



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Roberto L Peña

SUBJECT: Office of Retirement Services
Timeline for Implementation of City
Auditor Recommendations

DATE: May 9, 2024

INFORMATION

We write to advise the City Council of the Office of Retirement Services (“ORS”) timeline for implementation of City Auditor recommendations.

Background: 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 has one finding and three recommendations, the timeline for implementation of the recommendations is outlined below:

Finding 1: Updating Procedures and Staff Training Can Ensure Greater Compliance with City Procurement Rules

Recommendation #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.
- 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.

Recommendation #1 Timeline: In many cases, ORS’s processes have aligned with the City’s standard practices, the ORS will continue to follow the applicable City procurement process when hiring vendors such as consultants, attorneys, etc. ORS Staff are currently revising

agreements with the current vendors as they come up for renewal in 2024 and working with the City's Purchasing Department to setup payment via the Purchasing Department. The process is anticipated to be completed by September 30, 2024. Going forward, when contracts come up for renewal, ORS will work to execute the contract prior to the start of the contract term and will use the City's standard terms and conditions for contracts as applicable.

Recommendation #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.

Recommendation #2 Timeline: The Retirement Boards are in the process of developing procurement and contracting policies and procedures, training on these internal policies will be provided once finalized. ORS anticipates these policies will be completed by September 30, 2024. Training will be provided to staff within one month of Retirement Boards adoption.

For City policies, ORS has started training staff on City Purchasing procedures, training is ongoing. ORS is working with City staff to identify all the available training classes for City procurement and contracting procedures. Staff will be enrolled in classes when the training class schedule is available. Staff will be scheduled to attend when a training class is available. ORS expects to have the training class schedule by June 30, 2024.

In the past 6 months several ORS staff have completed City training sessions on:

- City Procurement Card program training
- Consultant Procurement training
- Simpligov Phase II training for contracting
- GovQA training
- City Travel Policy Refresher training
- FMS Accounts Payable training
- GL training

ORS anticipates providing refresher training on these policies on a periodic basis or when there is a process/procedure change.

Recommendation #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.

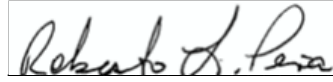
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Recommendation #3 Timeline: ORS Staff are revising the agreements with the current vendors as they come up for renewal in 2024. The process is anticipated to be completed by September 30, 2024.

A handwritten signature in black ink, appearing to read "Roberto L. Peña", is positioned above a horizontal line.

Roberto L Peña

CEO, Office of Retirement Services

For questions, please contact Roberto L Peña, CEO, at Roberto.Pena@sanjoseca.gov or (408) 794-1000.