



Retirement Services: The Office Has Not Consistently Followed City Procurement Policies and Standard Practices

A Report from the City Auditor
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<http://www.sanjoseca.gov/auditor>



Background

- The City has two retirement plans: Federated and Police & Fire.
- Two independent boards oversee the plans with fiduciary duties.
- The Office of Retirement Services (ORS) administers the plans.
- The City is the plan sponsor and contributes to the plans.

To guide procurement and contracting, the City:

- Sets Municipal Code requirements.
- Maintains policies, procedures, and guidelines.
- Developed standard contract templates.
- Coordinates reviews between departments, such as Finance and ITD.

Audit Direction

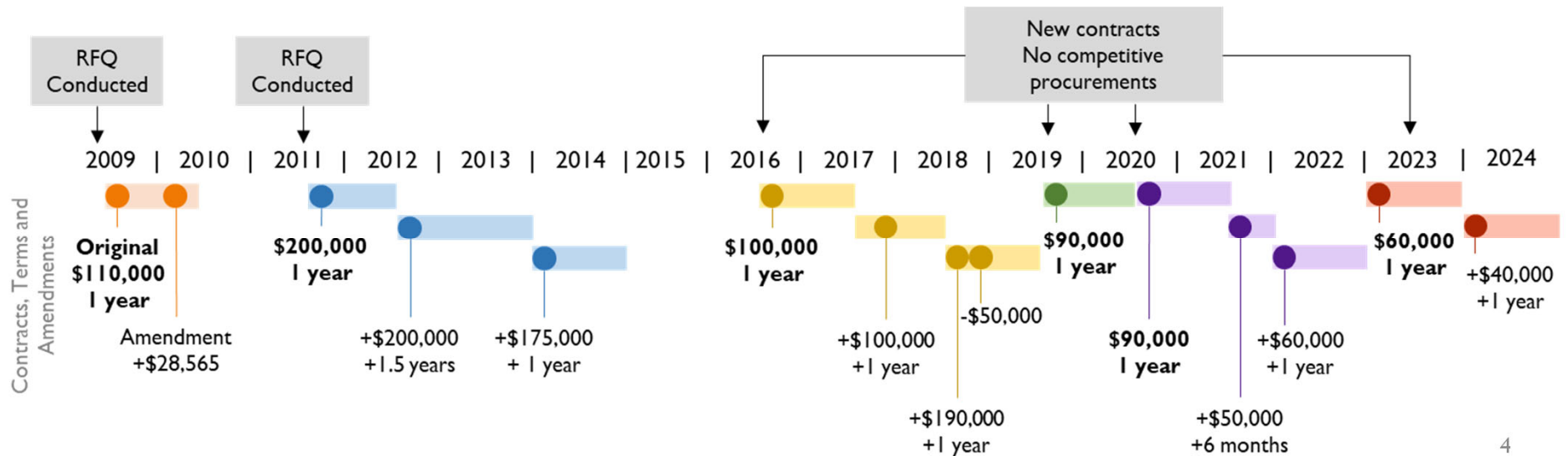
Direct the City Auditor to prioritize an audit of the Office of Retirement Services in his workplan. This audit should cover, at minimum, the following areas:

- 1. Identifying internal process controls for financial activities such as accounting, purchasing and contracting;*
- 2. Identifying policies and procedures around information systems and security;*
- 3. Compliance with City policies for financial activities, information systems and security, and other relevant administrative functions;*
- 4. A comparison of the governance structures of other pension plans, including board oversight of management's administrative functions and responsibilities.*

Finding I: Updating Procedures and Staff Training Can Ensure Greater Compliance With City Procurement Rules

- In many cases, ORS's processes have aligned with the City's standard practices.
- However, there have been exceptions, such as instances where ORS did not competitively procure services.

Exhibit: ORS Has Repeatedly Contracted with a Consultant Without a Competitive Procurement



Finding I: Updating Procedures and Staff Training Can Ensure Greater Compliance With City Procurement Rules

- Without purchase orders, ORS has relied on non-standard payments to vendors.
- ORS can further reduce contracting risks by following certain City practices.
- Unclear direction for ORS staff to follow City policy has resulted in confusion.
- Training ORS staff on City and internal procedures can reduce confusion.

Recommendations

To improve controls around procurement and contracting, ORS should:

- Develop procedures for key areas, including following the Municipal Code's competitive bidding rules and establishing contracts or purchase orders, among others.
- Provide training to ORS staff on internal and City procurement and contracting procedures.



Conclusion

We would like to thank the Office of Retirement Services, the City Manager's Office, the City Attorney's Office, the Information Technology Department, the Finance Department, and the Office of Employee Relations for their time and insight during the audit process.

The audit report is available at www.sanjoseca.gov/auditor

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