



REPORT

Report Date: March 24, 2023
Contact: Mike Macdonell
Contact No.: 604.873.7134
RTS No.: 15633
VanRIMS No.: 08-2000-20
Meeting Date: April 11, 2023
[Submit comments to Council](#)

TO: Vancouver City Council
FROM: Chair of the Auditor General Committee
SUBJECT: Auditor General Committee March 2, 2023 Recommendations Transmittal Report

RECOMMENDATIONS

THAT Council approve the recommendations from the March 2, 2023 Auditor General Committee meeting as follows:

- A. THAT the Auditor General's report entitled "Audit of Office Furniture Purchases," dated February 2023 and presented to the March 2, 2023 Auditor General Committee meeting be received, and the report's five recommendations as identified in Exhibit 1 (report page 6) each be endorsed.
- B. THAT Council adopt updated terms of reference for the Auditor General Committee, as identified in Appendix A of the report entitled "Update to Auditor General Committee Terms of Reference", dated February 14, 2023, to add an alternative voting Committee member position;

FURTHER THAT Council appoint Councillor Zhou as the alternate member, effective immediately.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

- Per the [Auditor General By-law 3.14](#), the Office of the Auditor General will report directly to Council on any investigations or inquiries conducted by the Auditor General.
- On [November 4, 2020](#), pursuant to [Section 161](#) of the *Vancouver Charter*, Council established an Auditor General Committee to provide oversight to the Office of the Auditor General on behalf of Council.
- Pursuant to the [Procedure By-law 5.9](#), each standing committee is to report to Council on all matters resolved.

BACKGROUND

At the Auditor General Committee meeting on March 2, 2023, the Committee considered two reports, received one presentation, and made the recommendations identified above.

The two reports are attached for reference:

- Appendix A: “2023 Report #2 – Office Furniture Purchases” report dated February 2023;
- Appendix B: “Update to Auditor General Committee Terms of Reference” report dated February 14, 2023.

CONCLUSION

This Report transmits the recommendations made by the Auditor General Committee at its meeting on March 2, 2023, for Council’s consideration.

* * * * *

Audit of

Office Furniture Purchases



An independent auditor's report prepared in accordance with the Canadian Standard on Assurance Engagements 3001 published by the Chartered Professional Accountants of Canada

February 2023

Performance Audits

A performance audit is an independent, objective and systematic assessment of how well government is managing its activities, responsibilities and resources. We select audit topics on the basis of their significance. While the Office of the Auditor General (OAG) may comment on policy implementation in a performance audit, we do not comment on the merits of a policy.

Performance audits are planned, performed, and reported in accordance with professional auditing standards and OAG policies. They are conducted by qualified auditors who:

- Establish audit objectives and criteria for the assessment of performance;
- Gather the evidence necessary to assess performance against the criteria;
- Report both positive and negative findings;
- Conclude against the established audit objectives; and,
- Make recommendations for improvement when there are significant differences between criteria and assessed performance.

Performance audits contribute to a public service that is ethical and effective, and a civic administration that is accountable to taxpayers and its elected officials.

Message from the Auditor General

To the Mayor and Council of the City of Vancouver,

I am pleased to present this report on my office's performance audit of the City's purchases of office furniture, the second audit report from my new office.

For the most part, we found that our audit criteria were met, although we did identify opportunities for improvement as described in the report, resulting in five recommendations.

I selected this audit topic in response to the large number of suggestions I received, virtually from my first day as Vancouver's inaugural Auditor General. In particular, the acquisition of office chairs had been a topic of public discussion. Although the tone of these discussions may have pointed me toward a negative conclusion, my team and I conducted our work with an objective frame of mind. My role as Auditor General is to report, with complete impartiality, what the evidence tells me. That includes both positive and negative findings, as well as those that fall somewhere in between.

This audit focussed on the City's procurement of office furniture. Not included in the scope was consideration of the decisions driving these procurements, such as ergonomic requirements and the City's space planning strategies and activities. An examination of the City's management of office space is part of my audit plan for 2024.

I express my appreciation to the Real Estate and Facilities Management department and Supply Chain Management department for their positive response to the audit's recommendations. I look forward to working with them as they implement the recommendations throughout this year.

Mike Macdonell, FCPA, FCA
Auditor General
Vancouver, B.C.
22 February 2023

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Executive Summary

Summary

1. Our audit objective was to determine if the City of Vancouver's (City's) office furniture purchases were made with due regard for best value within established City policies, guidelines, and priorities.
2. The City met, with some exceptions, our audit objective of making office furniture purchases with due regard for best value. The City had an assessment process to select office furniture, a reasonably comprehensive procurement policy, and used up-to-date supplier agreements. However, we found exceptions related to the procurement processes the City used to qualify office furniture suppliers. Additionally, the City had not defined when and how often to conduct assessments to ensure continued best value in office furniture selections. We believe implementing the five recommendations identified in this report will enhance the City's ability to achieve best value in the purchase of office furniture.

Background

3. The City purchases new office furniture as part of facilities renovations to support new hires; to support its *Ergonomic Furniture Program* and *Office Accommodation Guidelines*; and to replace unusable or broken furniture. Office furniture purchases include furnishings used in workstations, offices, meeting rooms, and flexible work hub areas. This includes the purchase, installation, and repair of items such as desks, task chairs, workspace divider panels, storage cabinets, filing cabinets, meeting tables, whiteboards, and guest chairs.
4. According to the City's financial information, the City spent \$5.96 million during the 30-month audit period to purchase, repair and install office furniture from pre-qualified suppliers.

What We Examined

5. The audit covered the period of January 1, 2020 to June 30, 2022. The scope included procurement-related policies administered by the City's Supply Chain Management department (SCM) and office furniture purchases managed by the Real Estate and Facilities Management department (REFM). We examined procurement policies and processes relevant to the purchase of office furniture and the extent to which the City could demonstrate best value.

What We Found

Procurement Policy

6. The City's *Procurement Policy* was accessible to staff and had an appropriate review schedule. While the *Procurement Policy* was reasonably comprehensive with respect to the fundamental principles in public procurement and reasonably aligned with other City policies, it required some updates to fully address applicable trade agreement obligations.

Procurement Process and Selection of Office Furniture Suppliers

7. The City engaged in a competitive process to select office furniture suppliers through a 2016 request for quotations (RFQ) procurement process that was used for office furniture purchases during the audit period. However, we identified several areas where the City did not fully meet our audit criteria, and we found opportunities for the City to improve its processes moving forward. Specifically:
 - SCM used its 2016 office furniture RFQ process to seek quotations and to develop a pre-qualified suppliers list. While the RFQ language was clear on the intended procurement outcomes, it did not provide sufficient detail to suppliers about how the supplier selection processes would proceed;
 - The City stated it intended a non-binding procurement process, however, the RFQ contained language that may be binding thereby reducing the clarity of the RFQ;
 - The RFQ was 76 pages long, yet provided suppliers with only 12 business days to respond;
 - An opportunity to be added to the pre-qualified suppliers list was not published after the initial 2016 RFQ, and supply agreements were extended beyond the RFQ term—both of which deviate from City policy and trade agreements; and,
 - SCM did not provide sufficient detail on how the City would decide which pre-qualified suppliers to order from.

Achieving Best Value in Office Furniture Purchases

8. In most instances, purchases made during the audit period were based on past furniture selections resulting from weighted assessments. However, we found opportunities for REFM to improve its processes, specifically:
 - REFM did not have a defined and documented timeline on when and how often to conduct and refresh its assessments;
 - The assessment process REFM carried out in one instance was not supported with the appropriate level of documentation; and,

- REFM established price lists with suppliers for some, but not all, office furniture purchases.

Office Furniture Purchasing Transactions

9. The City's office furniture purchases adhered to its purchasing-related policies. Specifically:
- REFM used up-to-date supplier agreements with pre-qualified suppliers; and,
 - Departments throughout the City generally followed appropriate practices in purchasing office furniture by coordinating purchases through REFM, and avoiding the use of P-Cards and non-PO invoices.

Recommendations

10. We designed the recommendations identified in Exhibit 1 to be relevant to office furniture purchases and to make positive contributions to the City's overall procurement processes. We believe implementing the recommendations will enhance the City's ability to achieve best value in the purchase of office furniture and mitigate some of the risks associated with procurement. The City has developed action plans (See Appendix A: Response from the Supply Chain Management, and Real Estate and Facilities Management Departments) in response to these recommendations.

Exhibit 1: Summary of Recommendations

Themes	Recommendations
Procurement Policy	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.
Procurement Process and Selection of Office Furniture Suppliers	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.
	3. The Supply Chain Management and Legal Services departments should review and revise the RFQ templates, guidelines, and processes to ensure: <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 Management department should ensure that guidelines require that any deviations from policy be properly justified and documented.</p>
<p>Achieving Best Value in Office Furniture Purchases</p>	<p>4. The Real Estate and Facilities Management department should develop guidelines on when and how often to conduct assessments and re-assessments 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.</p>
	<p>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.</p>

Main Report

1. Introduction

1.1 Background & Context

11. The City of Vancouver (City) purchases new office furniture as part of facilities renovations to support new hires;¹ to support the City's *Ergonomic Furniture Program*² and *Office Accommodation Guidelines*; and to replace unusable or broken furniture. Office furniture purchases include furnishings used in workstations, offices, meeting rooms, and flexible work hub areas. This includes the purchase, installation and repair of items such as desks, task chairs, workspace divider panels, storage cabinets, filing cabinets, meeting tables, whiteboards, and guest chairs. According to the City's financial information, the City spent \$5.96 million during the 30-month audit period to purchase, repair, and install office furniture from pre-qualified suppliers.

Hybrid Workplace Strategies

12. In June 2020, the City's Office Accommodation Plan Steering Committee endorsed guiding principles including longer-term goals to reduce the multi-year financial impacts of the City's office footprint. Goals included consolidating office space on and around the City Hall campus, maximizing accommodation of staff in City-owned spaces, and phasing out City leases.

Office Accommodation Guidelines

13. In October 2021, the City adopted new *Office Accommodation Guidelines* governing office accommodation planning, design and implementation in all new, renovated or acquired office spaces for City business groups. The guidelines emphasized support for open office architecture with collaborative spaces and a shift among City workers to options such as remote work (working at a location other than a City workplace) and hybrid work (a flexible work model that supports workers blending in-office and remote work).

¹ During the audit period, the total number of active City employees grew by 590, according to the City's Human Resources metrics. This includes regular full-time, temporary full-time, part-time and auxiliary staff.

² The *Ergonomic Furniture Program* is a City-wide program to replace end-of-life chairs and desks with ergonomic furniture. The Council-approved 2019-2022 Capital Plan allocated \$1 million to the *Ergonomic Furniture Program* over three years.

14. The guiding principles underpinning the *Office Accommodations Guidelines* include:
- Inclusive and universal design;
 - Compliance with accessibility standards;
 - Flexible spaces that can be adapted over time;
 - Healthy, sustainable workspaces aligned with sustainable design standards;
 - Best use of the City's real estate assets; and,
 - Designs that support the health and well-being of staff.

Office furniture selection considerations

15. A part of office space planning that enables a hybrid work environment is the selection of office furniture and office furniture systems that support effective use of space. This includes considerations such as the flexibility and compatibility of office furniture systems. In addition, the size and footprint of office furniture, such as workstation desks, affect overall floor space requirements and the number of staff allocated to a given space. The *Office Accommodation Guidelines* provided guiding principles for these considerations.
16. Office furniture includes standalone furniture and office furniture systems. Office furniture systems are designed with compatible furniture pieces that fit together to create flexible office layouts that can be changed as needed. Office spaces with existing office furniture systems require furniture pieces that fit within that system.
17. The requirements for office furniture used in business settings are different from the requirements for office furniture intended for use in residential settings. Office furniture used in business settings must withstand repeated use by various individuals, and may be subject to a higher level of traffic and additional wear-and-tear. In addition to price, considerations such as durability, warranty, future cost of repairs and sustainability are important factors in determining the total cost of ownership over the life of the furniture.
18. Accordingly, the suppliers that can provide furniture and office furniture systems for business use may be different and fewer than suppliers of office furniture intended for residential use. In addition, suppliers may only carry certain office furniture systems that may or may not be compatible with existing office furniture systems. Consideration of these factors may limit the pool of suppliers from which the City can select.

Ergonomics Program

19. Since 2003, the City had an ergonomics program in place to comply with ergonomics requirements set out in sections 4.46 to 4.53 of British Columbia's *Occupational Health and Safety Regulation*. The City designed the program to address the risk of musculoskeletal

injuries among City employees, particularly when they are exposed to “risk factors that may cause or aggravate injuries or disorders to the muscles, tendons, ligaments, joints, nerves, blood vessels or soft tissue.” The program set out ergonomic specifications for office furniture items such as task chairs and desks.

The Procurement Policy

20. Legislation, common law, policies, and trade agreements guide public sector procurement. The City’s *Procurement Policy* sets out the requirements for the procurement of goods, services and construction, as well as the disposition of surplus assets.
21. The Chief Procurement Officer is required to report to Vancouver City Council (Council) annually on the procurement activities of the previous year, and is responsible for undertaking a comprehensive review of the policy and all policies affecting procurement every five years.
22. The overarching goal of the policy is to achieve an open, transparent, competitive procurement process that provides best value, minimizes total cost of ownership, incorporates sustainable and ethical procurement considerations, and applies leading practices such as risk mitigation strategies and strong financial controls.
23. A second goal of the policy is to ensure the City’s procurement activities comply with inter-provincial, national and international trade agreements applying to the procurement of goods, services and

Best Value

A procurement method that emphasizes overall value and not simply lowest price. This includes an assessment of the return that can be achieved over the useful life of the item — the best combination of quality, service, time and price.

Source: Adapted from the Institute for Public Procurement: [Dictionary of Procurement Terms](#)

Trade Agreements

The City is subject to several trade agreements that require certain elements be included in a procurement. Core obligations and principles of trade agreements call for non-discrimination between or among trading partners and a certain minimum level of fairness.

Sources: Government of BC: [Trade Agreements](#)

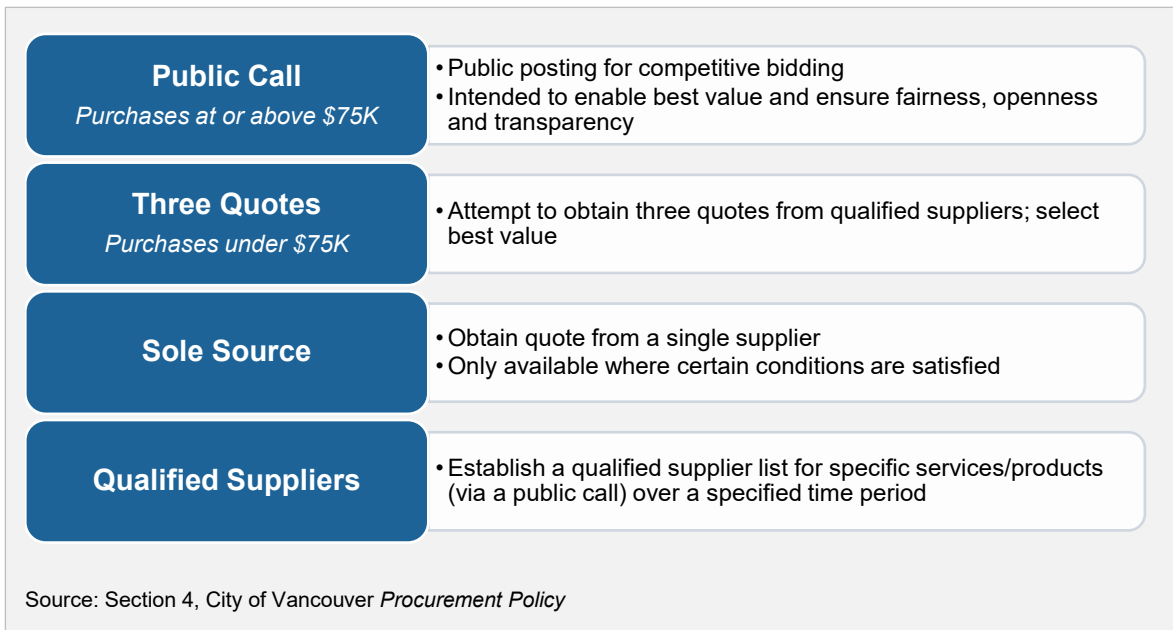
Global Affairs Canada: [International Trade Agreements and Local Government: A Guide for Canadian Municipalities](#)

construction. The *Canadian-European Union Comprehensive Economic and Trade Agreement* (CETA), the *Canadian Free Trade Agreement* (CFTA) and the *New West Partnership Trade Agreement* (NWPTA) are key agreements with which the City must comply.

24. The City applies its *Procurement Policy* together with other related City policies such as the *Corporate Purchasing Cards Policy* and the *Supplier Code of Conduct*.

25. Exhibit 2 summarizes the City’s four types of procurement processes and thresholds for non-construction related purchases under the policy.

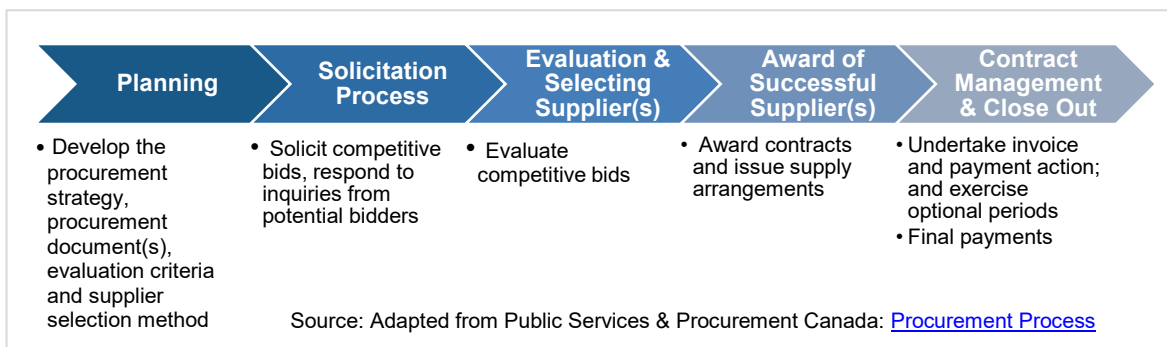
Exhibit 2: Typical Procurement Processes



Roles and Responsibilities

26. The City’s procurement process includes numerous steps that can be organized into five broad phases as shown in Exhibit 3.

Exhibit 3: Typical Phases of the Procurement and Purchasing Process



27. Depending on the nature of the purchase, the City purchases office furniture out of a capital budget (e.g., office furniture for renovations) or a departmental operating budget (e.g., departments may use operating budgets to purchase office furniture for new hires in their

department). City staff draft the annual capital budget and present it to Council for consideration. In late fall, Council deliberates and approves the following year's budget.

Supply Chain Management Department

28. The Supply Chain Management (SCM) department, within the Finance, Risk and Supply Chain Management (FRS) group, centrally administers the City's procurement of third-party goods and services. SCM, overseen by the Chief Procurement Officer, is responsible for obtaining and distributing required products and services to support departmental operations City-wide.

29. SCM manages the processes to ensure that the City's procurement practices comply with applicable laws, trade agreements entered into by the provincial and federal governments, and City policies including the *Procurement Policy*. Key processes led by SCM include:

- Issuing competitive procurements;
- Tendering construction;
- Managing supplier relationships;
- Entering into contracts;
- Disposing of surplus assets disposal; and,
- Warehousing and inventory management.

What is the Difference between "procurement" and "purchasing"?

When we say "procurement," we are referring to all the steps involved in the strategic process of identifying, shortlisting and selecting potential suppliers; managing the receipt of goods and services; and closing the procurement file. We use the term "purchasing" to refer to one step in the procurement lifecycle: the transactional process of buying goods and services.

Real Estate and Facilities Management Department

30. The Real Estate and Facilities Management (REFM) department provides real estate and facilities development, planning, maintenance and operations services for City-owned and City-leased property and building assets. The Facilities Interior Planning and Design team within REFM is responsible for interior space planning, design and delivery.

31. As part of interior space planning and design, the team is responsible for selecting specific office furniture models to be used City-wide in office space renovations or other furniture updates. REFM is also responsible for managing supplier contracts with office furniture suppliers. This includes repairs and maintenance of office furniture under warranty.

32. In addition to SCM and REFM, other City departments such as Legal Services may be involved with procurement contracts and updates to the *Procurement Policy*.

1.2 About the Audit

33. The objective of this audit was to determine if the City's office furniture purchases were made with due regard for best value within established City policies, guidelines and priorities. This audit was included in the Office of the Auditor General's (OAG) 2022 three-year audit plan.
34. In September 2020, the City's Internal Audit team performed an audit of office furniture purchases for the renovation of City Hall's second floor. The \$316,806 allocated to the supply and installation of office furniture had been the subject of public discussion in the context of the financial strain the City had been facing during the COVID-19 pandemic. Our audit has a broader focus with recommendations relevant beyond the purchase of office furniture for City Hall's second floor.
35. The audit period covered office furniture purchases made between January 1, 2020 to June 30, 2022 and included City policies, guidance, and administrative processes the City produced prior to January 2020 that were still in use during the audit period. We conducted our examination work between September 2022 and January 2023, and completed the audit on January 30, 2023.
36. The scope of this audit does not include:
- Decisions made by the City as to whether to make office furniture purchases, for instance decisions made in the context of space planning. An examination of the City's management of office space is part of the OAG's audit plan for 2024;
 - Office furniture for non-staff use in public spaces, such as community centres;
 - Purchases of telecommunications, computer equipment, computer peripherals (such as keyboards and monitors), or items that may sit on or near a desk (such as penholders and staplers);
 - The alignment of the City's *Ergonomics Program* with British Columbia's *Occupational Health and Safety Regulation*; and,
 - Ergonomic considerations in the City's *Remote Work Policy*.
37. We used several methods to obtain sufficient and appropriate evidence. We examined available documentation, interviewed internal stakeholders, and undertook analytical procedures using data provided by City departments.
38. For more on this audit, please refer to [Appendix B: About the Audit](#)

2. Findings, Conclusions and Recommendations

Summary

39. The City met, with some exceptions, our audit objective of making office furniture purchases with due regard for best value. The City had an assessment process to select office furniture, a reasonably comprehensive procurement policy, and used up-to-date supplier agreements. However, we found exceptions related to the procurement processes the City used to qualify office furniture suppliers. Additionally, the City had not defined when and how often to conduct assessments to ensure continued best value in office furniture selections. We believe implementing the five recommendations identified in this report will enhance the City's ability to achieve best value in the purchase of office furniture and to mitigate some of the risks associated with procurement.
40. We found that the City's *Procurement Policy* was accessible to staff and had an appropriate schedule for review and updates. While the policy was reasonably comprehensive with respect to the fundamental principles in public procurement, and reasonably aligned with other City policies, it required some updates to fully address applicable trade agreement obligations. In addition, the City generally followed its procurement and purchasing policies for purchasing office furniture and made office furniture purchases from suppliers using up-to-date agreements.
41. However, from the 2016 request for quotation (RFQ) that laid out the pricing and conditions for purchases during the audit period, we identified several areas where the City did not fully meet our audit criteria. The City used a procurement method to seek quotations and to develop a pre-qualification list that did not provide sufficient detail to suppliers on how the selection process would proceed. The City did not fully define supplier evaluation and selection criteria, or methods of ordering. In addition, the City stated it intended a non-binding procurement process, however, the RFQ contained language that may be binding and may have reduced clarity. As well, the RFQ was posted for a relatively short amount of time. Lastly, the City deviated from City policy and trade agreements by not publishing the opportunity to be added to the pre-qualified suppliers list after the initial 2016 RFQ, and by extending supply agreements beyond the RFQ term.
42. In terms of office furniture selections, REFM relied on weighted assessments to guide the achievement of best value in office furniture purchases. However, we found opportunities for improvement. REFM did not have a defined and documented timeline on when and how often to conduct assessments and refresh its past assessments to ensure continued best value. REFM also did not conduct weighted assessments for newly introduced furniture items. In addition, REFM would benefit from adding newly introduced furniture items to future supply agreements to provide the City with more stable pricing over agreement periods.

2.1 Procurement Policy

43. The City's *Procurement Policy* set out the requirements for the procurement of goods and services by the City, including the procurement of office furniture. A well-designed procurement policy should provide sufficient and appropriate information for suppliers and staff to support the goal of fostering a competitive environment for the supplier community.
44. A comprehensive policy should:
- Establish the legal authority for the procurement function;
 - Clearly define roles and responsibilities of the Chief Procurement Officer and delegation of authority;
 - Simplify and reflect applicable trade agreements and regulatory requirements;
 - Define procurement terms used within the policy;
 - Generally describe the parameters of various procurement methods such as competitive bidding, sole sourcing, and emergency procurement;
 - Include principles for achieving best value while considering social, economic, ethical and environmental sustainability in procurement practices;
 - Provide guidance on code of conduct within the procurement process;
 - Be up-to-date; and,
 - Be accessible to staff.

What we looked for

45. We examined the City's *Procurement Policy* and elements within it that supported fundamental public procurement principles. The factors underpinning these principles include common law; provincial, national and international trade policies; B.C.'s *Freedom of Information and Protection of Privacy Act*; the *Vancouver Charter* and public sector policies and practices. We also assessed whether the *Procurement Policy* was up-to-date and accessible to staff.

What we found

2.1.1 The City's Procurement Policy was accessible to staff and an appropriate schedule was set to review for updates

46. The *Procurement Policy* was accessible and available to staff through the City's corporate intranet, which also included information on the basic steps and sub-processes in the procurement process. According to section 12.9 of the *Procurement Policy*, the City is required to undertake a comprehensive policy review every five years. The last review and update occurred in 2018, and SCM indicated the next update is scheduled for 2023. We have no recommendations in this area as the audit criterion was met.

2.1.2 The City's Procurement Policy was reasonably comprehensive but did not address all trade agreement obligations

47. Overall, the City's *Procurement Policy* contained the principles in public procurement that we have identified above. However, while the *Procurement Policy* generally aligned with trade agreements, it required some updates to fully address applicable trade agreement obligations. For example, the policy did not include:
- A requirement to publish multi-use pre-qualification lists and to evaluate additional submissions;³
 - A requirement to publish award decisions and award values on BC Bid (a CETA requirement updated in 2022);
 - A definition of "Total Price" that includes the estimated maximum total value of a procurement over its entire duration, including options to renew;⁴
 - References to the procurement policies of other Vancouver Group entities where exemptions referred to in the *Procurement Policy* relate to those other Vancouver Group entities; and,
 - Information on debriefing sessions and how suppliers could seek resolution on issues.
48. These gaps mean that, while the City's procurements may comply with its own *Procurement Policy*, they may not meet all trade agreement obligations. This could interfere with the goals of open, transparent and competitive procurement, and may open the City to the risk of bid challenges in the event prescribed requirements are not adhered to on a particular procurement.
49. We also identified improvement opportunities related to the readability and clarity of the *Procurement Policy*. While these items do not relate to alignment or compliance with trade agreements, addressing them will make the policy easier to understand and implement. We have provided SCM a list of these items as points of consideration for future policy updates.

Recommendation 1:

In the City's next review of its *Procurement Policy*, scheduled for 2023, the Supply Chain Management and Legal Services departments should make updates to ensure the policy addresses all trade agreement obligations.

³ Multi-use pre-qualification lists are intended for use more than once to select suppliers to provide goods or services.

⁴ Updates to the definition of "total price" may increase the number of procurements that are greater than \$2 million. According to the commitment authority set out in the *Procurement Policy*, procurements greater than \$2 million require Council approval. The commitment authority level requiring Council approval has been the same since 2010.

2.2 Procurement Process and Selection of Office Furniture Suppliers

50. In 2016, the City selected four furniture suppliers (pre-qualified suppliers) through a request for quotation (RFQ) process to supply office furniture systems for City properties. The RFQ indicated that the City intended to enter into agreements with selected suppliers to purchase office furniture over three years, with two possible one-year extensions, for a maximum of five years.
51. The City placed the four office furniture suppliers on a pre-qualification list and created supply agreements with each supplier. Following the expiry of the initial supply agreements, supply agreements were annually renewed.
52. While the scope of the audit was for office furniture purchases between January 1, 2020 and June 30, 2022, the 2016 RFQ was relevant to our examination as it laid out the pricing and conditions for office furniture purchases during the audit period.

What we looked for

53. A procurement strategy for office furniture is a key part of the planning phase in the procurement process. The strategy establishes the City's objectives for office furniture purchases, and most appropriate approaches (e.g., use of a pre-qualification process, sole source arrangements, use of standing orders, supplier engagement planning) to achieve best value. It takes into consideration the market situation and risks, the options available within the legal and policy framework, longer-term objectives, as well as the capacity to manage the process.

Evaluation Criteria and Selection Process

Evaluation criteria set the standards that guide scoring proposals, set expectations with prospective suppliers, help ensure high-quality responses, and help demonstrate the fairness and transparency of the process.

When the selection process is clear and well understood, suppliers will be more likely to participate and there will be more competition.

Source: Government of BC: [Recommended Best Practice for Pre-Qualification for Selection of General Contractors and Professional Consulting Services](#)

54. We examined the 2016 RFQ procurement document and process to determine whether the City followed its procurement-related policies in the selection of office furniture suppliers. We looked at whether the City:
- Used a competitive process to evaluate and pre-qualify office furniture suppliers;
 - Conducted the competitive process in a transparent manner that included established criteria for evaluation and selection of office furniture suppliers;
 - Retained sufficient and appropriate documentation to support the selection of the office furniture suppliers; and,

- Ensured procurement processes used in the competitive process were aligned and in compliance with applicable trade agreements and other regulatory requirements.

55. In public procurement, these factors foster market competition and are important drivers in achieving best value. An open, transparent, and competitive process encourages high quality supplier responses, supplier innovation, and promotes competitive pricing.

What we found

56. The City initiated a number of steps to create a foundation for an effective process to obtain best value in the procurement of office furniture. For example, the City encouraged competition by publicly posting the RFQ. However, we identified several areas where the 2016 RFQ process did not fully meet our audit criteria. These are described in the sections below.

2.2.1 The Supply Chain Management department used a procurement method to seek quotations and develop a pre-qualification list, without sufficient detail on the selection processes

57. In its 2016 RFQ, SCM indicated it would seek quotations to determine if the City would enter into standing agreements with one or more suppliers for future purchases, and also develop a pre-qualification list – without sufficient detail explaining to suppliers how each of the selection processes would proceed. This could introduce potential issues such as:

- Inadequate transparency for prospective suppliers;
- Inadvertently introducing risks from unclear legal obligations between the City and suppliers; and,
- Confusion among suppliers about the kind of procurement process and outcome to expect.

58. The RFQ stated that while the City expected to “place an emphasis on price, it may take into account other factors affecting value, including those concerning quality, compatibility with the City’s existing furniture systems, service, sustainability or suppliers’ past work, reputation or experience.” However, the RFQ did not

Pre-Qualification and Quotation

Pre-qualification is a process by which a buyer evaluates the qualifications of a contractor or consultant prior to completing a tendering or proposal submission process. Pre-qualification can be implemented through a variety of methods and is typically used to select potential suppliers for an individual project or scope of work, or is used to create a pre-qualified list of potential suppliers for a defined program and/or timeframe.

A **quote** is an informal purchasing process that seeks pricing information from several sources, usually used for non-complex or straightforward procurements.

Sources: Government of BC: [Recommended Best Practice for Pre-Qualification for Selection of General Contractors and Professional Consulting Services](#)

The Institute for Public Procurement: [Dictionary of Terms](#)

provide sufficient detail, such as weighted evaluation criteria, to indicate how and whether the information it requested from suppliers would affect the selection process. In addition, the RFQ did not fully define the process and criteria the City would use to evaluate suppliers, place them on a pre-qualification list, and the criteria it would use to decide whether it would award a supplier with a supply arrangement. For example, criteria could require that office furniture systems align with City-established standard models. Trade agreement obligations required that procurement documents include the criteria used to evaluate submissions.⁵

59. In this RFQ process, we cannot know if more suppliers would have responded to the procurement if the City had provided additional detail to suppliers in the RFQ document. Additionally, it may have been challenging to screen out unsuitable suppliers, as sufficient detail was not provided in the selection criteria used for evaluation.

2.2.2 Although the City stated it intended a non-binding procurement process, the 2016 RFQ contained language that may be binding

60. Clarity in procurement documents as to whether the procurement process is intended to be either a non-binding process or a binding process is an important element of ensuring a successful procurement process. This clarity helps protect the City from possible legal risks and helps to encourage high quality bids from potential suppliers by providing a transparent, easy to follow process.
61. In the RFQ, the City stated it intended to set out a non-binding procurement process with built-in flexibility and the opportunity for supplier negotiation. For instance:
- Section 1.7 of the RFQ indicated that the RFQ was not an invitation to

Binding and Non-Binding Procurement

Binding procurement processes create a contractual relationship between the procuring authority and each bidder that submits a compliant bid. Such processes impose legal obligations such as the intention to award a contract. Binding procurements mean non-compliant proposals must be rejected and that bidders can be compelled to deliver on their proposal.

Non-binding procurement processes have more flexibility and suppliers submit proposals that form the basis for negotiations. The procuring authority is obligated to follow the process for negotiation set out in the procurement documents.

The wording/contents of the procurement documents determine the contractual environment; some courts may find a binding procurement even when the procurement documents include wording that expressly denies it.

Source: [McCarthy Tetrault LLP 2016](#)

⁵ The Agreement of Internal Trade (AIT), Annex 502.4, section G, item 10 states: “The tender documents shall clearly identify the requirements of the procurement, the criteria that will be used in the evaluation of bids and the methods of weighting and evaluating the criteria.” AIT was in effect during 2016; CETA replaced AIT in 2017.

tender and that suppliers were not required to submit irrevocable offers; and,

- The RFQ implied negotiations by inviting suppliers to present options on various factors such as price, quality, service, and supplier experience.

62. However, the RFQ did not fully describe the negotiation process the City intended to follow (i.e., at what stage in the process the negotiations would take place; the City's intended negotiation strategy). In addition, the RFQ contained some wording that could be interpreted as binding. For example, clauses relating to holding prices. These concerns reduced the clarity of the RFQ.
63. We reviewed the City's current RFQ template and identified similar issues with language that may be binding.

2.2.3 The 2016 RFQ was 76 pages long, yet provided suppliers with only 12 business days to respond

64. Trade agreement obligations in effect during the 2016 RFQ required suppliers be given a reasonable period of time to submit bids, taking into account the mode for response submission and the complexity of the procurement.⁶ The RFQ was 76 pages and respondents were given 16 calendar days (12 business days) to respond.
65. Of note, trade agreement obligations introduced in 2017 now require a minimum posting period of 25 to 40 days depending on whether all procurement documentation is published, made available and if responses are accepted electronically.⁷
66. The length of time the City provided for suppliers to respond to the RFQ may not have been reasonable to prepare and submit responses given the length and complexity of the RFQ. We did not find evidence that the City compressed the length of time due to operational urgency. The risks of not providing sufficient time for responses include the possibility of discouraging suppliers from applying and making it difficult for applicants to ensure the accuracy of the information provided.

⁶ AIT, Article 506, item 5 states: "Each Party shall provide suppliers with a reasonable period of time to submit a bid, taking into account the time needed to disseminate the information and the complexity of the procurement." AIT was in effect during 2016; CETA replaced AIT in 2017.

⁷ CETA, Article 19.10 states: "a procuring entity shall establish that the final date for the submission of tenders shall not be less than 40 days" and also states "a procuring entity may reduce the time-period for tendering established" to 25 days if all tender documentation is published, made available and accepted by electronic means.

2.2.4 Opportunities for potential suppliers to be added to the pre-qualification list were not published after the initial 2016 RFQ, and supply agreements were extended past the initial RFQ term

67. An opportunity to be added to the pre-qualified suppliers list for office furniture developed from the RFQ was not published in the marketplace after the initial 2016 RFQ. Both CETA and CFTA require annual or continuous publication of pre-qualification lists. Re-publishing an opportunity to be added to the pre-qualification list encourages competition, fairness, and transparency. Re-publishing also allows new suppliers meeting the RFQ's evaluation and selection criteria to have an opportunity to be added to the pre-qualification list. While there may be a limited number of suppliers able to provide furniture compatible with existing furniture systems, by not re-publishing the opportunity in the marketplace, SCM may have missed potential suppliers that could have been able to provide innovative products at competitive prices.
68. SCM renewed contracts emerging from the 2016 RFQ beyond the timeframe stated in the RFQ. Section 1.1 of the RFQ stated that the City intended to enter into standing agreements with office furniture suppliers for a three-year term, with two possible one-year extensions, for a maximum of five years, to 2021. Yet, after the agreements expired, the City entered into two subsequent extensions with the suppliers from 2021 to 2022 and again from 2022 to 2023.
69. Per the City's *Procurement Policy*, extensions of a contract past the maximum term would only be allowed if (a) the extension is a permitted sole source or; (b) where there is (or is about to be) a new procurement call being provided under the expiring contract. Similarly, awarding extensions beyond the stated agreement period may be interpreted under trade agreements as direct award (sole source) arrangements. The award of sole source contracts obliges the City to comply with sole source guidelines; however, SCM did not post the agreements to the City's website as required for sole source arrangements.
70. Management indicated that it provided extensions because the expiry of the initial five-year contract term coincided with the COVID-19 pandemic. The extensions were provided to mitigate challenges introduced by the pandemic that resulted in re-prioritizing staff resources and introduced supply chain constraints that could affect delivery and pricing for office furniture projects underway.
71. While there were operational reasons for the extensions, this situation did not meet the conditions of the City's policy or trade agreements.

2.2.5 The Supply Chain Management department did not provide sufficient detail in the RFQ on how the City would order from the pre-qualified list of suppliers

72. Clear and complete information on the intended ordering process in an RFQ is important to ensure trade agreement compliance and promote transparency and fairness in procurements. SCM included some information on how the City would decide on which suppliers to order from, and the method the City would use to select and order from the pre-qualified list of suppliers. For example, according to section 1.1 of the RFQ: “the number of such contracts to be entered into, if any at all, and the method for which the City allocates the work amongst the successful suppliers during the contract term, shall be entirely at the discretion of the City.”
73. However, the level of detail was insufficient to fully describe the process. The wording in the RFQ should have reflected the ordering processes the City used, as described below:
- SCM initiated “request for pricing” processes to evaluate and select suppliers from the pre-qualified list when ordering furniture for renovations that typically involved the supply and installation of office furniture systems. This process involved inviting pre-qualified suppliers to submit bids on a bundle of office furniture items. SCM and REFM then evaluated supplier bids based on the overall bid price and selected the lowest-priced bid.
 - For furniture items where the City had already identified a standard type and model, such as the office task chairs and monitor arms, SCM negotiated prices into the supply agreements with the pre-qualified supplier that could provide the specific model. REFM then ordered directly from the pre-qualified supplier that could supply the particular item.

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.

Recommendation 3:

The Supply Chain Management and Legal Services departments should review and revise the RFQ templates, guidelines, and processes to ensure:

- 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.

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

2.3 Achieving Best Value in Office Furniture Purchases

74. Given how widely office furniture can vary in areas such as durability and ergonomics, good procurement practice indicates that best value in office furniture purchases is not achieved by lowest price alone. It also rests on identifying the appropriate combination of performance qualifications, organizational requirements, and price. For example:
- **Space planning:** The suitability of office furniture in relation to the City's shift to hybrid work and efficient use of space through densification and adaptability to organizational changes (e.g., furniture with a smaller footprint may be preferred);
 - **Ergonomics:** The performance of office furniture in relation to minimizing risks of musculoskeletal injuries in the office environment;
 - **Warranties and repairs:** The lifecycle costs of office furniture, including considerations such as durability, potential for recycling and longevity; and,
 - **Pricing:** The objective cost of office furniture.
75. According to the City's financial information, the City spent \$5.96 million during the 30-month audit period to purchase, repair, and install office furniture from pre-qualified suppliers (see Exhibit 4).

Exhibit 4: City's Office Furniture Purchases from Pre-Qualified Suppliers, January 2020 to June 2022

January to December 2020	January to December 2021	January to June 2022
\$2,090,779	\$3,324,157	\$543,437

What we looked for

76. We examined a sample⁸ of ten invoices relating to office furniture purchases to gain insight into the processes the City undertook to ensure it was achieving best value while considering space planning, ergonomics, warranties and repairs, and price. To achieve best value, it is important to consider these factors and weight them according to their relative value (a weighted assessment). We looked for the City to have:
- Engaged in an ongoing process that developed and quantified these factors;
 - Made its office furniture selections based on the results of the weighted assessments; and,
 - Maintained appropriate documentation supporting their decision.

What we found

77. REFM used weighted assessments to evaluate and identify office furniture models for the City. The assessment processes weighed several criteria including price, ergonomics, quality, and warranty/service. REFM conducted the assessments between 2007 and 2015 as part of past procurements intended to identify office furniture models that would serve as the City's standard for a minimum of ten years. REFM indicated that it made purchases during the audit period based on past furniture selections resulting from weighted assessments. In the majority of the sample office furniture invoices we reviewed within the audit period, REFM purchased office furniture based on the results of the past assessments.

Weighted Criteria

The process of weighting means emphasizing some factors more than others. The output of the weighting process is a set of criteria where each criterion has a different impact on the result.

Source: Commerce Decisions: [Effective Weighting of Criteria](#)

78. Because the City carried out the assessments before the audit period, our audit procedures did not include a detailed examination of these assessments and associated past procurements. Instead, we performed a walk-through of the past assessments and reviewed how REFM used the results to guide office furniture purchases within the audit period. As a result, we noted several opportunities for the City to improve its processes.

⁸ We examined a purposive sample to understand how the City made office purchases within the audit period. A purposive sampling method is designed to generate insights about a population. This differs from a generalizable sampling method that allows results to be extrapolated based on a defined confidence interval and confidence level.

2.3.1 The Real Estate and Facilities Management department relied on weighted assessments to guide the achievement of best value in most office furniture purchases. However, REFM did not have a defined and documented timeline on when and how often to conduct and refresh its assessments to ensure continued best value

79. REFM used results of the past assessments to guide office furniture purchases within the audit period. However, REFM did not have documented guidelines on when and how often to conduct assessments and refresh its past office furniture selections. Factors such as the City's needs, price, and quality are likely to change over time. A periodic refresh of the City's standard models for office furniture would provide the City with the opportunity to consider these factors, reconfirm past results, and make adjustments where needed to ensure ongoing best value. This is also relevant for office furniture systems where maintaining compatibility is important.
80. In addition, REFM did not carry out and document weighted assessments for new furniture items it introduced. For example, during the audit period, REFM made \$506,514 in purchases for soundproof office booths. REFM indicated that it piloted office booths in open office workspaces in place of constructing meeting rooms. Although REFM introduced the new items as part of pilot programs, using weighted assessments to select office furniture would enable the City to demonstrate best value in its purchases.
81. For office task chairs, the City provided us with documentation on three assessments it conducted from 2007 to 2015.⁹ In two of the assessments, available documentation linked the results of the assessment to the decision. However, in one of the assessments, the available documentation was not clear, leaving the conclusion open to interpretation. Specifically, while available documentation pointed to the selected chair model as the least expensive one that was suitable from an ergonomic perspective, we also noted that three other chairs appeared to have higher overall scores, but had not satisfied ergonomic requirements. Provided that the ergonomic requirements used in the assessment were appropriately defined by the City (which was not within the scope of this examination), either the assessment allocated high scores to chairs that did not meet ergonomic requirements, or the documentation provided to the audit team did not reflect the final decision. These decisions have important cost implications for the City that may be long lasting; particularly given the City relies on past selections to inform future purchases.

⁹ During the audit period, the City purchased 550 task chairs for a total cost of \$375,959.

82. Going forward, it would be important for REFM to ensure appropriate documentation is developed and retained in order to strengthen the integrity of the assessment process, clarify the selection rationale, and inform future decisions. REFM should also validate its weighted assessments including the impacts of weighted criteria to ensure performance as intended.

Recommendation 4:

The Real Estate and Facilities Management department should develop guidelines on when and how often to conduct assessments and re-assessments 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.

2.3.2 The Real Estate and Facilities Management department established price lists with suppliers for some but not all office furniture purchases

83. Office furniture can vary in the marketplace in terms of factors including quality, aesthetic, and price. Establishing prices and acceptable price ranges for specific furniture types can provide the City with stable pricing over time and can assist suppliers in proposing office furniture selections that meet the City's budgetary and office furniture requirements.
84. The City's supply agreements with pre-qualified office furniture suppliers included prices for commonly purchased office furniture items. For these items, suppliers held prices at 2016 levels for three years, from 2016 to 2019. From there, the City signed annual amendment agreements with suppliers. Some suppliers continued to hold prices at 2016 levels for subsequent years for specific furniture items.
85. However, not all furniture purchased within the audit period had prices specified in the supply agreements. REFM indicated that when it introduced office furniture items as part of pilot programs, it did not negotiate prices into supply agreements. Going forward, the City would benefit from including newly introduced office furniture in its supply agreements to prevent the risk of price fluctuations and to secure preferred pricing offers from suppliers.

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.

2.4 Office Furniture Purchasing Transactions

86. City procedures required that departments request office furniture purchases through REFM. REFM then ordered through the City's pre-qualified suppliers. However, departments throughout the City have the ability to purchase office furniture from suppliers by using non-purchase order (non-PO) invoices or Purchase Cards (P-Card). The City's *Corporate Purchasing Cards Policy* prohibits the use of P-Cards for purchasing office furniture.

What we looked for

87. Notwithstanding the issues outlined previously with the 2016 RFQ process, we examined the steps taken by the City to purchase office furniture following the completion of the RFQ. We looked at whether the City adhered to its procurement processes by purchasing office furniture from pre-qualified suppliers using up-to-date supply agreements.
88. In addition, we examined P-Card transactions between January 1, 2020 and June 30, 2022 to determine whether any office furniture-related transactions occurred. We expected to find no P-Cards transactions for the purchase of office furniture.

What we found

2.4.1 The Real Estate and Facilities Management department used up-to-date supplier agreements with pre-qualified suppliers

89. Purchases of office furniture managed by REFM, including furniture purchased for renovation projects, were made through up-to-date supply agreements with pre-qualified suppliers from the 2016 RFQ. The City entered into supply agreements with the four office furniture suppliers identified through the 2016 RFQ process. We have no recommendations in this area, as the audit criterion was met.

2.4.2 Departments throughout the City generally followed appropriate practices in purchasing office furniture by coordinating purchases through the Real Estate and Facilities Management department and avoiding the use of P-Cards and non-PO invoices

90. We did not identify significant use of non-PO invoices or P-Cards to purchase office furniture. We identified a small number of P-Card transactions for office furniture that either should have been made through the City's existing supply agreements or coordinated through REFM. However, given the low number and value of the items, these P-Card transactions did not represent a significant trend. We have no recommendations in this area, as the audit criterion was met.

Appendix A: Response from the Supply Chain Management, and Real Estate and Facilities Management Departments

Overall Comments

We appreciate the City of Vancouver's Office of the Auditor General (OAG) performing this audit and conducting an objective, and comprehensive review in accordance with professional auditing standards. The independent qualified auditors and subject matter experts involved followed a very structured and professional approach to collect, analyze and summarize large amounts of information to gather evidence necessary to assess performance against best practice criteria and make conclusions and recommendations with the purpose of focusing on opportunities for improvement.

We thank the OAG staff for their efforts to understand the business requirements, as it is a complex task to summarize issues and propose over-arching recommendations for such and work collaboratively with senior management from the Real Estate and Facilities Management, Supply Chain Management and the Legal Services departments to include background and context, which is important to support the conclusions of the audit report. Additionally, we appreciate the report has taken the opportunity to highlight positive findings as well as performance improvements to contribute the objectives of public service that is ethical and effective and a civic administration that is accountable to taxpayers and its elected officials.

Many of the comments and recommendations contained within the report will inform senior management to update policies with recent regulatory requirements, create procurement strategies, change templates and standard operating procedures and continue to build upon existing processes in preparation for the next procurement of office furniture and other future purchases.

We would also like to take this opportunity to recognize that staff from the departments involved also acknowledge the value of this auditing process, the findings of the report and are supportive of the recommendations put forward accepting it will require resources and organizational capacity to prioritize the implementation over competing priorities.

Armin Amrolia
Deputy City Manager and
Acting General Manager REFM
City of Vancouver

Patrice Impey
Chief Financial Officer and
General Manager FRS
City of Vancouver

Auditee's Action Plan

Exhibit 5: Auditee Action Plan

Recommendation	Management Response and Next Steps	Responsibility	Target Date
<p>Recommendation 1</p> <p>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>Management agrees with the recommendation.</p> <p>Action: Staff from the Supply Chain Management department will work with Legal Services to review and update the Procurement Policy with the new requirements and regulation updates from 2022 to ensure it addresses all of the trade agreement obligations.</p>	<p>Chief Procurement Officer and Director of SCM</p>	<p>Q4 2023</p>
<p>Recommendation 2</p> <p>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.</p>	<p>Management agrees with the recommendation.</p> <p>Action: Staff from the Real Estate and Facilities Management will work with the Supply Chain Management department to develop the scope of work and the strategy for the next procurement of office furniture.</p>	<p>Director of Facilities Planning and Development</p>	<p>Q3 2023</p>
<p>Recommendation 3</p> <p>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; 	<p>Management agrees with the recommendation.</p> <p>Action: Staff from the Supply Chain Management department will work with Legal Services to review and update RFQ templates, guidelines and processes to ensure compliance with trade agreements, using consistent language and</p>	<p>Chief Procurement Officer and Director of SCM</p>	<p>Q3 2023</p>

<ul style="list-style-type: none"> • 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 Management department should ensure that guidelines require that any deviations from policy be properly justified and documented.</p>	<p>clauses throughout and provide sufficient detail on the selection and ordering process.</p> <p>Supply Chain Management will ensure the documentation includes guidelines on the appropriate length time for suppliers to respond and how suppliers can be added to a pre-qualification list. In the case of any deviations from policy, the guidelines will require them to be properly justified and documented.</p>		
<p>Recommendation 4</p> <p>The Real Estate and Facilities Management department should develop guidelines on when and how often to conduct assessments and re-assessments 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</p>	<p>Management agrees with the recommendation.</p> <p>Action: Staff from Real Estate and Facilities Management will develop guidelines on when and how often to conduct ergonomic and other assessments and re-assessments on office furniture items and systems to ensure best value. Staff agree the guidelines should require consideration of new and evolving information relating to factors such as the City’s needs, ergonomics, quality (such as sustainability, longevity and warranty) and pricing; including their relative impacts in a weighted evaluation process. Staff will consult with appropriate internal stakeholders (Human Resources, Workplace</p>	<p>Director of Facilities Planning and Development</p>	<p>Q3 2023</p>

<p>documentation linking assessments to decisions is developed and retained.</p>	<p>Safety, Supply Chain Management etc.) as well as with external consultants as required.</p> <p>These guidelines should be coordinated with the work to be done with Supply Chain Management staff re: Recommendation #2.</p> <p>Staff from Real Estate and Facilities Management will improve their documentation and record keeping pertaining to assessments and decisions arising from them.</p>		
<p>Recommendation 5</p> <p>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.</p>	<p>Management agrees with the recommendation.</p> <p>Action: Staff from the Real Estate and Facilities Management will work with the Supply Chain Management department to continue to build upon existing processes and establish price lists in supply agreements for commonly purchased office furniture items, including new furniture items.</p> <p>Based on market soundings, with external consultants' support if needed, guidelines with reasonable price ranges for specific furniture types should inform these price lists.</p>	<p>Director of Facilities Planning and Development</p>	<p>Q4 2023</p>

Appendix B: About the Audit

This report presents the results of a performance audit conducted by the Office of the Auditor General for the City of Vancouver (OAG) under the authority of the *Auditor General By-Law No 12816*. All work in this audit was performed to a reasonable level of assurance in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001 – Direct Engagements, set out in the CPA Canada Handbook – Assurance.

The Office of the Auditor General applies Canadian Standards on Quality Management, CSQMs 1 and 2 which require it to maintain a comprehensive system of quality management, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

The OAG complies with the independence, other ethical requirements and rules of professional conduct of Chartered Professional Accountants of British Columbia (CPABC) applicable to the practice of public accounting and related to assurance engagements and the standards of conduct of the City of Vancouver.

Objective

The objective of this audit was to determine if the City of Vancouver's (City) office furniture purchases were made with due regard for best value within established City policies, guidelines and priorities.

Period Covered by the Audit

The audit covered the period of January 1, 2020 to June 30, 2022. The audit included materials produced prior to January 2020 that were used as policies, guidance or administrative processes during the audit period. We conducted our examination work from September 2022 to January 2023, and completed the audit on January 30, 2023.

Audit Scope and Approach

The scope of this audit included procurement-related policies administered by SCM within FRS and office furniture purchases managed by REFM. We intended for our work related to the *Procurement Policy* to be a foundational review of the framework for the procurement of goods and services, which included the procurement of office furniture.

The scope of this audit does not include:

- Decisions made by the City as to whether to make office furniture purchases, for instance decisions made in the context of space planning. An examination of the City's management of office space is part of the OAG's audit plan for 2024;

- Office furniture for non-staff use in public spaces, such as community centres;
- Purchases of telecommunications, computer equipment, computer peripherals (such as keyboards and monitors) or items that may sit on or near a desk (such as penholders and staplers);
- The alignment of the City's *Ergonomics Program* with British Columbia's *Occupational Health and Safety Regulation*; or,
- Ergonomic considerations in the City's *Remote Work Policy*.

We used several methods to obtain sufficient and appropriate evidence. We reviewed available documentation, interviewed internal stakeholders and undertook analytical procedures using data provided by City departments. This included:

- A comparison of the City's *Procurement Policy* with applicable trade agreements, legislative requirements and other City policies;
- An examination of available procurement policies and guidance provided to staff involved in decisions related to office furniture purchases; and,
- Analytical procedures using office furniture purchase documentation provided by the department (e.g., supplier invoices and P-Card transactions).

Audit Criteria

A performance audit uses specific criteria that are determined in advance to assess how the department or program is performing in the area being examined. Criteria are intended to be reasonable expectations of how a program, operation, system or practice is managed to achieve intended results.

We used the following criteria in this audit:

Exhibit 6: Audit Criteria

Lines of Enquiry	Criteria
<p>Line of Enquiry:</p> <p>Procurement policy framework</p>	<p>The City's <i>Procurement Policy</i> met external and internal requirements and aligned with leading procurement practices.</p> <p>The City ensured its <i>Procurement Policy</i> was up-to-date and accessible to staff.</p>
<p>Line of Enquiry:</p>	<p>Office furniture purchases were made based on achieving the best value for money for the City, taking economy, ergonomics, space planning and sustainability into account when selecting furniture.</p>

Office furniture purchases	The City followed procurement related policies in its selection of office furniture suppliers. The City followed its procurement related policies when making office furniture purchases.
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SCM and REFM acknowledged their responsibility for the subject matter of this report and agreed with the suitability of the criteria we applied.

Follow Up

The recommendations within this report will be included as part of the OAG's semi-annual follow-up process agreed to by Council.

Appendix C: List of Acronyms

CETA	Canada-European Union Comprehensive Economic and Trade Agreement
CFTA	Canadian Free Trade Agreement
FRS	Finance, Risk & Supply Chain Management
NWPTA	New West Partnership Trade Agreement
OHS	Occupational Health and Safety
P-Card	Purchase Card
PO	Purchase Order
REFM	Real Estate and Facilities Management
RFP	Request for Proposal
RFQ	Request for Quotations
SCM	Supply Chain Management



COUNCIL REPORT

Report Date: February 14, 2023
Contact: Tina Penney
Contact No.: 604.829.9276
RTS No.: 15591
VanRIMS No.: 08-2000-20
Meeting Date: March 2, 2023
[Submit comments to Council](#)

TO: Auditor General Committee
FROM: Director of Legislative Operations, Deputy City Clerk
SUBJECT: Update to Auditor General Committee Terms of Reference

Recommendations

THAT The Auditor General Committee recommend to Council:

THAT Council adopt updated terms of reference for the Auditor General Committee, as identified in Appendix A of this report, dated February 14, 2023, entitled "Update to Auditor General Committee Terms of Reference," to add an alternate voting Committee member position;

FURTHER THAT Council appoint Councillor Zhou as the alternate member effective immediately.

Purpose and Executive Summary

This report responds to Auditor General Committee (AGC) direction that staff report back with revisions to the AGC Terms of Reference, to address the current high quorum requirement.

Council Authority/Previous Decisions

- On [November 4, 2020](#), pursuant to [Section 161](#) of the *Vancouver Charter*, the Standing Committee on Policy and Strategic Priorities approved terms of reference for the Auditor General Committee (AGC), comprised of 5 Councillors and 2 external non-voting advisory liaison members, with a quorum requirement of 4 out of the 5 Councillors.
- On [November 7, 2023](#), Council appointed Councillors Fry, Boyle, Kirby-Yung, Dominato, and Montague to the Auditor General Committee.
- On [February 2, 2023](#), the Auditor General Committee passed the following motion:

THAT the City Clerk be directed to report back at the next scheduled AGC meeting with revised Terms of Reference in recognition of the current high

quorum threshold of four of five members present, by adding an alternate committee member position for the Committee’s endorsement and subsequent recommendation to Council.

Auditor General Comments

The Auditor General concurs with the proposed amendments to the Terms of Reference for the Auditor General Committee.

Context and Background

In 2020, the Auditor General Committee was established as a Standing Committee with a quorum of 4 out of 5 Councillors. Since then, the Committee has experienced challenges meeting or maintaining quorum in meetings.

Discussion

The proposed update to the AGC Terms of Reference will add an alternate member, meant to attend meetings as a full voting member when a Councillor member is unable to attend. It is intended that this change will alleviate quorum pressure, while ensuring that the number of Councillors required to conduct business remains the same. A red-line version of the revised Terms of Reference is included as Appendix A.

Financial Implications

There are no financial implications associated with this report’s recommendations.

Legal Implications

This proposed revision to the Terms of Reference is authorized by the *Vancouver Charter* and consistent with the direction given to staff.

* * * * *

APPENDIX A

Terms of Reference (*red-line version*)

Vancouver Auditor General Committee

A. PURPOSE

The Auditor General Committee is responsible to assist Council to provide oversight to the Auditor General on behalf of Council.

B. MEMBERSHIP

1. The Committee is established pursuant to Section 161 of the *Vancouver Charter* and will be comprised of ~~5 members of Council~~ Councillor members appointed by Council.
2. The Committee will also include 1 alternate Councillor member, appointed by Council, to attend meetings in a full voting capacity, but only if a Councillor member is unable to attend.
3. The Committee will also be assisted by 2 external advisory liaison members who will be selected by the Committee following the appointment of the ~~5~~ 6 Councillors to the Committee.
4. The 2 external advisory liaison members are to have relevant ~~auditing performance~~ audit performance experience.
5. Council will appoint the ~~5~~ 6 Councillors, 5 Councillor members and one alternate, to the Auditor General Committee taking into account the following factors:
 - a. The Councillor with more expertise, audit-relevant experience, and interest in the Auditor General Committee than the other prospective appointees should be appointed as the Committee Chair; and
 - b. Councillors with accounting, public finance, or recent management experience should be preferred for appointment over those who do not have such experience.
6. The 5 Auditor General Committee Councillor members will select the external advisory liaison members applying analogous principles to 4.a and 4.b above

C. MANDATE/RESPONSIBILITIES

1. The Auditor General Committee's mandate is to:
 - a. Support the independence of the Auditor General;
 - b. Support the mandate of the Auditor General as set out in the Auditor General By-law; and
 - c. Provide the oversight prescribed by the Auditor General By-law to the Auditor General on behalf of Council.
2. The Auditor General Committee's responsibilities are to:
 - a. Carry out the duties assigned to it pursuant to the Auditor General By-law, including:
 - i. Drafting and approving, in consultation with the City Solicitor, Terms of Reference (External Terms of Reference) for the 2 external advisory liaison members ("**External Advisors**");

- ii. Issuing a call for volunteers to be External Advisors and selecting and securing written agreement of the External Advisors to the Terms of Reference (which will address confidentiality, volunteer status, conflict of interest, regular disclosure requirements, etc.);
 - iii. Receiving draft annual reports from the Auditor General and providing feedback to the Auditor General on same;
 - iv. Reviewing the final reports of the Auditor General and reporting to Council on the work of the Auditor General as well as any recommendations of the Auditor General Committee related to or supplemental to those of the Auditor General's reports, findings, and investigations;
 - v. Calling appropriate members of City's management to Auditor General Committee meetings as deemed necessary or appropriate by the Auditor General Committee to understand the City's management's perspective on reports, and to monitor how effectively and quickly recommendations are implemented and so as to assist Council to ensure all recommendations are implemented;
 - vi. Reviewing the annual budget request of the Auditor General and consulting with the Auditor General on same and making recommendations to Council within the timelines being followed by Council generally for the development of each annual operating budget;
 - vii. Periodically reviewing and reporting to Council on the remuneration of the Auditor General;
 - viii. Periodically reviewing the mandate of the Auditor General and making recommendations on same to Council;
 - ix. Periodically reviewing these Terms of Reference as well as the External Terms of Reference and any related guidelines, forms, or associated documentation; and
 - x. Replacing the External Advisors as and when necessary due to vacancy or otherwise;
- b. Convene meetings within 30 days of receiving any report or other communication from the Auditor General requiring review or decision by the Auditor General Committee;
 - c. Meet at least 3 times per year; and
 - d. Meet within 20 days of any request by the Auditor General for a meeting.
3. The Auditor General Committee's administrative responsibilities are to ensure that it has the appropriate budget, resources, and administrative support to complete its work, including the following:
- a. Including its budget requirements in the annual budget request of the Auditor General (for example the procurement of an expert, if needed);
 - b. Developing on or before February 28 of each year an annual plan that outlines the elements to be covered in each planned meeting to align with its responsibilities as set out above;
 - c. Developing each meeting agenda to reflect the annual plan and other pertinent topics that are anticipated to arise during the year; and
 - d. Identifying and ensuring it recommends to Council for approval if necessary sufficient City Clerk resources and support staff to undertake its duties, such as organizing the meetings, making necessary documents available, setting up the communication and presentation technology, taking minutes, and supporting follow-up.

4. Auditor General Committee members also have an individual responsibility to become and stay informed about key accounting principles related to risk, and the application of audit standards by auditors. Members may carry out this responsibility by:
 - a. Requesting that the external advisory liaison members or Auditor General regularly explain the standards used by and for the audits carried out by the Auditor General as well as the implications of the standards in terms of how the Auditor General has or will reach a conclusion on any given matter; and
 - b. Requesting or verifying that the interpretation of these standards is disclosed in all audit plans presented by the Auditor General.

D. AUDITOR GENERAL COMMITTEE PRIVILEGES

1. Committee members are permitted to meet privately with the Auditor General on request.
2. Committee members are entitled to have adequate and relevant orientation provided to them by the Auditor General, the Chair, or the External Advisors as appropriate so as to assist Committee members to:
 - a. Better understand the committee's purpose, procedures, and the roles of the chair and of members;
 - b. Better understand the similarities and differences between the different types of audit (financial audit, performance audit, internal audit, and special studies);
 - c. Better understand the general audit process, and the role of the Auditor General Committee in regard to each type of audit;
 - d. Better understand the accountability relationships among the external auditors, the Auditor General, Internal Audit, and the Director of Finance; and
 - e. Better understand the importance of the accountability relationships and how to best support the follow up on, and the implementation of, the Auditor General's recommendations.
3. Where the Committee has been given budget funds for same by Council, the Committee members will be given access to professional development to assist them in understanding current issues that impact their role.

E. COMMITTEE OBJECTIVES/GOALS

1. The Committee and its Chair will foster a cooperative relationship between members around a commitment to improving public accountability:
 - a. Cooperation and respect among members are encouraged;
 - b. Questions, concerns, and differences of opinion are openly addressed in a respectful manner; and
 - c. A focus on fulfilling the Committee's mandate and improving public accountability is used to unite members even when they face differences of opinion and of priorities.
2. The Committee will engage constructively with City management:
 - a. Interdependence between the Committee, external auditors, internal auditors, and management is fostered, while independence of the roles is respected.
 - b. The Committee treats invited guests respectfully.
 - c. Members ask constructive questions to understand management's perspective.
 - d. Questions are related to the topic being addressed.
 - e. The appropriate member of staff is called to answer any Committee questions and provide, when necessary, related documentation.

- f. The scope of the meeting is communicated to managers for the area under discussion, in advance of a meeting, so they can prepare appropriately.
 - g. Members ensure their questions are answered and request written follow-up if questions cannot be answered at the meeting.
 - h. Meeting minutes are to be sufficient to serve as a good record of the answers provided by management and of the necessary follow-up.
3. The Committee will allow sufficient time on the agenda to properly review and discuss the reports and other information being provided by the Auditor General to them.
 - a. The Committee dedicates sufficient time at each meeting to:
 - i. examine and discuss the Auditor General's reports issued on performance audits or special studies, investigations, or inquiries, and
 - ii. carry out the responsibilities assigned to it pursuant to the Auditor General By-law.
 - b. The Committee will dedicate time to speak privately with the Auditor General to get clarity on:
 - i. the reports,
 - ii. the relationship with management,
 - iii. any difference of view with management, and
 - iv. any particular risk of fraud or other issues.
4. The Committee will report regularly to Council on its work, including
 - a. on management's progress on implementing audit recommendations until the implementation is concluded.
 - b. an annual report to the Council that summarizes how it has achieved its mandate and responsibilities and its activities, including
 - i. comments on issues and matters of concern,
 - ii. recommendations of the Auditor General as supplemented where appropriate by the Committee
 - iii. any other information which will assist Council to consider and approve where necessary the recommendations, and to acknowledge the Committee's and Auditor General's work.
5. The Committee will periodically evaluate its own work and reflect on it (through an anonymous survey, peer review, and/or self-assessment).
6. The Committee will ensure audit recommendations are implemented:
 - a. The Committee will discuss the recommendations raised by audit reports;
 - b. The Committee will obtain assurance that the management accountability process is effective in monitoring implementation of the management action plans responding to the audit recommendations;
 - c. The Committee will communicate with management to obtain direct information about the action plans and to make any necessary improvements to the accountability process, and will invite management to attend Auditor General Committee meetings in this regard; and
 - d. The Committee will follow up with management and the Auditor General to ensure, with evidence, that recommendations have been implemented.
7. The Committee will seek out action plans and status updates from departments that outline how they will implement recommendations, including:
 - a. Ensuring management provides detailed action plans in response to the audit recommendations;

- b. Ensuring the plans provide detail on how management will address the Auditor General's (and Committee's if any) recommendations and who has responsibility for implementation;
 - c. Ensuring the action plans and status updates include realistic timelines and completion dates;
 - d. Ensuring the action plans are reviewed, and the implementation of the recommendations is tracked and recorded by management and by the support staff of the Committee; and
 - e. Through collaboration with the Auditor General and management, ensure that the Committee obtains and reviews detailed status updates from departments.
8. The Committee will ensure the continuity of work and transfer of knowledge, including:
- a. Ensuring that Council receives recommendations to appoint an Auditor General Committee in a timely manner following an election;
 - b. Ensuring the Committee has a method to ensure that work continues when Committee membership changes, including endeavouring to appoint the External Advisors so that their terms are staggered as between the two of them but that their two terms overlap any upcoming election;
 - c. Ensuring that there are clear and simple to read or watch orientation and training materials and resources that allow any new Committee member to be quickly briefed upon appointment and well in advance of any in person or regular training or updates from the Auditor General or Committee members; and
 - d. Ensuring the minutes and records of the Committee are readily available to new and existing members at all times for their review.

F. ACCOUNTABILITY OF COMMITTEE

The committee reports to Council.

G. PROCEDURE/QUORUM/VOTING

1. Meetings are meetings of a committee of Council and will be scheduled, conducted, and recorded in the same manner as any other meeting of Council in committee pursuant to the Procedure By-law.
2. For the purposes of the Procedure By-law, the Auditor General Committee is a standing committee.
3. Notwithstanding the normal standing committee quorum requirement of a majority of members, quorum will be 4 out of the 5 Councillors.
4. Decisions will generally be made by consensus, but in the absence of same, any Councillor may request a vote and the matter will be decided by a simple majority of the Councillors present.
5. The External Advisors are non-voting members.

H. MEETING FREQUENCY/VENUE

Meetings will occur in the manner set out under “Mandate/Responsibilities”

I. TERMS OF REFERENCE MAY BE REVIEWED

The Terms of Reference may be reviewed by the Committee on request, but delegated authorities may only be changed by resolution of Council.

J. TERMS OF REFERENCE TAKE EFFECT ON APPROVAL

These Terms of Reference take effect on the approval of them by Council.

Approved by Council: November 4, 2020

Amended by Council: _____, 2023