

Internal Audit Finding	ORS Management Response	Management Recommendation to the Committee
<u>Finding #1:</u> ORS wire transfers to pay vendor invoices violated ORS and City payment rules and bypassed payment safeguards. Vendor services and payments continued without authorized contracts, vendor performance was not measured, and ORS staff disagreed among themselves on procurement rules.	The four instances of payment were from subscription services - Barra, LLC, Pitchbook Data, Inc. and Bloomberg Index Services, - all previously approved vendors. ORS responds as follows: the consequence of not paying the subscription amounts would have had a more detrimental effect to the Plan. The CEO, in weighing the pros and cons of the payments, made an executive decision to pay the amount from the custodial bank of BNY Mellon to avoid a risk of operational failure if critical services from these vendors ceased. The Plans renewed the contracts for these three vendors subsequent to payment. ORS management notes that in other instances city payment processes are followed. The team has been guided by the city's payment procedures. Action Steps ORS staff have been instructed in writing on 9/12/2023 not to auto renew contracts or subscriptions going forward to immediately reduce this risk An ORS policy will be put in place to provide clarity to staff on procurement and payments - See Recommendation 4 ORS will designate a resource to provide training and guidance to staff on questions regarding policies and procedures. This staff member will actively participate in the drafting, development and implementation of new policies and procedures, and oversee compliance of Board and City policies and procedures.	Accept ORS Management's response. See also Recommendation for Consideration #4 below.

	ORS will also periodically provide staff education on ORS and City policies and procedures.	
<u>Finding #2:</u> The ORS paid an insurance broker without a competitive vendor selection process or a contract to define the scope of services.	<u>Accept the finding</u> <u>Action Steps:</u> - ORS will execute a written agreement with the existing broker in accordance with the Boards Policy Regarding Roles in Vendor Selection. - ORS has issued an RFP for insurance broker services ORS to develop a contract monitoring policy that contains the following key components: - Contract expirations monitoring - Legal review of contracts - No auto-renewal contract provisions	Accept ORS Management's response.
<u>Finding #3:</u> The delayed purchase of ORS laptops in 2020 caused security vulnerabilities and raised operational risks.	Partially agree with the finding, ORS did not delay purchasing laptops. <u>Laptops:</u> ORS made a fiscal decision, based on the information available at the time and acknowledging the risks of vpn'ing to connect to the city network, not to buy ORS staff laptops at the onset of the 2 week shelter in place order due to COVID. This decision was made prior to knowing that COVID was going to be a longer term issue. Once it became clear that COVID would impact operations for the longer term, requiring staff to work from home, ORS initiated the purchase of laptops for ORS staff, by which time there was equipment shortages. ORS worked very closely with the City's IT Department. During the pandemic, ORS IT worked with City IT Department on the procurement of laptops for the ORS. However, due to equipment shortages during 2020, there were delays in receiving laptops. ORS had to wait for delivery of a specific laptop model that was identified by the Department Information Technology Manager as best	Accept ORS Management's response.

	to fit the needs of staff in the long term. ORS scheduled the deployment of laptops to all ORS staff immediately upon receipt of the equipment. <u>Proprietary Data on Personal Devices During Pandemic:</u> In December 2022, ORS IT worked with staff who had access to sensitive data to ensure no one was using personal computers to connect to the City network and that staff had deleted any ORS business related folders/files from their personal laptops. In January 2023 ORS IT worked with all ORS staff to confirm staff were using their ORS issued laptops and that no one was using a personal laptop to connect to the City Network. In the January communication all ORS Staff were asked to delete any ORS related files with sensitive information on their personal laptop. ORS provided “Handling Personally Identifiable Information (PII)” training to ORS staff in the Quarterly All Staff Meeting held in November 2022, this training will be given annually. ORS also provides Cybersecurity training to every new employee joining ORS as part of the onboarding process. During the onset of the COVID 19 emergency, to allow continuity of ORS operations, including Retiree payrolls, staff were permitted to use personal equipment until ORS issued laptops could be provided to complete their job duties due to the emergency resulting from the Covid pandemic during 2020. <u>Cybersecurity:</u> - ORS follows the City’s Cybersecurity policies and procedures. - ORS IT has worked with all ORS Staff to verify that no personal information is stored on their personal computers. - ORS IT has also implemented hard drive encryption on ORS issued laptops. - ORS staff are required to participate in the cybersecurity	
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	training that is provided by the City. ORS tracks staff members who have not completed their training and ensures completion. Ongoing, ORS staff are issued laptops and full time employees are given remote access permissions to enable staff to work remotely, should another emergency circumstance occur in the future, this equipment will be utilized to perform their job duties. Also, ORS staff who have access to sensitive information are only permitted to connect to the City's network using ORS issued equipment No ORS staff are using personal laptops to access City systems. .	
<u>Finding # 4:</u> The ORS does not have monitoring processes and reliable data to comprehensively manage vendor payment and contracting risks.	ORS accepts that updates and improvements in policies and procedures need to be prioritized. ORS to develop a contract monitoring policy that contains the following key components: - Contract expirations monitoring - Legal review of contracts - No auto-renewal contract provisions	Accept ORS Management's response. Accept Plan's legal counsel's offer to conduct a comprehensive review and updating of ORS policies in light of peer public pension systems. Direct ORS and legal counsel to determine which contracts/invoices shall follow the City's payment process, and which shall follow a different policy that ORS will develop. Such determination shall be memorialized in writing. Further direct that policy to be developed and brought to the Governance Committee for review, approval, and recommendation to the Boards should also include: - Process for assuring required performance prior to approval of payments on contracts - Segregation of the following duties: - Payment authorization - Contract and payment compliance - Recordkeeping & contract monitoring - Emergency and/or specified exceptional circumstance to when appropriate to deviate from procurement policy

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