

February 25, 2021

Members of the Vancouver Police Board Finance Committee,

At the request of the Vancouver Police Board (VPB) Finance Committee, we have reviewed the Statement of Revenues and Expenses as at December 31, 2020. The financial information presented in the Statement of Revenues and Expenditures is the responsibility of the management of the Vancouver Police Department (VPD). Management is responsible for the preparation and fair presentation of these financial statements. This includes implementing the necessary internal controls to prepare financial statements that are free from material misstatement, whether due to fraud or error.

Work Performed

The engagement was performed based on the following specifically agreed upon procedures:

- Agreed the financial information to the records and accounts in the general ledger of the City of Vancouver (City).
- Reviewed the working papers prepared by VPD management for any reclassifications.
- Discussed with VPD management and analyzed financial information for reasonableness and consistency with City accounting policies.
- Performed variance analysis based on the Council approved budgets and obtained explanations from VPD management where appropriate.
- Inquired as to the accounting, budget and other internal controls to obtain reasonable assurance that transactions are properly authorized and accurately recorded.
- Made inquiries and obtained written representation from VPD management to identify any deviations from accounting policies and procedures that would affect the integrity of the Statement of Revenues and Expenses.

In addition, as part of Internal Audit's response to addressing COVID-19 in audits being conducted, a walk-through of COVID-19 safety measures employed at the VPD Graveley reception and Finance office areas was performed. The objective was to assess the adequacy of current COVID-19 safety measures. The two locations were selected based on the work areas related to the VPD Finance team. No concerns were identified and VPD was compliant with COVID-19 safety measures at the two locations.

These procedures were not designed to detect fraud. Accordingly, there should be no such reliance.

Reconciliation of Financial Data

Reconciliation of the Statement of Revenues and Expenses to the City's general ledger resulted in a difference of \$758K in revenues and expenses. This is consistent with VPD's prior years' practice of reporting expenses net of cost recoveries for management reporting purposes. This differs from the City financial statements where gross recovery and expense amounts are reported. VPD management has disclosed the difference in the variance report dated February 19, 2021 for the VPB Finance Committee.

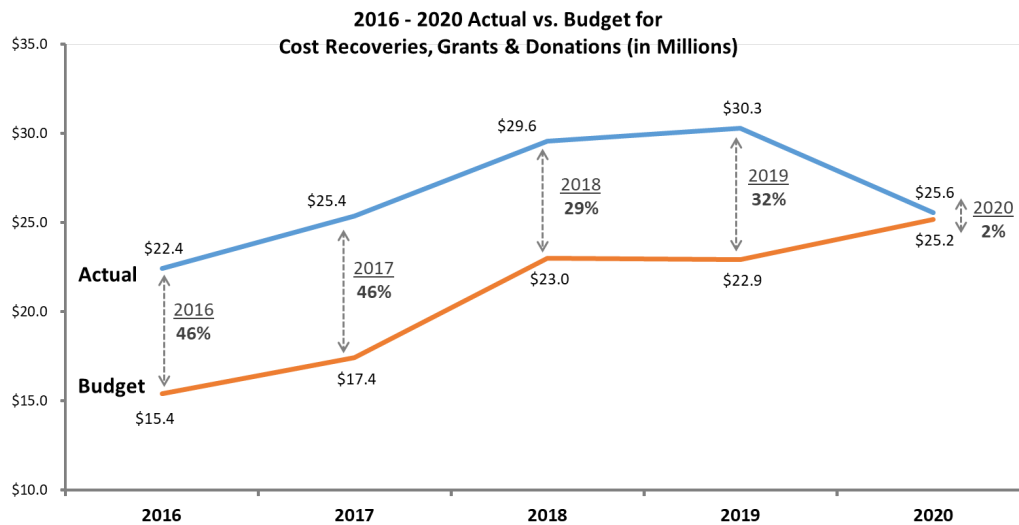
Conclusion

We found that the Statement of Revenues and Expenses (see Appendix 1) is fairly presented and in compliance with the VPD's policies and practices. The statement was prepared in all material respects, consistent with the City's corporate accounting policies and agreed to the City's general ledger.

Audit Observations

1. Budget estimates for 'Cost Recoveries, Grants and Donations' are now closer to actuals

The VPD Finance team has been proactive in enhancing the budgeting process. The budget for 'Cost Recoveries, Grants and Donations' in 2020 was increased from \$22.9M in 2019 to \$25.2M (a 10% increase of \$2.3M) to better reflect revenues received in previous years. The budget to actual variance improved from 32% to 2% in 2020. This was a result of both the increase in budget and less revenues received mainly due to COVID-19.



2. Payroll timecards should not be self-approved

OBSERVATION: Within the Payroll system, VPD's current procedures allow for certain levels of staff to approve their own timecards. For civilian staff, this applies to those who are supervisor-level and above. For members, this applies to those who are sergeant-level and above.

It was noted that self-approval of timecards is limited to regularly scheduled working time and does not include overtime or leave requests, and direct managers have the ability to view timecards of all staff reporting to them. In addition, VPD management indicated that process controls for payroll verification are in place to help detect time-entry anomalies.

IMPLICATION: A lack of independent review for validity by a manager increases the risk of payroll overpayments and expenses. Proper timecard approval procedures are important as timecard entries directly affect the salary expense, which account for the majority of VPD's overall expenses.

RECOMMENDATION: Restrict the ability to self-approve timecards and require managerial approval. If this is not feasible, establish a periodic review process of self-approved timecards.

VPD management acknowledges the observation and will review the related policies and procedures.

3. Improve documentation on the “VPD-FOTU Inventory Expense Form”

OBSERVATION: During each shooting event at the Tactical Training Centre, staff from the VPD Firearms Training Team are authorized to complete the “VPD-FOTU Inventory Expense Form” to indicate how much ammunition was used. This document is then emailed to the Supervisor of Purchasing and Inventory Unit to process the expense in SAP. The form does not require the name of the person submitting the expense, and approvals are also not required.

IMPLICATION: There is an increased risk of asset misappropriation when there is both a lack of documented ownership for an expense request and a lack of approvals.

RECOMMENDATION: An approval structure for ammunition expenses should be documented to determine which staff members are authorized to submit the expense form and who is allowed to approve.

The “VPD-FOTU Inventory Expense Form” should also be revised to document the name of the person submitting the expense request and the approver’s name and signature. If it is unfeasible for all expense forms to be approved, there should be an expense threshold established for higher-valued expense requests.

VPD Finance staff also noted this observation and proactively agreed to implement the recommendation.

Submitted by:

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Appendix 1 - VANCOUVER POLICE DEPARTMENT

STATEMENT OF RECOVERIES AND EXPENDITURES FOR THE PERIOD ENDED December 31, 2020
(Prepared by VPD Finance)

| | Year Ended | | | % |
|-------------------------------------|----------------------|----------------------|--------------------|--------------|
| | Actual | Budget | Variance | |
| RECOVERIES | | | | |
| Cost Recoveries, Grants & Donations | | | | |
| Cost Recoveries | (\$4,091,552) | (\$5,414,460) | (\$1,322,908) | |
| Secondment Recoveries | (14,273,168) | (13,572,387) | 700,781 | |
| Grants & Donations | (1,630,312) | (625,200) | 1,005,112 | |
| Other Government Recovery | (1,470,422) | (600,000) | 870,422 | |
| Secondment Overtime Recovery | (1,425,068) | (1,995,975) | (570,907) | |
| Overtime Recovery | (541,196) | (512,500) | 28,696 | |
| | (23,431,718) | (22,720,522) | 711,196 | |
| Program Fees | (1,865,420) | (2,081,000) | (215,580) | |
| Parking | (51,972) | (155,300) | (103,328) | |
| Other Recoveries | (223,747) | (207,100) | 16,647 | |
| TOTAL RECOVERIES | (25,572,857) | (25,163,922) | 408,935 | 1.6% |
| EXPENDITURES | | | | |
| <u>Salaries & Benefits</u> | | | | |
| Sworn Salaries | \$172,104,088 | \$176,099,574 | \$3,995,486 | |
| Sworn Overtime | 14,262,642 | 13,121,083 | (1,141,559) | |
| Secondment Overtime | 1,425,068 | 1,995,975 | 570,907 | |
| Entertainment District Callouts | 675,602 | 976,359 | 300,757 | |
| Statutory Holiday Pay | 6,181,125 | 5,943,445 | (237,680) | |
| Civilian Salaries | 24,349,059 | 24,163,456 | (185,603) | |
| Casual & Temp Salaries | 5,909,883 | 5,869,730 | (40,153) | |
| Civilian Overtime | 1,019,693 | 317,920 | (701,773) | |
| Benefits | 53,039,478 | 52,274,043 | (765,435) | |
| Total Salaries and Benefits | 278,966,638 | 280,761,585 | 1,794,947 | 0.6% |
| <u>Non-Salary Items</u> | | | | |
| Equipment & Fleet | | | | |
| Fleet | 11,572,308 | 10,747,521 | (824,787) | |
| Uniforms & Equipment | 5,996,115 | 4,614,412 | (1,381,703) | |
| Other | 12,295 | 10,924 | (1,371) | |
| | 17,580,718 | 15,372,857 | (2,207,861) | |
| Other Expenses | | | | |
| Criminal Investigation Fund | 2,823,932 | 3,090,558 | 266,626 | |
| Travel & Training | 1,102,393 | 2,028,683 | 926,290 | |
| Other | 3,956,366 | 3,670,793 | (285,573) | |
| | 7,882,691 | 8,790,034 | 907,343 | |
| Professional Fees | | | | |
| Legal | 952,900 | 482,500 | (470,400) | |
| Other | 3,619,466 | 3,156,556 | (462,910) | |
| | 4,572,366 | 3,639,056 | (933,310) | |
| Building Occupancy & Maintenance | 2,432,576 | 2,732,744 | 300,168 | |
| Supplies & Materials | 3,092,522 | 3,451,747 | 359,225 | |
| City Allocations | 24,710,012 | 24,710,012 | 0 | |
| Transfers | 677,796 | 72,670 | (605,126) | |
| Total Non-Salary Items | 60,948,681 | 58,769,120 | (2,179,561) | -3.7% |
| TOTAL EXPENDITURES | 339,915,319 | 339,530,705 | (384,614) | -0.1% |
| TOTAL SURPLUS | \$314,342,462 | \$314,366,783 | \$24,321 | 0.0% |