

March 2, 2022

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, 2021. 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 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 Recoveries and Expenditures.

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

Reconciliation of Financial Data

Reconciliation of VPD's Statement of Recoveries and Expenditures to the City's general ledger resulted in a difference of \$2.029M. \$1.758M of this amount is due to VPD's continued 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. The remaining \$271K is due to an adjustment required to reflect proper employee group classifications resulting from Vancouver Police Union's Collective Agreement settlement. These classifications will be rectified in the system going forward and adjustments are not anticipated to be required in future years. VPD management has disclosed the difference in the variance report dated February 9, 2022 for the VPB Finance Committee.

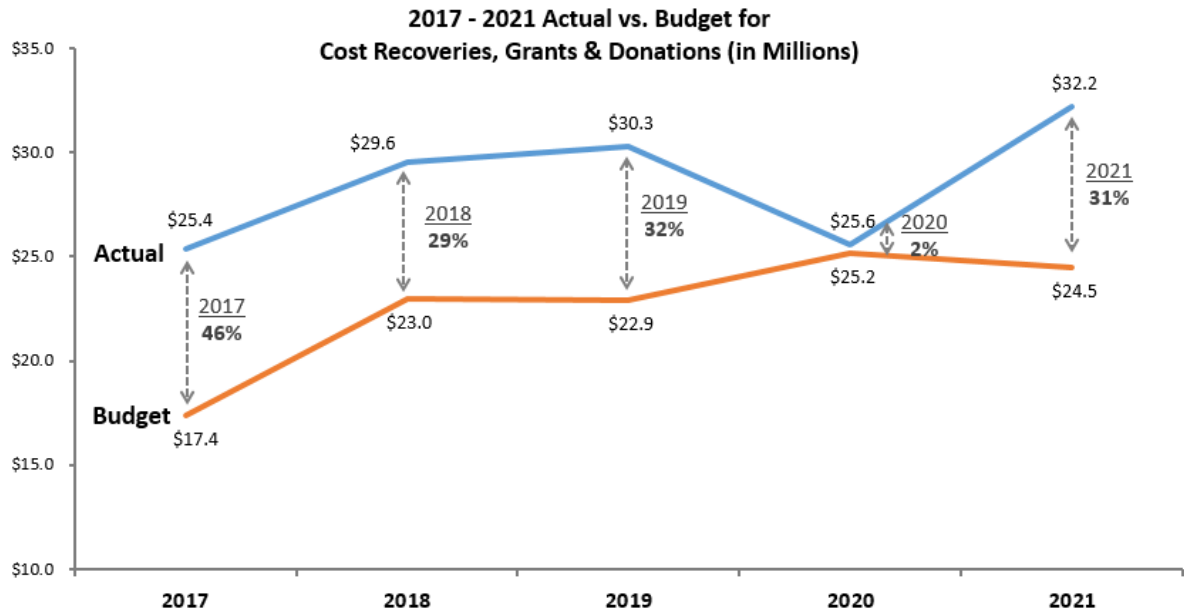
Conclusion

We found that the Statement of Recoveries and Expenditures (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 Observation

1. Budgeting for estimated 'Cost Recoveries, Grants and Donations'

In comparing the budget to actuals between 2017 to 2019, it was noted that the Cost Recoveries, Grants and Donations category has been consistently under budgeted by 29 – 46%. This variance decreased to 2% in 2020 because there were fewer public events as a result of the COVID-19 pandemic and therefore less recoveries. However, in 2021, recoveries increased again due to more events requiring police presence, resulting in a 31% budget to actual difference.



2. Improved documentation on the "VPD-FOTU Inventory Expense Form"

Internal Audit's review of the VPD's 2020 financial statement identified that requestor and approvers were not required to be listed on the "VPD-FOTU Inventory Expense Form" for ammunition use. To mitigate the risk of asset misappropriation, Internal Audit recommended revising the document to require the documentation of both the requestor and approver.

The recommendation was implemented immediately in February 2021 and the inventory expense form has been revised to include the recommended information.

Submitted by:



Carmen Fuellbrandt, CPA, CMA, CIA, CRMA
Manager, Internal Audit



Carrolyn Lok, CPA, CA, CIA
Senior Internal Auditor

VANCOUVER POLICE DEPARTMENT
STATEMENT OF RECOVERIES AND EXPENDITURES FOR THE YEAR ENDED
December 31, 2021

	Year Ended			
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>
RECOVERIES				
Cost Recoveries, Grants & Donations				
Third Party	(\$6,752,940)	(\$5,414,460)	\$1,338,480	
Secondments	(19,155,584)	(14,926,434)	4,229,150	
Grants & Donations	(1,943,626)	(625,200)	1,318,426	
Government	(1,873,123)	(600,000)	1,273,123	
Overtime	(573,518)	(512,500)	61,018	
Fees for Service	(1,876,940)	(2,081,000)	(204,060)	
Parking	(30,591)	(155,300)	(124,709)	
Other	(63,344)	(207,100)	(143,756)	
TOTAL RECOVERIES	(32,269,666)	(24,521,994)	7,747,672	31.6%
EXPENDITURES				
<u>Salaries, Benefits, and Employer Portion of Payroll Deductions</u>				
Sworn				
Salaries	\$186,479,126	\$182,604,278	(\$3,874,848)	
Overtime	17,902,724	13,314,603	(4,588,121)	
Secondment Overtime	2,073,988	1,995,975	(78,013)	
Entertainment District Overtime	1,095,590	976,359	(119,231)	
Civilian Professionals				
Salaries	24,389,322	24,747,090	357,768	
Casual & Temp Salaries	5,344,266	4,627,070	(717,196)	
Overtime	765,960	317,920	(448,040)	
Statutory Holiday Pay	6,853,319	5,945,570	(907,749)	
Benefits & Employer Portion	56,946,609	54,317,787	(2,628,822)	
Total Salaries, Benefits, & Employer Portion	301,850,904	288,846,652	(13,004,252)	-4.5%
<u>Non-Salary Items</u>				
Equipment & Fleet				
Fleet	12,159,879	10,829,889	(1,329,990)	
Uniforms & Equipment	5,162,645	4,418,300	(744,345)	
Other	13,595	10,924	(2,671)	
	17,336,119	15,259,113	(2,077,006)	
Other Expenses				
Criminal Investigation Fund	4,255,471	3,090,558	(1,164,913)	
Travel & Training	1,448,266	2,093,515	645,249	
Other	4,303,455	4,131,753	(171,702)	
	10,007,192	9,315,826	(691,366)	
Professional Fees				
Legal	1,687,410	482,500	(1,204,910)	
Other	4,233,213	3,154,931	(1,078,282)	
	5,920,623	3,637,431	(2,283,192)	
Facilities & Maintenance	2,343,732	2,500,852	157,120	
Supplies & Materials	3,315,120	3,351,272	36,152	
City Allocations	25,471,348	25,471,348	(0)	
Transfers	177,133	(263,637)	(440,770)	
Total Non-Salary Items	64,571,267	59,272,205	(5,299,062)	-8.9%
TOTAL EXPENDITURES	366,422,171	348,118,857	(18,303,314)	-5.3%
TOTAL DEFICIT	\$334,152,505	\$323,596,863	(\$10,555,642)	-3.3%