

# Interim Report to Council

**Whistleblower allegations of serious wrongdoing involving a City of Vancouver employee in an inspection function**

June 2025

## Summary

In May 2024, the Office of the Auditor General for the City of Vancouver (OAG) received a series of allegations centred on an employee in a City of Vancouver (City) function that conducts inspections.

These allegations were referred to as a “Significant Ongoing Investigation” in the OAG’s first annual Whistleblower Report published earlier in 2025. This report summarizes the findings and recommendations of the OAG investigation under the Whistleblower Policy (COUN-010).

The investigation discovered a longstanding conflict of interest for an inspector in the City’s Development, Building and Licensing department (DBL). There was also support for allegations of preferential treatment in inspection work involving the same employee.

Staff told us that bribes were regularly offered to inspectors although we found no direct evidence bribes had been accepted.

This report makes sixteen recommendations to the City to address risks in the inspection system identified in the OAG’s investigation. The recommendations include that:

- inspectors should adhere to specific checklists when making decisions, to ensure consistency across all decisions and compliance with relevant standards and legislation,
- inspection documentation and note-taking should be improved,
- restrictions and tighter controls should be implemented over inspectors reassigning inspections to themselves that were not originally assigned to them,
- the department should ensure conflict of interest declarations are submitted and periodically updated, and provide employees with regular training on the subject,
- a sample of inspections should be audited each year to provide quality control and ensure consistency, and,
- there should be a clearer set of policies and rules about City inspectors engaging in outside work.

The report makes a further three recommendations arising from the OAG’s broader responsibility to assist Council in holding itself and City administrators accountable for the quality of stewardship over public funds, and for achievement of value for money in City operations. These are issues for the City to consider to determine whether value for money can be improved.

The OAG will follow up on the City’s progress with implementing the recommendations from this investigation in our 2025 Whistleblower Report, to be issued in early 2026.

# Introduction

A whistleblower report received by the OAG under the City's Whistleblower Policy raised five key concerns which would potentially constitute serious wrongdoing under that policy:

1. that an employee had a conflict of interest when conducting inspections for the City,
2. that the same employee was giving private sector contractors preferential treatment in inspections,
3. that the same employee had accepted bribes from private sector contractors in return for favourable inspections,
4. that the same employee had worn City-branded attire that implied a sense of public authority while working in a private capacity, and,
5. that the same employee was made aware of allegations of preferential treatment of certain private sector contractors by other employees but allowed these practices to continue without taking any action.

The OAG investigated each of these allegations under the Whistleblower Policy. This included interviews with the complainant, the employee, City employees including various subject matter experts, and representatives of private sector contractors in the regulated sector. We analyzed a dataset of all inspections in the work area at issue and considered related documents.

We shared our draft findings with the City's Chief Human Resources Officer and with City management to ensure they were factually accurate and balanced. Below we summarise our findings and conclusions in relation to each allegation.

## **1. The OAG found an employee had an ongoing undocumented and unmitigated conflict of interest**

Independence and objectivity are essential for public sector employees, especially for those with decision-making powers. As expected, conflicts of interest are prohibited by the City. A conflict of interest can create a situation where City employees use their public positions for private enrichment and are biased in their judgment, causing serious harm to the City's reputation while impairing public trust. Conflicts of interest have the potential to compromise the robustness of inspection functions that are designed to protect the public against risks that could impact their health and safety. For all these reasons, a conflict of interest can constitute serious wrongdoing under the Whistleblower Policy.

Over many years, the employee retained a significant ownership interest in a private sector business which conducts work that is subject to inspections made by the employee's work area at the City. The employee's role in the private sector entity included being involved in renewing the business license for the business to operate in the City. The employee and other City staff, including City staff the employee managed, were responsible for inspecting the work of this entity.

Our analysis of City records showed that the employee, in their capacity as a City inspector, personally made decisions about the private sector business they owned on four instances (never making an unfavourable decision). The employee also submitted requests to the City

on the business's behalf. We did not determine the exact number of times this occurred, but our evidence indicates it happened more than once. This included initiating a permit application on the business's behalf when its business license had lapsed.

Although City policies require City of Vancouver employees to declare and document actual or potential conflicts of interest, these interests were never fully declared by the employee. The City was therefore not aware of the extent of the conflict. However, even when City management were made aware of instances where the employee was found to have personally made favourable decisions about the entity and had knowledge that some degree of conflict did exist, steps were not taken at the time or subsequently to document that conflict or mitigate it to prevent a reoccurrence. This contributed to the conflict continuing for many years, until its extent was identified during this Whistleblower investigation.

The City has a Conflict of Interest Policy and declaration process, updated in 2018, the employee did not comply with. The OAG has made recommendations for system changes to address shortcomings in existing City processes highlighted by this serious and prolonged conflict of interest. For example, the Conflict of Interest Policy and declaration form have not been completed by anyone in the employee's work area despite the fact that almost all employees involved in inspections are recruited from the industry they regulate. Despite a history of not documenting and mitigating conflicts of interest, there have not been any sanctions for failing to comply with the City's policies. City management must periodically and proactively request conflict of interest declarations and ensure the effective education of employees about what conflicts of interest are, and how they can be avoided or mitigated.

Several other system improvement recommendations detailed at the end of this report aim to further safeguard against conflicts of interest impacting the effectiveness of the City's work. An example is our recommendation that the City conduct audits of inspections by employees in the work area we examined.

## **2. The OAG partially substantiated the allegation that some private sector contractors were given preferential treatment, including favourable inspections, by the employee**

Inspections approved without meeting the required standards create risks to public health and safety. Applying different inspection standards to different private sector contractors can give those favoured an unfair advantage over their competitors and create a race to the bottom for standards. These risks could also impair the City's reputation.

As noted above, some of the employee's actions in relation to the business they had an ownership interest in, such as initiating a permit application on the business's behalf when it did not hold a valid business licence, amounted to preferential treatment. In addition to the preferential treatment of the business they owned, we considered the evidence of preferential treatment of other contractors the City employee inspected.

We found that the employee conducted a disproportionate number of inspections involving a contractor that the complainant had raised concerns about. Despite conducting inspections of the contractor's work the second most frequently of any inspector, the employee never made an unfavourable decision regarding the contractor. Across a significant population size, other inspectors had made unfavourable decisions relatively regularly, suggesting the employee's decision-making pattern was unusual. The employee's explanation was that they had made extra efforts to support the private sector contractor as it needed help. This support included giving the owner their direct contact number.

Although it is difficult to conclude definitively whether this private sector contractor received preferential treatment from the City employee, the OAG's data analysis and qualitative research and the totality of the complaint all infer serious concerns that preferential treatment occurred.

More broadly, the OAG found that processes in the employee's work area easily enabled preferential treatment to occur without detection and did not ensure a consistent standard of inspections. We therefore have made a number of recommendations to the City to implement appropriate levels of control that would reduce the risk of preferential treatment to acceptable levels and increase the likelihood of consistency in decision-making in this aspect of the City's work.

### **3. The OAG was unable to substantiate allegations related to taking bribes**

During our interviews, employees stated that bribes and hospitality are routinely offered to inspectors. This included a bribe offered to the employee by a private sector contractor – the same contractor that appeared to have received preferential treatment from that employee. The employee stated he did not accept this or any bribe and said he used it as an example in team meetings as to what can take place in the field. The OAG did not obtain evidence that any bribes had been accepted. However, the OAG determined it will refer information on this issue to the Vancouver Police Department for further consideration.

The OAG has made several recommendations aimed at improving City employee awareness of appropriate responses to inappropriate offers. These recommendations include ensuring a system exists for reporting approaches and offers so that their extent and nature is known to management, enabling consistent and effective mitigation.

### **4. The OAG did not substantiate the allegation about the conflicted employee wearing City-branded attire in a private context**

This alleged incident involved the same private sector contractor and employee as the allegation about preferential treatment. While the basic facts of this allegation were accurate, the context was different and important. It appears that the employee was at a meeting in an official City capacity when the private sector contractor asserted that the employee worked for them rather than the City. The employee stated they renounced this status and reiterated their presence was in an official capacity in the course of their employment with the City to provide general advice.

While we were unable to verify the exact course of events, we are satisfied that the events reflect a general lack of boundaries for appropriate conduct in the employee's work area that was consistent with the ongoing and undocumented conflict that we found. Our recommendations relating to clear roles and responsibilities for inspectors and enforcement of existing conflict of interest policies are intended to assist the City in addressing this deficiency.

**5. The OAG was unable to confirm allegations about preferential treatment of a private sector contractor by another employee. As a result, the allegation that an employee failed to act when alerted to this impropriety was not substantiated.**

Our ability to prove or disprove the specific allegation that the file identified by the complainant contained evidence of preferential treatment was limited by the extent of the department's documentation of its inspection and approval processes. Given the limited documentation on the file, review of the file at issue would require physical re-inspection by a technical specialist, which the City department could conduct. The shortcomings that prevented us from reaching a definitive conclusion on the specific allegation reflect a lack of effective controls to prevent preferential treatment from occurring.

However, the file raised with us was the only record of a formal interaction between the employee in an inspection role and the private sector contractor. With only one inspection of the private sector contractor by the employee, a pattern of preferential treatment could not be identified.

As we did not find a pattern of wrongdoing by another employee, there was nothing for the more senior employee to address, and the allegation was therefore not substantiated.

## Recommendations

Inspectors may be diligent public servants, assessing compliance with the recognised standards that the function exists to assess. However, we found the current control environment did not give an acceptable level of confidence that inspectors had independently conducted their assessments free of bias, or that inspectors consistently applied the same standard. The current systems make it possible to easily carry out various inappropriate practises without detection.

[Recent examples](#) of corruption in municipal functions, including inspection functions across North America (for example [New York City](#)) highlight the real risks of corrupt practises arising in these systems. Municipalities that lack adequate controls are vulnerable. Shortcomings in the inspection system we examined, included:

- a lack of any documented conflict of interest declarations when conflicts would be common, because most inspectors came from the industry they regulate,
- a lack of robust quality checks or audits of inspections, despite inspectors having significant autonomy,
- the ability for inspectors to easily override automatic assignment of inspections, thus ensuring they personally could make decisions about particular private sector entities,
- poor documentation of inspection decisions, including evidence to support decisions made,
- limited information about whether inspectors had attended inspections on site rather than passing them remotely, and,
- a general culture of close relationships between City inspectors and the organizations they make decisions about.

To help the City address these shortcomings in the City inspection function we examined, the OAG has made sixteen recommendations. Recommendations were shared with DBL management during the investigation and have been accepted in principle.

The recommendations outline controls we believe should be implemented or improved. They have in some instances been modified to have broader application to the City's various inspection and other decision-making functions beyond the one our investigation focussed on.

- R1. A clear and specific technical checklist based on the relevant standards, including inspector comments on key requirements, should be required to demonstrate how compliance with the applicable standards has been achieved. This information should be captured in City databases to help ensure consistency and verify that compliance with the standards has been assessed before inspected work is determined to have either passed or failed.
- R2. Controls need to be in place to verify that inspections are passed (or failed) based on appropriate evidence, including that on-site inspections occurred where required. The criteria for when remote inspections are permitted and the documentation required to pass an inspection remotely need to be clear and consistently enforced.
- R3. Employees should be required to demonstrate a rationale or obtain appropriate approval before reassigning a task from another inspector (outside of routine workload

rebalancing by management). Inspectors should also receive notification when an inspection assigned to them has been reassigned. These changes would help mitigate the risk of inspectors giving preferential treatment to contractors by providing transparency to work reallocations.

- R4. Inspectors should document the rationale for any changes to the work required to pass an inspection from that originally required by another inspector after a failed inspection. This would help mitigate the risk of inspectors giving preferential treatment to contractors by unilaterally changing the standard established by another inspector.
- R5. Detailed notes should be required and stored on file whenever changes are made to the requirements to pass an inspection, or in cases of management override. Senior management review of proposed changes to the criteria to pass an inspection could also be considered. These steps would help mitigate the risk of an inspector giving preferential treatment to private sector contractors by unilaterally changing the standard required from that set at any other step in the permitting process.
- R6. Systems for assigning work that build in a greater degree of randomness to inspector assignment should be considered. This is intended to reduce the familiarity risk that arises when entities and inspectors work together frequently over long periods. Inspectors could also be rotated periodically. A different work allocation model from the existing method could have efficiency advantages, focussing on allocating work equally across inspectors while retaining benefits from grouping work to create efficiency for individual inspectors.
- R7. A percentage of inspections should be audited by management periodically to ensure consistency and that there is evidence that compliance with standards has been adequately recorded. A mix of paper and on-site audits are needed.
- R8. Other controls to promote and assess consistency and compliance with standards should be considered, including periodic data analysis of pass and fail rates for inspectors and job shadowing. Periodic review by qualified experts outside the City of Vancouver could also be considered to identify potential system improvements. This does not have to involve consultants but could take the form of a peer review with another municipality.
- R9. The City should ensure training for new inspectors is robust and its program of training is ongoing, such that consistency and compliance with standards in inspections is promoted.
- R10. A mandatory stand down period should be required and documented for employees hired from industry before they inspect a private sector contractor they have worked with or for. This would limit the risk of potential conflicts of interest and biased inspections. The practise of allowing new hires a grace period to end existing work commitments needs to cease; it is not acceptable that City employees begin working as inspectors while winding down work within the industry they regulate. It would be more appropriate that inspectors delay starting work for the City until all previous work commitments are complete.



- R11. To comply with the City's Conflict of Interest rules, team leaders should periodically and proactively request conflict of interest declarations and educate employees about what conflicts of interest are. These declarations should be actively tracked and affect how work is assigned. The City must have effective monitoring and enforcement of non-compliance with the conflict of interest reporting regime and should consider whether its conflict of interest processes need further strengthening to be effective.
- R12. The City should have a system that requires mandatory reporting of offers or approaches by regulated entities to inspectors involving money or benefits. The system should include a policy for what the appropriate action is in response, including when to refer such approaches to law enforcement.
- R13. A system should be developed for recording all offers of hospitality or other benefits (with a low de minimus threshold) made to inspectors and whether those offers were accepted.
- R14. To mitigate the risk of inspectors asserting public authority in private contexts, the City should issue clear guidance on how City of Vancouver attire should be worn and in what contexts its wearing is appropriate.
- R15. To reduce the risk of both perceived and actual conflicts of interest from outside employment or contracting by City of Vancouver Inspectors, the City should ensure that inspectors are aware of, and comply with, section 4.9 of the Code of Conduct that deals with these issues. Regular conflict of interest declaration requirements will support this.
- R16. The City should implement a more formalized recruitment process for, and improved oversight over, the work of temporary relief (summer) inspectors.

## Other Matters

In the course of our work reviewing this inspection function in the City, we also were made aware of three other issues. Although not specifically raised in the whistleblower allegations, these issues fall within the OAG's broader responsibility to assist Council in holding itself and City administrators accountable for the quality of stewardship over public funds, and for achievement of value for money in City operations. The issues have been raised with City management in the spirit of this responsibility contained in the Auditor General By-law.

One relates to some employees apparently conducting a small amount of work each year to qualify them to receive certain allowances. If work is being redirected to allow employees to claim an allowance they would not otherwise receive, on its face, this raises issues of the efficient use of City funds. Again, in our investigation, we did not consider whether that practice is appropriate, and it requires separate consideration of all relevant facts.

During our investigation concerns were shared with us by senior staff tasked with employee management that the system for assigning work in the City function we examined, combined with high levels of remote working, creates risks related to reduced employee productivity. Specifically, it was alleged that some employees in the work area may use their ability to create tasks for themselves to avoid being re-assigned work from colleagues with heavier workloads.

Related, a very high internal service standard for timeliness of inspections following inspection requests, with inspections guaranteed next day if requested by 2pm, also raised questions about how the match between demand for inspections and City staffing levels is balanced. While recognising the value of speedy processing of inspections, guaranteed next-day inspections requires significant staff capacity that frequently may not match the demand for inspections on a given day. While recognizing that the prioritisation of resources is ultimately a decision for Council, we recommend City management analyse whether its current service standards for inspections balances timeliness with value for money to City taxpayers. A consideration is whether the timeliness of inspections is a critical factor in the overall timeliness of the delivery of projects that require a permit or whether investments in other areas of the permitting process would deliver more return for taxpayers' investment.

We have raised these three issues with City management for further consideration in the three recommendations listed below.

### ***Recommendations on other matters***

- R17. The City should consider whether the way some employees are being assigned work to allow them to qualify for a vehicle allowance is an appropriate use of City funds.
- R18. City management should assess whether inspectors are creating tasks for themselves to avoid being re-assigned inspections. This would involve an audit of inspectors' self-initiated tasks in City systems to obtain assurance that City inspectors are acting appropriately.

R19. While recognising the desirability of speedy processing of inspection requests, City management should consider whether its current guaranteed next-day inspection standard for inspection requests is an efficient and effective use of taxpayer resources or results in over-resourcing of inspections, without impacting on overall time to attain permits.