

## **Chapter 1: Audit of Overtime**

### **Tighter Management of Overtime Required**

**Ottawa, May 2, 2006** – The City of Ottawa should implement a series of measures to more tightly manage its \$36.8 million annual overtime expenditures in 2005. This is the key finding of the Auditor General’s audit of Overtime released today.

The audit examined overtime spending in the Fire Services, Real Property Asset Management Branch, Utility Services Branch and Ottawa Police Service. In addition, follow-up on an earlier audit of overtime in the Transit, Fleet, Paramedic Service and Surface Operations Branches was also conducted. The audit revealed that overtime budgets are often exceeded.

“In some areas we found that the controlling and monitoring of overtime expenditures against budgets needs to be improved,” says Auditor General Alain Lalonde.

Based on a limited review of individual overtime records, the audit came across:

- Three employees who authorized their own overtime, including one employee who received approximately \$41,800 in overtime and on-call over a 20-month period;
- Supervisors submitting overtime forms on behalf of subordinates; and,
- Approval of overtime by non-authorized staff.

Recommendations contained in the audit include better use of the corporate financial system, reducing overtime by better management practices in work scheduling and the management of absenteeism, and improving budget planning and monitoring.

Finally, the audit found that measures taken by management to implement recommendations contained in a 2002 audit did not result in anticipated improvements.

In total, the audit makes 12 recommendations to management.

The chapter **Audit of Overtime** is available on the Auditor General’s Web site at [www.Ottawa.ca](http://www.Ottawa.ca)

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## **Chapter 2: Audit of Drinking Water Services**

### **No Concerns Over Water Safety but Management Improvements Possible**

**Ottawa, May 2, 2006** –The Drinking Water Services Division complies with federal and provincial regulations governing the safe supply of drinking water to Ottawa residents. There are, however, opportunities for improved operating efficiencies, says the Auditor General of the City of Ottawa.

“The provision of clean safe drinking water is one of the most important services provided by the City of Ottawa. It is essential that this service be managed in an efficient and effective manner and in compliance with all legislation and regulations,” states Alain Lalonde in his first annual report released today.

While no concerns over water safety were raised, the audit concludes that there is room for improvement in the following areas:

- Although not required by legislation, the City should implement a proactive lead service replacement program;
- The City should require all private water systems connected to the City’s system to have written maintenance procedures;
- The City’s water loss program could be better coordinated;
- Responsibility for water services is dispersed with only the City Manager having overall responsibility; and
- Better prioritization of meter and remote sensor repairs could generate additional annual revenues of approximately \$300,000.

In total, the audit of Drinking Water Services makes 25 recommendations to management.

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## **Chapter 3: Audit of the Management Control Framework**

### **Improvements Made to City's Management Control Framework but Issues Remain**

**Ottawa, May 2, 2006** – Ottawa's Auditor General concludes that the City of Ottawa has recently introduced substantial and positive changes to modernize its planning and performance management framework but a number of weaknesses must still be addressed.

The findings are included in Chapter 3 of the Auditor General's first annual report. The audit was undertaken to identify and assess the key steps that City management uses to administer its operations.

"The City is taking significant strides to modernize its management control framework but weaknesses uncovered in the audit may place the organization at risk in the future," concludes Auditor General Alain Lalonde.

Specifically, the audit includes the following findings:

- The creation of a Corporate Planning and Performance Reporting function is a positive step;
- Centres of Expertise and Service Level Agreements, by which internal support services are delivered, are not monitored or adhered to;
- A financial management control framework is required that clearly defines accountabilities, control objectives and risks;
- There is a need for an integrated risk management process to address overall corporate risk;
- The City does not have a corporate policy framework; and
- The Information Technology Services strategy is not linked to the Corporate Plan.

In total, the audit makes six recommendations to management.

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## **Chapter 4: Audit of the Procurement Process**

### **Greater Emphasis on Contract Pricing Could Save Thousands of Dollars**

**Ottawa, May 2, 2006** – Ottawa’s Auditor General recommends the City place greater emphasis on pricing when it contracts for outside services in order to realize significant savings.

When evaluating engineering proposals, the audit recommends that a greater emphasis be placed on the price component, raising it from 15% to 30%. As an example, the audit examined 12 engineering contracts and found that \$580,000 could have been saved if the higher price requirement had been in place. The audit also found that there were significant increases to several engineering contracts through the use of amendments.

The Auditor General also recommends better management of standing offers with a greater emphasis on price.

Alain Lalonde observes that, “Currently, standing offers are awarded to relatively large numbers of suppliers yet work is consistently awarded to a few firms with little consideration of cost.”

Other findings conclude that non-conformities to the procurement process are relatively low but the overall process for reporting to Council on procurement matters needs improvement.

In total, the audit makes 25 recommendations to management.

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## **Chapter 5: Audit of Real Estate Management**

### **Clear Guidelines on Real Estate Transactions Required**

**Ottawa, May 2, 2006** – An audit of the Real Estate Services Division (RESD) at the City of Ottawa shows an experienced team with knowledgeable leadership. However, Auditor General Alain Lalonde is concerned that the Division’s ability to deliver consistent services in the future is at risk.

The Auditor General states that clear guidelines for real estate transactions are required to ensure transparency and consistency in the disposal of City properties. The audit did not uncover any evidence of inappropriate activity in the sale of properties.

The audit also reveals a lack of formal policies and procedures in many areas, placing excessive reliance on the knowledge and expertise of existing staff. This lack of documented procedures adds further challenges to ensuring effective staff training.

Currently RESD contracts with several consultants in order to carry out its daily work due largely to the inability to find qualified replacements for vacancies.

“Given the succession planning issues and the ongoing need for contract resources, pursuing more formal outsourcing represents an alternative strategy to ensure the long-term sustainability of these services,” says Mr. Lalonde.

In total, the audit makes 12 recommendations to management.

The chapter **Audit of Real Estate Management** is available on the Auditor General’s Web site at [www.Ottawa.ca](http://www.Ottawa.ca)

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## **Chapter 6: Audit of the Emergency Management Program**

### **Strong Commitment from Senior Management on Emergency Planning but Important Elements Still Missing**

**Ottawa, May 2, 2006** – The City of Ottawa has developed an active, multi-departmental emergency management program with strong support from senior management but the program still lacks some important elements, including a municipal evacuation plan. This is a key finding in the Auditor General’s examination of the program released today as part of his first annual report.

“There is a risk that the evacuation plan will experience further delays and consequently the City will continue to be without a comprehensive strategy for the effective and orderly evacuation of all or segments of the City,” says Alain Lalonde.

Overall, the audit team found that the City is compliant with the requirements of the *Emergency Management Act* and associated regulations. However, the team also identified a number of risks that need to be addressed:

- The current location and design of the Emergency Operations Centre restricts the City’s ability to effectively and efficiently manage emergencies;
- Operating funding has not yet been identified to sustain the long-term benefits of capital projects totalling \$7.1 million;
- A formal process is needed to ensure that compliance is regularly monitored and sustained over the long term; and,
- Project teams may not have the necessary resources with the required qualifications to successfully meet project objectives.

In total, the audit makes seven recommendations to management.

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## **Chapter 7: Audit of By-law Enforcement and Inspections**

### **Service Standards Needed to Improve Efficiency of By-law Enforcement**

**Ottawa, May 2, 2006** – Auditor General Alain Lalonde recognizes that the By-law Services Branch is making key changes but recommends the development of enhanced service standards to improve efficiency and customer service. This is the key finding in his audit of By-law Enforcement and Inspections released today as part of the Auditor General’s first annual report.

“I am concerned that the lack of set standards for workload and completion times leaves management unable to ensure resources are used efficiently and effectively or to give a complete and reliable accounting of performance,” says Mr. Lalonde.

The audit acknowledges that By-law Services collects and reports information on the level of enforcement activities but it has not yet established an approach to collecting, monitoring and reporting on how effective and efficient these activities are performed.

Other areas identified as areas for improvement include:

- The Branch should pursue opportunities to enhance operational efficiency through the use of available technology tools;
- Revenue controls should be reviewed, reconciled and evaluated on a regular basis;
- Health and safety risk areas should be assessed annually including the measures taken to mitigate these risks; and,
- The By-law harmonization project should be systematically assessed to monitor the risk of further delays.

In total, the audit makes 14 recommendations to management.

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## **Chapter 8: Audit of Internet Usage and Controls**

### **Issues of Security, Control and Personal Internet Use Raised in Audit**

**Ottawa, May 2, 2006** – The Auditor General for the City of Ottawa found mixed results in his audit of Internet Usage and Controls. On the whole, e-mail controls to safeguard information confidentiality and integrity worked as expected. However, the audit also revealed that more than one-half of all Internet use was personal and unrelated to City business.

“The City needs to better monitor and control usage by providing managers with timely data on Internet traffic,” concludes Alain Lalonde.

While security controls currently implemented were found to be generally effective and reliable, there were some gaps in the adequacy of these controls. One weakness highlighted in the audit is the partial exemption from controls at the Ottawa Public Library that could result in the corruption of the City network.

Specific Internet security recommendations in the audit include:

- Updating the City’s anti-virus software;
- Improving log management practices to allow for detection of malicious activity and to track trends; and,
- Prohibiting the installation of software not officially sanctioned.

In total, the audit makes 19 recommendations to management.

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**Opening Statement Corporate Services and Economic Development Committee -  
May 2, 2006**

Mr. Chair and Members of Committee,

I am pleased to present my first annual report as Auditor General at the City of Ottawa.

The Fraud and Waste Hotline implemented last November is also included in this report.

In accordance with the By-Law governing the Office, this report is being tabled today for referral to Council's May 10<sup>th</sup> meeting.

Rather than giving a summary of each audit, I think it would be helpful to provide some general observations.

I see the role of the Auditor General as providing Council with information on how efficiently the City is achieving its mandate.

Toward this end, the Office has completed 13 audits in 2005.

Some of these audits have already been presented.

The remaining audits are presented today.

The report shows that the City is performing well in a number of areas but there are still opportunities for improvements.

The more than 100 recommendations provided to management represent, to my knowledge, an unprecedented level of independent scrutiny for Council, senior management and the citizens of Ottawa.

Management has committed to implementing the large majority of these recommendations.

I feel these recommendations will improve management practices and enhance operational efficiency.

Some overall themes have emerged from these audits, which I wish to highlight for you today.

As you know, the City is subject to a wide array of legislative requirements.

Our 2005 audits found consistent compliance with these requirements especially in the areas of Drinking Water Services and Emergency Management Program.

**Opening Statement Corporate Services and Economic Development Committee -  
May 2, 2006**

Positive developments are occurring in corporate planning initiatives.

The City Manager has placed a renewed importance on a coordinated approach to corporate planning, as the audit of the Management Control Framework shows.

Clarity of roles and responsibilities remain an issue.

The concept of centres of expertise makes sense. The City has struggled to make this model work in practice across all functions.

Efforts should be made to make the model work to avoid negative impacts on operations.

For example, the audit of Drinking Water Services revealed issues of role clarity between Operations and Financial Services regarding water meter control, repair and maintenance.

Likewise, the audit of Internet showed issues regarding management's role in overseeing staff activity and Information Technology's role in providing support to facilitate this oversight.

Another theme that I want to raise is the inconsistent use of the City information system.

In some areas of the City there is still a reluctance to embrace the new ways of doing business that the technology requires.

This was particularly evident during the audit of Overtime and Real Estate Management.

I believe many of the audits show the need for a greater focus on performance measurement and monitoring.

The Management Control Framework audit provides some details on this subject.

The audits of By-Law and Real Estate Management contain recommendations for improvements in these specific areas.

Budget development and cost control can be improved.

I do want to point out that the intent to provide Council with an updated Long-Range Financial Plan will provide the information needed to set priorities.

It will provide the proper context to reinforce the need for greater attention to cost.

This need was clearly evident in the audits of Procurement and Overtime.



**Opening Statement Corporate Services and Economic Development Committee -  
May 2, 2006**

Regarding the audit of Overtime, an important observation from our work was that we encountered some sentiment that managing within overtime budgets was not always of great concern.

We observed overtime budgets being consistently overspent in several areas.

I believe more creative approaches are required to deliver services without simply incurring more overtime.

We have identified these opportunities in our report.

The Ottawa Police Service was included in our audit of Overtime. As you know, there are legislated restrictions on directing the Chief of Police on operational matters.

As such, I have provided our observations and recommendations separately to Chief Bevan for his consideration.

In the audit of Procurement, opportunities for savings were identified that are not being pursued.

When evaluating engineering proposals, the City could potentially save significant amounts of money if the price component is raised.

We also found that there were significant increases to several engineering contracts through the use of amendments.

Finally, the City needs to better manage the standing offers process with a greater focus on price.

An important part of our ongoing work plan includes follow-ups on the audits conducted last year.

These follow-ups will be done in all areas where management has indicated its intention to implement recommended changes.

Where there is disagreement, my Office will do follow-ups only where Council has directed management to implement recommended changes.



**Opening Statement Corporate Services and Economic Development Committee -  
May 2, 2006**

In closing, I believe strongly that there is a collective obligation to focus on being effective stewards of the public's tax dollars while providing the high quality of service the citizens of Ottawa deserve.

Thank you!