

# Memorandum

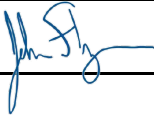
**TO: Joint Audit Committee of the  
Boards of Administration for Police  
And Fire Department Retirement Plan  
And the FCERS**

**FROM: Barbara Hayman**

**SUBJECT: Update on the City Auditor  
Recommendations as of February 2025**

**DATE: February 20, 2025**

Approved



Date

February 13, 2025

## Information

### EXECUTIVE SUMMARY:

<u>Audit Reference</u>	<u>Recommendation</u>	<u>December 2024 Status</u>	<u>February 2025 Status</u>	<u>Target Date of Implementation</u>	<u>Date of Implementation</u>
1	#23-05 Retirement Services - #01	Partly	Implemented	January 2025	January 16, 2025
2	#24-03 Retirement Services - # 01	Partly	Implemented	January 2025	January 16, 2025
2	#24-03 Retirement Services - # 02	Partly	Partly	<u>April 2025</u>	
2	#24-03 Retirement Services - # 03	Partly	Partly	<u>April 2025</u>	

### BACKGROUND

#### City Auditor Interim Report (Audit Reference # 1)

On October 24, 2023, the City Auditor presented to the City Council an audit report titled “ Retirement Services: Interim Report on the Alignment of Controls Between the City and the Office of Retirement Services “. The objective of the interim report was to review policies and procedures for ORS’ administrative responsibilities, including a comparison of other retirement system’s oversight of such responsibilities. The audit was conducted in response to direction from the City Council. The report had one recommendation.

Below is the status update as of February 20, 2025:

#23-05 Retirement Services
<p>#01 To ensure that the Office of Retirement Services has efficient operations and strong internal controls around administrative functions, the Office of Retirement Services and the Retirement Boards, in coordination with the City Administration and the City Attorney’s Office, should either:</p> <ul style="list-style-type: none"><li>a) Adopt the City’s policies and procedures related to information systems and technology, and support services such as procurement, invoice processing, and other relevant administrative functions, or</li><li>b) Develop a set of internal policies and procedures that are in alignment with the City’s policies and procedures.</li></ul>
<p>Partly Implemented Target Date: Dec-2024</p> <p>The Retirement Boards have adopted City policies relating to information systems and technology, ethical conduct, and fair employment, among others. The Retirement Boards have adopted the City’s procurement policies for some goods and services, but continue to work with a consultant and their fiduciary counsel to develop separate policies for the remaining services. The City Attorney’s Office, at the direction of the City Council, developed Municipal Code changes that would explicitly state that the City’s procurement process in Part 4.12 of the Municipal Code apply to the Retirement Boards. These changes were presented to the Retirement Boards in spring 2024. The City Attorney’s Office advises that they have discussed these changes with the Boards’ outside counsel and are waiting for further response from the outside counsel before proceeding.</p> <p>DEPARTMENT UPDATE AS OF February 2025:</p> <p>Status Update (Implemented, Partly, or Not): Implemented</p> <p>Target Date of Implementation: January 2025</p> <p>Description on Status:</p> <p>The Office of Retirement Services developed a procurement policy for professional services to be provided by vendors who must be appointed by the Boards. This policy was reviewed by the City’s Finance Department and incorporated their feedback. The Boards Governance Committee approved this policy in December 2024. The Boards adopted this policy at their January 2025 Board meetings. As of January 16, 2025, this should be considered implemented.</p> <p>The City Attorney’s Office, at the direction of the City Council, developed Municipal Code changes that would explicitly state that the City’s procurement process in Part 4.12 of the Municipal Code apply to the Retirement Boards. Should the Municipal code be updated based on the direction provided by the City Council, the Retirement Boards will work as necessary to address any changes.</p>

**City Auditor Report titled “The Office Has Not Consistently Followed City Procurement Policies and Standard Practices” - (Audit reference # 2)**

On April 16, 2024, the City Auditor presented to the City Council an audit report titled “The Office Has Not Consistently Followed City Procurement Policies and Standard Practices”. The audit was conducted in response to direction from the City Council. The report reviewed ORS compliance with City policies and procedures for purchasing and contracting. The report had one finding and three recommendations.

Below is the status update as of February 20, 2025:

#24-03 Retirement Services
<p>#02 To clarify responsibilities around the contracting process, the Office of Retirement Services should train its staff on internal and City procurement and contracting procedures. This should include instructions on when procurements or contracts should be coordinated with the Information Technology Department, Finance Purchasing, Finance Risk Management, and the City Clerk.</p>
<p>Partly Implemented Target Date: Dec-2024</p> <p>The Office of Retirement Services (ORS) reports that staff have compiled the resources for training on procurement and has hired a temporary accountant to assist with centralizing the location for the current contracts, including creating a database that tracks all the steps of the procurement process. Work is still ongoing to gather and collate all the data. ORS reports that staff have initiated training on internal and City procurement and contracting procedures. A full training schedule is under development, and ORS plans to have staff enroll in City procurement training when classes are offered. Staff will be trained on internal procurement and contracting procedures when these policies are finalized.</p> <p>DEPARTMENT UPDATE AS OF February 2025:</p> <p>Status Update (Implemented, Partly, or Not): Partly</p> <p>Target Date of Implementation: April 2025</p> <p>Description on Status:</p> <p>The Office of Retirement Services (ORS) have compiled the resources for training on procurement and has created a centralized location for the current contracts, including creating a database that tracks all the steps of the procurement process. In October 2024, ORS attended a training provided by Purchasing &amp; Risk Management as part of the response to the City Auditor's recommendation that ORS should be trained on procurement and contracting policies and procedures. The training covered topics related to both Purchasing and Risk Management, including: Public Procurement Guiding Principles, Governance, Procurement Methods Overview (P-Card, RFQ, RFB, RFP) Purchasing Thresholds, Typical Procurement Steps, Vendor Management, Why the City Has Insurance Requirements, When Should Retirement Services Engage Risk Management, The Differences Between the Simpligov Digital Forms Used by Risk Management. A full training schedule is under development, and ORS plans to have staff enroll in City procurement training when classes are offered. Staff will also be trained on the finalized internal procurement and contracting procedures.</p>
<p>#03 To ensure all invoice payments can be made through Finance Accounts Payable and avoid the use of wire transfers, the Office of Retirement Services should work with the City's Finance Department to create purchase orders or establish contracts to be filed with the City Clerk. This should be done for all current service providers and subscription services.</p>
<p>Not Implemented Target Date: Dec-2024</p> <p>The Office of Retirement Services (ORS) reports that staff have worked with the City's Finance Purchasing division to process all invoice payments through Finance accounts payable, and that wire transfers are not currently used to make payments to providers. Staff continues to work with Finance to establish purchase orders with the providers.</p> <p>DEPARTMENT UPDATE AS OF February 2025:</p> <p>Status Update (Implemented, Partly, or Not): Partly</p> <p>Target Date of Implementation: April 2025</p> <p>Description on Status: The Office of Retirement Services (ORS) has worked with the City's Finance Purchasing division to process all invoice payments through Finance accounts payable, wire transfers are not used to make payments to providers. Staff is currently working with Finance to establish purchase orders with the vendors. A subset of purchase orders has already been established, the remaining purchase orders will be established in the Financial Management System (FMS) in mid-April once the new fiscal year (FY25-26) is released in the FMS system.</p>

#01 To ensure appropriate controls over procurement and contracting, the Office of Retirement Services should develop internal processes and procedures for key areas, including:

- a. Following the Municipal Code and City procedures regarding use of competitive bidding and unique services/sole source procurements.
- b. Establishing master agreements with service orders for consultants where specific scopes of services are not established at the time of the contract execution.
- c. Ensuring purchase orders or contract agreements are in place with service providers.
- d. Executing contracts prior to the start of the contract term.
- e. Using the City's standard terms and conditions for contracts as applicable.
- f. Working with City support staff, such as Finance Purchasing, Risk Management, and the Information Technology Department on procurements and contracts when required by City policy.

Partly Implemented

Target Date: Dec-2024

At their June and August Board meetings, the Retirement Boards adopted chapter City Policy 5.1 regarding procurement for non-professional services. The Boards discussed an internal ORS policy for procurement and contracting for professional services. The Police and Fire board directed further updates for Board review. Once those updates are adopted, both Boards proposed that the internal policy be presented to the City's Finance Director for review. Meanwhile, the City Attorney's Office, at the direction of the City Council, developed Municipal Code changes that would explicitly state that the City's procurement process in Part 4.12 of the Municipal Code apply to the Retirement Boards. These changes were presented to the Retirement Boards in spring 2024. The City Attorney's Office advises that they have discussed these changes with the Boards' outside counsel and are waiting for further response from the outside counsel before proceeding.

DEPARTMENT UPDATE AS OF February 2025:

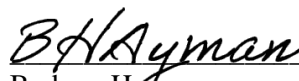
Status Update (Implemented, Partly, or Not): Implemented

Target Date of Implementation: January 2025

Description on Status:

The Office of Retirement Services developed a procurement policy for professional services to be provided by vendors who must be appointed by the Boards. This policy was reviewed by the City's Finance Department and incorporated their feedback. The Boards Governance Committee approved this policy in December 2024. The Boards adopted this policy at their January 2025 Board meetings. As of January 16, 2025, this should be considered "Implemented."

The City Attorney's Office, at the direction of the City Council, developed Municipal Code changes that would explicitly state that the City's procurement process in Part 4.12 of the Municipal Code apply to the Retirement Boards. Should the Municipal code be updated based on the direction provided by the City Council, the Retirement Boards will work as necessary to address any changes.



Barbara Hayman

Deputy Director, Office of Retirement Services