



Audit Topic 1 – Report 4 (September, 2015)



**ACHIEVING VALUE
FOR MONEY IN
OPERATIONAL
PROCUREMENT**

District of West Vancouver

**A Performance Audit carried out by the Office of the
Auditor General for Local Government of British Columbia**

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MESSAGE FROM THE ACTING AUDITOR GENERAL FOR LOCAL GOVERNMENT

I want to thank the District of West Vancouver for its cooperation during the performance audit process and its response to the report and its recommendations.



1.4.1 I am pleased to present this performance audit report on the operations of the District of West Vancouver, covering the topic “Achieving Value for Money in Operational Procurement.”

1.4.2 I want to thank the District of West Vancouver for its cooperation during the audit process, consideration of the report’s findings and recommendations, and its provision of comments and an action plan in response to the recommendations.

1.4.3 The office of the Auditor General for Local Government was established to strengthen British Columbians’ confidence in their local governments’ stewardship of public assets and the achievement of value for money in their operations. One of the ways we do this is by conducting performance audits of local government operations.

1.4.4 Our performance audits are independent, unbiased assessments, carried out in accordance with professional standards. They aim to determine the extent to which the area being examined has been managed with due regard to economy, efficiency and effectiveness.

1.4.5 This report outlines our findings in assessing the District of West Vancouver’s management of the procurement of goods and services to support day-to-day operations, known as operational procurement. West Vancouver is one of six local governments the office set out to audit on this topic.

1.4.6 The audit found that, during the period covered by the audit, West Vancouver followed some good procurement practices and implemented processes to improve its procurement results. In addition, the District demonstrated a continued commitment to enhancing its operational procurement function in the future.

1.4.7 However, we also found some serious gaps in the District’s policies and procedures, which are in need of review and updating. Our review of sampled procurement transactions also found a significant number of examples of non-compliance with District policies. Additionally, the District would benefit from enhanced collection and analysis of data, improved monitoring and reporting.

MESSAGE FROM THE ACTING AUDITOR GENERAL FOR LOCAL GOVERNMENT

1.4.8 Further to this report, other audit work we have undertaken, and a review of practices, we intend to release an AGLG Perspectives booklet dealing with operational procurement for local governments to consider. This booklet is to include tools that may be relevant to a wide range of local governments, such as key performance indicators for measuring a local government's effectiveness in carrying out operational procurement.

1.4.9 Our hope is that this audit report and its recommendations will assist the District of West Vancouver in furthering its efforts to deliver value for the tax dollars it spends.

A handwritten signature in black ink, appearing to read 'Arn van Iersel', written in a cursive style.

Arn van Iersel, FCPA, FCGA
Acting Auditor General for
Local Government

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EXECUTIVE SUMMARY

The District of West Vancouver demonstrated its focus on improving operational procurement and had identified areas it intended to change to enhance procedures and improve compliance with policy.

1.4.10 We undertook performance audits on operational procurement because local governments spend significant taxpayer funds for purchased goods and services in support of their daily operations. Effective management of operational procurement provides local governments with opportunities to contain costs and/or enhance program delivery.

What We Examined

1.4.11 Our objective was to determine whether the District of West Vancouver managed operational procurement strategically and with due regard for value for money during the audit period of 2010 through 2012. Our findings are based on our review of the District's procurement policies, procedures and practices. We undertook a review of procurement data and supporting documentation, interviewed staff and selected 25 operational procurement transactions for detailed review. We assessed West Vancouver's internal controls and whether these were respected. We examined the procurement tools the District used and its reporting of results.

What We Found

1.4.12 Overall, we found that the District had developed a foundation to manage operational procurement strategically and was in the process of implementing some strategic practices. The District had various structures, policies and procedures in place for managing operational procurement, some of them well designed to help minimize procurement risk to the organization. We noted some good practices that were in place during the period covered by the audit. The District also demonstrated its focus on improving operational procurement and had identified areas it intended to change to enhance procedures and improve compliance with its policy.

1.4.13 We did find, however, that many of the District's policies and procedures were in need of updating and improvement. We noted with concern that some District staff did not consistently follow the District's operational purchasing policy, which resulted in a lack of transparency, inconsistent processes and placed West Vancouver at risk of obtaining less value for money on some procured goods or services. Additionally, the District lacked performance information and analysis relating to its operational procurement expenditures.

EXECUTIVE SUMMARY

West Vancouver's Management of Operational Procurement

1.4.14 The District had a partially centralized procurement process involving a purchasing department along with policies covering purchasing, including competitive procurement requirements and acquisition authority, which varied by size of transaction.

A Focus on Improving Operational Procurement

1.4.15 We found that the District worked to link its objectives, initiatives and measures to West Vancouver's mission and that this was a good foundation for strategic management of its business of procurement.

1.4.16 The District made significant efforts to enhance its procurement processes and help ensure that value for money was achieved. During our review of sampled transactions, we noted that the purchasing department was already aware of some of the non-compliance issues we identified. We also observed several other initiatives undertaken by West Vancouver in an effort to enhance its procurement processes and help ensure value for money.

Procurement-Related Policies

1.4.17 We found that the District had some strengths in its policies relating to procurement, particularly its policy on the use of procurement cards, but also found a significant number of areas where improvement was required. These gaps included West Vancouver's purchasing policy, and its policy on ethical requirements.

What the Sampled Transactions Showed

1.4.18 Our review of 25 operational procurement transactions found shortcomings in 11 of the 25 transactions. Eight of these did not follow the District's policy on quotation and tender procedures. Three complied with the District's policy regarding quotation and tender procedures, but had some weaknesses in documentation. We also found one instance where a purchase was made that exceeded the staff member's approval limit.

1.4.19 We also identified positive points in transactions where the purchasing department was involved, in the use of competitive procurement tools and in the notification of respondents to procurement competitions.

EXECUTIVE SUMMARY

Gaps In Information, Analysis, Monitoring & Reporting

1.4.20 Although the District took steps to align operational procurement activities with its overall strategic direction, it did not have key performance indicators for operational procurement. While the purchasing department implemented significant initiatives to improve operational procurement, they had not yet developed measures to provide the District with information about the results of these initiatives and also lacked measures of other operational procurement practices.

1.4.21 West Vancouver had basic – but limited – information and monitoring in place to ensure good management of its operational procurement activities. Other than its monitoring of individual transactions, such as P-Card purchases, and the monitoring of larger transactions on a quarterly basis, we found that the District gathered and analyzed only a limited amount of procurement-related information.

Minimal Reporting to Council

1.4.22 West Vancouver Council fully delegated approval authority over procurement to staff. Under such circumstances, regular reporting to Council or the Finance Committee on the results of major procurements plus summary information on all operational procurement is important for Council to fulfill its oversight role and ensure that taxpayers' interests are protected.

1.4.23 The District had no policy requirement for information about procurement activities to be reported to Council, nor any standardized reporting tools or processes for informing Council about operational procurement expenditures or activities. This made it difficult for Councillors to be aware of most major transactions or examples of non-compliance. Council also did not engage in strategic discussions specifically relating to operational procurement.

Conclusion

1.4.24 We found that the District of West Vancouver partially achieved the objective of managing operational procurement strategically and with due regard for value for money. To meet its operational procurement objectives more fully, the District needs to improve its policies and processes, achieve more consistent staff practices and compliance with policies, and undertake additional analysis, monitoring and reporting.

1.4.25 While this audit was underway, we observed that the District had already identified and set in motion some improvements to areas identified in this audit as requiring attention. We are encouraged by these measures and hope West Vancouver's openness to implementing improvements will result in significant steps forward in the near future. We look forward to seeing improved compliance with updated policies and procedures.

EXECUTIVE SUMMARY

EXHIBIT 1:
Summary of
Recommendations

ISSUES	RECOMMENDATIONS
<p>1. Improving procurement policies and procedures</p>	<p>The District of West Vancouver should improve its purchasing and conflict of interest policies and procedures by updating them, addressing identified gaps and ensuring they align with the District’s expected practices.</p>
<p>2. Ensuring staff compliance with policies</p>	<p>The District of West Vancouver should monitor and enforce compliance with its purchasing policies and procedures.</p>
<p>3. Improving documentation</p>	<p>The District should improve documentation by developing and implementing guidelines identifying the documentation that must be included in operational procurement files and a monitoring process to ensure compliance with these guidelines.</p>
<p>4. Progressing on opportunities to achieve better value for money</p>	<p>The District of West Vancouver should take advantage of opportunities to achieve better value for money by further advancing its practice of implementing competitive procurement processes for purchases where the District identified potential cost savings.</p>
<p>5. Improving information, analysis, monitoring and reporting</p>	<p>The District of West Vancouver should improve its information, analysis, monitoring and reporting on operational procurement activities and results by:</p> <ul style="list-style-type: none"> • developing and implementing key performance indicators relating to operational procurement and a system to monitor them; and, • increased reporting to Council and relevant committees on significant procurement activities and transactions.

INTRODUCTION

We identified this topic as a priority because local governments spend significant taxpayer funds for purchased goods and services in support of their daily operations.

1.4.26 This report presents the results of a performance audit conducted by the Auditor General for Local Government of British Columbia (AGLG) under the authority of the *Auditor General for Local Government Act*.

1.4.27 We conducted this audit under one of six audit themes outlined in our 2013/14 – 2015/16 Service Plan: “Fiscal and Sustainability Planning, Capacity and Internal Operations.” Following our identification of audit themes, we selected specific audit topics for audits launched during 2013/14, including the topic of this performance audit: “Achieving Value for Money in Operational Procurement.”

1.4.28 We identified this topic as a priority because local governments spend significant taxpayer funds for the purchase of goods and services in support of their daily operations. Effective management of operational procurement provides local governments with opportunities to contain costs and/or enhance program delivery. In our performance audit planning, we found a high level of interest among local governments in making sure purchasing practices result in value for money and enhance program delivery.

Operational procurement is the process of purchasing the goods and services a local government needs in support of its ongoing daily operations and programs.

Operational procurement may include items such as professional services, commodities, office supplies and other goods and services necessary to local government activities such as economic development, marketing and the provision of social services.

It does not include operating expenses that are not procured, such as staffing costs, or expenditures on agencies that do their own procurement, such as police services and regional libraries. It also does not include “capital purchases,” that is purchases to acquire or better its physical assets.

For the purposes of this audit, we have also excluded non-discretionary purchases available from only a single supplier such as water and electrical utilities.

Operational procurement is a process that begins with an initial concept of a requirement and ends with the completion of all post contractual actions.

INTRODUCTION

1.4.29 We selected the District of West Vancouver and five other local governments to be included in this set of audits through the same rigorous performance audit planning process as our audit topics. We intended to include a cross-section of local governments across the province, in terms of size, location, and other considerations.

1.4.30 The others being audited on this topic were Corporation of Delta (complete), City of Vernon (complete), Comox Valley Regional District (complete), Fraser-Fort George Regional District, and City of Revelstoke.

1.4.31 Operational procurement is pervasive in local governments, involving a large number of transactions for a diverse range of goods and services. As this is an area where we anticipate strategic and effective procurement practices may result in cost savings and/or more effective program delivery compared to what would be achieved through less effective procurement practices, we may consider conducting more audits in this area in the future.

INTRODUCTION

Operational Procurement

1.4.32 All local governments carry out operational procurement, much of it taking place on a day-to-day basis. While the size of individual transactions can vary widely, the total amount spent through operational procurement is significant. In the case of West Vancouver, we have estimated operational procurement spending amounted to over 28 per cent of the District's expenditures in 2012.

1.4.33 Operational procurement can be challenging for local governments of all sizes to manage strategically because of its inherent characteristics:

- it can involve widely varying types of goods and services;
- it often involves a relatively high volume of transactions;
- for many local governments, it involves a relatively large number of suppliers;
- individual transactions may vary widely in value;
- it is often carried out by a relatively large number of people in the organization;
- local government financial systems are not always set up to capture procurement transactions easily and holistically; and,
- procurement information and documentation in support of the transaction tends to be dispersed across the organization.

1.4.34 These characteristics therefore may make it difficult for a local government to quantify its operational procurement and easy for it to underestimate the significance of operational procurement and the potential for generating savings or enhancing service delivery. As a result, some local governments may approach operational procurement as a series of individual transactions rather than as an overall process running the breadth of the organization.

1.4.35 As operational procurement is sometimes monitored only informally, in the course of overseeing operating budgets, some local governments may support the function mainly through ad hoc initiatives rather than a more effective, systematic and strategic approach.

1.4.36 In the face of these challenges, some local governments focus on good management of individual operational procurement transactions. This may involve mandating the use of competitive procurement tools for relatively small dollar value transactions in order to maximize value for money. Such a decision depends on the specific circumstances of the local government and the perceived risks and rewards.

1.4.37 Local governments tend to measure the success of their procurement activities mainly by looking at whether contracts were let competitively and the extent to which departments stay within their budgets.

INTRODUCTION

1.4.38 This type of management can be supported by strong policies and procedures guiding procurement, which – if compliance is monitored and enforced – can help ensure consistency in the use of good practices.

1.4.39 Some local governments enhance their procurement practices by establishing a central procurement function mandated to drive efforts to generate best value in procurement throughout the organization.

1.4.40 The most advanced local governments use these same tools while basing their operational procurement activities on a foundation of strategic management (see the definition in the Strategic Approach box). These local governments set clear objectives for their procurement function and use meaningful performance indicators to track success. They gather data on costs and analyze it with a clear focus on continually pursuing best overall value.

1.4.41 Local governments that manage their operational procurement strategically know that small savings on individual transactions can add up to very significant overall savings when they are applied rigorously to large numbers of transactions throughout the organization. They gather and analyze the information they need to distinguish between measures likely to generate significant savings and those where implementation costs are likely to be greater than any savings.

When we talk about a **Strategic approach** to operational procurement, we mean a focus on operational procurement as a key activity of a local government.

A local government that manages operational procurement strategically uses clear and quantifiable objectives to identify strategies for improvement and develops performance indicators to measure their success.

The local government monitors how procurement is carried out and its outcomes. The resulting information is analyzed and used to report to management, the Council/Board and ultimately to the public.

Ultimately, strategic management of operational procurement is all about better information for decision-making and ensuring value for tax dollars.

INTRODUCTION

We expect a local government to have in place operational procurement policies, procedures and practices scaled to its size and resources.

Our Expectations

1.4.42 When we assess a local government's operational procurement practices, we recognize that local governments have significantly varying experience, knowledge and resources to carry out this work.

1.4.43 We therefore expect a local government to have in place operational procurement policies, procedures and practices scaled to its size and resources. These include:

- A well-defined approach to operational procurement, with clearly assigned roles and responsibilities to carry it out.
- Strong policies and procedures – periodically reviewed and updated as necessary – to guide procurement activities.
- Identification of the local government's most significant areas of expenditure through operational procurement, with clear strategies to achieve best value in these areas.
- The collection and retention of cost information necessary to calculate potential savings through the use of various procurement tools.
- A good understanding of key procurement risks and how they are identified, monitored and mitigated.
- Monitoring of performance and regular reporting to the council/board and the public on the local government's operational procurement activities.

INTRODUCTION

What We Examined

1.4.44 The overall objective of this performance audit was to determine whether the District of West Vancouver managed operational procurement strategically and with due regard for value for money.

1.4.45 Our findings are based on our review of the District's operational procurement policies, procedures and practices between 2010 and 2012, including the functioning of West Vancouver's purchasing department. We undertook a review of procurement data and supporting documentation and we interviewed staff.

1.4.46 In addition, we selected 25 operational procurement transactions relating to the period covered by the audit for detailed review. These transactions were selected on a judgemental basis in order to gain an understanding of the types of operational procurement transactions West Vancouver undertook and how they complied with the District's policies and procedures.

1.4.47 The audit also assessed whether West Vancouver had put in place sufficient internal controls over procurement and whether these were respected. We examined the tools West Vancouver used to pursue best value in operational procurement and its reporting of results.

When we talk about **Best value**, we mean a balance between low cost and the quality or effectiveness of what a local government purchases.

It is the responsibility of each local government to define quality and effectiveness, as this can vary depending on the local government's priorities.

The concept of best value may include considerations such as social or environmental values as well as narrower, more traditional, measures of quality and effectiveness.

1.4.48 Our audit work primarily covered the procurement process up to the point of awarding contracts. We did not assess contract administration following contract award other than looking at how the District monitors vendor performance.

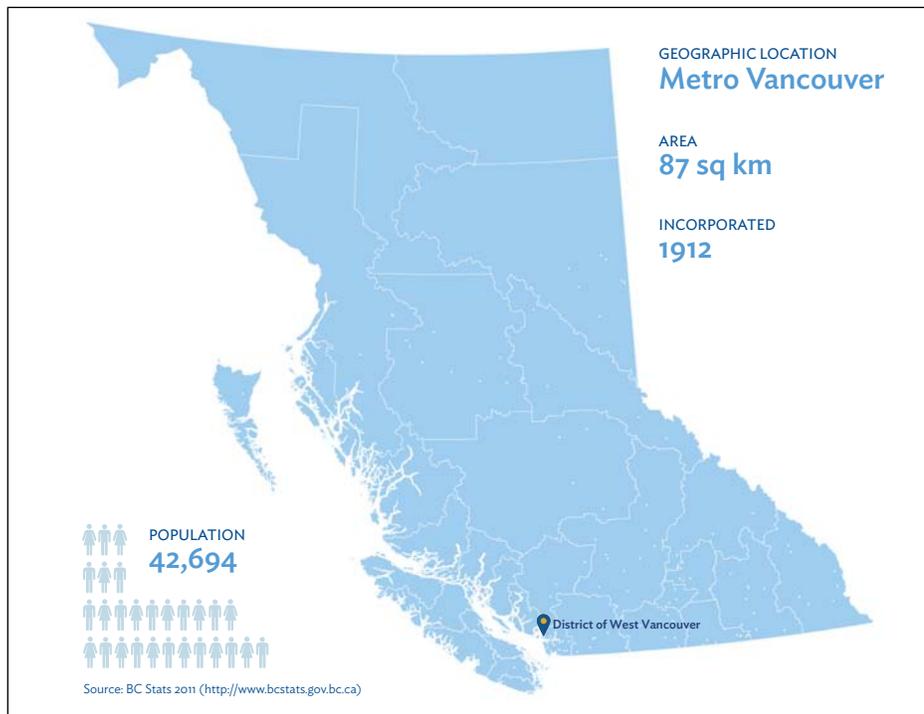
1.4.49 We provide details about the audit objective, scope, approach and criteria in the "About the Audit" section, at the end of this report.

CONTEXT

The District of West Vancouver

1.4.50 The District of West Vancouver is part of Metro Vancouver and was incorporated in 1912. Surrounded by mountains, Burrard Inlet, Howe Sound and the Capilano River, the District covers a land area of 87 square kilometers and had a population of 42,694 as of 2011. The median age of West Vancouver residents in 2011 was 49.9 years, which was higher than the Canadian median age of 40.6 years.

EXHIBIT 2:
District of West Vancouver
Visual Facts



CONTEXT

1.4.51 As of 2012 the District employed approximately 740 staff, a large majority of whom were full time employees.

1.4.52 Exhibit 3 shows that West Vancouver’s non-taxation revenues decreased in 2011 and increased in 2012.

EXHIBIT 3:
District of West Vancouver
Revenues and Expenditures
2010-2012 (\$ millions)

	2010	2011	2012	CHANGE 2010-2012
Taxation Revenue	\$52.8	\$54.2	\$54.7	+3.5%
Non-Taxation Revenue	\$80.4	\$71.5	\$73.4	-8.7%
TOTAL REVENUE	\$133.2	\$125.7	\$128.0	- 3.8%
EXPENDITURES	\$117.2	\$117.3	\$123.0	+5.0%
OPERATING SURPLUS	\$16.0	\$8.4	\$5.0	-68.5%

CONTEXT

West Vancouver’s operational procurement accounted for estimated expenditures averaging more than \$13.8 million per year during the period covered by the audit.

West Vancouver’s Operational Procurement Expenditures

1.4.53 The District’s operational procurement accounted for expenditures averaging more than \$13.8 million per year during the period covered by the audit. Exhibit 4 shows an estimate of these expenditures compared to other operational expenditures for 2010 through 2012.

1.4.54 As the exhibit indicates, the District’s total estimated operational procurement expenditures ranged from 23.0 to 26.0 per cent of total operating expenditures during the period covered by the audit.

EXHIBIT 4:
District of West Vancouver
Estimated Operational
Procurement (Excluding
Public Safety, Water Utility,
Cemetery and Transit Blue
Bus) Compared to Total
Operating Expenditures,
2010-2012 (\$ millions)

	2010	2011	2012	CHANGE 2010-2012
Estimated Operational Procurement Expenditures	\$13.2	\$12.8	\$15.3	+15.9%
Estimated Other Operational Expenditures	\$42.2	\$42.9	\$43.5	+3.1%
TOTAL OPERATING EXPENDITURES	\$55.4	\$55.7	\$58.8	+6.1%
ESTIMATED OPERATIONAL PROCUREMENT EXPENDITURES AS % OF TOTAL OPERATING EXPENDITURES	23.8%	23.0%	26.0%	

Note: This exhibit estimates operational procurement expenditures, not including public safety, water utility, cemetery or transit blue bus, based on information in the District of West Vancouver’s Audited Financial Statements and calculations provided by the District of West Vancouver.

FINDINGS

Overall, we found that the District had developed a foundation to manage operational procurement strategically and was in the process of implementing some strategic practices.

1.4.55 Overall, we found that the District of West Vancouver had developed a foundation to manage operational procurement strategically and was in the process of implementing some strategic practices. The District had various structures, policies and procedures in place for managing operational procurement, some of them well designed to minimize procurement risk to the organization. We noted some good practices that were in place during the period covered by the audit. The District also demonstrated its focus on improving operational procurement and had identified areas it intended to change to enhance procedures and improve compliance with policy.

1.4.56 We also found that many of the District's policies and procedures were in need of updating and improvement. We noted with concern that some District staff did not consistently follow the District's operational purchasing policy, which resulted in a lack of transparency, inconsistent processes and placed West Vancouver at risk of obtaining less value for money on some procured goods or services. Additionally, the District lacked performance information and analysis relating to its operational procurement expenditures.

FINDINGS

West Vancouver's Management of Operational Procurement

1.4.57 Effective procurement is based on the principles of fairness, openness and transparency. When using public funds to buy services or goods, procurement processes must be conducted prudently, with integrity, consistently with the local government's policies and able to stand the test of public scrutiny.

1.4.58 The District's procurement framework consisted primarily of policies covering purchasing and a partially centralized procurement process with a purchasing department that provided general oversight and guidance to procurement across the organization.

1.4.59 We observed that West Vancouver used several different types of mechanisms to manage purchases over \$5,000. These included purchase orders, vendor-developed contracts and contracts developed by the purchasing department using industry standard templates or customized as required.

1.4.60 The District used non-committed purchase orders – commonly known as standing purchase orders – as a form of contract for the purchase of goods and services from a vendor on a periodic or continuing basis. This type of purchase

order defines the length, price and terms of the contract and was approved by the procurement manager. The purchasing department maintained a list of these contracts.

1.4.61 While the District did not have a documented risk assessment related to operational procurement, a range of practices and measures were in place to help mitigate key procurement risks.

A Partially Centralized Procurement Function

1.4.62 The District's purchasing department was a resource available to all District staff involved in procurement. It was composed of a purchasing manager reporting to the director of finance and a senior buyer, a buyer, two storekeepers/buyers and one yard labourer/stores assistant.

1.4.63 The District defined its procurement structure as partially-centralized, as staff members in various departments were involved in procurement in addition to the purchasing department. Each department was responsible for identifying the goods and services it required. It would then either purchase them directly (in the case of procurement over \$2,000, by requesting and receiving quotes) or – as indicated in Exhibit 5 – involve the purchasing department in the procurement if the value of the purchase was over \$10,000.

FINDINGS

1.4.64 The purchasing department provided advice and assistance with purchasing activities, including but not limited to working with departments to develop Requests for Proposals (RFPs), and managing competitions that were advertised on the BC Bid website.

1.4.65 We found that the purchasing department’s coordination role was not sufficiently extensive to ensure that good procurement practice was consistently carried out by staff in other departments; this is demonstrated by the examples of non-compliance described in the section “What the Sampled Transactions Showed.”

Acquisition Authority and Competitive Procurement Requirements

1.4.66 As illustrated in Exhibit 5, which indicates the staff positions authorized to make purchases at particular dollar levels, West Vancouver Council delegated its approval authority over operational procurement to District staff, for transactions of all sizes. Consequently, there was no threshold level above which Council approval was required for procurement.

EXHIBIT 5:
West Vancouver
Acquisition Authority

PURCHASES UP TO \$10,000	PURCHASES ABOVE \$10,000 UP TO \$1 MILLION	PURCHASES OVER \$1 MILLION
Departmental staff based on spending authority limits	Limited number of departmental staff -at management level - based on spending authority limits. All purchases over \$10,000 to be directed to the Purchasing Department	Purchasing Manager, or Chief Financial Officer or Chief Administrative Officer

Source: District of West Vancouver Authority Limit Charts

FINDINGS

1.4.67 West Vancouver’s purchasing policy directed the purchasing department to generally “buy in the open market and seek the greatest possible effectiveness for its purchasing dollars.”

1.4.68 The District used various mechanisms to manage procurement when it involved competitions, including requests for quotations, invitation to tender, and request for proposals. West Vancouver also participated in group buys using competitive procurement, such as the Vancouver Regional Cooperative Purchasing Group and other partnership agreements.

1.4.69 Exhibit 6 summarizes the District’s requirements for the use of competitive processes for the purchase of goods and services. It shows that West Vancouver’s policy was for all procurement over \$2,000 to be conducted competitively, with at least oral quotations for all purchases above \$2,000 up to and including \$10,000, written quotations for purchases above \$10,000 up to and including \$50,000, and purchases over \$50,000 requiring competitive sealed tenders.

EXHIBIT 6:
District of West Vancouver Competitive Procurement Requirements

	PURCHASES UP TO AND INCLUDING \$2,000	PURCHASES ABOVE \$2,000 UP TO AND INCLUDING \$10,000	PURCHASES ABOVE \$10,000 UP TO AND INCLUDING \$50,000	PURCHASES ABOVE \$50,000
	Discretionary	Competitive quotations (oral or written)	Competitive quotations (written)	Competitive sealed tenders

Source: Municipal Purchasing Policy and System Notes

FINDINGS

We found that the District made significant efforts to enhance its procurement processes and help ensure that value for money was achieved.

A Focus on Improving Operational Procurement

A Foundation for Strategic Management

1.4.70 In the spring of 2010, the District of West Vancouver produced a community strategic plan that included a ‘balanced scorecard’ measurement process intended to link the District’s objectives, initiatives and measures to West Vancouver’s mission. The District reported that this plan provided a framework that drove the budgeting process and set the context for financial planning.

1.4.71 For each of the three years during the period covered by the audit, West Vancouver’s financial services division produced a corporate balanced scorecard and divisional objectives document that identified divisional initiatives as they aligned with the corporate objectives identified in the strategic plan. This included a range of initiatives to improve operational procurement. For each of these, the District identified a completion date and tracked progress.

1.4.72 We found that this approach to identifying activities related to divisional objectives and monitoring their

completion was a good foundation for strategic management of the District’s overall business of procurement. However, we noted that the District did not develop key performance indicators or monitor the impact of these activities. Performance indicators would better link the District’s procurement activities to the achievement of results and the strategic plan.

Initiatives to Improve Operational Procurement

1.4.73 We also found that the District of West Vancouver made significant efforts to enhance its procurement processes and help ensure that value for money was achieved.

1.4.74 In 2009, prior to the period covered by the audit, the District hired a consultant to review and report on its operational procurement process. The consultant engaged with a working group from the District, and provided 15 recommendations for improving West Vancouver’s purchasing policy and processes. The District implemented some of these recommendations during the period covered by the audit. The remainder were in various stages of consideration at the end of the period covered by the audit, including changes to the purchasing policy, centralized storage of all contracts and the development of purchasing support materials to go on the District’s intranet site.

FINDINGS

1.4.75 During our review of sampled transactions – which is discussed in more detail later in this report – we noted that the purchasing department was already aware of some of the non-compliance issues we identified, such as the direct awarding of contracts in situations where competitive procurement should have taken place. For example, by 2013, the purchasing department had:

- Identified weaknesses in the District’s procurement of services (described in paragraph 106) and issued a comprehensive request for proposals (RFP) for future work, which consolidated services relating to a range of West Vancouver’s assets.
- Centralized the purchasing of clothing branded with District logos through a competitive process, after a direct award had been made contrary to policy in 2012.

1.4.76 We also identified several other initiatives undertaken by West Vancouver in an effort to enhance its procurement processes and help ensure value for money, such as:

- Active participation in joint purchasing through the BC Petroleum Product Buying Group and the Vancouver Regional Cooperative Purchasing Group, through which the District arranged 23 procurements during 2012.
- Efforts to consolidate contracts for mobile phone service and a shift to a co-operative arrangement in contracting with a food vendor for the District’s seniors’ centre.
- Development of a spend analysis to determine opportunities for contract consolidation through common suppliers, as described in Exhibit 7.

EXHIBIT 7:
Good Practice: District-Wide Competitive Bid Contracts

West Vancouver’s purchasing department undertook an internal review that identified nine areas of operational procurement where there were opportunities to generate improved procurement results through the consolidation of contracts. These included:

Fertilizer	Hired equipment	Janitorial supplies
Food supplies	HVAC maintenance	Printing services
Generator maintenance	Janitorial services	Traffic control (flagging)

While none of this contract consolidation – or the associated competitive procurement processes – was completed during the period covered by the audit, by the time this report was written, new contracts had been established for hired equipment, janitorial services, fertilizer, generator maintenance and food supplies.

Conducting a spend analysis is an important step in developing a strategic approach to managing operational procurement. We found that the District’s initiative in this area had the potential to improve the identification of opportunities for cost savings through reduced administration and better prices due to increased volumes of individual procurements.

FINDINGS

We found that the District's Municipal Purchasing Policy framework was sound in some areas, but also contained significant weaknesses that exposed the District to risks.

Procurement-Related Policies

1.4.77 Complete, clear and up-to-date procurement-related policies and procedures are essential for local governments to ensure consistency in their efforts to achieve best value for tax dollars. This is particularly important as staff come and go over time.

Purchasing Policy

1.4.78 An effective purchasing policy includes several key components:

- It is comprehensive, providing sufficient guidance to staff and suppliers to communicate expectations.
- Its formatting and language make it easy to understand and follow as a guide.
- Policy statements are presented with sufficient depth to provide clear and unambiguous direction.
- It includes clear guidance on ethical conduct and conflict of interest.

1.4.79 Regardless of their size, all local governments should have clear policies focused on encouraging the use of competitive procurement, preventing misconduct and ensuring value for money.

1.4.80 The District of West Vancouver's Municipal Purchasing Policy was a central document that provided guidance to all staff on procurement. The document indicated that it was first approved in 1988 and last amended in 1996. During the period covered by the audit, the District also had purchasing guidelines called Purchasing System Notes that supplemented the procurement policy.

1.4.81 We found that this policy framework was sound in some areas, but also contained significant weaknesses that exposed the District to risks, such as our finding on unclear vendor selection criteria, which is described below.

Out of Date Policy

1.4.82 Professional supply chain management standards and best practices in local government procurement have advanced over the 19 years since the District's core purchasing policy was last revised. As a result, the District's policy did not consistently align with current standards.

1.4.83 Our testing suggested that the actual practices carried out by staff sometimes differed from the District's written policy and procedures, further indicating that the policy was out of date.

FINDINGS

1.4.84 Some of the terminology and language in the policy was out of date (such as references to ‘purchasing agent,’ a position that did not exist during the period covered by the audit), which could make the policy difficult to understand and follow.

Unclear Vendor Selection Criteria

1.4.85 The policy was not clear regarding the District’s approach to choosing vendors, as it did not refer to selection criteria and weighting for bidder performance and included ambiguous references to bidders’ performance and unacceptable bidders. This resulted in a lack of transparency for the procurement process and left the District vulnerable to challenges by unsuccessful bidders.

Lack of Policy on Direct Awards

1.4.86 We found no written policy on how the awarding of contracts without competition – known as direct awards – should be carried out, such as the conditions under which this could be done, the approvals required, a requirement to document the rationale for direct awarding a contract, and a requirement to issue a notice of intent to the marketplace for larger direct awards.

No Requirement to Use Procurement Templates

1.4.87 The District lacked policy mandating the use of procurement templates to ensure consistency in procurement. This is especially important for a local government like West Vancouver that has partially centralized its procurement function.

Lack of Guidance on Contract Management

1.4.88 We found that West Vancouver did not have a policy or other guidance on what needed to be included in different types of contracts the District entered into, or when a contract versus a purchase order was required.

1.4.89 The District provided no direction in policy or procedures for how staff should work with vendors, including debriefing unsuccessful bidders, assessing vendor performance and resolving any disputes.

Lack of Guidance on Contracting Authority

1.4.90 The policy lacked detailed guidance on which staff positions had the authority to sign contracts and issue standing purchase orders.

Unsolicited Proposals

1.4.91 The policy lacked direction on the treatment of unsolicited proposals from suppliers.

FINDINGS

Purchasing Card Policy

1.4.92 During the period covered by the audit, District guidelines required staff to use procurement and payment cards, referred to as 'P-Cards,' where possible, for purchases up to \$5,000.

1.4.93 The District had a P-Card policy in place that was developed in 2001 and updated in 2005. The policy dealt with P-Card issuance, use, control and reporting. The policy included a requirement that cardholders provide detailed cash register receipts and complete an online reconciliation that described the reason for each purchase. Cardholders had to sign-off on a statement of their monthly transactions, which were then also signed-off by the supervisor or department manager and forwarded to accounts payable.

1.4.94 The District has approximately 200 P-cards in circulation during the period covered by the audit, held by approximately 27 per cent of all staff. These were collectively used an average of 10,250 times per year. Between 2010 and 2012, the average annual cost of all purchases made with P-cards was \$1.25 million, including both operating and capital expenditures.

1.4.95 In addition to the process described above, the purchasing department conducted a monthly review of P-Card expenditures. We found that the process was carried out consistently and the reports we reviewed demonstrated that the purchasing department maintained sufficient oversight of staff expenditures on small purchases. The District's review process included analysis of several categories of potentially problematic expenditures, such as split purchases, purchases that did not appear to align with departmental business needs, items that required prior review by a manager and purchases that contravened other District policies.

1.4.96 Purchasing department staff told us that they followed up on any discrepancies identified through this process to determine the legitimacy of purchases.

1.4.97 In addition to these monthly reviews, the purchasing department undertook a P-Card review in 2012 that included every District department.

FINDINGS

Ethical Requirements

1.4.98 The District had a code of ethics to guide staff on the declaration of interests, confidentiality and related matters. These requirements were embedded in the District's purchasing policy and its Administrative Policy Standards of Conduct (staff) and Conflicts of Interest (staff and elected officials) documents. In addition, staff told us that, as part of its hiring process, the District introduced new employees to conflict of interest and code of conduct guidelines during orientation sessions.

1.4.99 We found several gaps in the District's ethical provisions, including the following:

- No requirement for employees involved in procurement to periodically review conflict of interest requirements and sign off to indicate their understanding and knowledge.
- No requirement for employees involved in procurement to declare their interests annually.
- No requirement for the District to maintain a list of known potential conflicts of interest to share with staff involved in procurement.
- No standardized requirement for vendors to disclose potential conflicts of interest.
- No requirement to review annual disclosures of related parties as part of the contract award process.
- No provision for the periodic review of vendors with long term arrangements with the District to identify any potential conflict of interest.
- No whistleblower policy to protect employees who report potentially inappropriate behaviour on the part of other District employees or elected officials.

FINDINGS

We found shortcomings in 11 of the 25 operational procurement transactions we reviewed.

What the Sampled Transactions Showed

1.4.100 We undertook detailed testing of 25 operational procurement transactions entered into by the District between 2010 and 2012. This sample included nine direct award transactions, one long standing purchase order that was not the result of a competition, and 15 competitive processes. For each transaction, we focused on the need for the procurement, due diligence, appropriate approvals and the preparation and keeping of appropriate documentation.

1.4.101 Our review found a mix of:

- transactions where competitive procurement requirements were not followed or it was not clear whether procurement options were evaluated to determine the best use of funds; and,
- transactions where appropriately competitive processes were followed and decisions were clearly aligned with evidence to demonstrate that best value would be achieved.

Lack of Compliance with Policies & Insufficient Documentation

1.4.102 We found shortcomings in 11 of the 25 transactions we reviewed.

1.4.103 Eight of the sampled transactions did not follow the District's policy on quotation and tender procedures. These transactions were contracts awarded without competition (known as 'direct awards') that were issued where a competitive process should have been in place:

- In seven of these instances, direct awards were made by departmental staff in situations where a competitive process should have been carried out with the involvement of the purchasing department.
- In one instance, the purchasing department direct awarded a contract to a supplier without another competition after terminating the vendor (for inadequate performance) that had initially won the contract.

1.4.104 Three of the sampled transactions complied with the District's policy regarding quotation and tender procedures, but had some weaknesses in documentation:

- In two instances, an evaluation process was documented, but the rationale for the selected vendor was not in the file.
- In one instance – a long standing non-committed purchase order – the reason for the choice of vendor was not documented.

FINDINGS

1.4.105 For illustrative purposes, the following paragraphs summarize the transactions and their shortcomings.

Inappropriate Award of Contract without Competition

1.4.106 In 2011, the District procured a service at a cost of \$32,000. A procurement of this size required a competitive process with the involvement of the purchasing department, according to the District's purchasing policy. However, the contract was direct-awarded by the District's Engineering and Transportation Division. The District's files contained one proposal for the work from a vendor and we found no evidence that the District gave any other potential vendors an opportunity to provide quotes. In addition, we observed that the contract for the work was not placed in the District's files until January 2012 – after the work had been completed.

1.4.107 We also found six other instances where departments made direct purchases in situations where a competition should have taken place. Dollar values of these individual transactions ranged from approximately \$6,000 to \$25,000 while total expenditures for some of the specific types of services involved – such as hired equipment and road flagging – ranged from approximately \$442,000 to \$629,000 per year during the period covered by the audit. Given the significant dollar value of the District's total expenditures in these areas, this failure to use competitive

procurement processes could have had a major impact on whether the District was able to achieve best value in its operational procurement.

1.4.108 In one of these six transactions, the District made a purchase that exceeded the staff member's approval limit. The expenditure was valued at over \$10,000, while the staff member's purchasing limit was \$1,000.

Specific Content Missing from Documentation and Policy

1.4.109 In 2010, West Vancouver held a competition to select a vendor to provide the District with a service. It proceeded to choose a vendor and then – after work had begun – terminated the arrangement due to inadequate performance. The District then direct awarded a contract for the work to another vendor that had participated in the original competition. As the original request for proposals did not identify a process for choosing an alternate vendor in the case of inadequate performance by the successful proponent, a new competition should have been held. We understand that this was a unique circumstance and District staff provided us with a reasonable justification for the award; however, as the District's purchasing policy is silent on direct awards, staff did not have the option of complying with policy by providing a justification for direct awarding the second contract to one of the original unsuccessful proponents.

FINDINGS

Important Documentation Missing from Competitive Procurement File

1.4.110 In 2011, the District went through a competitive process to purchase specialized management services for a District-owned facility. West Vancouver issued a call for expressions of interest (EOI) by posting the opportunity on a relevant professional association website. The District received eight responses and staff rated them, selecting three to be invited to bid on a request for proposals. When the District assessed the responses, two of the three tied for the highest score and received interviews. The District's files contained no documentation explaining how it reached a final decision and awarded a contract.

1.4.111 We also found the rationale for the selected vendor to be missing in two other procurement files – one that went through an appropriate competitive process, and the other that was a long standing purchase order.

Evidence of Appropriate Procurement Practices

1.4.112 In our review of the sampled transaction, we also identified a number of positive points:

- The purchasing department was involved in 18 of the 25 transactions we reviewed. Of these, we found only one instance where the procurement did not fully comply with District policies (paragraph 103).

- In cases where a competitive procurement process was used, we found evidence that the purchasing department posted the opportunity on the BC Bid website.
- Where competitive procurement took place, the District notified respondents of the competition's outcome.

1.4.113 For illustrative purposes, we describe one transaction below, which complied with the District's policies and was sufficiently documented.

1.4.114 In 2011, the District went through a competitive procurement process for a local event. Among other elements, the request for proposals included information on the scope of work, responsibilities, submission requirements and evaluation criteria. In addition, the date and time of an information session for proponents was included.

1.4.115 The District kept a record of email correspondence related to the competition, as well as a list of proponents that attended the information session. An evaluation team was comprised of staff from the relevant department and the purchasing department. The proposals the District received were scored based on the evaluation criteria. The District's files also contained other relevant documentation such as the service agreement with the vendor and purchase orders from the event.

FINDINGS

Gaps in Information, Analysis, Monitoring & Reporting

1.4.116 Performance measurement can provide a local government with the information it requires to act on opportunities to achieve better value for money in its operations.

1.4.117 Given the pervasive and sometimes disparate nature of operational procurement, a local government's only way to really know how it is performing is to gather information relating to procurement from across the organization, analyze it, monitor procurement results and report on them. In the absence of these steps, decisions on how to carry out procurement cannot be fully informed.

Lack of Key Performance Indicators

1.4.118 As previously noted, although the District took steps to align its operational procurement activities with its overall strategic direction, it did not develop a monitoring approach that included reporting against key performance indicators for operational procurement. Although the purchasing department implemented significant initiatives to improve operational procurement – such as conducting a spend analysis – they had not yet developed measures to provide the District with information about the results of these initiatives and also lacked measures of other operational procurement practices.

1.4.119 For example, we found that the department did not analyze how much of its operational expenditures were discretionary (purchases where better value could be achieved through a competitive process) or the extent to which savings through initiatives implemented to date had been achieved.

FINDINGS

We found that West Vancouver had basic – but limited – information and monitoring in place to ensure good management of its operational procurement activities.

Basic Information, Analysis, Monitoring and Reporting

1.4.120 We found that West Vancouver had basic – but limited – information and monitoring in place to ensure good management of its operational procurement activities.

1.4.121 Other than its monitoring of individual transactions, such as P-Card purchases, and the monitoring of larger transactions on a quarterly basis, we found that the District gathered and analyzed only a limited amount of procurement-related information. This information collected by the Purchasing Department included statistics such as the number of quotes, tenders, requests for proposals and purchase orders by employee.

1.4.122 In addition, staff told us that the purchasing department monitored open or non-committed purchase orders throughout the year and maintained a spreadsheet of recurring procurement contracts; however, the District lacked an automated dashboard to help monitor the information they collected.

Reporting on P-Cards and Enhanced Transparency

Local governments wanting to enhance their accountability to taxpayers may want to consider new tools to make their procurement more transparent.

One such tool is the regular online publication of P-Card reports and similar information on procurement activity. This can be published online on a regular basis, such as quarterly.

Using a web-based tool such as this, a local government can enhance its transparency, accountability and help to ensure that its public procurement is effective, efficient and free of waste and corruption.

Such a tool is already being used successfully by the Province of B.C. Local governments considering the use of such a tool will need to consider the resources required to implement it.

FINDINGS

The District had no policy requirement for information about procurement activities to be reported to Council, nor did it have any standardized reporting tools or processes for informing Council about operational procurement expenditures or activities.

Minimal Reporting to Council

1.4.123 As noted earlier, West Vancouver Council fully delegated approval authority over procurement to staff. Under such circumstances, regular reporting to Council or the Finance Committee on the results of major procurements plus summary information on all operational procurement is important for Council to fulfill its oversight role and ensure that taxpayers' interests are protected.

1.4.124 The District had no policy requirement for information about procurement activities to be reported to Council, nor did it have any standardized reporting tools or processes for informing Council about operational procurement expenditures or activities. We found that between 2010 and 2012, Council was only provided with information about operational procurement activities in two instances: requests for proposals for bank services and audit services.

1.4.125 In the absence of reporting to Council on procurement results, it is difficult for Councillors to be aware of such transactions such as the examples of non-compliance discussed earlier in this report. Council also did not engage in any strategic discussions specifically relating to operational procurement. This limits Council's ability to fulfill its oversight responsibility and ensure that the District is obtaining best value in its operational procurement.

CONCLUSION

We hope that West Vancouver's openness to implementing improvements will result in significant steps forward in the near future in its management of operational procurement.

1.4.126 This audit set out to determine whether – during the period covered by the audit – the District of West Vancouver managed operational procurement strategically and with due regard for value for money. We found that the District partially achieved this objective. To meet its operational procurement objectives more fully, the District needs to improve its policies and processes, achieve more consistent staff practices and compliance with policies and undertake additional analysis, monitoring and reporting relating to operational procurement.

1.4.127 While this audit was underway, we observed that the District had identified and set in motion some improvements to areas identified in this audit as requiring attention, such as drafting updates to the purchasing policy and moving ahead with appropriately competitive processes for a range of goods and services that had previously been awarded directly. We are encouraged by these measures.

1.4.128 We hope that West Vancouver's openness to implementing improvements will result in significant steps forward in the near future and look forward to seeing improved compliance with updated policies and procedures.

RECOMMENDATIONS

Recommendation 1

The District of West Vancouver should improve its purchasing and conflict of interest policies and procedures by updating them, addressing identified gaps and ensuring they align with the District's expected practices.

Recommendation 2

The District of West Vancouver should monitor and enforce compliance with its purchasing policies and procedures.

Recommendation 3

The District should improve documentation by developing and implementing guidelines identifying the documentation that must be included in operational procurement files and a monitoring process to ensure compliance with these guidelines.

Recommendation 4

The District of West Vancouver should take advantage of opportunities to achieve better value for money by further advancing its practice of implementing competitive procurement processes for purchases where the District identified potential cost savings.

Recommendation 5

The District of West Vancouver should improve its information, analysis, monitoring and reporting on operational procurement activities and results by:

- developing and implementing key performance indicators relating to operational procurement and a system to monitor them; and,
- increased reporting to Council and relevant committees on significant procurement activities and transactions.

LOCAL GOVERNMENT'S COMMENTS



SUMMARY OF LOCAL GOVERNMENT'S COMMENTS

Date: September 15, 2015

Our File: 0800-01

Mayor Michael Smith and Council would like to acknowledge the work done by the Auditor General for Local Government (“AGLG”) in reviewing the District of West Vancouver’s operational procurement processes. We are pleased that the AGLG’s report highlights both the exceptional work that many District staff performed during the audit period, and also areas that can be improved. However, we would like to point out that the audit field work took place in 2013, and was based on records from 2012, 2011 and 2010. Due to the length of time between the AGLG’s review and the issuance of the AGLG’s report, most of the issues identified have already been addressed.

The District is committed to excellence in every aspect of our operations and in providing exceptional service to the community. As such, we believe that the work being carried out by the AGLG is of value and interest to District staff, Council, and residents alike.

However, it should be noted that because this performance audit process and final report has taken longer than originally planned, it does not reflect the many improvements that have been made to our policies and procedures. The District was in the process of developing a new Purchasing Policy prior to the audit, but put this work on hold in 2013 pending the completion of the audit in order to address all of the AGLG’s recommendations. In fact, of the five recommendations made by the AGLG, all were in various stages of development prior to this audit. The audit has validated the District’s existing plans related to procurement, including monthly reporting to the Finance Committee, and strengthened our existing policies regarding conflict of interest. In addition, a Key Performance Indicator task force has been established to build on the work that has been ongoing since a 2011 KPI guideline report was completed. The work of this task force has many aspects, and includes review and refinement of key performance indicators used by the entire organization, with procurement being just one area benefiting from this ongoing initiative. The District will have implemented four (out of the five recommendations made by the AGLG) by the time this report is published, and intends to proceed with actions supporting the fifth recommendation as soon as possible. To further this, the District has developed a strong purchasing action plan to respond to all remaining identified issues.

We trust that everyone interested in this report understands the investment of time and money made by all those involved in its preparation, and that the delays in receiving the report mean that it is not a true reflection of the current operational procurement

LOCAL GOVERNMENT'S COMMENTS

Date: September 15, 2015
Re: Summary of Local Government's Comments

Page: 2

practices at the District. On behalf of the District, I would like to thank all District staff who have demonstrated a commitment to upholding the values and objectives of the District of West Vancouver throughout this process, and to thank our small team of dedicated Purchasing staff for their ongoing efforts to obtain the best value for all West Vancouver residents.

We hope that this report benefits not only the District of West Vancouver, but also other Municipalities interested in improving their operational procurement function.

District of West Vancouver Mayor and Council
September 15, 2015

DISTRICT OF WEST VANCOUVER'S ACTION PLAN

AGLG RECOMMENDATION	DWV RESPONSE	RESPONSIBLE	TARGET TIMEFRAME
RECOMMENDATION 1			
<p>The District of West Vancouver should improve its purchasing and conflict of interest policies and procedures by updating them, addressing identified gaps and ensuring they align with the District's expected practices.</p>	<p>The District of West Vancouver has already proceeded with actions related to this recommendation. Proposed additional actions include:</p>	<p>CAO, CFO, Purchasing Manager</p>	<p>October, 2015</p>
	<p>Implementation of the updated District Purchasing Policy, reflecting current best practice, including specific reference to conflict of interest provisions.</p>		
RECOMMENDATION 2			
<p>The District of West Vancouver should monitor and enforce compliance with its purchasing policies and procedures.</p>	<p>The District of West Vancouver has already proceeded with actions related to this recommendation. Proposed additional actions include:</p>	<p>CAO</p>	<p>December, 2015</p>
	<p>Development of purchasing internal audit procedures to be carried out on a regular basis along with reporting of the results of such procedures and corrective actions as necessary.</p>		
	<p>A review of the partially decentralized purchasing model, supporting changes needed to ensure a greater involvement by purchasing staff in procurement decisions.</p>	<p>Purchasing Manager</p>	<p>January - June, 2016</p>
RECOMMENDATION 3			
<p>The District should improve documentation by developing and implementing guidelines identifying the documentation that must be included in operational procurement files and a monitoring process to ensure compliance with these guidelines.</p>	<p>The District of West Vancouver has already proceeded with actions related to this recommendation. Proposed additional actions include:</p>	<p>Purchasing Manager</p>	<p>November, 2015</p>
	<p>Review of an updated set of guidelines, file checklists, and procedures for staff.</p>		
	<p>Additional staff training on policy and procedures.</p>	<p>Purchasing Manager</p>	<p>December, 2015</p>
	<p>Review of procedures for monitoring of purchasing files to be carried out on a regular basis along with reporting of the results of such procedures and corrective actions as necessary.</p>	<p>CFO</p>	<p>2nd quarter analysis: December, 2015</p>

DISTRICT OF WEST VANCOUVER’S ACTION PLAN

AGLG RECOMMENDATION	DWV RESPONSE	RESPONSIBLE	TARGET TIMEFRAME
RECOMMENDATION 4			
<p>The District of West Vancouver should take advantage of opportunities to achieve better value for money by further advancing its practice of implementing competitive procurement processes for purchases where the District identified potential cost savings.</p>	<p>The District of West Vancouver has already proceeded with actions related to this recommendation. Proposed additional actions include:</p> <p>Continued identification, through regular budget review and analysis of purchasing activities, of areas where cost savings may be realized.</p>	<p>CFO, Purchasing Manager</p>	<p>2nd quarter analysis: November, 2015</p>
RECOMMENDATION 5			
<p>The District of West Vancouver should improve its information, analysis, monitoring and reporting on operational procurement activities and results by:</p>	<p>The District of West Vancouver agrees with this recommendation. Proposed actions include:</p>	<p>CFO, Purchasing Manager</p>	<p>Presentation to Committee: November, 2015</p>
<ul style="list-style-type: none"> developing and implementing key performance indicators relating to operational procurement and a system to monitor them; and, 	<p>Working with the District’s established Key Performance Indicators Task Force, establish a set of best practice purchasing metrics and a mechanism for updating and reporting on these.</p>	<p>CFO, Purchasing Manager</p>	<p>Presentation to Committee: November, 2015</p>
<ul style="list-style-type: none"> increased reporting to Council and relevant committees on significant procurement activities and transactions. 	<p>Development of a report to District Finance Committee and Council on the results of key performance metrics monitoring and other significant procurement activities and transactions.</p>	<p>CFO, Purchasing Manager</p>	<p>Initial report: November, 2015</p>

ABOUT THE AUDIT

All the audit work in this report was conducted in accordance with Canadian Standards on Assurance Engagements.

Audit Objective

1.4.129 The overall objective of this performance audit was to determine whether the District of West Vancouver managed operational procurement strategically and with due regard for value for money.

Period Covered by the Audit

1.4.130 The audit covered the period 2010 to 2012. We completed the majority of our audit work on August 31, 2014, but we also received and reviewed some additional information after that date.

Audit Scope and Approach

1.4.131 The audit included a review of the District of West Vancouver's performance in managing operational procurement. It did not include procurement by any entities consolidated in West Vancouver's financial statements or public safety. It also did not include the procurement of physical assets or non-discretionary purchases available from only a single supplier such as water and electrical utilities.

1.4.132 To carry out the audit, we undertook data analysis, interviews, process walkthroughs and review of documentation. We sampled 25 operational procurement transactions and assessed them against the audit criteria.

1.4.133 We assessed the District's implementation of policies and procedures designed to achieve best value and assessed the reporting of results by reviewing a sample of procurement files.

Audit Criteria

1.4.134 Performance audit criteria define the standards against which we assess the District of West Vancouver's performance. We express these criteria as reasonable expectations for West Vancouver's operational procurement processes and practices to achieve expected results and outcomes.

1.4.135 Below are the criteria we used to assess the District of West Vancouver:

1. Operational procurement is managed strategically and linked to program and service delivery objectives.
 - a. Procurement plans and transactions are linked to approved priorities, programs and budgets.
 - b. All procurement options are considered and are in line with local government strategic policies and objectives.
2. Local governments are knowledgeable about the level of spending through procurement, as well as the nature and type of contractual arrangements entered into.
 - a. On an aggregate level, procurement expenditures are forecasted, budgeted, approved and monitored. Trends are analyzed and results are reported in a transparent manner.
 - b. Information provided to decision makers is comprehensive and covers the nature and breadth of procurement arrangements being planned.

ABOUT THE AUDIT

3. Operational procurement results in best value through assessment of available sourcing options in keeping with local governments' strategic procurement objectives.

- a. At the transactional level, sound planning and budgeting for procurement is conducted and planned acquisitions consider existing inventory levels and lifecycle costs. Opportunities for cost efficiencies and effectiveness in the procurement process are routinely explored, including in response to changes in market conditions.
- b. Contracts are managed in a diligent manner to ensure that all terms and conditions are fulfilled.
- c. The local government undertakes a systematic process to assess vendor performance and lessons learned from operational procurement experience are used to inform planning for future procurement.

4. Conflict of interest and other key procurement risks are mitigated.

- a. In addition to *Community Charter* requirements for elected officials, the local government has implemented conflict of interest and code of conduct guidelines for staff, including disclosure.
- b. Mechanisms are in place to ensure key procurement risks are identified and mitigated.

5. The procurement model is cost effective, value based, effective, transparent, affordable, implemented in accordance with legislative requirements and considers environmental and socio-economic impacts.

- a. The local government has current and well documented policies, procedures, roles and responsibilities that are publicly known, linked to program objectives and well understood by users. Sufficient and appropriate documentation exists to support the basis of decision-making throughout the procurement process.
- b. The awarding of operational procurement contracts follows a systematic process that is fair, transparent and in line with local government policies and relevant legislation. Other local government objectives including environmental, social and financial impacts are considered.
- c. Reporting to decision-makers and the public is timely, accurate, and relevant and reports assess the results achieved through operational procurement activity and decisions.

6. Innovation and best practices are explored and implemented where appropriate.

- a. The local government shares its knowledge of innovation and best practices in public procurement.
- b. Best practices are implemented where appropriate in line with local government needs.

ABOUT THE AUDIT

Period Covered by the Audit

1.4.136 At the beginning of the performance audit process, we shared key audit-related documents with the District of West Vancouver. These included a description of the audit background, focus, scope and criteria and an engagement protocol document describing the audit process and requirements. The process is summarized in Exhibit 8.

EXHIBIT 8: Performance Audit Process

AGLG initiates audit with notification letter and schedules opening meeting with local government to discuss process and proposed audit scope and criteria.

AGLG finalizes audit scope/criteria and advises local government, which acknowledges/ accepts.

With cooperation of local government, AGLG gathers evidence by conducting enquiries, site visits and reviews, inspecting records, performing analyzes and other activities.

AGLG shares preliminary findings with local government at fact clearing meeting or by providing draft proposed final report.

Local government confirms all fact statements, advising AGLG if any information is incorrect or incomplete, providing corrected information with documentary support.

AGLG may produce a draft proposed final report for local government review and comment.

Local government may suggest revisions to the draft report. This request must be supported by evidence. Local government comments must be provided within timeframes established by AGLG.

AGLG produces proposed final report and shares it with local government.

Local government has 45 days to provide comments. These should include response to recommendations.

AGLG adds summary of local government comments to proposed final report and submits it to Audit Council for their review.

Audit Council may provide comments.

After considering any Audit Council comments, AGLG finalizes report.

AGLG may provide final report to local government immediately prior to publication.

AGLG publishes the final performance audit report on AGLG.ca website.

APPENDIX 1 – PROCUREMENT TOOLS DEFINED

Corporate Supply Arrangement (CSA) (“Supply Contract”) – An arrangement in which a supplier has offered to provide goods or services for a specified period of time in accordance with agreed terms and conditions.

Invitation to Quote (ITQ) – A document issued to solicit quotes when the only competing factor is price.

Invitation to Tender (ITT) – A document inviting vendors to submit prices for specified work. This is generally used only for construction projects.

New West Partnership Trade Agreement (NWPTA) - A trade accord between Alberta, British Columbia, and Saskatchewan that promotes interprovincial collaboration.

Notice of Intent (NOI) – A document advising the vendor community of an intention to directly award a contract in a situation where the purchaser believe only one qualified contractor is available.

Purchase Order (PO) – A document committing the purchaser to buy a specified good or service at a specified price and on terms outlined in the document.

Request for Expressions of Interest (EOI or RFEI) – A document aimed at gathering information on the availability of desired services or potential suppliers or the level of interest from the vendor community.

Request for Information (RFI) – A document issued to obtain specific information about a good or service. This can include information on the availability or performance of the good or service.

Request for Proposals (RFP) – A document outlining a requirement and asking vendors to respond with a proposed solution, their qualifications and price.

Request for Qualifications (RFQ) – A document aimed at pre-qualifying vendors for a subsequent competition.

Service Contract – an agreement where a contractor supplies time, effort, and/or expertise instead of a good. (<http://www.businessdictionary.com/definition/service-contract.html>)

Standing Offer – An offer from a supplier to provide goods or services at pre-arranged prices, under set terms and conditions, when and if required. (<https://buyandsell.gc.ca/for-businesses/selling-to-the-government-of-canada/the-procurement-process/standing-offers>)

Standing Order – A purchase order covering repeated deliveries of goods or services in specified quantities, at specified prices and according to a specific schedule. (<http://www.businessdictionary.com/definition/standing-order.html>)

Source: Unless otherwise indicated, <http://www.pss.gov.bc.ca/psb/pdfs/PurchasingHandbook.pdf>

AGLG CONTACT INFORMATION

The AGLG welcomes your feedback and comments. Contact us electronically using our website contact form on www.aglg.ca or email info@aglg.ca to share your questions or comments.

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