

October 2, 2020

TO: Sadhu Johnston – City Manager
Paul Mochrie – Deputy City Manager

FROM: Tony Hui – Chief of Internal Audit

CC: Patrice Impey – General Manager, Finance, Risk & Supply Chain Management
Nick Kassam – General Manager, Real Estate and Facilities Management
Andrew Naklicki – Chief Human Resources Officer
Laurence Beatch – Director, Organizational Health & Safety
Danica Djurkovic – Director, Facilities Planning and Development
Alexander Ralph – Director, Supply Chain Management & Chief Procurement Officer

SUBJECT: Office Furniture Purchases Audit

As requested by the City Manager, Internal Audit has conducted an audit of office furniture purchases for the recent City Hall 2nd floor renovation. This renovation project involves budgeted office furniture costs of \$316,806 for the supply and installation of workstations, office chairs, and meeting room furniture.

The objective of the review was to determine:

1. Whether the office furniture purchases complied to City policies and procedures, including the proper procurement process; and
2. Whether the purchasing decisions were supported with sound business analysis and documentation.

A. SUMMARY AND RECOMMENDATION

No exceptions were noted with the compliance to the City's procurement process or policy for the furniture purchases involved with the City Hall 2nd floor renovation. The vendors selected were chosen from the City's prequalified vendor list and purchases were approved by management in REFM. Staff task chairs were selected in accordance with the City's ergonomic standards. Other furniture such as alternate flexible work hub furniture are not addressed on the City's standard list but are purchased based on the workspace's design and layout.

Recommendation: REFM Facilities Planning should establish standards for City alternate flexible work hub furniture as part of the City's furniture standards listing. Any purchases of items that do not follow the established standards should be reviewed and approved by the General Manager.

B. WORK PERFORMED

Our work included:

- Interviews with key contacts in REFM Facilities Planning, Supply Chain Management, and Organizational Health & Safety (OH&S); and

- Review of supporting documentation related to: the procurement process, invoices and purchase orders, City ergonomic standards, and the City's office furniture replacement program.

C. OBSERVATIONS

C.1 Verified cost and quantity of furniture purchased

The \$316,806 project cost included the purchase of task chairs, meeting area furniture, workstations, storage furniture, delivery and installation. Review of purchasing order and invoice documentation confirmed the following cost breakdown:

Item Description	Unit Cost	Quantity Purchased	Cost (excl taxes)	GST	PST	Total Cost	Retail Value*
Workstations / meeting room furniture / various desk components	N/A (various)	75 workstations	\$128,605	\$6,430	\$9,002	\$144,038	\$1,800
Ergonomic task chairs	\$712.10 to \$843.33	64	\$46,080	\$2,304	\$3,226	\$51,609	\$1,500
Upholstered chair (Poppy Lounge)	\$1,242.00	1	\$1,242	\$62	\$87	\$1,391	\$2,600
Meeting room and plastic molded chairs	\$344.05 to \$445.43	75	\$28,157	\$1,408	\$1,971	\$31,536	\$500 to \$700
Lounge chair (Haworth Windowseat)**	\$2,623.50	8	\$20,988	\$1,049	\$1,469	\$23,507	\$4,900
Lateral file cabinets	N/A (various)	28	\$30,026	\$1,501	\$2,102	\$33,629	N/A
Miscellaneous (e.g. whiteboards, monitor arms)	N/A (various)	N/A (various)	\$38,114	\$1,906	\$2,668	\$42,688	N/A
Delivery / installation / storage	N/A	5	\$27,674	\$1,384	\$1,937	\$30,995	N/A
Total****			\$320,886***	\$16,044	\$22,462	\$359,393	

* Retail Value is estimated based on current available pricing found on retail websites.

** Description as per the purchasing documents.

*** Difference in total amount is due to difference between budgeted cost of \$316,806 and the actual quotes or invoices received totalling \$320,886.

**** Slight differences in totals are due to rounding.

Refunds / returns

- Furniture has been delivered with the exception of informal meeting space / flexible work hub furniture quoted at \$25,759.

- Supply Chain management has advised that any returns would be subject to a restocking fee of approximately 35% of the pre-tax order. This includes furniture that has been delivered as well as products invoiced but not yet received. This is due to much of the furniture being made to order and not held in inventory in large quantities by furniture vendors. Transportation costs involved with returning the furniture is estimated at \$1,500 per return shipment.

C.2 Confirmed that the proper procurement process was followed

Pre-qualification of vendors for office furniture

- In 2016, the City of Vancouver issued RFQ PS20151854 for office furniture systems. The RFQ was posted on BC Bid and four vendors were selected as pre-qualified furniture suppliers.
- Supply Agreements were created with each of the four vendors with furniture specifications and pricing. Contract extensions were signed in April 2020 to extend contracts to April 2021 for each of the four vendors.

Purchase of furniture for 2nd floor City Hall renovation project

- In March 2020, REFM staff requested quotes from three of the pre-qualified vendors for the City Hall 2nd floor renovation office furniture. The lowest priced bid was awarded the contract.
- Ergonomic task chairs were procured from a pre-qualified vendor. This provided the City with cost savings due to volume discounts.
- Furniture items are selected by REFM Facilities Planning staff based on the workspace's design and layout, and in accordance with City's furniture standards where applicable. Purchases are approved by REFM management in accordance with the approval authority built into the purchasing system and in compliance with corporate policies such as the Financial Spending Authority and the City's Procurement Policy.
- Supply Chain Management did not note any issues with REFM's adherence to the procurement process and noted that vendors that the City uses are also used by various Metro Vancouver municipalities.

C.3 Reviewed evaluation and selection process for office furniture

Task Chairs

- The City reviewed chair requirements most recently in 2016 and evaluated 22 chair models provided by 8 different vendors. The criteria for this evaluation were primarily ergonomic factors. The Herman Miller Mirra 2 chair was assessed by the City's ergonomist in OH&S as meeting the ergonomics criteria established for task chairs.
- The Herman Miller Mirra 2 was established as a standard task chair model in the City's furniture standards and is purchased when replacing office furniture.

- Facilities Planning uses a 20 year lifecycle in scheduling replacement efforts as part of the City's chair replacement program and also redeploys task chairs not yet at end of life to other departments to maximize usage.
- Other benefits of the task chair noted by staff include: a warranty of twelve years, higher quality, lower overall cost of ownership, and the ability to be recycled at end of life.

Other office furniture

- Alternate flexible work hub – these furniture items are not currently specified in the City's furniture standard list. Furniture selection is made by Facilities Planning staff. The rationale provided included the City's move towards flexible workspace and reduction in use of breakout rooms, and the ability to collaborate with other staff and the public. REFM management indicated that the Windowseat lounge chairs are referred to as "working chairs" and are being piloted to replace full hotel working stations.
- Workstations – electric sit-stand desks are the standard as it also provides ergonomic benefits and items are procured customized to the design and layout of the particular workspace.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to be 'TH', with a horizontal line extending to the right from the end of the signature.

Tony Hui, CPA, CA, CRMA
Chief of Internal Audit