

March 25, 2019

VPD Financial Statement

Background

At the request of the Vancouver Police Board (VPB) Finance Committee, Internal Audit reviewed VPD's Statement of Revenues and Expenses as at December 31, 2018. To coincide with a City-wide employee expense audit, Internal Audit also reviewed related VPD's processes and expenditures.

Scope

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 of VPD to obtain reasonable assurance that transactions are properly authorized and accurately recorded, and that assets of the VPD are properly safeguarded and accounted for to maintain the integrity of financial records; and
- Made inquiries and obtained written representation from the VPD management to identify any deviations from accounting policies and procedures that would affect the integrity of the Statement of Revenues and Expenses.

To coincide with a City-wide employee expense audit, we also reviewed related VPD's expense processes and tested 2018 travel/training claims and purchase card transactions. The objectives were to assess whether these expenses are valid, reasonable and comply with established policies and procedures.

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

Conclusion

Based on the results of the above procedures, we found that:

1. The Statement of Revenues and Expenses (see Appendix 1) was prepared, in all material respects, consistent with the City's corporate accounting policies and agreed to the City's general ledger. This Statement is fairly presented and in compliance with the VPD's policies and practices; and
2. Travel/training claims and purchase card expenses incurred by VPD were properly authorized, approved and in compliance with City guidelines and VPD policies. Non-routine expenditures were scrutinized, management explanations obtained and reviewed to determine the transactions were reasonable, properly processed and recorded in accordance with established procedures.

Observations and Recommendations

1. Reporting of Expenses Net of Cost Recoveries

Reconciliation of the Statement of Revenues and Expenses to the City's general ledger resulted in a difference of \$0.386 million 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 March 25, 2019, prepared for the upcoming VPB Finance Committee board meeting.

2. Budget to Better reflect Trends and Management Projections

A number of financial line items showed material differences between the budget and actual figures. An example is the Grants and Donations where the budget remains at \$180K for the past three years and the actual amounts received were over by approximately one million dollars every year. Another example is that Overtime Recovery was higher than budget by approximately \$500K in the past two years.

Recommendation

Management should consider submitting budgeting estimates to City of Vancouver Finance to align more closely with actual results and estimates.

3. Detailed Explanations to Support Material Variances

Some variance explanations should include more detailed explanations. For example, differences in travel and training expenses between budget and actuals have been overspent by half a million dollars every year in the past three years. The explanation provided only stated “...Travel & Training costs were also over budget as training demands continue to evolve and change, exceeding available funding.”