



Memorandum

TO: Joint Audit Committee

FROM: Benjie Chua Foy

SUBJECT: City Auditor's Recommendations

DATE: August 6, 2024

INFORMATION

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 Council asked the Office of Retirement Services ("ORS") to provide an informational memo on the timeline for implementation of City Auditor recommendations. The report had one finding and three recommendations.

At the May 16, 2024 Joint Audit Committee, the timeline for implementation of the recommendations was discussed. Trustee Lee requested Staff to return to the audit committee with more details including who is accountable, the commitments and the deadlines for the deliverables. Listed below are the findings and the three recommendations with the information requested.

Finding 1: Updating Procedures and Staff Training Can Ensure Greater Compliance with City Procurement Rules			
City Auditor's Recommendation	Responsible Individual	Commitment	Target Date
1. 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.	ORS CEO/Cortex	At the June 20, 2024 Federated Retirement Board meeting the board adopted City Policy Chapter 5.1- Purchasing: Procurement for non-professional services for ORS operations. At the August 1, 2024 the Police and Fire Retirement Board meeting the Board adopted City Policy "Chapter 5.1- Purchasing: Procurement" for goods and non-professional services for ORS operations. Cortex, the Boards' governance consultant, in consultation with ORS staff, has been tasked with drafting the	October 2024
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.			

<p>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.</p>	<p>Barbara Hayman</p>	<p>Boards internal ORS Policy and procedures for procurement of professional and critical plan administrative services/goods for ORS operations.</p> <p>The Federated Retirement Board directed the ORS CEO to bring the proposed internal ORS Policy for procurement of professional services for Plan administration to the City Finance Director for their feedback.</p> <p>The Police and Fire Retirement Board directed the draft policy be updated with additional comments for Boards review after which the ORS CEO will bring the proposed internal ORS Policy for procurement of professional services for Plan administration to the City Finance Director for their feedback.</p> <p>Ensure that all divisions within ORS are aware of the policies and procedures. Create a training program / schedule as part of the onboarding process and periodically thereafter and obtain employee sign-off that they have reviewed the applicable policies.</p>	<p>June 2025</p>
<p>2. 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>Benjie Chua Foy</p> <p>Barbara Hayman</p>	<p>The proposed Compliance Senior Analyst position to administer and oversee procurement, contracts, risk & performance including training, was requested through the Budget process but was not approved. ORS will try again for the next fiscal year.</p> <p>The accounting division has 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, which will take some time, especially since it is not currently centralized, as well as the loss of one Senior Accountant in the Accounting team due to retirement.</p> <p>The Office of Retirement Services has initiated training staff on internal and City procurement and contracting procedures. A full training schedule is under development; to date, the following classes have been taken by</p>	<p>June 2025</p> <p>January 2025</p> <p>Ongoing</p>

		<p>some ORS staff: Purchasing - Developing Scope of Work, Consultant - Procurement Contract, Consultant Procurement Training, Purchasing Training (April 16, 2024 FY 24/25), IT Procurement (May 9, 2024). ORS will have staff enroll in City procurement training when classes are offered. ORS will be trained on internal procurement and contracting procedures when these polices are finalized.</p>	
<p>3. 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>Ron Kumar</p> <p>Benjie Chua Foy</p>	<p>ORS has ceased its use of wire transfers to pay invoices that should go through the City’s Finance Accounts Payable division and worked with the City’s Finance Purchasing division to process all payments through the Finance accounts payable for all past due invoices with an after-the-fact (ATF) memo. The ATF memo should be a one-time occurrence since Staff is working with Finance to establish purchase orders through the procurement process applicable to the investment subscription services with the providers. All other vendors have applicable purchase orders or contracts except for the ones that are currently being processed.</p> <p>See #2 above. Going forward, create purchase orders or establish contracts, to be filed with the City Clerk for all service providers and subscription services.</p>	<p>October 2024</p> <p>Ongoing</p>