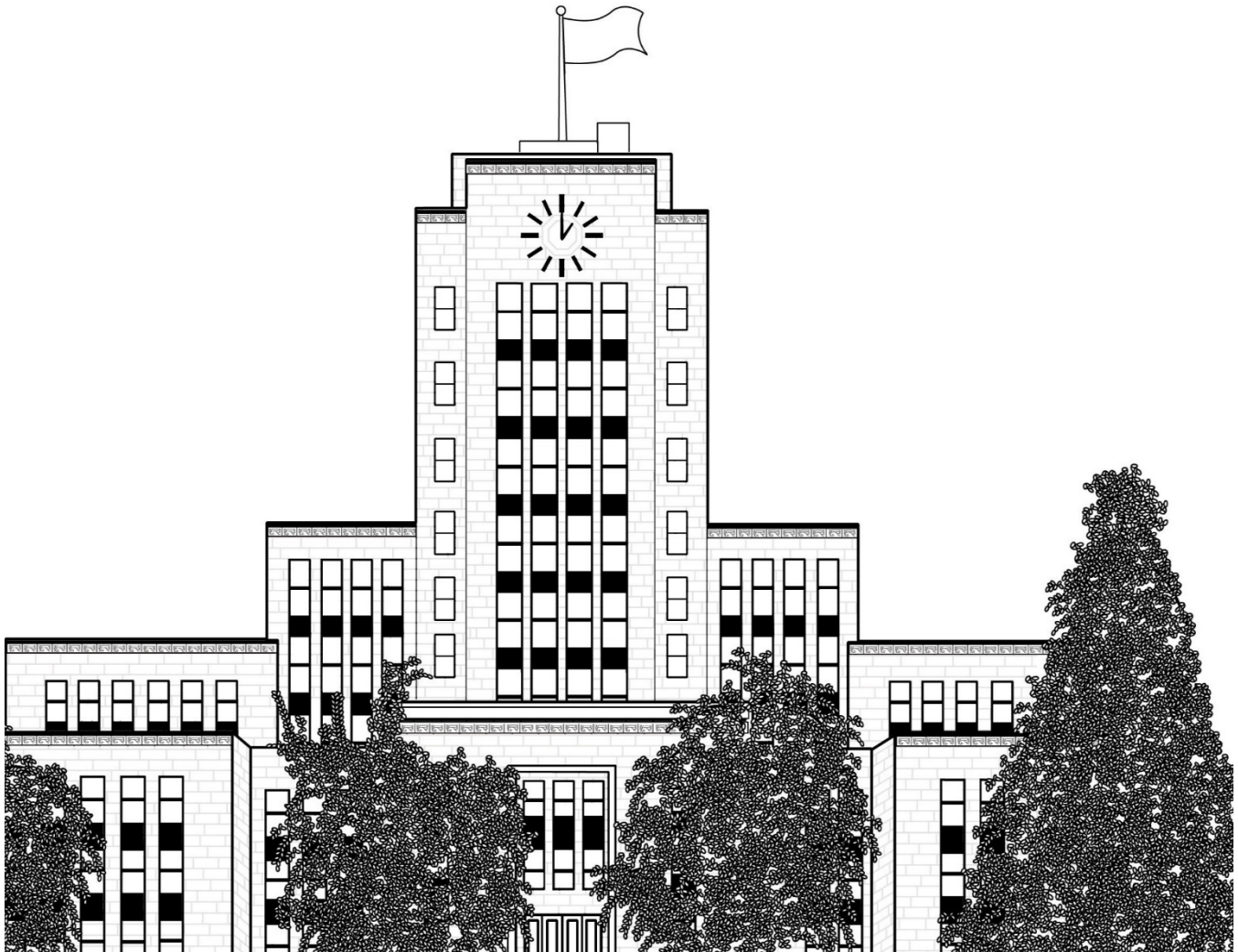


Follow-Up Report

Update on the Status of Previous Audit Recommendations



A follow-up report on the implementation status of management action plans for recommendations made in previous audit reports

December 2023

Message from the Auditor General

To the Mayor and Council of the City of Vancouver,

I am pleased to present my first follow-up report on the status of previous audit recommendations.

Where my audits identify opportunities for improvement in the economy, efficiency and/or effectiveness of the City's operations, I make recommendations aimed at addressing root causes. As Auditor General I, quite appropriately, have no ability to compel the City to implement my recommendations, so I ask Council to endorse them. And on behalf of Council's Auditor General Committee, every six months I follow-up on the status of these recommendations.

It is important to note that the status updates contained in this report have been provided by and are the representations of City management. My team has conducted no work to verify the information provided, and we offer no assurance or any form of comment regarding its completeness or accuracy.

Instead, we invite readers to consider whether City management's plans to address audit recommendations are appropriate and whether the reported progress to date is adequate and plausible.

I am pleased to see that of the 18 recommendations included in the three audit reports released up to June 2023, the City reports having fully or substantially implemented five and having taken alternative actions for another two. It is gratifying to already see tangible progress being made during the short tenure of my office, and I look forward to seeing further progress in the next semi-annual follow-up report to be presented to Council in June 2024.



Mike Macdonell, FCPA, FCA
Auditor General
Vancouver, B.C.

7 December 2023

Report Contents

Message from the Auditor General	2
Summary of Reported Results	4
Self-Assessments	5
Audit of Building Permit Fees	5
Audit of Office Furniture Purchases	8
Audit of the Permitting Program Cost Recovery Model	12

Summary of Reported Results

			Status of Recommendations			
Audit Report	Report Release Date	Number of Recommendations Made	Fully or Substantially Implemented	Alternative Action Taken	Partially Implemented	No Substantial Action Taken
Initial Follow-Ups						
Building Permit Fees	Jan 2023	5		1	2	2
Office Furniture Purchases	Feb 2023	5	2	1	2	
Permitting Program Cost Recovery Model	May 2023	8	3		2	3
Totals		18	5	2	6	5
Percent of total recommendations			28%	11%	33%	28%

DEFINITIONS

Self-Assessed Status Categories	Description
Fully or Substantially Implemented	The department has fully or substantially addressed the recommendation and plans no further work.
Alternative Action Taken	The department has taken actions that were not anticipated by the recommendation but address the underlying issues.
Partially Implemented	The department's actions to address the recommendation are in process.
No Substantial Action Taken	The department has not, or has not yet, taken actions in response to the recommendation.

Self-Assessments

Audit of Building Permit Fees

Progress as at: November 7, 2023

Audit Report Released: [January 25, 2023](#)

Discussed by City Council: February 2, 2023

Self-Assessment conducted by the **Development, Buildings, and Licensing** (DBL) department.

Management's Overall Comments

"Staff have undertaken a detailed assessment of the Auditor General recommendations and, given the broad scope of work, will be implementing a phased approach in response to these recommendations.

Phase 1 represents an interim approach that provides the Chief Building Official with the necessary authority to stabilize the current permit cost valuation structure and ensure we are administratively sound in our authority to calculate and charge fees.

Staff will be reporting back to Council in Q3 2024 in support of Phase 2 to propose options to improve the building permit fee process by introducing greater clarity and transparency specific to fee calculation methodologies and simplified fee structures.

More detail on this approach is outlined in the Council report dated September 13, 2023: Clarifications of Construction and Project Values in the Building By-law."

RECOMMENDATIONS

Recommendation and Summary of Progress	Self-Assessed Status
<p>Recommendation 1: The Development, Buildings and Licensing department should address discrepancies between the <i>Building By-law</i> and the administrative design of the City of Vancouver's building permit fee assessment process by either:</p> <ul style="list-style-type: none"> Redesigning processes to more explicitly comply with the <i>Building By-law</i> and address risk of under-charging or over-charging fees; or, Researching and recommending to Council amendments to the <i>Building By-law</i> to include a different method for charging building permit fees that is consistent, reliable, equitable and more efficient than using the value of 	<p>Partially implemented</p>

<p>the proposed work submitted by applicants as a basis for charging fees, taking the following into consideration:</p> <ul style="list-style-type: none"> ○ The alignment of the selected method with the purpose of charging fees in order to recover the full cost of providing the service of issuing permits; and, ○ Developing a transparent method for calculating fees that can be consistently and accurately applied, with administrative efficiency (which may be unique to different types of buildings). 	
---	--

Actions taken, results and/or actions planned:

“Amendments to the *Building By-law* in September 2023 resulted in changes to the cost valuation methodology under the authority of the Chief Building Official. This change is intended to address greater consistency and transparency in the administration of building permit fees in DBL.

This regulatory change represents Phase 1 of this approach and is intended to stabilize our current process as we explore permit fee methodologies and best practices as part of Phase 2.

Staff have also introduced interim measures to establish a floor area based calculation for our low density housing projects to address inconsistencies in the administration of those fees.”

<p>Recommendation 2: The Development, Buildings and Licensing department should develop written guidelines or standard operating procedures for staff to follow when administering processes to determine building permit fees and provide training to staff on the procedures.</p>	<p>No substantial action taken</p>
--	---

Actions taken, results and/or actions planned:

“Written procedures responding to a standardized approach to building permit fee administration will be part of Phase 2 and will be developed once a jurisdictional scan is complete and we align best practices.

Staff are exploring fee calculation capabilities as part of the ongoing implementation of the Project Requirements Exploration Tool (PRET) to ensure applicants can easily and efficiently access the information they need to calculate fees in order to submit a complete application.”

<p>Recommendation 3: The Development, Buildings and Licensing department should enhance the guidance provided to building permit applications in order to support applicants’ inclusion of complete and accurate information in their application forms.</p>	<p>Partially implemented</p>
---	-------------------------------------

Actions taken, results and/or actions planned:

“This action will be part of Phase 2 and is aligned with work underway through the Permitting Improvement Program (PIP) to ensure applicants can easily and efficiently access the information they need in order to submit a complete, high-quality application, creating a consistent user experience.”

Recommendation 4: The Development, Buildings and Licensing department should develop a process, utilizing information available in POSSE, to monitor for administrative consistency of the building permit fee process to ensure that fees are being assessed correctly.

Alternative action taken

Actions taken, results and/or actions planned:

“Staff are exploring options to determine whether POSSE is the appropriate tool to support this action. More information will be provided as part of Phase 2.”

Recommendation 5: The Building Review Branch should review the value of the proposed work submitted for projects that have provided estimates during rezoning applications (for Community Amenity Contribution requirements) to determine if they would assist in assessing the reasonability of the values provided in building permit applications.

No substantial action taken

Actions taken, results and/or actions planned:

“This work is future state and will be undertaken once we have completed Phase 2. Future work will require input from Planning Urban Design and Sustainability and Finance to seek clarity on the merits of this alignment.”

Audit of Office Furniture Purchases

Progress as at: November 7, 2023

Audit Report Released: [February 22, 2023](#)

Discussed by City Council: March 2, 2023

Self-Assessment conducted by the **Finance, Risk, & Supply Chain Management (FRS)**, and **Real Estate and Facilities Management (REFM)** departments.

Management's Overall Comments

"During the Audit of Office Furniture Purchases conducted by the Office of the Auditor General in February 2023 the City met, with some exceptions, the audit objective of making office furniture purchases with due regard to best value. The conclusions of the audit confirmed that the City had an assessment process to select office furniture, a reasonably comprehensive procurement policy, and up-to-date supplier agreements to purchase office furniture.

The audit recommendations identified opportunities to further enhance the City's ability to achieve best value and mitigating some of the risks associated with procurement. In response to the recommendations, REFM, SCM and Legal have work together to review and consider revisions to the City's Procurement Policy and review procurement solicitation templates to ensure standard language to ensure compliance with trade agreement obligations. In addition to this, REFM is responding to audit recommendations by developing stronger guidelines and standards of office furniture that clearly demonstrate criteria used to determine best value, and by initiating a new vendor pre-qualification process planned to go to market in Q2 2024."

Recommendations

Recommendation and Summary of Progress	Self-Assessed Status
<p>Recommendation 1: In the City's next review of its <i>Procurement Policy</i>, scheduled for 2023, the Supply Chain Management and Legal Services departments should make updates to ensure the policy addresses all trade agreement obligations.</p>	<p>Fully or substantially implemented</p>

Actions taken, results and/or actions planned:

“This recommendation is substantially implemented. An update to the Procurement Policy will be presented to Council for approval at the end of November 2023 with recommendations to ensure the policy addresses trade agreement obligations. Additionally, the proposed changes will help the procurement process be more efficient while maintaining an appropriate level of oversight and governance. Such updates include changing the dollar amount thresholds for contract commitment and execution delegated authorities. Moreover, Supply Chain Management and Legal Services are working to improve the readability and clarity on some of the sections of the policy to make it easier to understand and implement. The updated policy will be in effect January 1, 2024.”

Recommendation 2: The Real Estate and Facilities Management, and Supply Chain Management departments should update the City’s procurement strategy for office furniture in preparation for the next procurement of office furniture.	Fully or substantially implemented
---	---

Actions taken, results and/or actions planned:

“This recommendation is substantially implemented. REFM and SCM have been working on the strategy to plan and determine the most appropriate procurement approach for the next market event to pre-qualify suppliers and establish a process to engage vendors to achieve best value in the purchases of office furniture. The City will conduct a public procurement competitive process in Q2/Q32024 with the objective to evaluate and pre-qualify office furniture suppliers. The procurement strategy will be to use a Request for Applications (RFA) process, which will include the criteria for evaluation and selection of office furniture suppliers to establish standing offers with pre-qualified suppliers which will be engaged through a clear purchasing process and rules of engagement. At a minimum the City will provide 25 days for interested vendors to submit their responses in compliance with trade agreement obligations.”

<p>Recommendation 3: The Supply Chain Management and Legal Services departments should review and revise the RFQ templates, guidelines, and processes to ensure:</p> <ul style="list-style-type: none"> • Compliance with trade agreements; • The use of consistent language and clauses throughout; and • That suppliers are provided with sufficient detail on how the selection process and ordering will proceed. <p>The Supply Chain Management department should ensure that guidelines on how to use the templates include the appropriate length of time for suppliers to respond to procurement opportunities, and a requirement to publish opportunities for suppliers to be added to a pre-qualification list. In addition, the Supply Chain</p>	Alternative action taken
---	---------------------------------

Management department should ensure that guidelines require that any deviations from policy be properly justified and documented.	
---	--

Actions taken, results and/or actions planned:

“The Supply Chain Management and the Legal departments are in the process of reviewing, on a phased approach, all procurement solicitation templates as part of the implementation of the Jaggaer One e-Sourcing system which went live on May 2022. System templates will incorporate standard and consistent language to ensure compliance with trade agreements. The City will not use a Request for Quotation (RFQ) for the office furniture solicitation. A Request for Applications (RFA) template will be used instead and will be reviewed to clarify non-binding language and adapted to ensure a clear evaluation criteria and selection process is used for the office furniture procurement. Additionally, clear rules of engagement for ordering and purchasing from the pre-qualification list and the process to be able for interested vendors to be added to the list will be included in the solicitation.”

Recommendation 4: The Real Estate and Facilities Management department should develop guidelines on when and how often to conduct assessments and reassessments on office furniture items and systems to ensure best value. The guidelines should require consideration of new and evolving information relating to factors such as the City’s needs, ergonomics, quality and pricing; including their relative impacts in a weighted evaluation process. Additionally, the Real Estate and Facilities Management department should ensure adequate documentation linking assessments to decisions is developed and retained.	Partially implemented
--	------------------------------

Actions taken, results and/or actions planned:

“REFM is contracting a subject matter expert to assist in determining the City’s office furniture needs, ergonomics and quality requirements, expected pricing ranges and the guidelines on when and how often office furniture assessments should be conducted to ensure best value. The deliverables of this work will inform the scope of the Request for Application (RFA) in order to determine the requirements to create the list of pre-qualified vendors. The deliverables of this work are expected to be completed by Q2 2024. At such time the City will go out to the market to establish a new office furniture pre-qualification.”

Recommendation 5: The Real Estate and Facilities Management department should continue to build upon existing processes and establish price lists in supply agreements for commonly purchased office furniture items, including new furniture items. In addition, guidelines with reasonable price ranges for specific furniture types should inform these price lists.	Partially implemented
--	------------------------------

Actions taken, results and/or actions planned:

“A list of commonly purchased furniture items will be compiled along with a range of prices that have been deemed reasonable and will be used as selection criteria to establish the vendor prequalification list. The list and prices will be confirmed and updated after the next furniture RFA and will form part of the standing agreements. REFM will continue this process of re-evaluation in the future to align with each contract extension and establish a mechanism to include new furniture items.”

Audit of the Permitting Program Cost Recovery Model

Progress as at: November 2, 2023

Audit Report Released: [May 25, 2023](#)

Discussed by Council (AGC): June 1, 2023

Self-Assessment conducted by the **Finance, Risk, & Supply Chain Management (FRS)** department.

Management's Overall Comments

"We extend our sincere appreciation to the Auditor General's Office for its role in facilitating a review of progress with respect to the audit recommendations. This process represents a critical aspect of our ongoing accountability measures.

Of the recommendations due for completion in 2023, we are pleased to report the following:

- Recommendation 1 has been fully or substantively completed.
- Recommendation 6 is partially implemented and is on track for full or substantive completion in 2023.

Of the six remaining recommendations to be completed in future years, our department has already completed two, with one recommendation in progress. The remaining three recommendations are integrated into our FRS work plan for the forthcoming year. This pace of implementation is ahead of projected timelines, reflecting our staff's commitment to the recommendations and the objectives they serve.

The audit recommendations were a key consideration in the recent fee review process, with Council approving increases that bring the fee program to cost recovery for 2024.

Going forward, we will maintain our focus on the full implementation of the audit recommendations, refining our practices to enhance the cost recovery model for the permitting program, thereby ensuring the sustainable delivery of services to the public."

Recommendations

Recommendation and Summary of Progress	Self-Assessed Status
Recommendation 1: The City should annually review and document its fees for subdivision permits and rezoning applications against the actual cost of processing those applications to ensure the fees charged do not exceed the average cost of processing similar applications.	Fully or substantially implemented

Actions taken, results and/or actions planned:

“As part of the 2024 annual fee review the City reviewed and documented its fees for subdivisions permits and rezoning applications against the actual cost of processing those applications to ensure that the fees charged do not exceed the average cost of processing similar applications.”

<p>Recommendation 2: The City should establish and document clear, detailed guidance for the permitting program. In developing this guidance, management should seek policy direction from Council and consider:</p> <ul style="list-style-type: none"> • The permitting program’s alignment with the authorities set out in the <i>Vancouver Charter</i> and relevant by-law requirements; • The timeframe over which the City intends to meet its objectives (e.g., over one year or over several years); • Whether it intends to recover the full cost of providing permitting services and under what circumstances the City might set a fee at more or less than 100 per cent of the full cost of service; • The roles and responsibilities of each department with respect to permit fee-setting, administration and meeting the permitting program’s cost recovery objective; • A target balance range for the permitting program reserve; • The appropriate or targeted level of cost recovery for each permit category; and, • A periodic review of this guidance. 	<p>No substantial action taken</p>
---	---

Actions taken, results and/or actions planned:

“This action is not due to be completed until Q4 2024. It has been included in the FRS workplan for 2024.”

<p>Recommendation 3: The City should accurately calculate the projected and actual level of permit fee cost recovery using earned revenues and adjust permit fees accordingly to ensure it meets its full cost recovery objective, in alignment with policy direction from Council.</p>	<p>Fully or substantially implemented</p>
--	--

Actions taken, results and/or actions planned:

“As part of the requirement to move to earned revenue per Public Sector Accounting Board (PSAB) standards, staff have already begun calculating permit fee cost recovery levels using earned revenues.

During the 2024 annual fee setting process staff calculated the permit fee cost recovery level using earned revenues, and adjusted permit fees accordingly to ensure it meets its full cost recovery objective, in alignment with policy direction from Council.”

Recommendation 4: The City should annually calculate the projected cost of unprocessed permit applications and compare it to the deferred revenue balance. The City should develop a plan to address the surplus or deficit revealed by this comparison.

Partially Implemented

Actions taken, results and/or actions planned:

“One of the actions being taken under the Permit Improvement Program (PIP) is to deploy permit review time tracking across the Permitting Program. The resulting data, when available, will enable the City to calculate the projected cost of unprocessed permit applications. This action was initiated in Q2 2023 for Development Permits. In 2024 it will be deployed to other permit types. Staff will provide further updates on this item on future Audit Report follow-ups.”

Recommendation 5: The City should develop guidance on the appropriate target level of cost recovery for each permit category at the permit by-law level. Then, the City should assess the level of cost recovery for each permit category against the target and recommend to Council to adjust fees. This would improve the City's fee-setting ability and support public transparency.

No substantial action taken

Actions taken, results and/or actions planned:

“This action is not due to be completed until Q4 2024. It has been included in the FRS workplan for 2024.”

Recommendation 6: The City should publish additional information about the permitting program including the reserve opening balance, net surplus/deficit, closing balance for the year, and levels and sources of subsidization, if any.

Partially implemented

Actions taken, results and/or actions planned:

“As part of the 2024 annual fee setting process staff published information on sources of subsidization for the program.

As part of the annual published financial statement process staff will publish additional information about the reserve opening balance, net surplus/deficit and closing balance for the year.”

<p>Recommendation 7: The City should enhance the cost and revenue components of its cost recovery model to enable more effective analysis by adding:</p> <ul style="list-style-type: none"> • A breakdown of costs by factors such as development type, size or complexity that aligns with the defined permit categories; and • Revenue projections that consider future economic factors, the City’s development plans and industry trends. 	<p>No substantial action taken</p>
--	---

Actions taken, results and/or actions planned:

“This action is not due to completed until Q4 2024. It has been included in the FRS workplan for 2024.”

<p>Recommendation 8: The City should develop cost and revenue projections that extend beyond one year in order to support analysis of the permitting program’s long-term self-sufficiency.</p>	<p>Fully or substantially implemented</p>
---	--

Actions taken, results and/or actions planned:

“As part of the 2024 fee setting process staff developed 6 year cost and revenue projections.

Recommendations were made to Council based on these projections in order to ensure the future financial sustainability of the program. Staff will continue to refine this forecasting process in future fee review cycles.”