest the improvements underway are well aligned with the recommendations of the audit and early indicators.</p> <p>In the summer of 2020, TCHC brought contract managed properties in the West region back under the direct management of TCHC. In September of 2021, TCHC provided its remaining contracted property managers with notice of its intention not to renew their contracts, which are scheduled to expire in April of 2022. As a consequence, the recommendations arising from this Audit may have limited application to the contracted work that informed the audit exercise. Although we will no longer have contract managed properties going forward, TCHC welcomes the findings of the Auditor General and will consider the application of the Audit findings in the context of other contracts with third party suppliers of goods and services in contexts other than those that were the subject of this audit exercise As well, TCHC will also take this opportunity to consider the application of the Audit findings to our internal processes across the organization.</p> <p>1a In the context of its direct managed properties, TCHC will continue to implement Service Standards across the four service pillars established as part of TCHC’s broader restructuring efforts and commitment to tenant service excellence which are maintenance, cleaning, tenancy management, and community safety and support. Through our focus on tenant service excellence, TCHC’s Chief Operating Officer will continue to establish measurable service delivery expectations across all buildings.</p>

<p>Service Standards are being implemented to:</p> <ul style="list-style-type: none"> • Outline the tasks to be completed to achieve the service standard; • Outline the time and frequency to complete the tasks; and • Monitor against Key Performance Indicators for cleaning, maintenance, safety, customer service and communication, tenancy management, and engagement to be established by the Chief Operating Officer. <p>The Chief Operating Officer and the Vice President of Human Resources will develop and implement training for frontline staff regarding those service delivery expectations. Staff training will be reinforced through Standard Operating Procedures to be established by the Chief Operating Officer and incorporated into TCHC's Hub Playbook.</p>		
Target:	Establish Service Standards (underway).	Q4 2021
	Establish training for frontline staff.	Q1 2022
	Establish Key Performance Indicators based on Service Standards.	Q4 2022
	Establish Standard Operating Procedures based Service Standards.	Q4 2022
<p>1b TCHC will provide clarity on expectations and requirements for its staff through the new Service Standards and Key Performance Indicators. The Chief Operating Officer will ensure that Operations staff receive training regarding required tasks, frequency, and time necessary to achieving the established standards. In addition, TCHC's Chief Financial Officer and General Counsel will review and revise vendor contracts, governing the procurement of goods and services, to ensure that all agreements incorporate performance monitoring provisions, based on Service Standards and Key Performance Indicators established by the Chief Operating Officer, across the TCHC portfolio.</p>		
Target:	Establish Service Standards (underway).	Q4 2021
	Review and revision of vendor contracts.	Q3 2022
<p>1c TCHC is transitioning all contract-managed properties to a direct-management by May 2022. All buildings under direct-management will be required to comply with the Service Standards, across all the service pillars. In the event of future revisions to the Service Standards, TCHC will develop and implement staff training, as well review and modify existing Standard Operating Procedures in order to reflect the amended Service Standards in order to ensure consistent service delivery across all TCHC buildings</p>		
Target:	Transition to Direct Management of all TCHC properties.	Q2 2022
	Implement Semi-Annual review of service standards.	Q2 2022

Recommendation 2: The Board request the Chief Executive Officer, Toronto Community Housing Corporation, to review and update how TCHC measures and evaluates performance against its objectives, expectations and/or priorities for day-to-day property management across its entire portfolio. In doing so, TCHC should:

- develop additional methods of measuring performance, including additional key performance indicators to monitor and measure performance against TCHC's desired outcomes. Such methods and measures should address, among other things, quality of completed property management work (e.g. preventative maintenance, routine repairs and maintenance work orders, cleaning, etc.).
- develop ways to measure tenant satisfaction in order to decipher who is responsible for improving their performance (be it TCHC internal staff, TCHC vendors, or contracted service providers and their subtrades).

Management Response: Agree Disagree

Comments/Action Plan/Time Frame:

- 2a. TCHC's Chief Operating Officer will continue to evolve and implement Key Performance Indicators (KPIs) across the service pillars (e.g. maintenance, cleaning, tenancy management, community safety and support), which will include but will not be limited to process and outcome measures. At present, the following Key Performance Indicators have been developed:

Service Pillar	Existing KPI's
Maintenance	<ul style="list-style-type: none"> • Maintenance Request/Closure by Service Tiers
Cleaning	<ul style="list-style-type: none"> • Demand Pest Treatments • Preventative Pest Treatments • Clean Building Inspections
Tenancy Management	<ul style="list-style-type: none"> • Vacancy • Arrears
Community Safety and Support	<ul style="list-style-type: none"> • Crimes Against Person • Crimes Against Property • Focused Patrols

The Chief Operating Officer will initiate a review of existing Service Quality Indicators (SQIs) in order to identify opportunities to incorporate measures based on quality of service and work provided by staff and vendors. TCHC's Vice President of Human Resources will work with all Division Heads to develop and implement staff training regarding the creation of SQI's based on considerations related to quality of work performed.

Target: Complete review existing Service Quality Indicators. Q2 2022
 Establish training regarding creation of SQI's. Q2 2022

2b.

Under the supervision of its Chief Operating Officer, TCHC conducts both tenant and staff surveys and considers the results of those surveys when establishing and monitoring compliance with its SQI's. Tenant surveys regarding TCHC services allow TCHC's Chief Operating Officer to understand the degree of tenant satisfaction with those services. Staff surveys allow the Chief Operating Officer to understand how its staff perceive the quality of services that they deliver and obstacles that may exist in relation to the delivery of those services that aren't visible to tenants. The tenant and staff feedback are considered and compared. Discrepancy of results regarding service quality, as identified through the two survey processes, may suggest that services aren't being delivered in alignment with the service standards and may result in other service issues being identified that require immediate attention. This may result in intervention, at the building level, by building staff, as appropriate. Using the established SQI tool, the Chief Operating Officer will implement the remaining phases of the SQIs in early 2022, as tenant leadership is established. Moving forward, the SQIs will involve administering the tenant and staff surveys on an annual basis, which will inform the continuous service improvement initiatives implemented by staff at the building level throughout the year.

Target: Establish SQIs on annual cycle across TCHC portfolio. Q4 2022

Recommendation 3: The Board request the Chief Executive Officer, Toronto Community Housing Corporation, to ensure data used to assess, compare, and report on performance and outcomes is collected in a consistent manner across the TCHC portfolio, and that the data collected is accurate, complete and reliable.

Management Response: <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree		
Comments/Action Plan/Time Frame:		
<p>3 During the period of the audit on contract managed properties and as part of TCHC's transformation efforts, the HoMES tenancy management solution was developed and is in the process of being implemented at TCHC.</p> <p>This will enable TCHC to continue to undertake a comprehensive review of its data used to report on performance and outcomes. The HoMES system is a key management tool that will be a key enabler in achieving business efficiencies and goals. Through this work, a series of data validation and process reviews have been undertaken to ensure that all data used to assess, compare, and report on performance and outcomes are accurate, complete, and reliable. As well, an audit functionality will be built into the HoMES system, which will be a key management tool to providing management assurance.</p>		
Target:	Conduct data validation and process reviews (underway)	Q2 2022
	Establish the HoMES management solution.	Q2 2022

Recommendation 4: The Board request the Chief Executive Officer, Toronto Community Housing Corporation, to:

- a. obtain and retain key supporting documents, including site sign-in/sign-out logs, service tickets, preventative maintenance reports, and other records to support expenditures charged to TCHC by its service providers.
- b. verify the services are delivered in accordance with the RFP/contracts before payment is made
- c. implement a process for periodic internal audits or other independent reviews to confirm that internal controls to ensure expenses are valid and work has been completed, are consistently implemented in practice.

Management Response: <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree		
Comments/Action Plan/Time Frame:		
<p>4a TCHC's Chief Financial Officer, with the support of the Chief Operating Officer, will conduct a review across the Demand General Repair, Component Capital, and Capital Programs to identify existing procedures governing the delivery/receipt and validation of documents, including site sign-in/sign-out logs, service tickets, preventative maintenance reports, and other reports that support TCHC expenditures. Based on findings from that review, the Chief Operating Officer will develop and implement, where required, Standard Operating Procedures governing a centralized mechanism to track performance against the requirements related to documentation.</p>		
Target:	Conduct review of existing documentation requirements.	Q2 2022
	Develop and Implement new SOP's.	Q4 2022.
<p>4b TCHC's Chief Financial Officer will conduct a review to ensure that the appropriate and standardized management controls and oversight mechanisms are in-place to verify the delivery of services in accordance with RFPs/contracts before a payment is made.</p>		

	Target: Conduct review of existing payment procedures and implement any absent control mechanisms identified through the review.	Q4 2022
4c	TCHC's Chief Operating Officer, Chief Financial Officer and General Counsel will establish a procedure through which audit rights that are incorporated into third party contracts are exercised on a regular and periodic basis. In addition, the Chief Financial Officer will review internal procedures, based upon the findings arising from the exercise of those audit rights, to ensure that TCHC can assure the validity of expenses, without relying on the audit process, using its existing internal financial control procedures, and revise and implement revised procedures where those procedures do not facilitate its ability to do so.	
	Target: Create and Implement Formal Contract Audit Process	Q3 2022

Recommendation 5: The Board request the Chief Executive Officer, Toronto Community Housing Corporation, to review third-party contracts for the maintenance, operation and repair of buildings across TCHC's entire portfolio to:

- a. ensure they do not exceed the costs of similar contracts for residential properties of a similar type, age and condition.
- b. identify opportunities to achieve better value for money through economies of scale, by procuring and awarding contracts that enable all vendors to provide services to all its buildings regardless of whether they are directly managed or managed by contracted property managers

Management Response: <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree		
Comments/Action Plan/Time Frame:		
5a	TCHC's Chief Financial Officer will conduct a review of vendor contracts for the delivery of maintenance, operation, and repairs of buildings across the portfolio and ensure that they demonstrate value for money and do not exceed the costs of similar contracts for properties of similar type, age, and condition.	
	Target: Conduct Review of Third Party Contracts to ensure value for money.	Q4 2022
5b	As it transitions its buildings from contract management to direct management, TCHC is expanding the scope of existing contracts governing maintenance, operation and repair of buildings across TCHC's entire portfolio to its existing third party vendors already serving its direct managed portfolio. As those vendors were secured through a competitive procurement process, TCHC believes that the contracts governing this work achieve value for money. At the same time, TCHC's competitive procurement process incorporates evaluation criteria that compares proponents based on the quality of goods and services to be provided and, in this manner ensures that vendors secured to provide goods and services, are not selected solely on the basis of price. This transition will be completed in Q2 of 2022.	
	Target: Transition Third Party Contracts to Existing Vendors.	Q2 2022

Recommendation 6: The Board request the Chief Executive Officer, Toronto Community Housing Corporation, to implement robust monitoring processes to verify that property management (including operations and maintenance) service providers are meeting performance requirements, including the quality of workmanship and conformity to specifications and requirements. Such processes should include:

- a. conducting, with sufficient frequency, site visits, inspections or reviews and documenting the results.
- b. reviewing tenant complaints to identify trends in concerns with the conformity of specific categories of work.
- c. enhanced monitoring in areas where there is a higher prevalence of tenant complaints, lower tenant satisfaction ratings, and potential for health and safety risks.
- d. documenting concerns raised and responses from service providers on any remedial action that has been taken.

Management Response: <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree	
Comments/Action Plan/Time Frame:	
<p>6a TCHC’s Chief Operating Officer, with the support of the Chief Financial Officer, will develop and implement an integrated compliance program across the organization, which will involve building on staff and management inspections of service providers, but also involve targeted audits and reviews of service providers to ensure they are meeting service delivery requirements. This work will be undertaken in partnership with the Strategic Procurement and Vendor Management department to enable a coordinated and integrated approach to contract and vendor compliance.</p>	<p>Target: Develop and Implement an Integrated Compliance Program. Q3 2022</p>
<p>6b TCHC has established a Tenant Complaint process. Tenants can submit complaints at their respective buildings and tenant service hubs or through an online form. Information regarding the TCHC complaints management process can be found at: TCHC Complaints (Click Link).</p> <p>Alternatively, tenants can also escalate their concerns to TCHC’s Solutions team. The Solutions team was formed during the operations restructuring to provide a single-point of contact for complaints escalation; an ongoing communications campaign was implemented to raise awareness on the complaints management process. Any escalated issues or trends are reviewed by the Solutions team and it facilitates a coordinated review with the regional and tenant service hub teams to bring the complaints to a resolution. TCHC’s Chief Operating Officer will undertake a review of TCHC’s Tenant Complaint Procedures to enhance the ability to identify trends in concerns identified by tenants and implement response measures.</p>	<p>Target: Conduct Trends Review of Tenant Complaint Procedure. Q3 2022</p>
<p>6c TCHC has implemented a monitoring system that relies on the use of different information that is collected through the SQIs, TCHC’s Solutions team, and buildings staff. Through this system, TCHC is able to gain insight into buildings or communities with a higher prevalence of complaints, lower tenant satisfaction ratings, and potential health and safety risks. TCHC will undertake a review to identify improvement opportunities to strengthen this approach and service delivery.</p>	<p>Target: Conduct Review of Monitoring System and Practices to Ensure Q3 2022 Appropriate Consideration of Tenant Feedback and Information</p>
<p>6d TCHC has established practices related to the documentation of concerns and issues related to service providers, which includes capturing details of the concerns and actions taken by service providers to remediate those concerns or, in the action of such remediation measures, the measures taken by TCHC to respond to the service provider’s failure to do so. These practices are carried out by staff (e.g. regional operations, facilities management) who have accountability for the management of service providers. As well, the Operations Division partners with Strategic Procurement and Vendor Management to proactively manage vendor issues and ensure performance is in alignment with service expectations. TCHC’s Chief Operating Officer and Chief Financial Officer will undertake a review to identify improvement opportunities to strengthen this approach and service delivery.</p>	

Target:	Conduct Review of Existing Vendor Compliance Policy and Procedures.	Q3 2022
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Recommendation 7: The Board request the Chief Executive Officer, Toronto Community Housing Corporation, to strengthen how TCHC oversees the quality of subcontractors engaged to perform work in its buildings by:

- a. verifying that subcontractors engaged meet TCHC's qualification requirements for its own vendors.
- b. ensuring TCHC has an up-to-date list of all the subcontractors engaged to work in its buildings

Management Response: <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree		
Comments/Action Plan/Time Frame:		
7	The Chief Financial Officer, with the support of the Chief Operating Officer and Legal Services, will develop and implement terms in the contract with the vendor that requires the approval of TCHC for any subcontractors used. The Chief Financial Officer, with the support of the Chief Operating Officer and Legal Services, will include terms in the contract with TCHC vendors. In accordance with those contractual provisions, the Chief Operating Officer will ensure that an oversight mechanism is in-place so that TCHC has an up-to-date list of all sub-contractors engaged in the delivery of work and services in its buildings and mechanisms to prevent the use of anyone not on the approved list. Procurement will maintain the list of approved vendors and sub-contractors.	
	Target: Conduct Review of Contract Provisions and Maintain List of Approved Vendors and Sub-Contractors	Q3 2022
	Ensure Oversight Mechanisms Identify Existing Subcontractors and Ensure Adherence to the Subcontractor List.	Q3 2022

Recommendation 8: The Board request the Chief Executive Officer, Toronto Community Housing Corporation, to implement a process for documenting, escalating, and following up on service provider performance issues to ensure corrections are made in a timely manner. Such processes should include documenting results of actions that respond to:

- a. performance issues identified through inspections and review of records.
- b. performance issues identified through comparison of performance to KPI, tenant complaints, and tenant satisfaction surveys.
- c. performance issues identified in annual contractor performance evaluations.
- d. performance issues identified in letters of non-compliance.

Management Response: <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree		
Comments/Action Plan/Time Frame:		
8	TCHC has established an Operations Compliance department, within its Operations Division, that works closely with Strategic Procurement and Vendor Management to strengthen compliance oversight in the delivery of services and work across all buildings. TCHC's Chief Operating Officer and Chief Financial Officer will develop an Integrated Performance Management program to ensure that issues are escalated and rectified in a timely manner and that vendor's perform in accordance with performance requirements established in contract documents.	

The Integrated Performance Management program will incorporate a standardized process to identify and escalate issues, review performance issues against performance requirements, appropriately document performance issues and issue non-compliance letters.

Target: Develop and Implement Integrated Performance Management Program Q3 2022

Recommendation 9: The Board request the Chief Executive Officer, Toronto Community Housing Corporation, in consultation with legal counsel, to review incentive fee structures in contracts and supporting processes to be able to exercise contract clauses in order to support continuous improvement of performance by service providers.

Management Response: Agree Disagree

Comments/Action Plan/Time Frame:

9 TCHC's Chief Financial Officer and General Counsel will review the potential to incorporate incentive fee structures into contracts and supporting processes to support continuous improvement of performance by service providers.

Target: Consider Incorporation of Incentive Fees into Vendor Contracts. Q4 2022

Recommendation 10: The Board request the Chief Executive Officer, Toronto Community Housing Corporation, to provide data-driven reporting that supports the Board's decision making and ability to hold management accountable for continuous improvement and better outcomes.

Management Response: Agree Disagree

Comments/Action Plan/Time Frame:

10 TCHC's Chief Executive Officer and its current leadership are committed to frank and data-driven engagement with the TCHC Board of Directors and will continue to ensure staff reports provided to the Board contain comprehensive, data-driven information needed to enhance accountability of the organization and to drive future decisions and continuous improvement. As previously noted, TCHC's adoption of the HoMES system has facilitated a series of data validation and process reviews that have been undertaken to ensure that all data used to assess, compare, and report on performance and outcomes are accurate, complete, and reliable. As well, an audit functionality will be built into the HoMES system, which will be a key management tool to providing management assurance.

Target: Immediate

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