

March 20, 2024

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 Recoveries and Expenditures as at December 31, 2023. The financial information presented in the Statement of Recoveries and Expenditures is the responsibility of Vancouver Police Department (VPD) management. Management is also 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 agreed upon specified 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; and
- 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 Recoveries and Expenditures.

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

### **Audit Observations**

#### 1. Expense Authorization

VPD has established the Financial and Purchase Authorities along with an IT Requisition Approval Process to oversee purchase types and associated approval limits for staff in various positions.

In reviewing a sample of the VPD's 2023 expenses, two instances were identified where the level of authorization for the purchases were not aligned with the IT Requisition Approval Process. Upon discussion with management, it was noted that these incidents occurred due to a lack of alignment between the approval limits set up in SAP and VPD's established approval limits for some VPD staff. Management indicated that a request was made to adjust the approval limits in SAP, but it was deemed not feasible due to technical difficulties.

In addition, it was observed that verbal approval was obtained for one instance of legal expenses due to time sensitivity, with official documented approval obtained by email after the purchase.

To ensure purchases have appropriate supporting documentation, the initial verbal approval should be documented on the date received in addition to the official approval. The lack of documentation for initial verbal approvals could increase the risk of misappropriation of funds.

**Recommendations:**

**1.1 The VPD Finance department should periodically communicate to staff a reminder of the purchase authorities and financial limits for various positions. This should be completed by June 30, 2024.**

**1.2 The VPD Finance department should establish procedures for the documentation of the initial verbal approval on the date it is received for any time-sensitive purchases. This should be completed by June 30, 2024.**

***Management Response:***

Agree with the findings

Agree with the recommendations

Disagree with the findings

Disagree with the recommendations

***Management Action Plan:***

*1.1 VPD Financial Services regularly provides budget training sessions, which include purchase authorities and financial limits, when there are staff changes in various positions. This is an on-going practice.*

*1.2 While these instances are rare, VPD Financial Services agrees with the recommendation and the Sr. Director, Financial Services will immediately establish a procedure that ensures that the date of any initial verbal approval given is immediately documented for any time time-sensitive purchases prior to the release of any payment, with the official document approval obtained immediately as possible thereafter.*

**2. Reconciliation of Financial Data**

Reconciliation of VPD's Statement of Recoveries and Expenditures to the City's general ledger resulted in a difference of \$1,321,364 in revenues and expenses. \$1,222,024 of this amount is pertaining to traffic authority recoveries and the remaining \$99,340 is due to an adjustment required to properly reflect the accrual for sworn and civilian salaries. While this differs from the City's financial statements where gross revenue and expense amounts are reported, it is consistent with VPD's continued practice of reporting expenses net of cost recoveries for management reporting purposes. VPD management has disclosed the difference as a management report adjustment in the year-end variance report to the VPB Finance Committee dated February 9, 2024

**Conclusion**

We found that the Statement of Recoveries and Expenditures (Appendix A) 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.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Fuellbrandt". The signature is written in a cursive style with a large, stylized initial "C".

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Carmen Fuellbrandt, CPA, CMA, CIA  
Chief of Internal Audit

Appendix A

**VANCOUVER POLICE DEPARTMENT  
STATEMENT OF RECOVERIES AND EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
<b>RECOVERIES</b>				
Cost Recoveries, Grants & Donations				
Sworn Overtime Recoveries				
Third Party Events	(\$8,843,092)	(\$5,789,460)	\$3,053,632	
Overtime	(940,261)	(512,500)	427,761	
<b>Total Sworn Overtime Recoveries</b>	<b>(9,783,354)</b>	<b>(6,301,960)</b>	<b>3,481,394</b>	
Secondments	(16,473,184)	(16,691,464)	(218,280)	
Grants & Donations	(2,442,013)	(1,500,000)	942,013	
Government	(1,908,322)	(1,230,000)	678,322	
Fees for Service	(1,811,666)	(2,186,299)	(374,633)	
Other	57,654	(362,400)	(420,054)	
<b>TOTAL RECOVERIES</b>	<b>(32,360,884)</b>	<b>(28,272,123)</b>	<b>4,088,761</b>	<b>14.5%</b>
<b>EXPENDITURES</b>				
<b><i>Salaries and Benefits</i></b>				
Sworn				
Salaries	\$193,799,125	\$203,361,486	\$9,562,360	
Overtime	25,472,322	17,282,078	(8,190,244)	
Secondment Overtime	1,679,908	1,995,975	316,067	
Entertainment District Overtime	1,348,789	1,061,715	(287,074)	
	<b>222,300,144</b>	<b>223,701,254</b>	<b>1,401,109</b>	
Civilian Professionals				
Salaries	26,757,086	26,812,572	55,485	
Casual & Temp Salaries	6,373,555	5,395,725	(977,830)	
Overtime	1,202,141	352,731	(849,410)	
	<b>34,332,783</b>	<b>32,561,028</b>	<b>(1,771,756)</b>	
Statutory Holiday Pay	8,000,345	7,135,347	(864,998)	
Benefits	65,238,999	65,454,438	215,440	
<b>Total Salaries and Benefits</b>	<b>329,872,271</b>	<b>328,852,067</b>	<b>(1,020,205)</b>	<b>-0.3%</b>

Appendix A (cont'd)

**Non-Salary Items**

Equipment & Fleet

Fleet	13,061,423	12,844,502	(216,921)
Uniforms & Equipment	10,421,952	6,631,046	(3,790,906)
Other	13,123	10,924	(2,199)
	<u>23,496,498</u>	<u>19,486,472</u>	<u>(4,010,026)</u>

Other Expenses

Criminal Investigation Fund	3,274,562	3,349,640	75,078
Travel & Training	3,549,702	2,967,479	(582,223)
Community Policing Centres	2,177,013	2,283,800	106,787
Other	3,150,482	3,625,323	474,841
	<u>12,151,759</u>	<u>12,226,242</u>	<u>74,483</u>

Professional Fees

Legal	2,313,273	482,500	(1,830,773)
Contract Services	3,842,200	5,799,921	1,957,721
Nurses & Medical	1,990,959	1,796,690	(194,269)
Other	205,908	209,900	3,992
	<u>8,352,339</u>	<u>8,289,011</u>	<u>(63,328)</u>

Facilities & Maintenance

Supplies & Materials	3,249,024	3,171,022	(78,002)
City Allocations	4,132,981	4,385,643	252,662
Transfers	33,572,654	33,568,327	(4,327)
	163,814	54,631	(109,183)

**Total Non-Salary Items** **85,119,069** **81,181,348** **(3,937,721)** **-4.9%**

**TOTAL EXPENDITURES** **414,991,340** **410,033,414** **(4,957,926)** **-1.2%**

**TOTAL OVER SPEND** **\$382,630,456** **\$381,761,291** **(\$869,165)** **-0.2%**