



**Office of the Auditor General: Audit of the  
ServiceOttawa Program, Tabled at Audit  
Committee – December 1, 2016**

## Contents

Executive Summary .....	1
Purpose .....	1
Rationale and Objective.....	1
Background and Scope .....	1
Summary of Observations .....	5
Conclusion.....	13
Recommendations and Responses.....	14
Detailed Audit Report.....	20
Audit of the ServiceOttawa Program.....	20
Introduction .....	20
Background and Context .....	20
Audit objectives and criteria .....	22
Scope .....	23
Audit Approach and Methodology.....	23
Audit Observations and Recommendations.....	24
Conclusion.....	52

**Acknowledgments**

The team responsible for this audit, staffed from RCGT Consulting Inc., under the direction of Sonia Brennan, Deputy Auditor General. We would like to thank those individuals who contributed to this project, and particularly, those who provided insights and comments as part of this audit.

Original signed by:

Deputy Auditor General

## Executive Summary

### Purpose

This audit was conducted to determine whether the City of Ottawa (“the City”) received value for money from the ServiceOttawa Program. A value for money audit delves into the underlying operations of the City to assess both cost effectiveness and the service enhancements citizens are receiving. Reviewing value for money is important for local governments, because it allows them to examine how well their programs and activities are being managed, specifically for efficiency purposes.

### Rationale and Objective

The City of Ottawa planned to invest over \$79<sup>1</sup> million dollars in the ServiceOttawa Program to achieve approximately \$39M in anticipated annual savings. Anticipated annual savings consists of both cost savings (\$35M) and increases in revenue (\$4M).

The ServiceOttawa Program was divided into nine (9) initiatives that were intended to deliver service improvements and efficiencies across the City. The overall objective of this audit was to determine whether the City received value for money from the ServiceOttawa Program and whether the outcomes of the ServiceOttawa Program met the stated expectations of cost savings, return on investment, and service enhancements.

The Auditor General originally tabled a value for money audit of the ServiceOttawa Program in 2013. The Auditor General agreed not to include the audit in his 2013 plan, since the ServiceOttawa Program was still ongoing, and that benefit realization was based on a five-year plan.

### Background and Scope

In May 2009, the City retained an independent third party service provider to identify areas of potential service improvements and efficiency savings. As a result of the service provider’s four (4) month review, the Senior Management Committee recommended three (3) corporate and six (6) departmental initiatives requiring

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<sup>1</sup> Summary of all investments as stated in the Business Cases.

## Audit of the ServiceOttawa Program

investments of \$79 million over five (5) years which were to translate into annual operational savings of \$39 million by 2014.

When reviewing the information related to the ServiceOttawa Program, the audit team looked at various sources:

### **Efficiency Savings Initiative Business Cases**

There were nine (9) Business Cases prepared by the third party provider, one (1) for every initiative set out by the Steering Committee. These Business Cases included topics such as the purpose of the initiative, anticipated service improvements, high level current environment, financial impacts, benefits, and investment required. It is noted that the City has developed a Corporate Business Case Development Guideline to guide the City in developing and documenting business cases; however the Guideline was not in place at the time that the Efficiency Savings Initiative business cases were developed.

### **Council Reports**

The ServiceOttawa Program reported to Council via the Finance and Economic Development Committee<sup>2</sup>, including the Information Technology Sub Committee throughout the duration of the program. The first report to a Council committee with financial information was on November 17, 2009, and this report was addressed to the Finance and Economic Development Committee. During the audit, no evidence was observed that the ServiceOttawa Program provided Council with stand-alone, final reports on the outcome of the ServiceOttawa Program. While it was stated that the ServiceOttawa consolidated financial view was reported in the City's annual capital close-out reporting in June 2016, information related to the ServiceOttawa Program was not readily identified within this report.

### **SAP**

The City Finance team provided the auditors with an extract from SAP that documents the total expenditures captured per each initiative. These extracts were taken within the time period of March to April of 2016.

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<sup>2</sup> The Finance and Economic Development Committee was previously named the Audit, Budget and Finance Committee. For consistency within the audit report, the committee is referred to as the Finance and Economic Development Committee throughout.

## **Project Closeout Reports**

In January 2014, the City approved a Project Management Policy with a stated purpose of ensuring that the appropriate systems, processes and controls for managing projects are in place, to support achievement of project and program outcomes while limiting the risks associated with projects to stakeholders and taxpayers. The policy requires that project closeout reports are completed for all City projects.

Project closeout reports were prepared for the ServiceOttawa Program. There was one project closeout report per initiative, for a total of nine (9). However, for Enhancing Citizen Centric Services, each sub-project had a closeout report (for a total of 37 projects), and there was no consolidated financial view at the initiative level within project closeout reports. The 2016 Capital Close-out report of June 22, 2016 submitted to Finance and Economic Development Committee (FEDCO) did contain one line item for ServiceOttawa-Corporate Initiatives total spending authority against net spending and the total financing to return to source.

The project closeout reports included information on project objectives and deliverables, as well as project performance information including benefits achieved (service enhancements). Project closeout reports went through a formal approval process, including approval by the ServiceOttawa Steering Committee.

The following table identifies the financial information that was extracted from the sources identified above:

**Table 1 – ServiceOttawa Program Investment and Benefits Summary**

<b>Source</b>	<b>Investment (\$M)</b>	<b>Benefit (\$M)</b>	<b>Number of Service Enhancements</b>
<b>Business Cases (Planned)</b>	\$79	\$39	64
<b>Reported to Council</b>	\$79	\$40	N/A <sup>3</sup>
<b>Project Closeout Reports</b>	\$63	\$26	257 <sup>4</sup>
<b>SAP (Actual)</b>	\$73	N/A	N/A

As demonstrated, there were discrepancies between the total investment and benefits achieved, both quantitative and qualitative between the sources of information reviewed. It was also noted that at the time of the audit, ongoing projects remain within the Enhancing Citizen Centric Services and Mobile Workforce Solutions initiatives. The total outstanding cost to complete these projects was estimated at \$2,453,520 (including a contingency of \$237,250) and was presented to and approved by the ServiceOttawa Steering Committee on April 15, 2015.

During the audit, the audit team attempted to determine the cause of the variances identified. It was identified that:

- The difference in ServiceOttawa project costs reported in project closeout reports compared to planned costs were primarily the result of lowered prices for mobile technologies at the time of implementation when compared to the time of planning;
- It was stated that discrepancies in investment between project closeout reports and SAP are likely due to timing differences, as project closeout reports were

<sup>3</sup> The Council Committee reports did not provide comprehensive detail on service enhancements achieved, however they did highlight service enhancements throughout the reports, at various times of the ServiceOttawa Program.

<sup>4</sup> For more detail on Service Enhancements, please refer to the detailed report, line of enquiry #3.

## Audit of the ServiceOttawa Program

completed prior to all program investment having occurred, invoices having been paid, and all projects financially closed out; and

- The difference in financial benefits (e.g., cost savings) reported in project closeout reports compared to planned Business Cases and reports to Council was due to the lack of financial information in the consolidated project closeout report for the Enhancing Citizen Centric Services initiative.

The existence of such discrepancies are significant, as information on ServiceOttawa Program investments and benefits should be reported consistently throughout documentation so that stakeholders and taxpayers can clearly understand the ServiceOttawa Program outcomes and costs in order to assess whether value for money was achieved.

## Summary of Observations

The audit team identified four (4) positive findings throughout the review, listed below:

### **The ServiceOttawa Steering Committee performed a challenge function on proposed initiatives.**

On July 15, 2009, the Steering Committee was presented with the Opportunity Assessment, which identified fifteen (15) opportunities for development of the cost savings proposals. From these, during September 2009 the Senior Management Committee was presented with eleven (11) initiatives with an overall net benefit<sup>5</sup> of \$38.65M<sup>6</sup> for the five year period from 2010 to 2014, with annual benefits<sup>7</sup> of \$36.6M to be realized by the final year of the ServiceOttawa Program, 2014. The Steering Committee challenged the ability of the Corporate Efficiency Savings Program to achieve these identified benefits.

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<sup>5</sup> The net benefit is the benefit expected to be obtained during the five year period from 2010 to 2014, as calculated by: Total Benefit – Total Cost = Net Benefit.

<sup>6</sup> Overall Net Benefit Proposed to Committee for the five year period from 2009 to 2014: \$127,140,000 - \$88,490,000 = \$38,650,000

<sup>7</sup> Annual benefits are defined as the combination of cost savings and increased revenues to be achieved through the ServiceOttawa Program.

## Audit of the ServiceOttawa Program

The final ServiceOttawa Program consisted of nine (9) initiatives<sup>8</sup> with annual benefits of \$39M, which were expected to be achieved in 2014.

The difference between the original and final annual benefits to be achieved by the ServiceOttawa Program as presented to the ServiceOttawa Steering Committee demonstrates a challenge function existed.

For more information on this finding, please refer to the detailed report, line of enquiry #1: Cost Savings.

### **The ServiceOttawa Program stayed within the \$79M budget.**

During the audit, project closeout reports were reviewed to identify reported project costs; these were then compared to costs tracked for projects in the City's financial system, SAP. Through this review, it was found that the actual costs for the ServiceOttawa Program appear to be less than the anticipated project budget, as \$73M in total costs were recognized for the nine (9) projects in the City's financial system, SAP.

For more information on this finding, please refer to the detailed report, line of enquiry #2: Return on Investment.

### **All projects under the Enhancing Citizen Centric Services initiative aligned with the ServiceOttawa Business Case.**

The audit reviewed four (4) projects within the Enhancing Citizen Centric Services Initiative to validate that expected service enhancements related to the projects aligned with the overall ServiceOttawa Business Case for Enhancing Citizen Centric Services.

The audit found that the projects aligned with the anticipated service enhancements that were expected from the Enhancing Citizen Centric Services ServiceOttawa Business Case.

For more information on this finding, please refer to the detailed report, line of enquiry #3: Service Enhancements.

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<sup>8</sup> Optimize SAP and Improve Efficiency of Transit Maintenance initiatives originally proposed were excluded from the final ServiceOttawa Program.

**The ServiceOttawa Program introduced new technologies to the City in order to enhance services to citizens.**

The audit found that the City implemented new technologies due to the ServiceOttawa Program in order to enhance services to citizens. New technologies that were implemented include:

- LAGAN Enterprise: A data management system to enable the City's 3-1-1 services.
- SAP HR: An enterprise resource management system to streamline internal HR services.
- A sub-domain website for Older Adults.
- Google Search Application, to improve the search functionality of the Ottawa.ca website.

For more information on this finding, please refer to the detailed report, line of enquiry #3: Service Enhancements.

The audit team identified areas of improvement which were categorized into the following three (3) overarching themes:

- Unclear definitions and methodology;
- Inconsistent reporting; and
- Lack of performance management planning.

**1. Unclear definitions and methodology:** The City did not clearly agree on definitions and methodology at the outset of the ServiceOttawa Program, including what constitutes cost savings. This has made it difficult to assess value for money of this audit.

**1.1 There was insufficient evidence to link departmental budget reductions to cost savings claimed to have been achieved through the ServiceOttawa Program initiatives.**

During the audit, a number of ServiceOttawa Program initiatives were reviewed to verify that cost savings were realized. It was found that while budget reductions were completed, there was a lack of supporting evidence to link budget cuts to the ServiceOttawa Program investment.

The audit team reviewed 43% (\$15M<sup>9</sup>) of the cost savings identified by the ServiceOttawa Program. Only 26% of cost savings reviewed can be clearly linked to the ServiceOttawa Program. However, if budget cuts were considered to be equivalent to cost savings, then the reviewed initiatives could be 100% linked to the ServiceOttawa Program.

For example, the Public Works and Services department recognized \$1M in cost savings as a result of the Innovative Management, Operations and Business Practices project. Through the project closeout report, the ServiceOttawa Program provided a listing of how the department had achieved savings (e.g., through the reduction of professional services budget). While it was verified that the budget was reduced, the departments were unable to provide evidence that investment through the ServiceOttawa Program was the driver to enable the reduction in Professional Services.

For more information, please refer to the detailed report, line of enquiry #1: Cost Savings.

### **1.2 Lack of clarity regarding cost savings achieved through the reduction of Full Time Equivalent (FTE) employees and associated expenses.**

Over the duration of the ServiceOttawa Program, the City identified that 283 FTE reductions were achieved through the ServiceOttawa Program. In order for cost savings to be considered realized, FTE positions eliminated should have been recently occupied, and actual expenses such as salaries and benefits should have been incurred by the City related to these positions. Based on a selection of forty-two (42) eliminated positions from across the City:

- 40% were occupied prior to elimination;
- 24% were not occupied at elimination date but were occupied in the past; and
- 36% were never occupied.

Reporting on FTE reductions within the context of the ServiceOttawa Program implies that the reductions were linked to/enabled by ServiceOttawa Program investment. However, the elimination of unoccupied positions, including

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<sup>9</sup> \$15M of cost savings, not including increases from revenue focused initiatives.

positions that have never been occupied (i.e., staffed) should not be considered as savings of the ServiceOttawa Program. This finding further illustrates the importance of agreeing on clear definitions and methodologies at the onset of a program, including cost savings as discussed in item 1.1 above.

In addition, costs associated with the elimination of FTEs such as severance were not tracked within the ServiceOttawa Program. Since the ServiceOttawa Program was identified as the driver for the FTE elimination, all associated expenses should have also been included in the ServiceOttawa Program costs.

For more information, please refer to the detailed report, line of enquiry #1: Cost Savings.

**1.3 Evidence indicating that key City stakeholders outside of the ServiceOttawa Steering Committee were engaged in the due diligence process was not provided.**

On July 15, 2009, the Steering Committee was presented with the Opportunity Assessment, which identified fifteen (15) opportunities for development of the cost savings proposals. Further to this, in September 2009, eleven (11) efficiency proposals were presented to the Steering Committee and subsequently with annual benefits of \$36.6M to be realized by 2014. While meeting minutes showed that the Steering Committee challenged the viability of the proposals, and that the approved Business Cases were adjusted from the efficiency proposals presented, the auditors were not provided with evidence of the process to validate and/or adjust efficiency proposals between their presentation to the Steering Committee and the development of the nine (9) Business Cases that became the basis of the ServiceOttawa Program.

Considering the significance of the ServiceOttawa Program investment, it would be expected that the City undertook and retained evidence of a due diligence process to demonstrate how key financials, including key assumptions, were validated and approved.

For more information, please refer to the detailed report, line of enquiry #1: Cost Savings.

#### **1.4 The Business Cases presented to Council did not report on Return on Investment.**

In order for the City to ensure that investment opportunities are appropriately evaluated, Return on Investment should be considered by Council for all major initiatives.

While the Business Cases include an estimate of the Payback Period, which is a useful metric for the evaluation of investment opportunities, they do not present an estimated Return on Investment. Return on Investment provides additional information/dimensions about an investment opportunity. For example, the amount of return (savings, increased revenue) relative to the value of the investment, the impact of sustainable returns (annual) over the long-term and a single comparative metric that can be used to evaluate investment opportunities against one another.

Without Return on Investment details, Council does not have full and complete information upon which to make decisions on the allocation of City resources.

- 2. Inconsistent Reporting:** ServiceOttawa Program reporting, through both reporting tools (i.e., project closeout reports) and reports to Council (i.e., reports to Finance and Economic Development Committee) included some inconsistencies, as they did not always align with the records of the City's financial system.

##### **2.1 Information in project closeout reports does not always align to financial system information (SAP), and is not always supported.**

The audit reviewed the accuracy of project costs and benefits (i.e., cost savings and revenues) reported in project closeout reports. The audit team conducted a detailed review on three (3) project closeout reports, related to the following ServiceOttawa Program initiatives: Mobile Workforce Solutions, Optimizing the Utilization of Recreational Facilities and Sponsorship and Advertising.

For two (2) out of the three (3) project closeout reports, cost and/or revenues were inconsistent with other sources, including:

- Mobile Workforce Solutions: Costs identified in the project closeout report were understated by \$89K when compared to the SAP financial information.

- **Optimizing the Utilization of Recreational Facilities:** The project closeout report identified \$100K benefit for booking revenue of upgraded facilities (Sportsplex and Lakeside Gardens). However, our audit identified that for these two (2) facilities, the annual revenues have actually decreased in 2014 when compared to 2010.
- **Sponsorship and Advertising:** Project costs and revenues reported in the project closeout report reconciled with project costs and revenues in the City's financial system, SAP.

For more information, please refer to the detailed report, line of enquiry #2: Return on Investment.

## **2.2 Inconsistent information was reported to Council committees.**

The ServiceOttawa Program provided regular reports to Council through the Finance and Economic Development Committee (FEDCO) and the Information Technology Subcommittee (ITSC):

- **FEDCO:** The audit team reviewed reports provided by the ServiceOttawa Program from 2011, 2012 and 2013 which contained financial information. No ServiceOttawa Program reports to FEDCO were identified during 2014 or 2015 in relation to the final program outcomes including the achievement of stated benefits and efficiency savings in order to align the initial investment approved by Council with the realized outcomes.

In reports provided by the ServiceOttawa Program to FEDCO during 2012 and 2013, the ServiceOttawa Program reported on benefits achieved to date for each initiative. The audit team identified that for one initiative (Sponsorship & Advertising), the reporting of achieved benefits aligned with the projected benefits in the approved Business Case, not what was realized as per the project closeout report and the City's financial system.

- **For example:** In the 2012 report to FEDCO, the benefits of the Sponsorship & Advertising initiative was reported as being \$1.39M versus \$773K per project closeout reports and SAP reports.

For more information, please refer to the detailed report, line of enquiry #1: Cost Savings.

**3. Lack of performance management planning:** At the onset of the ServiceOttawa Program, the Business Cases identified a number of anticipated service enhancements that would be achieved once the initiatives were implemented. Service enhancements were categorized into three (3) types:

- **Improved Customer Service:** Service enhancements that are directly linked to increased customer satisfaction, for example, increased quality in phone interactions with citizens that call the 3-1-1 service.
- **Better Access to Information:** Service enhancements that are directly linked to citizens' increased ability to access information, for example, the upgrades made to the Ottawa.ca website.
- **Operational Improvements:** Service enhancements that are directly linked to improvements in the City's operations, for example, the reduction in recruiting cycle time due to manager self-services functionality (MSS).

**3.1 The Business Cases created for the ServiceOttawa Program lacked baseline information to determine if service enhancements were achieved.**

The audit reviewed whether the projects examined required a baseline measure to assess whether a service enhancement was achieved. Baseline information represents the normal operating level prior to any enhancements made. If the baseline information exists, key stakeholders can compare post project enhancements to baseline information, indicating whether or not an enhancement occurred.

For example, if investment is intended to simplify online registration for all City courses/activities relevant to older adults, and the expected outcome is a migration of 10% of registration levels to online services, baseline information on the number of registrants and registration platforms is required to evaluate the impact of the investment. In the absence of this information, the City is unable to conclude on whether the service enhancement was achieved.

The audit found that fifty (50) out of fifty-six (56) enhancements reviewed required a baseline measure. Of the fifty (50) enhancements, thirty (30) did not contain a baseline measure and therefore the audit could not conclude on whether the service enhancement was achieved and if value for money was reached.

Of the twenty-six (26) remaining enhancements reviewed, the ServiceOttawa Program was able to provide supporting documentation demonstrating that nineteen (19) (73%) service enhancements were achieved, indicating that value for money on those initiatives was reached. The remaining seven (7) (27%) service enhancements were reported as achieved, however, the audit team found that the service enhancements were not achieved.

For more information, please refer to the detailed report, line of enquiry #3: Service Enhancements.

## Conclusion

Overall, the ServiceOttawa Program implemented new technologies, some of which had a measurable, positive impact on the City. While there were many positive achievements through the Program, the auditors also identified opportunities for improvement related to the Program that may be applied to future City programs through which significant investment is committed to achieve value for money. These opportunities include:

- While the City did achieve value through the ServiceOttawa program, the value achieved was less than the anticipated value. It is concluded that less value was achieved than anticipated due to a lack of evidence to link cost savings to Program investment, indicating that some benefits may have been achievable without Program investment (e.g., elimination of FTE positions that were never occupied). Due to the lack of a clear definition surrounding benefits, the audit is unable to conclude on the actual value for money achieved.
- Reporting to Council included inaccurate and inconsistent information. In order for Council to assess the impact of programs as well as to make informed decisions with respect to investments, the information provided to Council must be accurate and consistent, and identify significant changes between reporting periods.
- Project outcomes were not always measured and baseline data was not provided for many of the service enhancements. In the absence of this information, the impact of the Program investment cannot be clearly demonstrated.

## Recommendations and Responses

Recommendations were categorized in the same overarching themes identified in the Summary of Observations:

- Unclear definitions and methodology;
- Inconsistent reporting; and
- Lack of performance management planning.

Please refer to the attached audit report for additional details.

### **Recommendation #1: Unclear definitions and methodology**

**A due diligence process should be defined and followed for all major City initiatives. The due diligence process should include soliciting input from key stakeholders (i.e., impacted departments) to help ensure reasonability of projections, assumptions and implementation plans.**

#### **Management response:**

Management agrees with this recommendation.

As identified by the Auditor, the ServiceOttawa Steering Committee, comprised of 11 members of the Senior Management Team, performed a challenge function on the proposed ServiceOttawa Program initiatives. The City contracted IBM in 2009 as an industry leader in technological investments. At the outset of the Program, IBM solicited input from key City stakeholders and subject matter experts to develop business cases for the opportunities that had been prioritized by the Steering Committee based on their potential for cost savings and/or revenue generation. A full-day facilitated workshop was conducted on June 26, 2009 with the Senior Management Committee. The results of the session were reviewed by the Steering Committee on July 15, finalized by Senior Management Committee on July 23 and approved by Executive Committee on August 10, 2009.

The Executive Sponsor of the Program, the Deputy City Manager of City Operations, reported the final results of the due diligence process to Council as part of the 2009 Budget process in the November 2009 Corporate Efficiency Savings Program - Information Supplemental to the Budget Estimates report to the Audit, Budget and Finance Committee (ACS2009-COS-ODP-0016).

In January 2014, a new Project Management Policy and Framework was approved by the City's Executive Committee to ensure a common and consistent application of project management principles and practices. The Policy and Framework were

## Audit of the ServiceOttawa Program

developed using best practices and learning from large-scale projects like the ServiceOttawa Program. It includes tools and resources to further support a due diligence process, stakeholder consultation and engagement.

The Business Case Guidelines within the Framework direct staff to seek input during the options development stage, specifically stating that, “options can be generated by working groups (brainstorming exercises) composed of senior managers (business input), stakeholders and clients (user input), and other specialists as required (for example, technical input).” This Policy and Framework is the City’s standard operating procedure for Project Management and is used to ensure key stakeholders are appropriately engaged for all future initiatives like the ServiceOttawa Program.

Management considers this recommendation complete.

### **Recommendation #2: Unclear definitions and methodology**

**The City, in collaboration with Finance, should define cost savings, as well as provide guidelines for how cost savings should be tracked and documented for cost savings initiatives.**

#### **Management response:**

Management agrees with this recommendation.

The ServiceOttawa Program involved the implementation of multiple large-scale, transformative, enterprise technology and business solutions. On September 11, 2009, the Executive Committee and Senior Management Committee jointly defined cost savings within the ServiceOttawa Program as base budget reductions.

Cost savings were defined in this way because of the:

- financial complexity of the Program;
- challenges associated in predicting the realization of efficiency savings based on enterprise technology implementation timelines;
- the requirement to ensure that base budget reductions were realized for each year of the Program; and,
- challenges translating productivity improvements into FTE savings.

This approach to benefits realization and timeline was presented to Committee on November 17, 2009.

## Audit of the ServiceOttawa Program

The ServiceOttawa Program achieved \$40.5M in efficiencies on an ongoing basis in alignment with what was presented to Council as well as over 260 client service improvements.

The Finance department was responsible for tracking the base budget reductions as a key member of the ServiceOttawa Steering Committee. Given the complexity and variation of initiatives at the City, management will continue to work with Finance to determine a best approach and definition for cost savings on a case-by-case basis and will track and document them accordingly.

Management considers this recommendation complete.

### **Recommendation #3: Inconsistent reporting**

**The City should establish guidelines and quality control measures to help ensure information presented to oversight committees and Council is consistent and accurately reflects achieved results.**

#### **Management response:**

Management agrees with this recommendation.

The ServiceOttawa Program's reports to Council represented the most significant reporting to Council compared to any previous information technology investments at the City of Ottawa. This included a total of 25 reports to Council and Committee over the course of the Program, which included:

- reports to Information Technology Sub-Committee (ITSC) on ServiceOttawa Program budget figures through reports supplemental to the budget on an annual basis from 2011 through to 2016 as a part of the City of Ottawa's annual budget process, which included financial updates based on revenues projected to year-end;
- a ServiceOttawa Update presented annually to Finance and Economic Development Committee (FEDCO) as Information Supplemental to the Budget Process;
- 14 service enhancement updates (reports and presentations) to the ITSC; and,
- financial reconciliation reports through the Disposition of Tax and Rate Supported Operating Surplus/Deficit report presented to FEDCO and Council annually.

## Audit of the ServiceOttawa Program

A report was not submitted to FEDCO in the last year of the Program as the final year of capital authority had been approved by FEDCO as is the process in the previous year.

The final financial status of the ServiceOttawa Program was reported to FEDCO – in accordance with the annual City capital close-out reporting practices – in the Capital Adjustments and Closing of Projects – City Tax and Rate Supported on June 7, 2016 (ACS2016-CMR-FIN-0019).

The ServiceOttawa Program final report was presented to the Senior Leadership Team on November 24, 2016.

To address the Auditor's finding regarding quality control measures for the presentation of projected revenues on the Sponsorship and Advertising project identified as benefits achieved, moving forward, Finance will make clear in the financial section of reports to Committee and Council that, where revenue is presented before reconciliation, the figures are based on revenues projected to year-end.

Management considers this recommendation complete.

### **Recommendation #4: Unclear definitions and methodology**

**The City should develop a policy that defines when Return on Investment be calculated and presented to Council for projects.**

#### **Management response:**

Management agrees with this recommendation.

For the ServiceOttawa Program, the City contracted IBM in 2009 as an industry leader in technological investments to develop business cases for Council's consideration for a significant investment in technology for enhanced service and cost savings. The IBM business cases included a yearly cost and benefits as well as a full five-year analysis of cumulative costs, cumulative benefits, (components of ROI calculations) net benefits and payback period and anticipated service enhancements, which were presented to Council in November 2009.

In January 2014, a new Project Management Policy and Framework was approved by the City's Executive Committee, which requires a business case for each project. The Business Case Guidelines include the need to address Return on Investment (ROI) through a cost-benefit analysis or net-present value and deliberate timing of project costs to be incurred.

Management considers this recommendation complete.

**Recommendation #5: Inconsistent reporting**

**The City should ensure that information on revenues and expenses for programs through which significant investment is made are accurately reported in project documentation.**

**Management response:**

Management agrees with this recommendation.

The ServiceOttawa Program's consolidated financial view was reported – in accordance with the annual City capital close-out reporting practices – in the Capital Adjustments and Closing of Projects – City Tax and Rate Supported report presented to FEDCO on June 7, 2016 (ACS2016-CMR-FIN-0019). The ServiceOttawa Program final report, including all final financial reconciliation, was presented to the Senior Leadership Team on November 24, 2016.

Given the complexity of the ServiceOttawa Program, the ServiceOttawa Steering Committee directed staff to complete the project close-out activities in late 2014 and early 2015 despite the fact that some projects were in the process of producing their final deliverables. As a result, the financials included in individual project close-out reports represented financials at the time of project close-out, not at the time of financial reconciliation. The Steering Committee agreed that the final reconciliation of the program financials would be brought to the Senior Management Committee once the annual capital close-out report was completed by the Finance department and presented to Council in June 2016. This was done to minimize the costs of maintaining project resources during the financial reconciliation process; however management recognizes that project documentation should be completed only once all project deliverables are completed and should reflect actual financial data.

In January 2014, a new Project Management Policy and Framework was approved by the City's Executive Committee that ensures that information on revenues and expenses for programs and projects where significant investments are made are accurately reported in project documentation.

Management considers this recommendation complete.

**Recommendation #6: Lack of performance management planning**

**The City should consider implementing a Project Performance Measurement process and/or a plan that would include a current state assessment to define baseline information that would be required to support expected results.**

**Management response:**

Management agrees with this recommendation.

In March 2013, halfway through the Program, Interis, an external auditing firm, was contracted to review the progress of the Program to date and make recommendations for improvement going forward. One of the recommendations provided by Interis was to establish performance metrics to evaluate project performance. Based on those recommendations, performance metrics were established and tracked for projects that had not yet been completed.

By the end of the ServiceOttawa Program, it had achieved \$40.5M in efficiencies on an ongoing basis with over 260 client service improvements, which were validated with staff and/or through technology.

At the beginning of the ServiceOttawa Program, limitations to the City's performance measurement systems restricted management's ability to measure baselines at the outset of the Program. Now with the implementation of over 30 technologies, the City achieved the automation of many back-end systems, which allows departments to better understand their current state and quantify improvements.

In January 2014, a new Project Management Policy and Framework was approved by the City's Executive Committee that includes the requirement for staff to set well-defined objectives. Project baseline information is defined in the Business Case and Project Charter and refined in the Project Management Plan. Project performance measurement is tracked and reported through Status Reports (during the project) and Project Close-Out Reports (at the end of the project).

Management considers this recommendation complete.

## Audit of the ServiceOttawa Program

The detailed section of this report is available in English only and may be translated in whole or in part upon request. For more information, please contact Ines Santoro at 613-580-2424, extension 26052.

La section détaillée de ce rapport n'existe qu'en anglais et pourrait être traduite en partie ou en totalité sur demande. Renseignements : Ines Santoro, 613-580-2424, poste 26052.

## Detailed Audit Report

### **Audit of the ServiceOttawa Program**

#### **Introduction**

The Audit of the ServiceOttawa Program was included in the 2015 Audit Plan of the Office of the Auditor General (OAG), approved by City Council in March 2015.

#### **Background and Context**

During the 2005, 2006, and 2007 budget processes, a cumulative efficiency savings target of \$36 million from productivity improvements was approved. City Council (Council) gave management the direction to achieve efficiency and productivity targets in service delivery and programming.

In 2007, Council established a mandate calling for transparent and effective governance, service delivery excellence, and sustainable finances. In September of that year, Council approved an Efficiency Savings Program that targeted an additional \$100 million to be achieved over three (3) years starting in 2008.

In May 2009, the City retained a third party service provider to identify areas of potential service improvements and efficiency savings. As a result of the service provider's review, the Senior Management Committee recommended three (3) corporate and six (6) departmental initiatives requiring investments of \$79 million over five (5) years which were to translate into anticipated annual operational savings of \$39 million by 2014.

In 2009, as part of Service Excellence, Council approved the ServiceOttawa Program (2010-2014) that would change how residents would receive City of Ottawa Services. The ServiceOttawa Program represents a portfolio of nine (9) initiatives that deliver service improvements and efficiencies across the City. The ServiceOttawa Program's budget was approved annually by Council.

The following table outlines what Council approved and provides an overview of the nine (9) initiatives, total investment, planned annual cost savings and payback period<sup>10</sup>.

**Table 2 – ServiceOttawa Initiative Summaries**

<b>Initiatives</b>	<b>Total 5-year Investment (in millions)</b>	<b>Annual Savings (in millions)</b>	<b>Pay Back (in years)</b>
<b>1 Enhancing citizen centric services (e-service / 3-1-1)</b>	\$39.16	\$12.84	5
<b>2 Mobile Workforce Solutions</b>	\$20.95	\$12.47	5
<b>3 Integrating Community and Social Service Delivery</b>	\$0.91	\$2.40	3
<b>4 Optimizing utilization of recreation facilities</b>	\$0.90	\$0.38	4
<b>5 Innovation in Business management and operating practices</b>	\$0.50	\$1.00	2
<b>6 Optimizing service delivery through a trained casual labour pool</b>	\$0.00	\$0.25	-
<b>7 Transforming fleet management</b>	\$2.39	\$3.94	3
<b>8 Sponsorship and Advertising</b>	\$0.27	\$3.46	1
<b>9 Smart Energy</b>	\$13.96	\$2.42	8
<b>Sub-total: Nine Service Excellence Initiatives</b>	\$79.04	\$39.15	-
<b>Technology Roadmap</b>	\$10.71	\$1.71	-
<b>Total: Service Excellence Initiatives &amp; Technology Roadmap</b>	\$89.75	\$40.86	-

Source: Report to Audit and Finance Committee and Council, 10 November 2009

<sup>10</sup> The period in which the initial investment is expected to be recovered.

## Audit of the ServiceOttawa Program

The ServiceOttawa Program's nine (9) initiatives leveraged technology to achieve efficiency savings as well as improvements in services.

In addition to external resources, since 2010, more than 350 City employees across departments collaborated on the ServiceOttawa Program.

On October 13, 2011, the ServiceOttawa department was created. It was made responsible for the standardization of front-end service delivery and client experience. Three (3) City-wide initiatives (i.e., Citizen-Centric Services; Mobile Workforce Solutions; and, Business System Integration) were to continue to be managed by the new ServiceOttawa Program, set up as a project structure within the ServiceOttawa department, while the six (6) departmental specific projects were assigned to individual departments (i.e., Public Works: *Innovative Management, Operating and Business Practices; Optimizing service delivery through a trained Casual Labour Pool; Transformation Fleet Management; and, Smart Energy*; Community and Social Services: *Integration Community and Social Services Delivery – Parks, Recreation and Culture: Optimizing the Utilization of Recreational Facilities; and, Sponsorship and Advertising*).

### **Audit objectives and criteria**

The overall objective of this audit was to determine whether the City received value for money from the ServiceOttawa Program and whether the outcomes of the ServiceOttawa Program met the stated expectations of cost savings, return on investment, and service delivery enhancements.

The audit team focused on three lines of enquiry. The first line of enquiry was cost savings. The audit team assessed the City's due diligence processes once the Business Cases were received, reviewed whether cost savings were linked to the ServiceOttawa initiatives, and ensured that cost savings were accurately reported to Council.

The second line of enquiry was Return on Investment. The audit team reviewed whether ROI was linked to the ServiceOttawa Program, and ensured that information on cost savings, revenues and project costs, the components of ROI, were accurately reported to Council.

Lastly, the third line of enquiry was service enhancements, the audit team reviewed the service enhancements from the ServiceOttawa Program, and ensured that they were achieved.

## **Scope**

The scope of the audit included an assessment of the ServiceOttawa Program and an evaluation of the processes used to track, monitor, and report on performance, outcomes, and cost savings.

The audit reviewed select individual initiatives for each line of enquiry based on materiality and risk. The first line of enquiry, cost savings, focused on three (3) initiatives within the ServiceOttawa Program: Mobile Workforce Solutions, Optimizing Service Delivery through a Trained Casual Labour Pool, and Innovation in Business Management and Operating Practices.

The second line of enquiry, return on investment, also focused on three (3) initiatives within the ServiceOttawa Program: Mobile Workforce Solutions, Optimizing Utilization of Recreational Facilities, and Sponsorship and Advertising.

The final line of enquiry, service enhancements, focused on one initiative within the ServiceOttawa Program: Enhancing Citizen Centric Services. Within this initiative, four (4) projects were reviewed: Citizen Service Management (Release 1), Human Resource Management, Older Adults, and Ottawa.ca (Release 3).

The audit assessed project initiatives between January 1, 2010 and December 31, 2015.

## **Scope Limitations**

The audit team were faced with one scope limitation during the course of the audit. Many individuals who actively worked on the ServiceOttawa Program no longer worked for the City. This was a scope limitation as the audit team was unable to meet with or receive information from key individuals involved in the ServiceOttawa Program.

## **Audit Approach and Methodology**

The audit was conducted by a team of experienced, qualified professional resources including Chartered Professional Accountants (CPAs), costing experts, and MBAs, and was conducted in accordance with Institute of Internal Audit (IIA) Standards.

The audit team applied a risk-based audit approach, focusing on the areas that represented the most significant risk to the City. More specifically, the audit targeted the three (3) key components that are used to define "Value for Money": Cost Savings, Return on Investment and Service Enhancements.

## Audit of the ServiceOttawa Program

Audit procedure results were documented and reviewed, and findings were appropriately substantiated and referenced. Throughout the engagement the audit team worked closely with the Office of the Auditor General (OAG) and City management to ensure that the objectives of the value for money audit were achieved in accordance with the proposed schedule.

In conducting the audit, the audit team performed a variety of activities between the timeframe of March 1, 2016, and June 30, 2016. These tasks were designed to verify that the ServiceOttawa Program provided the City with value for money for program investment.

Activities performed included:

- Documentation review;
- Audit interviews;
- Reconciliations between ServiceOttawa Business Cases and program results;
- Reperformance of benefit calculations;
- Review and reconciliation of information presented to council;
- Review of costing information; and
- Review of service level improvement information.

## **Audit Observations and Recommendations**

### **Line of Enquiry #1: Cost Savings**

The mandate of the ServiceOttawa program was to improve service delivery as well as to achieve cost savings. Specifically, the ServiceOttawa Program was to achieve \$39M in annual cost savings. The purpose of this line of enquiry was to verify that cost savings related to the ServiceOttawa Program were realized, and cost savings were accurate and supported. Audit activities completed for this line of enquiry included:

- Review of the due diligence process related to the ServiceOttawa Program Business Cases;
- Verifying that cost savings were achieved and that supporting information was documented; and
- Validating that reports to Council on cost savings were accurate and supported.

#### **Positive Finding:**

**The ServiceOttawa Steering Committee performed a challenge function on proposed initiatives.**

## Audit of the ServiceOttawa Program

The ServiceOttawa Steering committee was established within the ServiceOttawa Program governance structure with responsibility for key business decisions and prioritization. The Chair of the Steering Committee reported to the ServiceOttawa Program Executive Sponsor. On July 15<sup>th</sup>, 2009 the Steering Committee was presented with the Opportunity Assessment, which identified fifteen (15) opportunities for development of the cost savings proposals. The committee was presented with an assessment criteria and weighting, including:

- Alignment with Service Excellence and Council priorities (15%)
- Magnitude of financial benefits (55%)
- Implementation timeline (15%)
- Complexity (15%).

In analyzing efficiency proposals, the City considered both overall net benefit and annual benefit, as well as the enhancement of service delivery, including delivery of services to citizens. The overall net benefit is defined as the total benefit to be achieved from 2010 to 2014, and is calculated as the total benefit obtained less the ServiceOttawa Program investment during this five year period. The annual benefit is the expected benefit to be obtained in the final year of the ServiceOttawa Program, which is expected to be achieved on an annual basis beyond the scope of the project. The expected annual benefit to be achieved in the final year of the ServiceOttawa Program is not net of program investment during the final year of the ServiceOttawa Program.

On July 15, 2009, the Steering Committee was presented with the Opportunity Assessment, which identified fifteen (15) opportunities for development of the cost savings proposals. In September of 2009, the Steering Committee was presented with eleven (11) initiatives with an overall net benefit<sup>11</sup> of \$38.65M<sup>12</sup> for the five year period from 2010 to 2014, with annual benefits<sup>13</sup> of \$36.6M to be realized by the final year of

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<sup>11</sup> The net benefit is the benefit expected to be obtained during the five year period from 2010 to 2014, as calculated by: Total Benefit less Total Cost = Net Benefit.

<sup>12</sup> Overall Net Benefit Proposed to Committee: \$127,140,000 - \$88,490,000 = \$38,650,000

<sup>13</sup> Annual benefits are defined as the combination of cost savings and increased revenues to be achieved through the Program.

## Audit of the ServiceOttawa Program

the ServiceOttawa Program, 2014. The ServiceOttawa Steering Committee challenged the ability of the ServiceOttawa Program to achieve the identified benefits; it was further observed that the final ServiceOttawa Program consisted of nine (9) initiatives<sup>14</sup> with an overall net benefit of \$25.1M<sup>15</sup> for the five year period from 2010 to 2014. Annual benefits of \$39.1M are expected to be achieved in 2014.

The difference between the annual benefit to be achieved in the final year of the ServiceOttawa Program as presented to the ServiceOttawa Steering Committee and the annual benefits proposed in the approved Business Cases.

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<sup>14</sup> Optimize SAP and Improve Efficiency of Transit Maintenance initiatives originally proposed were excluded from the final program.

<sup>15</sup> The Overall Net Benefit is the total benefits expected to be achieved during the five (5) years of the Program less the total cost of the Program during the five (5) years of the program.

Overall Net Benefit in Approved Business Cases: \$126,200,000 - \$101,130,000 = \$25,070,000

**Table 3 – Initiative Revisions as a Result of Due Diligence Process**

<b>Initiative</b>	<b>Efficiencies Proposed to Committee (\$M)</b>	<b>Revised Efficiencies in Approved Business Cases (\$M)</b>
<b>Enhancing Citizen Centric Services</b>	\$6.16	\$12.80
<b>Mobile Workforce Solutions</b>	\$8.68	\$12.50
<b>Integrating Community and Social Services Divisions</b>	\$1.20	\$2.40
<b>Optimize the Use of Recreational Facilities</b>	\$0.38	\$0.38
<b>Innovative Management, Operations and Business Practices</b>	\$1.00	\$1.00
<b>PWS Casual Labour Pool</b>	\$0.25	\$0.25
<b>Fleet Management</b>	\$3.94	\$3.90
<b>Sponsorship and Advertising</b>	\$3.07	\$3.43
<b>Smart Energy</b>	\$2.46	\$2.46
<b>Optimize SAP</b>	\$5.50	\$0.00
<b>Improve Efficiency of Transit Maintenance</b>	\$4.00	\$0.00
<b>Total</b>	\$36.64	\$39.12

However, while it was observed that the expected benefits were adjusted, the auditors were not provided with evidence of the adjustment process (e.g., how the revised numbers were calculated as compared to the original proposal) despite requesting information from the ServiceOttawa Program as well as Finance. It was also observed that two (2) out of eleven (11) proposed initiatives were not included in the final Program.

It is noted that the City has developed a Corporate Business Case Development Guideline to guide the City in developing and documenting business cases; however the Guideline was not in place at the time that the ServiceOttawa Program business cases were developed.

**Unclear definitions and methodology, Finding 1.3:**

**Evidence indicating that key City stakeholders outside of the ServiceOttawa Steering Committee were engaged in the due diligence process was not provided.**

On July 15, 2009, the Steering Committee was presented with the Opportunity Assessment, which identified fifteen (15) opportunities for development of the cost savings proposals. In September 2009, eleven (11) efficiency proposals were presented to the ServiceOttawa Steering Committee and subsequently with annual benefits of \$36.6M to be realized by 2014. While meeting minutes showed that the Steering Committee challenged the viability of the proposals, and that the approved Business Cases were adjusted from the efficiency proposals presented, the auditors were not provided with evidence of the process to validate and/or adjust efficiency proposals between their presentation to the Steering Committee and the development of the nine (9) Business Cases that became the basis of the ServiceOttawa Program.

Considering the significance of the process, it would be expected that the City undertook and retained evidence of a due diligence process to demonstrate how key financials, including key assumptions, were validated and approved.

**Recommendation #1**

**A due diligence process should be defined and followed for all major City initiatives. The due diligence process should include soliciting input from key stakeholders (i.e., impacted departments) to help ensure reasonability of projections, assumptions and implementation plans.**

**Management response:**

Management agrees with this recommendation.

As identified by the Auditor, the ServiceOttawa Steering Committee, comprised of 11 members of the Senior Management Team, performed a challenge function on the proposed ServiceOttawa Program initiatives. The City contracted IBM in 2009 as an industry leader in technological investments. At the outset of the Program, IBM solicited input from key City stakeholders and subject matter experts to develop business cases for the opportunities that had been prioritized by the Steering Committee based on their potential for cost savings and/or revenue generation. A full-day facilitated workshop was conducted on June 26, 2009 with the Senior Management Committee. The results of the session were reviewed by the Steering Committee on July 15, finalized by Senior Management Committee on July 23 and approved by Executive Committee on August 10, 2009.

## Audit of the ServiceOttawa Program

The Executive Sponsor of the Program, the Deputy City Manager of City Operations, reported the final results of the due diligence process to Council as part of the 2009 Budget process in the November 2009 Corporate Efficiency Savings Program - Information Supplemental to the Budget Estimates report to the Audit, Budget and Finance Committee (ACS2009-COS-ODP-0016).

In January 2014, a new Project Management Policy and Framework was approved by the City's Executive Committee to ensure a common and consistent application of project management principles and practices. The Policy and Framework were developed using best practices and learning from large-scale projects like the ServiceOttawa Program. It includes tools and resources to further support a due diligence process, stakeholder consultation and engagement.

The Business Case Guidelines within the Framework direct staff to seek input during the options development stage, specifically stating that, "options can be generated by working groups (brainstorming exercises) composed of senior managers (business input), stakeholders and clients (user input), and other specialists as required (for example, technical input)." This Policy and Framework is the City's standard operating procedure for Project Management and is used to ensure key stakeholders are appropriately engaged for all future initiatives like the ServiceOttawa Program.

Management considers this recommendation complete.

### **Unclear definitions and methodology, Finding 1.1:**

#### **There was insufficient evidence to link departmental budget reductions to cost savings claimed to have been achieved through the ServiceOttawa Program initiatives.**

Cost savings were expected to be achieved through two corporate initiatives:

- **Enhancing Citizen Centric Services:** The initiative will improve how the City engages, interacts with and provides services and information to citizens by simplifying points for citizens to access information about City services, register for programs, submit forms, make payments and report and track service requests.
- **Mobile Workforce Solutions:** The initiative focused on making staff more accessible to the clients they serve and improving the effectiveness and efficiency of the service delivery processes by equipping staff with mobile devices and tools so that they can deliver a broad range of services on-site and report on the progress of these services as they are being delivered.

## Audit of the ServiceOttawa Program

In addition to the corporate initiatives, cost savings were to be realized through five departmental initiatives:

- Integrating Community and Social Services Delivery: The initiative included the integration of the administration of provincially mandated programs and coordination supplemental programs offered by the City.
- Innovative Management, Operations and Business Practices: This initiative applied a structured framework and approach to engage employees in the process of identifying innovative management, operating and business practices to improve performance and reduce costs.
- Optimizing Service Delivery through a Trained Casual Labour Pool: The initiative focused on the creation of a casual labour pool to reduce costs related to the City's use of contractors and provide timely access to resources during peak periods.
- Transforming Fleet Management: The initiative focuses on transforming the fleet management strategies of the City, including implementing strategies to "right size" the City fleet and implementing procurement strategies and processes such that the City can move to a standardized vehicle inventory, and migrate to a Green Fleet to reduce fuel costs.
- Smart Energy: The initiative focuses on further reducing the City's annual energy costs by investing in monitoring programs and capital measures to improve energy efficiency.<sup>16</sup>

To determine the expected annual net cost savings, the annual cost savings less ongoing (annual) costs should be considered. The expected annual net cost savings of the ServiceOttawa Program were:

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<sup>16</sup> While the ServiceOttawa Program included nine (9) initiatives, two (2) of the nine (9) initiatives (i.e., Optimizing the Utilization of Recreational Facilities and Sponsorship and Advertising) were to achieve benefits through revenue realization, not cost savings.

**Table 4 – Initiative Net Benefits**

<b>Initiative</b>	<b>Annual Benefits (\$M)</b>	<b>Ongoing Costs (\$M)</b>	<b>Net Benefits (\$M)</b>
<b>Enhancing Citizen Centric Services<sup>17</sup></b>	\$12.80	\$2.30	\$10.50
<b>Mobile Workforce Solutions</b>	\$12.50	\$3.26	\$9.24
<b>Integrating Community and Social Services Delivery</b>	\$2.40	\$0.00	\$2.40
<b>Innovative Management, Operations and Business Practices</b>	\$1.00	\$0.00	\$1.00
<b>Optimizing Service Delivery Through a Trained Casual Labour Pool</b>	\$0.25	\$0.00	\$0.25
<b>Transforming Fleet Management</b>	\$3.90	\$0.00	\$3.90
<b>Smart Energy</b>	\$2.46	\$0.00	\$2.46
<b>Total of projects reviewed</b>	\$35.31	\$5.56	\$29.75

Through the initiatives with cost savings objectives, annual cost savings of \$35.3M were expected to be realized<sup>18</sup> by 2014<sup>19</sup>. In order to achieve the annual cost savings, ongoing costs of \$5.6M were expected to be incurred, thereby reducing the expected annual net cost savings to \$29.7M. This is significant within the context of value for money, as failure to consider ongoing costs may result in the overstatement of value for money.

During the course of the ServiceOttawa Program, cost savings were made through budget reductions based on business case assumptions and tracked by Finance. In

<sup>17</sup> Enhancing Citizen Centric services consisted of multiple projects (37).

<sup>18</sup> The remaining \$3.9M in benefits are to be realized through increased revenue through the Optimizing the Utilization of Recreational Facilities and Sponsorship and Advertising initiatives.

<sup>19</sup> It is expected that the cost savings will continue to be achieved on an ongoing basis.

## Audit of the ServiceOttawa Program

January 2014, the City approved a Project Management Policy with a stated purpose of ensuring that the appropriate systems, processes and controls for managing projects are in place to support achievement of project and program outcomes while limiting the risks associated with projects to stakeholders and taxpayers. The policy requires that project closeout reports are completed for all City projects.

Project closeout reports were prepared by the ServiceOttawa Program for projects undertaken through the ServiceOttawa Program. The project closeout reports identified project objectives and deliverables, as well as project performance information, including benefits achieved. Project closeout reports went through a formal approval process, including approval by the ServiceOttawa Steering Committee. Project closeout reports reviewed identified \$24.5M in cost savings.

The auditors identified a variance between the annual expected net cost savings and reported net cost savings, which is summarized in the table below:

**Table 5 – Expected Net Cost Savings versus Reported Net Cost Savings**

<b>Initiative</b>	<b>Expected Net Cost Savings (\$M)</b>	<b>Reported Net Cost Savings (\$M)</b>	<b>Variance (\$M)</b>
<b>Enhancing Citizen Centric Services</b>	\$10.50	\$1.50	\$ (9.00)
<b>Mobile Workforce Solutions</b>	\$9.24	\$13.93	\$4.69
<b>Integrating Community and Social Services Delivery</b>	\$2.40	\$2.40	\$0.00
<b>Innovative Management, Operations and Business Practices</b>	\$1.00	\$1.00	\$0.00
<b>Optimizing Service Delivery Through a Trained Casual Labour Pool</b>	\$0.25	\$0.25	\$0.00
<b>Transforming Fleet Management</b>	\$3.90	\$3.90	\$0.00
<b>Smart Energy</b>	\$2.46	\$1.56	\$ (0.90)
<b>Total</b>	\$29.75	\$24.54	\$ (5.21)

As outlined in the project close-out reports, the ServiceOttawa Program did not achieve the expected cost savings of \$29.8M based on the information provided in the project closeout reports that identified \$24.5M in achieved benefits.

## Audit of the ServiceOttawa Program

Through the audit process, it was found that cost savings identified by departments for the ServiceOttawa Program were considered to be achieved once departmental budgets were reduced. However, a budget cut may not always result in a cost savings.

For example, by eliminating an unstaffed FTE position a budget reduction may be achieved. However, because the position was unstaffed, the budget reduction did not result in savings through reduced salary and benefit expenses as a direct result of the ServiceOttawa Program.

The audit reviewed a set of cost savings identified in project closeout reports to verify that the cost savings were achieved and were linked to investment from the ServiceOttawa Program. The importance of the linkage between benefits achieved and the ServiceOttawa investment is to demonstrate that the ServiceOttawa Program investment was the driver of cost savings recognized, and the efficiencies could not have been realized without ServiceOttawa Program investment, therefore demonstrating value for money.

Budget cuts and the linkage between budget cuts and the ServiceOttawa Program for the reviewed initiatives are summarized below:

**Table 6 – Summary of Cost Savings Review**

<b>Project</b>	<b>ServiceOttawa Claimed Cost Savings (\$M)</b>	<b>Claimed Cost Savings Reviewed (\$M)</b>	<b>Claimed Cost Savings Sufficiently Linked to ServiceOttawa and Supported (%)</b>
<b>Mobile Workforce Solutions</b>	\$13.93	\$3.19	23.2%
<b>Innovative Management, Operations and Business Practices</b>	\$1.00	\$0.50	12%
<b>Optimizing Service Delivery Through a Trained Casual Labour Pool</b>	\$0.25	\$0.25	86%
<b>Total</b>	\$15.18	\$3.94	26%

The audit team reviewed cost savings identified for the Mobile Workforce Solutions, Innovative Management, Operations and Business Practices, and Optimizing Service Delivery Through a Trained Casual Labour Pool projects, through which total cost savings of \$15.18M were recognized by the ServiceOttawa Program.

The audit reviewed a sample of \$3.94M in cost savings recognized through these programs, and found that only 26% of recognized savings were sufficiently linked to the ServiceOttawa Program investment and supported.

For the ServiceOttawa Program, there was a lack of clarity between budget reductions and cost savings. Executive Committee minutes from September 2009 were provided by the ServiceOttawa Program to validate that budget reductions were considered to be cost savings for the purpose of the ServiceOttawa Program. While the minutes state that efficiency savings opportunities and associated savings targets mean a commitment to take money out of budgets, this is not viewed by the auditors as a clear statement equating budget reductions to cost savings. Therefore, the City was not able to demonstrate the linkage between departmental budget reductions and the ServiceOttawa Program.

## Audit of the ServiceOttawa Program

For example within the Mobile Workforce Solutions project, the Public Health Branch completed an evaluation report that demonstrated the impact of mobile technologies on both Public Health Inspectors and School Health Nurses. Through this report, the Branch was able to demonstrate efficiency gains in a post-implementation environment resulting in cost savings. Conversely, other areas audited did not track performance metrics for both pre and post mobile environments, and therefore could not demonstrate the impact of mobile technologies to drive cost savings.

In addition, the Public Works department stated that annual cost savings of \$1M were achieved through the Innovative Management, Operations and Business Practices project. While a summary of project initiatives were provided (e.g., reduction in professional services fees, diversion of concrete and asphalt waste from private landfills to City owned landfills), the department was unable to support that the cost savings were achieved as described (e.g., no data was available to support that cost savings were realized through diversion of concrete and asphalt waste from private landfills to City owned landfills).

It was also found that the City could not clearly demonstrate how ServiceOttawa investment drove reductions in Professional Services budgets, or whether these reductions could have been achieved without the ServiceOttawa program investment.

### **Recommendation #2**

**The City, in collaboration with Finance, should define cost savings, as well as provide guidelines for how cost savings should be tracked and documented for cost savings initiatives.**

#### **Management response:**

Management agrees with this recommendation.

The ServiceOttawa Program involved the implementation of multiple large-scale, transformative, enterprise technology and business solutions. On September 11, 2009, the Executive Committee and Senior Management Committee jointly defined cost savings within the ServiceOttawa Program as base budget reductions.

Cost savings were defined in this way because of the:

- financial complexity of the Program;
- challenges associated in predicting the realization of efficiency savings based on enterprise technology implementation timelines;

## Audit of the ServiceOttawa Program

- the requirement to ensure that base budget reductions were realized for each year of the Program; and,
- challenges translating productivity improvements into FTE savings.

This approach to benefits realization and timeline was presented to Committee on November 17, 2009.

The ServiceOttawa Program achieved \$40.5M in efficiencies on an ongoing basis in alignment with what was presented to Council as well as over 260 client service improvements.

The Finance department was responsible for tracking the base budget reductions as a key member of the ServiceOttawa Steering Committee. Given the complexity and variation of initiatives at the City, management will continue to work with Finance to determine a best approach and definition for cost savings on a case-by-case basis and will track and document them accordingly.

Management considers this recommendation complete.

### **Unclear definitions and methodology, Finding 1.2:**

#### **Lack of clarity regarding cost savings achieved through the reduction of Full Time Equivalent (FTE) employees and associated expenses.**

Over the duration of the ServiceOttawa Program, the City identified that 283 FTE reductions were achieved through the ServiceOttawa Program. During the audit, forty-two (42) positions identified as eliminated were reviewed to verify that the positions were eliminated, as well as to determine whether the eliminated positions were occupied or vacant. The significance of determining whether the positions were occupied or vacant is that the elimination of vacant positions would not be considered a driver of savings.

Based on a selection of forty-two (42) eliminated positions from across the City:

- 40% were occupied prior to elimination;
- 24% were not occupied at elimination date but were occupied in the past; and
- 36% were never occupied.

Reporting on FTE reductions within the context of the ServiceOttawa Program implies that the reductions were linked to/enabled by ServiceOttawa Program investment.

In order for FTE reductions to be clearly linked to Program investment, the City should measure the impact of the Program on impacted FTEs in order to demonstrate

## Audit of the ServiceOttawa Program

increases in employee productivity or reductions in workloads. In the absence of this information, it cannot be concluded that FTE reductions were linked to ServiceOttawa Program investment.

This finding further illustrates the importance of agreeing on clear definitions and methodologies at the onset of a program.

In addition, the costs of FTE eliminations (e.g., severance packages) were not tracked within the ServiceOttawa Program. Any costs to complete FTE reductions should have been considered as a ServiceOttawa Program cost. As such, the ServiceOttawa Program costs are understated.

**Recommendation #2 (as stated above) also addresses this finding.**

### **Inconsistent reporting, Finding 2.2:**

#### **Inconsistent information was reported to Council committees.**

The ServiceOttawa Program provided regular reports to Council through the Finance and Economic Development Committee (FEDCO) and the Information Technology Subcommittee (ITSC). Reports to FEDCO were reviewed during the years 2011, 2012 and 2013 which contained information on financial results of the ServiceOttawa Program to date, as well as expected benefits to be achieved over the duration of the ServiceOttawa Program. Reports were not provided to Council during election years.

In reports provided by the ServiceOttawa Program to FEDCO during 2012 and 2013, the ServiceOttawa Program reported on benefits achieved to date for each initiative. In reviewing of these reports, it was identified that the reports to FEDCO significantly overstated the benefits achieved for the Sponsorship and Advertising initiative.

Specifically, it was found that the benefits identified as having been achieved aligned with the projected benefits in the approved Business Case, not what was realized as per the project closeout report and the City's financial system. The cumulative benefits were found to be overstated by \$1.51M<sup>20</sup> in 2012 and \$0.71M<sup>21</sup> in 2013.

While the ServiceOttawa Program stated that the benefits were achieved by reductions to departmental budgets, the approved Sponsorship and Advertising Business Case

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<sup>20</sup> Benefits Stated as Achieved less Benefits Actually Achieved \$2.863M - \$1.352M = \$1.511M

<sup>21</sup> Benefits Stated as Achieved less Benefits Actually Achieved \$3.425M - \$2.714M = \$0.711M

## Audit of the ServiceOttawa Program

identified that benefits were to be achieved through additional revenues from City assets and facilities, not through budget reductions.

It was also found that costs related to the IT Roadmap were not included in the initial report to the Audit, Budget and Finance Committee, dated November 10, 2009, which identified a total cost of \$79.04M for the ServiceOttawa Program. However, there was note of reference to these costs from the November 4, 2009 IT Subcommittee meeting. It was also found that costs related to the IT Roadmap were considered separately from the program costs within the report the Audit, Budget and Finance Committee, dated November 10, 2009, which identified a total cost of \$79.04M for the Program. The IT Roadmap is identified as an enabling initiative in addition to the Corporate Service Excellence Plan. Both the anticipated investment of \$10.71M over 5 years and annual financial benefit of \$1.7M were considered separate from the program.

It is highly important that Program costs are accurately reported to Council so that fully informed decisions can be made by Council regarding investment decisions. It is also important that if significant changes are made to program costs, such as the inclusion of the IT Roadmap in the ServiceOttawa Program costs, such changes should be clearly identified to Council.

### **Recommendation #3**

**The City should establish guidelines and quality control measures to help ensure information presented to oversight committees and Council is consistent and accurately reflects achieved results.**

#### **Management response:**

Management agrees with this recommendation.

The ServiceOttawa Program's reports to Council represented the most significant reporting to Council compared to any previous information technology investments at the City of Ottawa. This included a total of 25 reports to Council and Committee over the course of the Program, which included:

- reports to Information Technology Sub-Committee (ITSC) on ServiceOttawa Program budget figures through reports supplemental to the budget on an annual basis from 2011 through to 2016 as a part of the City of Ottawa's annual budget process, which included financial updates based on revenues projected to year-end;

## Audit of the ServiceOttawa Program

- a ServiceOttawa Update presented annually to Finance and Economic Development Committee (FEDCO) as Information Supplemental to the Budget Process;
- 14 service enhancement updates (reports and presentations) to the ITSC; and,
- financial reconciliation reports through the Disposition of Tax and Rate Supported Operating Surplus/Deficit report presented to FEDCO and Council annually.

A report was not submitted to FEDCO in the last year of the Program as the final year of capital authority had been approved by FEDCO as is the process in the previous year.

The final financial status of the ServiceOttawa Program was reported to FEDCO – in accordance with the annual City capital close-out reporting practices – in the Capital Adjustments and Closing of Projects – City Tax and Rate Supported on June 7, 2016 (ACS2016-CMR-FIN-0019).

The ServiceOttawa Program final report was presented to the Senior Leadership Team on November 24, 2016.

To address the Auditor's finding regarding quality control measures for the presentation of projected revenues on the Sponsorship and Advertising project identified as benefits achieved, moving forward, Finance will make clear in the financial section of reports to Committee and Council that, where revenue is presented before reconciliation, the figures are based on revenues projected to year-end.

Management considers this recommendation complete.

## **Line of Enquiry #2: Return on Investment**

Return on Investment (ROI) is a critical metric for the evaluation of investments and value for money, both large scale and small, that considers the net benefit generated as a percentage of the original investment. To calculate a ROI, an organization must accurately track both expenditures and benefits related to investments. A target ROI should be calculated prior to an investment being made and evaluated during and throughout the delivery of programs.

When reviewing this audit objective, the following activities were executed:

- Review ROI components of Business Cases presented to Council;

## Audit of the ServiceOttawa Program

- Validate that investments were completed as planned; and
- Ensure that reported expenditures, revenue, and savings were accurate.

### **Unclear definitions and methodology, Finding 1.4:**

#### **The ServiceOttawa Program Business Cases presented to Council did not report on Return on Investment.**

In order for City to ensure that investment opportunities are appropriately evaluated, ROI should be considered by Council for all major initiatives.

While the ServiceOttawa Program Business Cases include an estimate of the Payback Period, which is a useful metric for the evaluation of investment opportunities, they do not present an estimated ROI. ROI provides additional information/dimensions about an investment opportunity. For example, the amount of return (savings, increased revenue) relative to the value of the investment, the impact of sustainable returns (annual) over the long-term and a single comparative metric that can be used to evaluate investment opportunities against one another.

During the audit, Business Cases presented to Council for the ServiceOttawa Program were reviewed. Through the review it was found that the Business Cases did not identify ROI for the projects, nor was an ROI for the ServiceOttawa Program as a whole presented to Council. Rather, Business Cases identified:

- Total Costs;
- Total Benefits;
- Net Benefits;
- Payback Period; and
- Payback Year.

While these metrics do provide Council with useful information, a ROI should be provided as this is the most robust metric for Council to leverage in order to make decisions on the allocation of City resources between competing priorities.

### **Recommendation #4**

**The City should develop a policy that defines when Return on Investment be calculated and presented to Council for projects.**

**Management response:**

Management agrees with this recommendation.

For the ServiceOttawa Program, the City contracted IBM in 2009 as an industry leader in technological investments to develop business cases for Council's consideration for a significant investment in technology for enhanced service and cost savings. The IBM business cases included a yearly cost and benefits as well as a full five-year analysis of cumulative costs, cumulative benefits, (components of ROI calculations) net benefits and payback period and anticipated service enhancements, which were presented to Council in November 2009.

In January 2014, a new Project Management Policy and Framework was approved by the City's Executive Committee, which requires a business case for each project. The Business Case Guidelines include the need to address Return on Investment (ROI) through a cost-benefit analysis or net-present value and deliberate timing of project costs to be incurred.

Management considers this recommendation complete.

**Positive Finding:**

**The ServiceOttawa Program stayed within the \$79M budget.**

During the audit, project closeout reports were reviewed to identify reported project costs; these were then compared to costs tracked for projects in the City's financial system, SAP. Through this review, it was found that the actual costs for the ServiceOttawa Program appear to be less than the anticipated project budget. There were, however, discrepancies between the actual costs reported in the financial system versus the total investment reported in project closeout reports. It was identified to the auditors that timing differences between the completion of the project closeout reports and SAP reports were likely the driver of the discrepancy. It was also found that the consolidated project closeout report for the Enhancing Citizen Centric Services project did not contain a full roll-up of project costs.

However, it was also noted that at the time of the audit, ongoing projects remain within the Enhancing Citizen Centric Services and Mobile Workforce Solutions initiatives. The total outstanding cost to complete these projects was estimated at \$2,453,520 (including a Contingency of \$237,250) and was presented to and approved by the ServiceOttawa Steering Committee on April 15, 2015.

The table below provides a summary of planned project costs, as well as the variance between project costs reported in project closeout reports as compared to project costs reported in the City's financial system (SAP).

**Table 7 – Project Costs**

Project	Planned	Actuals		
	Project Costs (\$M)	Project Costs Reported in SAP (\$M)	Project Costs Reported in Project Closeout Reports (\$M)	Variance (\$M)
<b>Enhancing Citizen Centric Services</b>	\$39.20	\$48.32	\$39.67	\$8.65
<b>Mobile Workforce Solutions</b>	\$20.94	\$6.29	\$6.14	\$0.15
<b>Integrating Community &amp; Social Services Delivery</b>	\$0.89	\$0.91	\$0.91	\$0.00
<b>Innovative Management, Operating &amp; Business Practices</b>	\$0.90	\$0.78	\$0.78	\$0.00
<b>Optimizing the Utilization of Recreational Facilities</b>	\$0.51	\$0.41	\$0.41	\$0.00
<b>PWS Casual Labour Pool</b>	\$0.00	\$0.00	\$0.00	\$0.00
<b>Transforming Fleet Management</b>	\$2.39	\$1.97	\$1.97	\$0.00
<b>Sponsorship &amp; Advertising</b>	\$0.27	\$0.13	\$0.13	\$0.00
<b>Smart Energy</b>	\$13.96	\$14.11	\$13.53	\$0.58
<b>Total</b>	\$79.06	\$72.91	\$63.54	\$9.38

These discrepancies are significant because in order for value for money to be assessed, project costs must be accurately reported.

**Inconsistent reporting, Finding 2.1:**

**Information in project closeout reports does not always align to financial system information (SAP), and is not always supported.**

In order to determine whether the ROI could be calculated for the ServiceOttawa Program, benefits (i.e., cost savings and revenues) and costs were reviewed for three (3) ServiceOttawa Programs. The initiatives reviewed were:

- Mobile Workforce Solutions;
- Optimizing the Utilization of Recreational Facilities; and
- Sponsorship and Advertising.

Review of the project closeout reports found that the ServiceOttawa Program did not report on ROI in the project closeout reports. The audit reviewed the accuracy of project costs and benefits (cost savings and revenues) reported in project closeout reports to determine if the components of ROI were reported accurately. The audit found that for two (2) out of three (3) projects, the project cost and/or revenues were inaccurate (i.e., overstated or understated).

Specifically, the audit found that:

For the Mobile Workforce Solutions project, within the project closeout report costs for the project were understated by \$89K or 1.4%. There were also timing differences between the project closeout report and financial records, including \$629K in expenses recognized in 2010 within the financial system that were not recognized until 2011 in the project closeout report. Recognizing expenditures when they are incurred is a fundamental principle supporting proper accounting activities. In the context of ROI and Value for Money, it is important to ensure that investments/expenditures that result in specific cost savings or efficiencies gains are recognized in the appropriate accounting periods. Otherwise, ROI calculations can be skewed and/or annual expenditures may be inaccurately reported.

For the Optimizing the Utilization of Recreational Facilities project, the project closeout report recognized \$380K in incremental revenues driven by:

- Online Ice Rentals: \$160K
- Online Facility Rentals: \$120K

## Audit of the ServiceOttawa Program

- Booking Upgraded Facilities<sup>22</sup>: \$100K.

However, based on the City's financial records, revenues in the Other Short Term Rentals, Sportsplex and Lakeside Gardens all declined from 2010 to 2014<sup>23</sup>. Specifically, revenues for upgraded facilities were \$233K lower in 2014 as compared to 2010.

Based on the overall decline in revenues for Other Short Term Rentals, Sportsplex, and Lakeside Gardens, it is found revenues recognized in the project closeout report were not supported.

It was found that project costs and revenues reported in the project closeout report for the Sponsorship and Advertising project were accurate and supported by the City's financial system, SAP.

Based on the above, it is found that the key components of ROI are not accurately recorded, and therefore an ROI cannot be calculated for the ServiceOttawa Program as a whole.

### **Recommendation #5**

**The City should ensure that information on revenues and expenses for programs through which significant investment is made are accurately reported in project documentation.**

#### **Management response:**

Management agrees with this recommendation.

The ServiceOttawa Program's consolidated financial view was reported – in accordance with the annual City capital close-out reporting practices – in the Capital Adjustments and Closing of Projects – City Tax and Rate Supported report presented to FEDCO on June 7, 2016 (ACS2016-CMR-FIN-0019). The ServiceOttawa Program

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<sup>22</sup> Through the ServiceOttawa Program facilities upgrades were completed for the Nepean Sportsplex and Lakeside Gardens facilities.

<sup>23</sup> During 2012 there was a one year spike in rental revenues for the Sportsplex of \$89K or 25.6% as compared to the baseline year of 2010; however, for all other years the revenue was lower than the baseline year, including a decrease of \$69K or 19.8% during 2014 as compared to the baseline year of 2010.

## Audit of the ServiceOttawa Program

final report, including all final financial reconciliation, was presented to the Senior Leadership Team on November 24, 2016.

Given the complexity of the ServiceOttawa Program, the ServiceOttawa Steering Committee directed staff to complete the project close-out activities in late 2014 and early 2015 despite the fact that some projects were in the process of producing their final deliverables. As a result, the financials included in individual project close-out reports represented financials at the time of project close-out, not at the time of financial reconciliation. The Steering Committee agreed that the final reconciliation of the program financials would be brought to the Senior Management Committee once the annual capital close-out report was completed by the Finance department and presented to Council in June 2016. This was done to minimize the costs of maintaining project resources during the financial reconciliation process; however management recognizes that project documentation should be completed only once all project deliverables are completed and should reflect actual financial data.

In January 2014, a new Project Management Policy and Framework was approved by the City's Executive Committee that ensures that information on revenues and expenses for programs and projects where significant investments are made are accurately reported in project documentation.

Management considers this recommendation complete.

### **Line of Enquiry #3: Service Enhancements**

The purpose of this line of enquiry was to review service enhancements stated by the ServiceOttawa Program and verify that the enhancements were achieved. As the most significant value for the City was to be achieved through citizen-focused initiatives, the audit procedures focused primarily on the Enhancing Citizen Centric Services initiative, for which the total investment was \$39.2M.

Within the Enhancing Citizen Centric Services initiative, there were over 37 projects that were aimed to enhance the experience of the citizens when interacting with the City. As part of this line of enquiry, the following procedures were performed:

- Verification that expected service enhancements related to the projects aligned with the overall ServiceOttawa Program Business Case for Enhancing Citizen Centric Services; and
- Verification that expected service enhancements were achieved.

## Audit of the ServiceOttawa Program

The audit reviewed the following four (4) projects within the Enhancing Citizen Centric Services Initiative:

- Citizen Service Management (Release 1);
- Human Resource Management;
- Older Adults; and
- Ottawa.ca (release 3).

### **Positive Finding:**

**All projects under the Enhancing Citizen Centric Services initiative aligned with the ServiceOttawa Business Case.**

The audit reviewed four (4) projects within the Enhancing Citizen Centric Services Initiative to validate that expected service enhancements related to the projects aligned with the overall ServiceOttawa Business Case for Enhancing Citizen Centric Services.

The audit found that the projects aligned with the anticipated service enhancements expected to be achieved through the Enhancing Citizen Centric Services Business Case.

The following table provides a summary of each project that was assessed during the audit, and describes how this project aligns with the Enhancing Citizen Centric Services (CCS) Business Case.

**Table 8 – Project Alignment with Business Case**

<b>Project</b>	<b>Project Description</b>	<b>Anticipated Service Improvement Expected from Business Case</b>	<b>Project Cost</b>
<b>Citizen Service Management (CSM) (R1)</b>	The CSM release one project was related to the acquisition of the Lagan system to support 3-1-1. This system enabled the upgrade to the City’s enterprise-wide client services environment by improving the accuracy, timeliness, and efficiency with which residents get their resolved.	Citizens will be able to track service requests from the time of report through to resolution.	\$7,042,612
<b>Human Resource Automation (HRA)</b>	The HRA project implemented a suite of technology improvements in the HR Department. This project was expected to increase the capacity, and knowledge of City staff which would in turn make their interactions with residents better, achieving operational efficiencies and improving customer satisfaction.	Operational service improvements due to standardized processes across organization.	\$4,608,502
<b>Older Adults</b>	The Older Adults project was intended to provide timely, and accurate information with respect to services for Older Adults, with the implementation of a specific Older Adults webpage.	Increased client satisfaction due to better access to information.	\$211,879
<b>Ottawa.ca (R3)</b>	The Ottawa.ca project was expected to upgrade the City of Ottawa website by improving the user experience.	Simplified access (one website, one phone number) and no wrong door to access City information and services.	\$1,572,296

**Positive Finding:**

**The ServiceOttawa Program introduced new technologies to the City in order to enhance services to citizens.**

The audit found that the City implemented new technologies through the ServiceOttawa Program in order to enhance services to citizens. New technologies that were implemented include:

- LAGAN Enterprise: A data management system to enable the City's 3-1-1 services;
- SAP HR: An enterprise resource management system to streamline internal HR services;
- A sub-domain website for Older Adults; and
- Google Search Application, to improve the search functionality of the Ottawa.ca website;
- Cognos Business Intelligence reporting solution to enhance the City's financial reporting and analysis capability;
- Citizen Service Management system (Lagan) to manage the Knowledge Base and service request tracking;
- Knowledge Base to provide City wide single source of information;
- Lagan Business Intelligence report manager;
- Cisco Unified Contact Center Enterprise (UCCE) platform to support Voice Over Internet Protocol (VOIP) technologies;
- Work Force Optimizations System (WFO) to support effective management of resources;
- Interactive Voice Response System (IVR);
- Music on Hold implemented to promote local artists;
- Accessibility of Ontario Disabilities Act Teletypewriter (TTY) upgrade to align with current standards;
- Envista utility management system;
- Systems, Applications, and Products (SAP) module for electronic human resource recruitment (eRecruitment);
- Business Intelligence Data Mart launched to improve resource analysis and reporting capabilities;
- Marval case management system extended to Human Resources;
- NetMotion Virtual Private Network expanded to support a Mobile Workforce environment;

## Audit of the ServiceOttawa Program

- Citrix Virtual Environment (Marval, Financial Data Management, HedgeHog) to provide desktop virtualization for mobile workers;
- Windows Virtual Machine to provide mobile workers with guest operating system functionality;
- Syclo Mobile Enterprise Application Platform and Smart Manager for Public Works mobile workers;
- Web and video conferencing (WebEx) solution - Virtual meeting technology launched as part of the Mobile Workforce Solutions eCollaboration project;
- Cisco Jabber - Presence Awareness - Video Call technology launched as part of the Mobile Workforce Solutions eCollaboration project;
- Updated Outlook with Reservation system;
- SecureDoc Enterprise server to provide system security for workers accessing remotely;
- Quick Rez provided an online booking solution for facility rentals;
- Drupal content management solution was identified and launched as a replacement for the Oracle solution;
- Lagan at the Counter (initial);
- Fleet Management Software (M5) upgrade; and
- Utility Management Accounting System.

### **Lack of performance management planning, Finding 3.1:**

#### **The Business Cases created for the ServiceOttawa Program lacked baseline information to determine if service enhancements were achieved.**

The ServiceOttawa Program initiatives had planned and reported service enhancements that are categorized into three (3) types:

**Improved Customer Service:** Service enhancements that are directly linked to increased customer satisfaction, for example, increased quality in phone interactions with citizen's that call the 3-1-1 service.

**Better access to information:** Service enhancements that are directly linked to citizens increased ability to access information, for example, the upgrades made to the Ottawa.ca website.

**Operational Improvements:** Service enhancements that are directly linked to improvements in the City's operations, such as the reduction in recruiting cycle time due to manager self-services functionality (MSS).

Below is a table that summarizes service enhancements by category achieved through the Enhancing Citizen Centric Services project to provide an overview enhancements promised through the related projects:

**Table 9 – Summary of Service Enhancements**

Initiative	Planned (Business Case)				Reported (Project Closeout Reports)			
	Improved Customer Service	Better Access to Information	Operational Improvements	Total	Improved Customer Service	Better Access to Information	Operational Improvements	Total
Enhancing Citizen Centric Services	4	1	8	13	15	60	135	210

The audit reviewed fifty-six (56) out of 210 reported service enhancements. The table below demonstrates the service enhancements reviewed by project:

**Table 10 – Summary of Service Enhancements Reviewed**

Project	Reported (Project Closeout Reports)			
	Improved Customer Service	Better Access to Information	Operational Improvements	Total
<b>Citizen Service Management (R1)</b>	1	1	2	4
<b>Human Resource Management (HRM)</b>	4	2	16	22
<b>Older Adults</b>	2	16	1	19
<b>Ottawa.ca (R3)</b>	0	11	0	11
<b>Total</b>	7	30	19	56

The audit reviewed whether the projects examined required a baseline measure to assess whether a service enhancement was achieved. Baseline information represents the normal operating level prior to any enhancements made. If the baseline information exists, the post project enhancements to baseline information can be compared, and evaluate whether or not an enhancement occurred.

For example, if investment is intended to simplify online registration for all City courses/activities relevant to older adults, and the expected outcome is a migration of 10% of registration levels to online services, baseline information on the number of registrants and registration platforms is required to evaluate the impact of the investment. In the absence of this information, the City is unable to conclude on whether the service enhancement was achieved. The audit found that fifty (50) out of fifty-six (56) enhancements reviewed could have established baseline measure. Of these fifty (50) enhancements, thirty (30) did not contain a baseline measure and therefore the audit could not conclude on whether the service enhancement was achieved, and if value for money was reached.

Of the twenty-six (26) remaining enhancements reviewed, the ServiceOttawa Program was able to provide supporting documentation demonstrating that nineteen (19) (73%)

## Audit of the ServiceOttawa Program

service enhancements were achieved, indicating that value for money on those initiatives was achieved.

### **Recommendation #6**

**The City should consider implementing a Project Performance Measurement process and/or a plan that would include a current state assessment to define baseline information that would be required to support expected results.**

#### **Management response:**

Management agrees with this recommendation.

In March 2013, halfway through the Program, Interis, an external auditing firm, was contracted to review the progress of the Program to date and make recommendations for improvement going forward. One of the recommendations provided by Interis was to establish performance metrics to evaluate project performance. Based on those recommendations, performance metrics were established and tracked for projects that had not yet been completed.

By the end of the ServiceOttawa Program, it had achieved \$40.5M in efficiencies on an ongoing basis with over 260 client service improvements, which were validated with staff and/or through technology.

At the beginning of the ServiceOttawa Program, limitations to the City's performance measurement systems restricted management's ability to measure baselines at the outset of the Program. Now with the implementation of over 30 technologies, the City achieved the automation of many back-end systems, which allows departments to better understand their current state and quantify improvements.

In January 2014, a new Project Management Policy and Framework was approved by the City's Executive Committee that includes the requirement for staff to set well-defined objectives. Project baseline information is defined in the Business Case and Project Charter and refined in the Project Management Plan. Project performance measurement is tracked and reported through Status Reports (during the project) and Project Close-Out Reports (at the end of the project).

Management considers this recommendation complete.

## **Conclusion**

Overall, the ServiceOttawa Program implemented new technologies, some of which had a measurable, positive impact on the City. While there were many positive

## Audit of the ServiceOttawa Program

achievements through the Program, the auditors also identified opportunities for improvement related to the Program that may be applied to future City programs through which significant investment is committed to achieve value for money. These opportunities include:

- While the City did achieve value through the ServiceOttawa program, the value achieved was less than the anticipated value. It is concluded that less value was achieved than anticipated due to a lack of evidence to link cost savings to Program investment, indicating that some benefits may have been achievable without Program investment (e.g., elimination of FTE positions that were never occupied). Due to the lack of a clear definition surrounding benefits, the audit is unable to conclude on the actual value for money achieved.
- Reporting to Council included inaccurate and inconsistent information. In order for Council to assess the impact of programs as well as to make informed decisions with respect to investments, the information provided to Council must be accurate and consistent, and identify significant changes between reporting periods.
- Project outcomes were not always measurable and baseline data was not provided for service enhancements. In the absence of this information, the impact of the Program investment cannot be clearly demonstrated.