



**City of Salem**  
**CITY OF SALEM AND SALEM URA**  
**FINANCE COMMITTEE**  
**MEETING AGENDA**  
June 20, 2023 4:00 PM

View Via YouTube: [https://www.youtube.com/channel/UCQLj9RKZNHu4wfYcs\\_TC0TA](https://www.youtube.com/channel/UCQLj9RKZNHu4wfYcs_TC0TA)

Si necesita ayuda para comprender esta información, por favor llame 503-588-6274

**PARTICIPANTS**

Board Members

Councilor Jose Gonzalez, Chair  
Councilor Deanna Gwyn  
Councilor Vanessa Nordyke  
Councilor Micki Varney  
Alternate-Councilor Linda Nishioka

Staff

Keith Stahley, City Manager  
Dan Atchison, City Attorney  
Josh Eggleston, Chief Financial Officer  
Kali Leinenbach, Budget Manager  
Jenny Mattecheck, Chief Accountant  
Jeremy Morgan, Supervisor  
Anja Hill, Treasury Supervisor  
Kelli Blechschmidt, Management Analyst I  
Shengnan Thomas, Administrative Analyst I

Guests

Colleen Rozillis, Partner, Moss Adams  
Kayvon Zadeh, CIA, Consulting Manager, Moss Adams

**AGENDA**

1. Welcome and call to order
2. Approval of Minutes
  - a. April 17, 2023 (Package page 3)
3. Public Comment - Appearance of persons wishing to address the Board on any matter other than those which appear on this Agenda

4. Action Items
5. Management Update/Information Items
  - a. Quarterly Investment Report (FY 22-23 3<sup>rd</sup> Quarter) (Package page 5)
  - b. Moss Adams Presentation of Purchasing Internal Assessment (Package page 61)
6. Continued Business
7. New Business
8. Adjourn

Next Meeting: July 17, 2023

This meeting is being conducted virtually, with remote attendance by the governing body. No in-person attendance is possible. Interested persons may view the meeting online on [YouTube](#). To sign up to testify via Zoom or to submit public comment, contact the Finance Department via email at [finance@cityofsalem.net](mailto:finance@cityofsalem.net) or telephone at 503-588-6040 the day of the meeting by 1PM.

Special accommodations are available, upon request, for persons with disabilities or those needing sign language interpretation, or languages other than English. To request accommodations or services, please call 503-540-2371 (TTD/TTY 503-588-6439) at least two business days in advance.

It is the City of Salem's policy to assure that no person shall be discriminated against on the grounds of race, religion, color, sex, marital status, familial status, national origin, age, mental or physical disability, sexual orientation, gender identity, and source of income, as provided by Salem Revised Code 97. The City of Salem also fully complies with Title VI of the Civil Rights Act of 1964, Americans with Disabilities Act of 1990, and related statutes and regulations, in all programs and activities.

## CITY OF SALEM AND SALEM URA FINANCE COMMITTEE Minutes

**DATE:** April 17, 2023

**PLACE:** ZOOM

**CHAIRPERSON:** Jose Gonzalez

**STAFF LIAISON:** Josh Eggleston, CFO 503-588-6130 [JEggleston@cityofsalem.net](mailto:JEggleston@cityofsalem.net)

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### **Members Present:**

Councilor Jose Gonzalez, Chair  
Councilor Deanna Gwyn  
Councilor Micki Varney  
Alternate-Councilor Linda Nishioka

### **Members Absent:**

Councilor Vanessa Nordyke

### **Staff Present:**

Keith Stahley, City Manager  
Dan Atchison, City Attorney  
Josh Eggleston, Chief Financial Officer  
Jenny Mattechek, CPA, Chief Accountant  
Jeremy Morgan, Accounting Supervisor  
Anja Hill, Treasury Supervisor  
Kelli Blechschmidt, Management Analyst I

1. CALL TO ORDER: 4:00 PM / Quorum  
Member Gwyn joined the meeting at 4:02PM

### 2. APPROVAL OF COMMITTEE MINUTES

#### a. Feb. 3, 2023

Motion was moved by Member Varney, seconded by Member Nishioka, and carried by the following vote:

Aye: Unanimous

Nay: None

Abstentions: None

b. Feb. 13, 2023

Motion was moved by Member Varney, seconded by Member Gwyn, and carried by the following vote:

Aye: Unanimous  
Nay: None  
Abstentions: None

3. Public Comment  
a. None

4. Action Items  
a. None

5. Management Update / Information Items  
a. Federal Grant Compliance Audit

1. Overview by Chief Accountant Jennifer Mattecheck, CPA

Questions or comments: Jose Gonzalez, Chair, Member Nishioka

Answers or comments: Josh Eggleston, CFO

b. Revenue Options to Sustain City Services

1. Open discussion for the Committee regarding potential revenues to sustain City Services

Questions or comments: Jose Gonzalez, Chair, Members Varney, Nishioka, Gwyn

Answers or comments: Josh Eggleston, CFO, Keith Stahley, City Manager, Dan Atchison, City Attorney

The next meeting is scheduled for Monday, May 15, 2023 at 4:00 PM.



# CITY OF SALEM, OR

## Investment Performance Review For the Quarter Ended March 31, 2023

### Client Management Team

Lauren Brant, Managing Director  
Allison Kaune, Senior Analyst  
Robert Cheddar, CFA, Managing Director

### PFM Asset Management LLC

13010 SW 68th Pkwy  
Tigard, OR 97223  
503-837-8445

213 Market Street  
Harrisburg, PA 17101-2141  
717-232-2723

**NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE**

*For Institutional Investor or Investment Professional Use Only - This material is not for inspection by, distribution to, or quotation to the general public*

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# Agenda

- Market Update
- Account Summary
- Portfolio Review
- ESG Overview
- Portfolio Holdings and Transactions

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# Market Update

## Current Market Themes



- ▶ The U.S. economy is characterized by:
  - ▶ Lingering inflation that remains well above the Fed's long-term inflation target
  - ▶ A labor market showing the first signs of moderation
  - ▶ Greater economic uncertainty following the surprise failure of Silicon Valley Bank and Signature Bank



- ▶ Fed policy tightening may be nearly complete
  - ▶ The most recent FOMC statement noted that “some additional policy firming may be appropriate,” but the need for more rate hikes has become less clear
  - ▶ Although the Fed acknowledged the impact of the recent bank failures, their March updated Summary of Economic Projections were little changed from December
  - ▶ The Fed has maintained that they will keep rates elevated for some time, but the market is pricing in rate cuts beginning mid-year

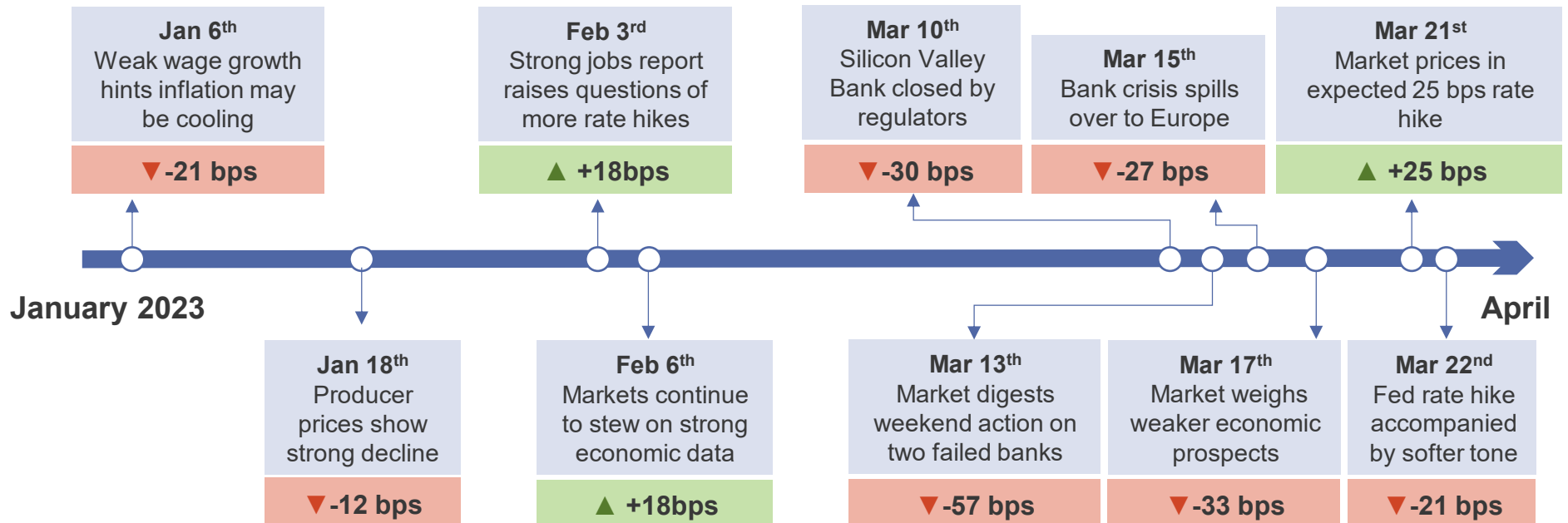


- ▶ Bond markets saw unprecedented volatility in March
  - ▶ In a classic “flight to quality,” Treasury yields fell sharply, with the 2-year Treasury yield falling from 5.07% on March 8 to under 4.00% on March 17
  - ▶ The curve inversion from 3 months to 10 years reached the deepest levels in over 40 years
  - ▶ Credit yield spreads widened, especially those on banks, but not nearly to levels seen during the global financial crisis



## Market Events Drive Large Yield Moves

### Major Economic and Market Events and the Daily Change in the 2-Year U.S. Treasury Yield



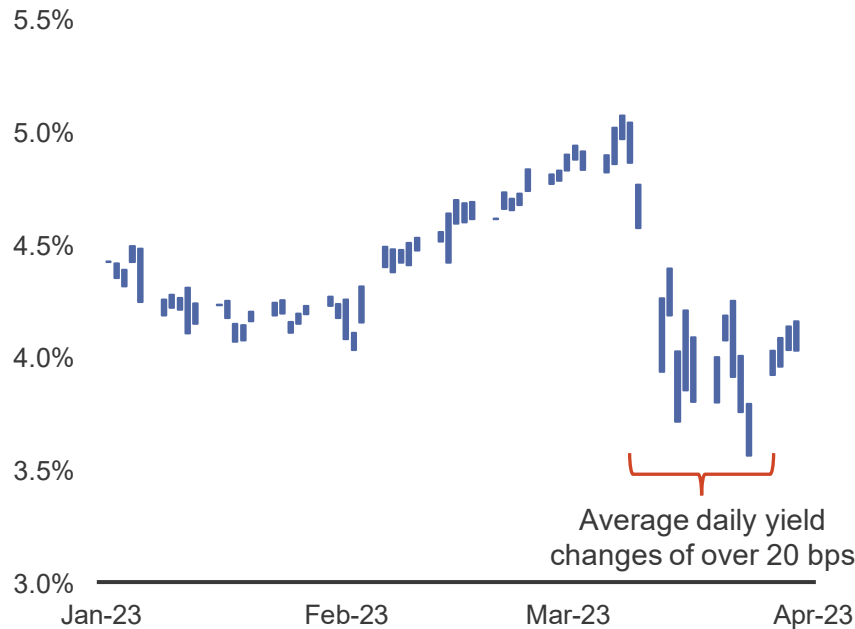
▼/▲ Changes in 2-Year Treasury

## Bond Markets Saw Unprecedented Volatility in March

The surprise failure of two large U.S. banks caused volatility in the markets. In a classic “flight to quality”, Treasury yields fell sharply, with the 2-year Treasury yield falling from 5.07% on March 8 to 4.03% on March 31.

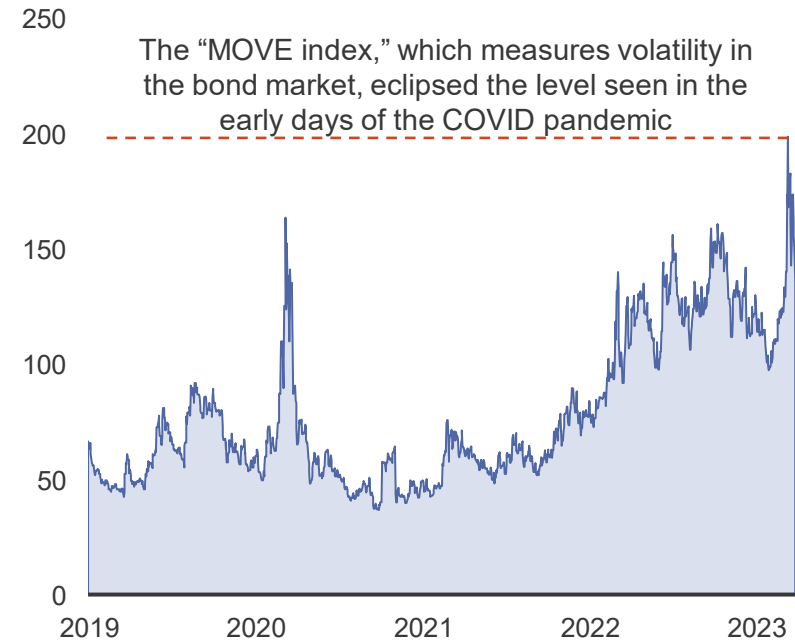
### 2-Year Treasury

Daily High and Low Yield



### Fixed Income Market Volatility

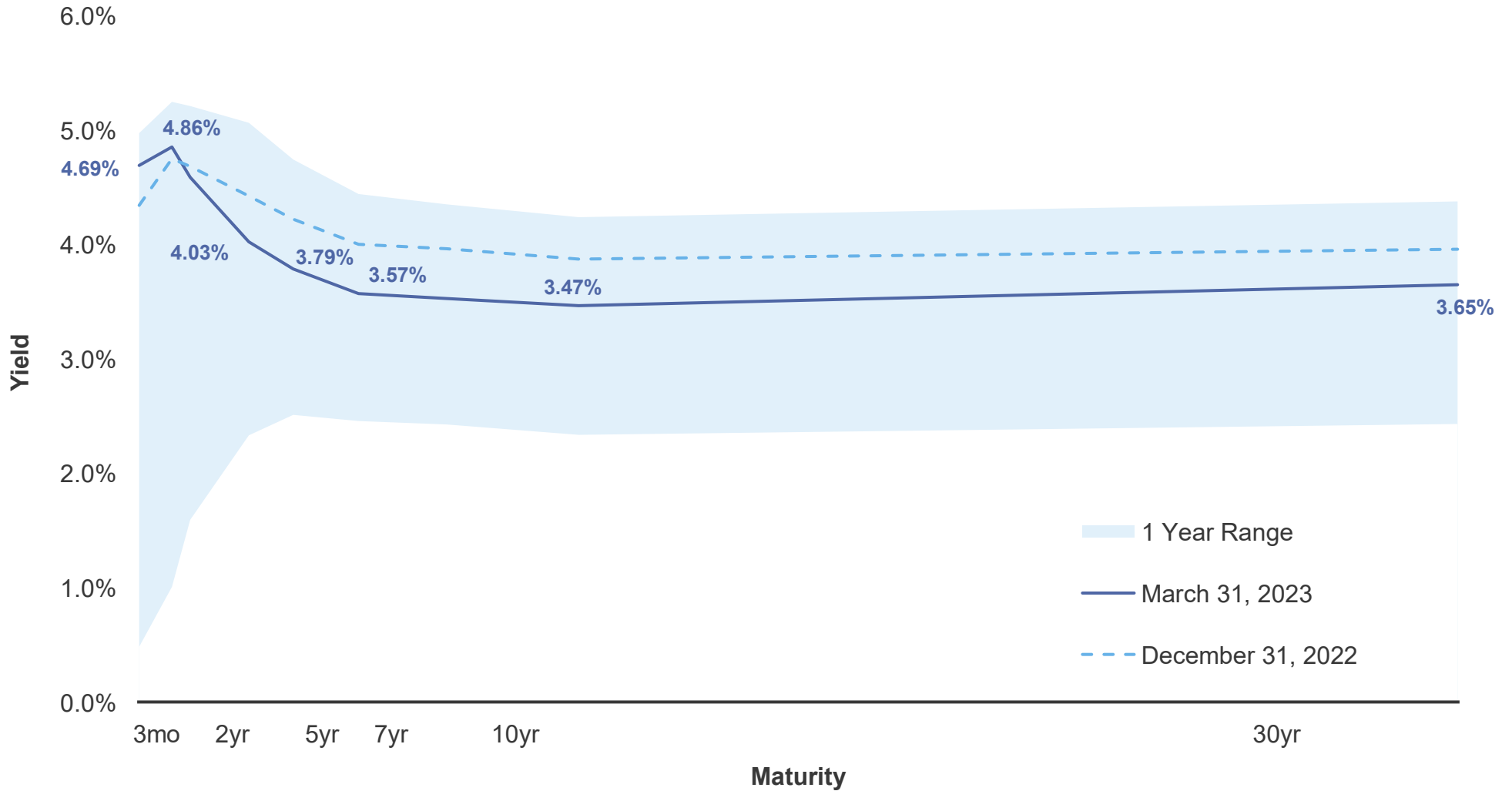
ICE BofA MOVE Index



Source: Bloomberg, ICE BofA Indices. As of 03/31/2023.

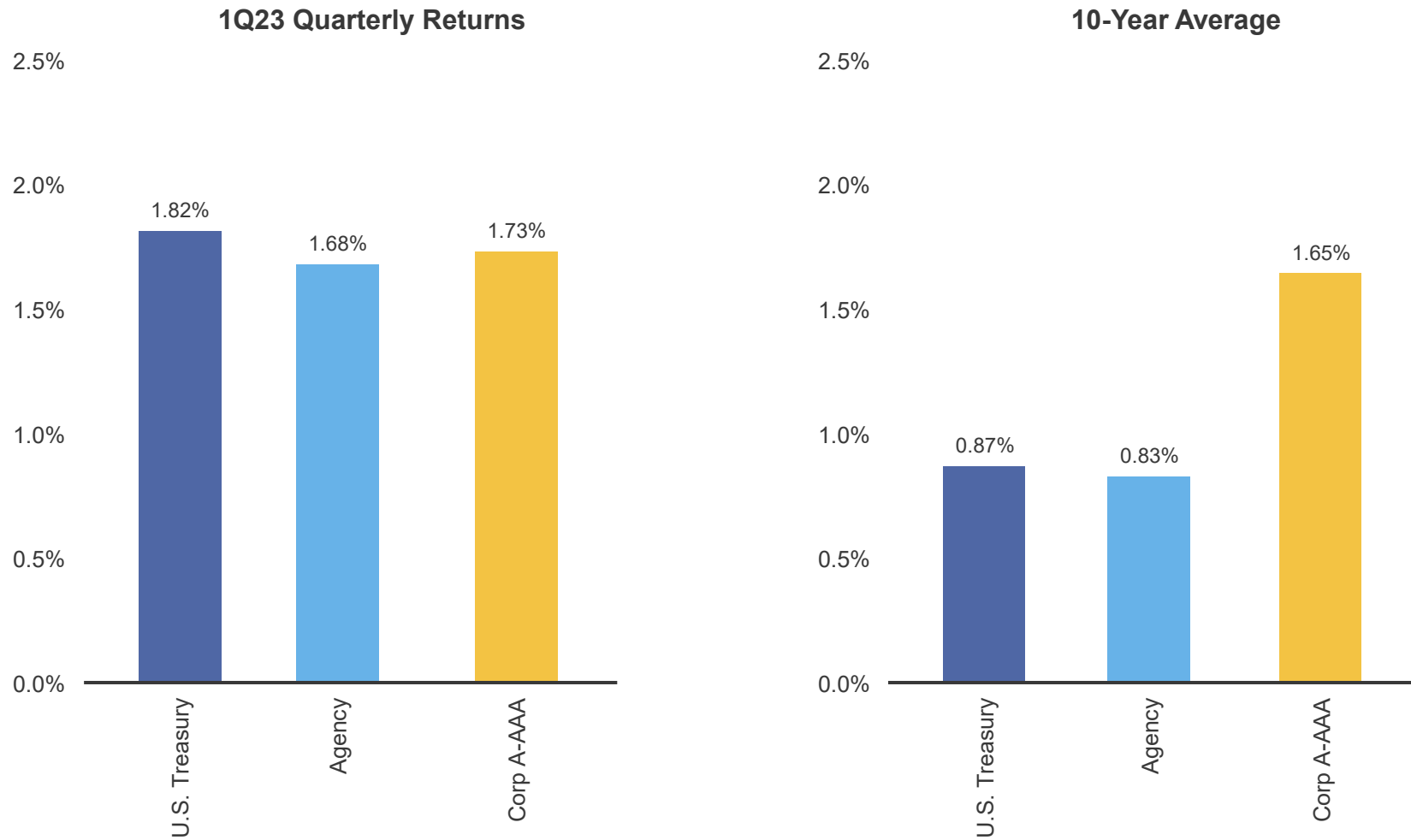
## As Economic Uncertainty Increased, Longer-Term Interest Rates Fell

### U.S. Treasury Yield Curve



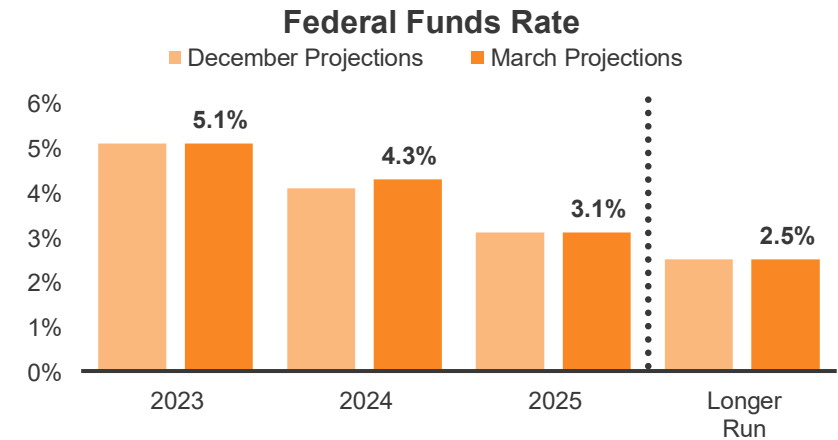
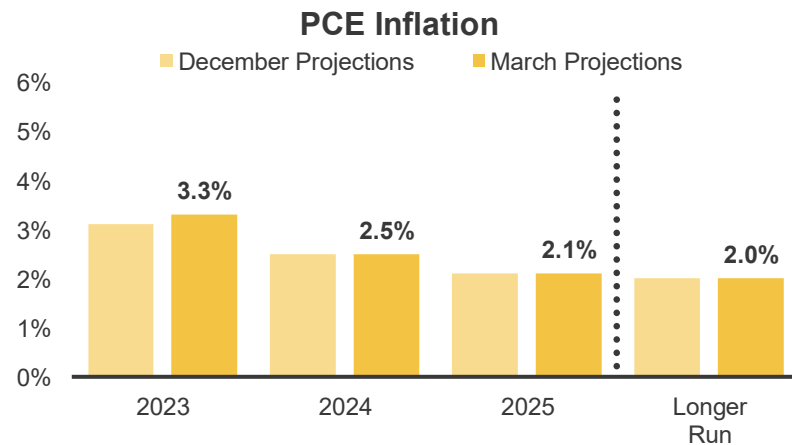
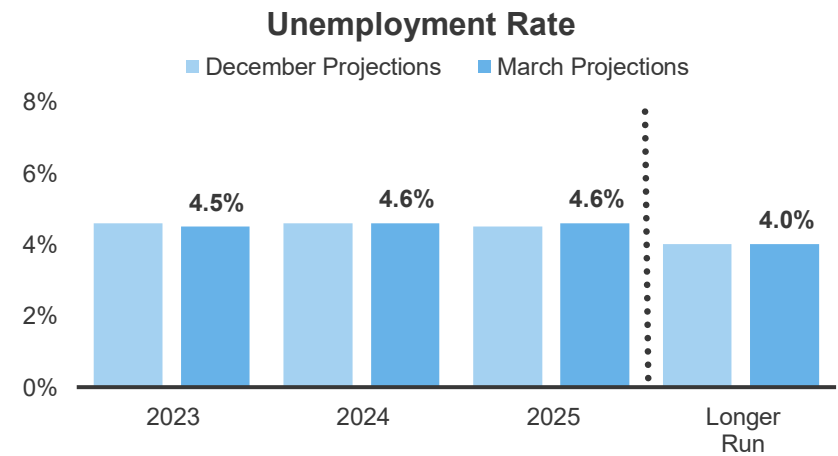
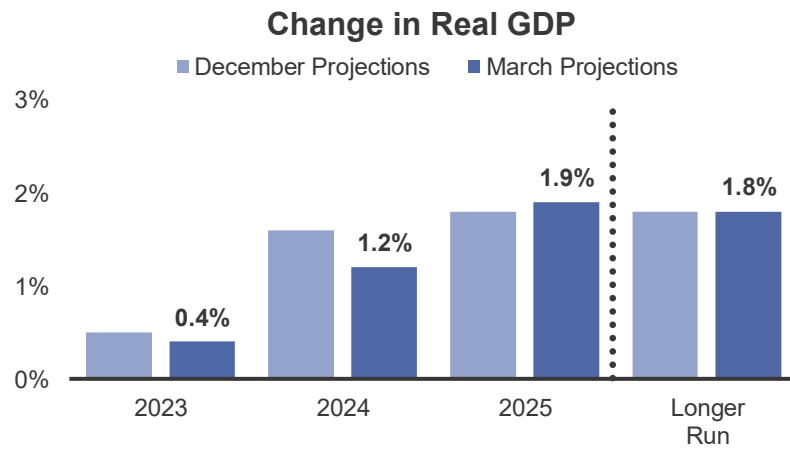
Source: Bloomberg, as of 03/31/2022.

### Fixed-Income Markets Total Returns 1-5 Year Indices



Source: ICE BofAML Indices. As of 03/31/2023.

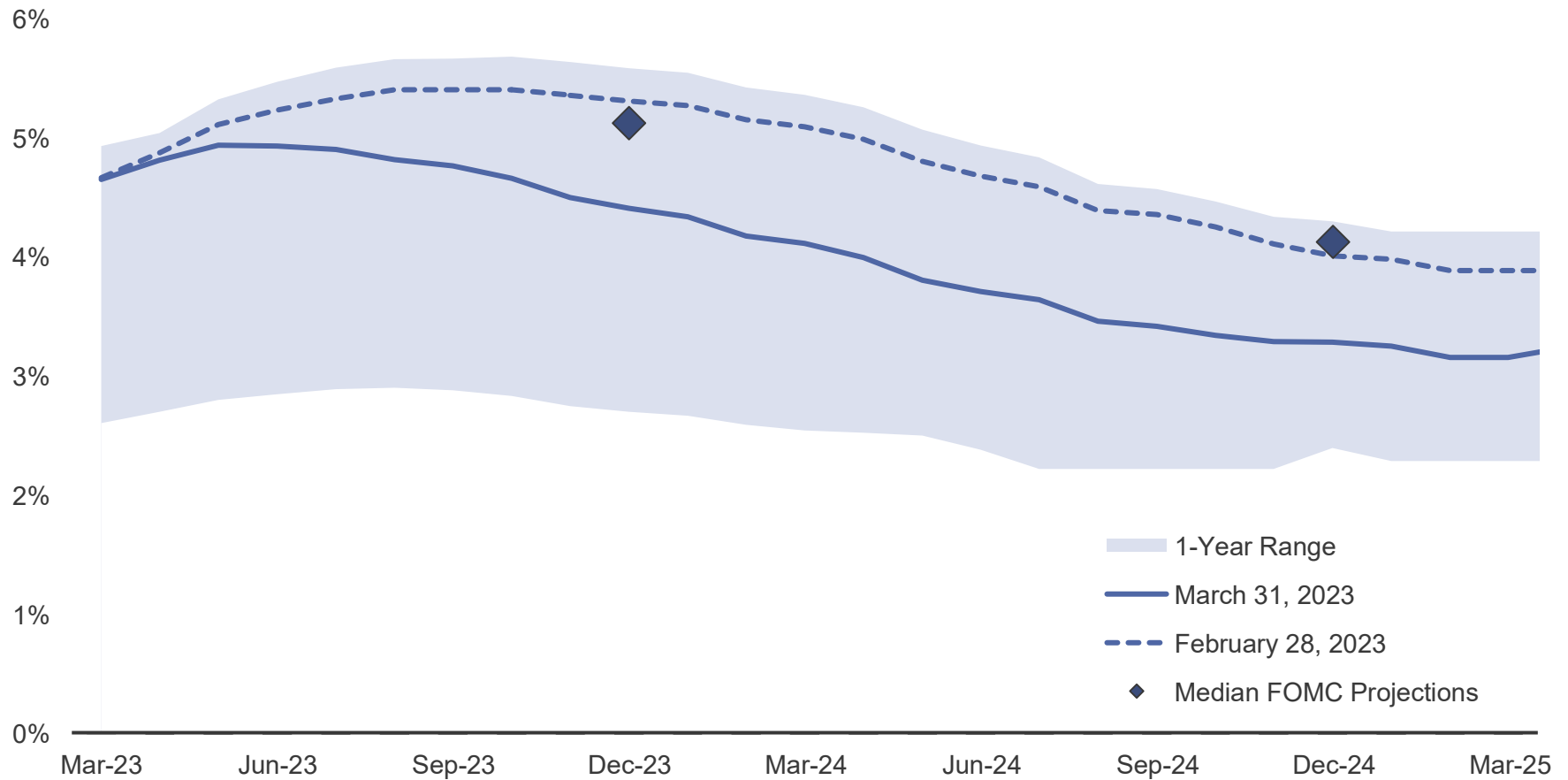
## Fed's Updated Projections Reflect Little Change From December



Source: Federal Reserve, latest economic projections as of March 2023.

## Market Expectations Evolve Amid Changing Policy Environment

### Implied Federal Funds Rate



Source: Bloomberg, Federal Reserve latest economic projection as of 03/31/2023.

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# Account Summary

The portfolio is in compliance with applicable state statutes and the City's Investment Policy C-7.

**Quarter Ended March 31, 2023 – 1Q23<sup>1</sup>**

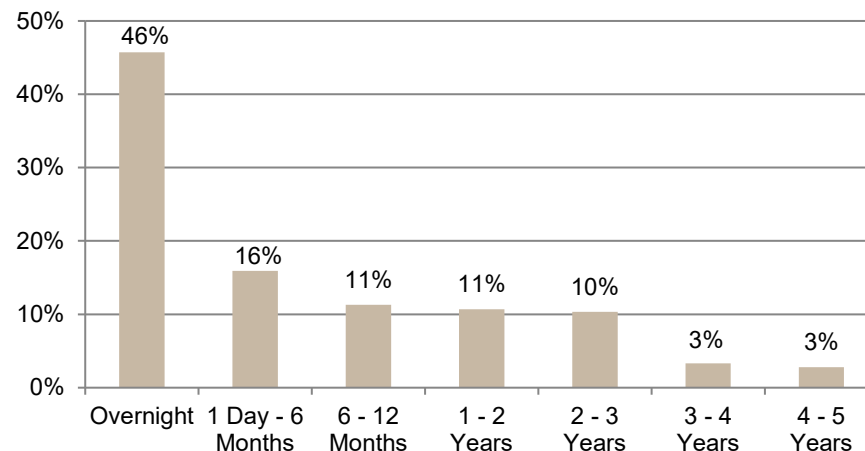
**Quarterly Summary**

Market Value (MV)	\$530,747,707
Amortized Cost	\$538,477,051
Portfolio Yield on Cost	2.43%
Weighted Average Maturity	0.76 years
Cash Basis Earnings for Quarter <sup>2</sup>	\$320,157
Accrual Basis Earnings for Quarter <sup>2</sup>	\$1,970,032
<b>Quarterly Change</b>	
Amortized Cost – 1Q23	\$538,477,051
Beginning MV – 4Q22	\$445,117,913
Net Contributions	(\$12,098,773)
Change in Cash	\$89,627,022
Change in MV	\$8,101,545
Ending MV – 1Q23	\$530,747,707

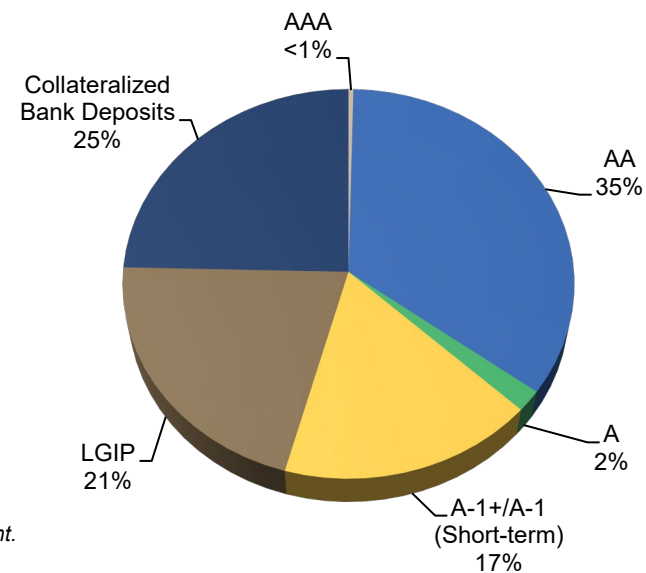
**Sector Distribution<sup>1</sup>**

Sector	Amortized Cost	Market Value	% of Portfolio	Allowed by Policy
U.S. Treasuries	\$196,191,764	\$191,444,352	36%	100%
Federal Agencies	\$31,997,096	\$31,411,432	6%	100%
Commercial Paper	\$29,791,811	\$29,776,010	6%	35%
Corporate Notes	\$37,807,578	\$35,427,110	7%	
LGIP	\$111,957,418	\$111,957,418	21%	ORS limit
Collateralized Deposit Accounts	\$130,731,384	\$130,731,384	25%	100%
<b>Total</b>	<b>\$538,477,051</b>	<b>\$530,747,707</b>	<b>100%</b>	

**Combined Portfolio Maturity Distribution<sup>4</sup>**



**Credit Quality Distribution<sup>3</sup>**



1. Combined portfolio includes funds in the PFMAM-managed portfolios, funds in the Oregon LGIP, and the City's U.S. Bank account.

Portfolio values are as of March 31, 2023 and exclude accrued interest on the PFMAM-managed funds.

2. Excludes earnings on LGIP and deposit accounts.

3. Ratings by Standard & Poor's (S&P).

4. Callable securities are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.



## Account Summary

CITY OF SALEM LONG-TERM PORTFOLIO			
Portfolio Values	March 31, 2023	Analytics <sup>1</sup>	March 31, 2023
PFMAM Managed Account	\$187,195,711	Yield at Market	4.22%
Amortized Cost	\$194,863,554	Yield on Cost	1.77%
Market Value	\$187,195,711	Portfolio Duration	1.88
Accrued Interest	\$550,910		
Cash	\$0		

CITY OF SALEM SHORT TERM PORTFOLIO			
Portfolio Values	March 31, 2023	Analytics <sup>1</sup>	March 31, 2023
PFMAM Managed Account	\$100,863,194	Yield at Market	4.75%
Amortized Cost	\$100,924,694	Yield on Cost	4.70%
Market Value	\$100,863,194	Portfolio Duration	0.35
Accrued Interest	\$15,082		
Cash	\$0		

1. Yield at market, yield on cost, and portfolio duration only include investments held within the separately managed account(s), excludes balances invested in overnight funds.

## Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
<b>U.S. Treasury</b>	<b>66.5%</b>	
UNITED STATES TREASURY	66.5%	AA / Aaa / AAA
<b>Federal Agency</b>	<b>10.9%</b>	
FEDERAL HOME LOAN BANKS	8.7%	AA / Aa / NR
FREDDIE MAC	2.1%	AA / Aaa / AAA
<b>Commercial Paper</b>	<b>10.3%</b>	
BNP PARIBAS	3.4%	A / Aa / AA
CREDIT AGRICOLE SA	3.4%	A / Aa / A
mitsubishi UFJ FINANCIAL GROUP INC	3.4%	A / Aa / A
<b>Corporate</b>	<b>12.3%</b>	
AMAZON.COM INC	1.6%	AA / A / AA
APPLE INC	2.4%	AA / Aaa / NR
BANK OF AMERICA CO	0.8%	A / A / AA
BLACKROCK INC	0.7%	AA / Aa / NR
CHEVRON CORPORATION	1.3%	AA / Aa / NR
JP MORGAN CHASE & CO	1.6%	A / A / AA
MICROSOFT CORP	0.7%	AAA / Aaa / NR
NIKE INC	0.8%	AA / A / NR
TORONTO-DOMINION BANK	0.8%	A / A / AA
VISA INC	0.8%	AA / Aa / NR
WAL-MART STORES INC	0.8%	AA / Aa / AA
<b>Total</b>	<b>100.0%</b>	

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Includes accrued interest and excludes balances invested in overnight funds.

## Certificate of Compliance

During the reporting period for the quarter ended March 31, 2023, the account(s) managed by PFM Asset Management ("PFMAM") were in compliance with the applicable investment policy and guidelines as furnished to PFMAM.

Acknowledged : *PFM Asset Management LLC*

*Note: Pre- and post-trade compliance for the account(s) managed by PFM Asset Management is provided via Bloomberg Asset and Investment Management ("AIM").*

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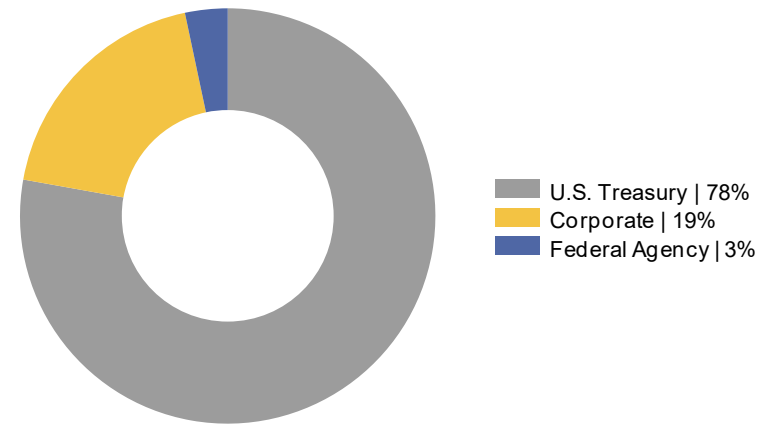
Portfolio Review:  
CITY OF SALEM LONG-TERM PORTFOLIO

## Portfolio Snapshot - CITY OF SALEM LONG-TERM PORTFOLIO<sup>1</sup>

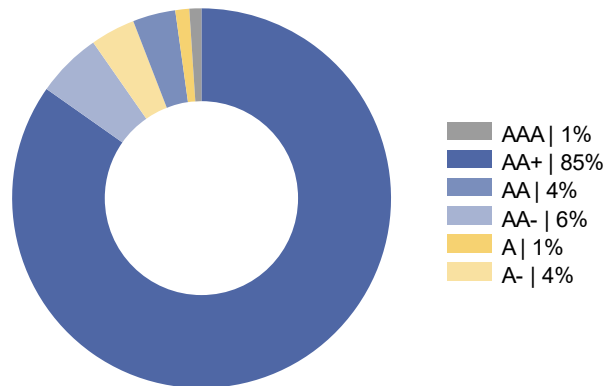
### Portfolio Statistics

<b>Total Market Value</b>	\$187,746,620.87
<i>Securities Sub-Total</i>	\$187,195,711.27
<i>Accrued Interest</i>	\$550,909.60
<i>Cash</i>	\$0.00
<b>Portfolio Effective Duration</b>	1.88 years
<b>Benchmark Effective Duration</b>	2.50 years
<b>Yield At Cost</b>	1.77%
<b>Yield At Market</b>	4.22%
<b>Portfolio Credit Quality</b>	AA

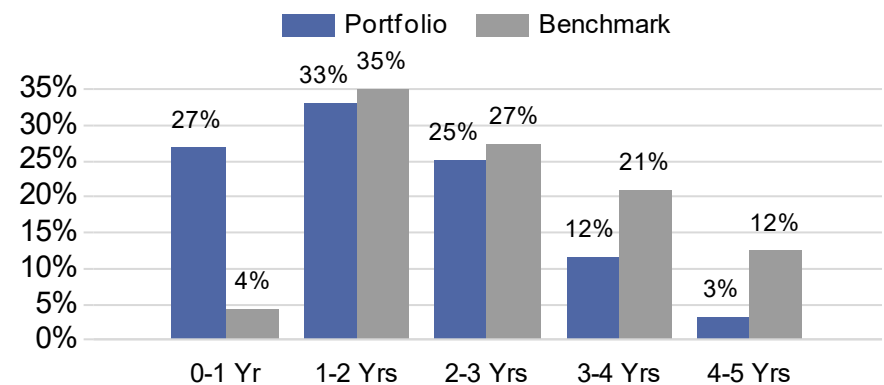
### Sector Allocation



### Credit Quality - S&P



### Duration Distribution



1. Yield and duration calculations exclude cash and cash equivalents. Sector allocation includes market values and accrued interest. The portfolio's benchmark is currently the ICE BofAML 1-5 Year U.S Treasury Index. Prior to 12/31/19 it was the 1-3 Year U.S Treasury Index. Prior to 6/30/16 it was the ICE BofAML 0-3 Year U.S Treasury Index. Source: Bloomberg. An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

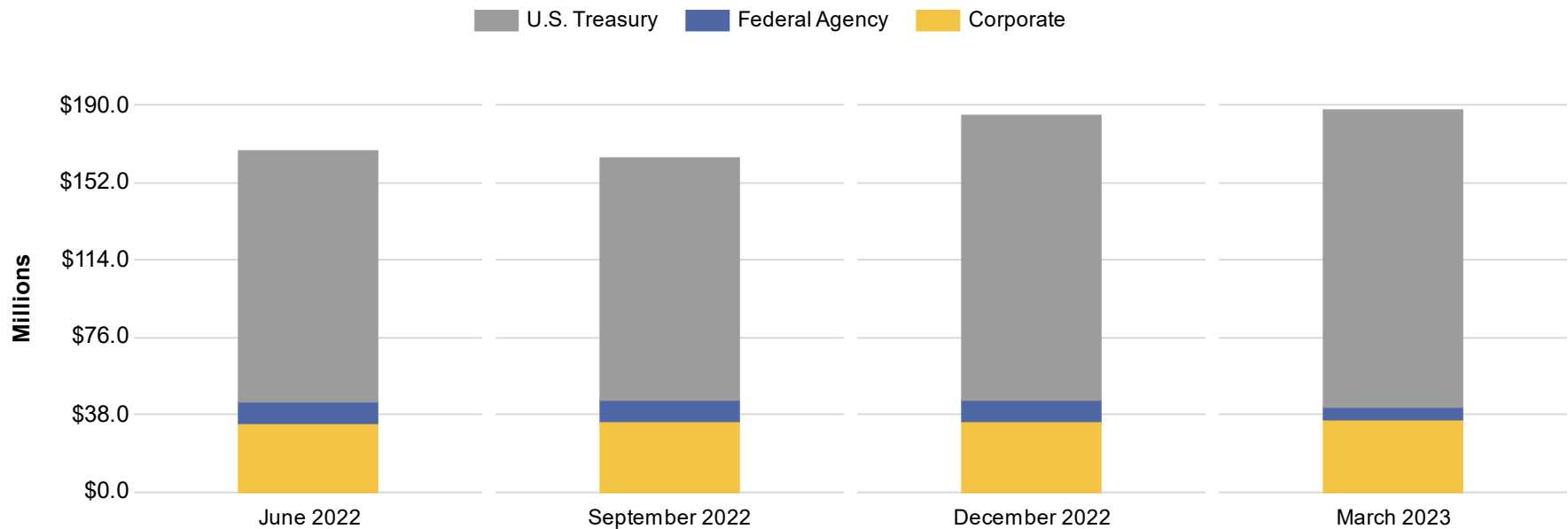
## Issuer Diversification - CITY OF SALEM LONG-TERM PORTFOLIO

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
<b>U.S. Treasury</b>	<b>77.8%</b>	
UNITED STATES TREASURY	77.8%	AA / Aaa / AAA
<b>Federal Agency</b>	<b>3.3%</b>	
FREDDIE MAC	3.3%	AA / Aaa / AAA
<b>Corporate</b>	<b>18.9%</b>	
AMAZON.COM INC	2.4%	AA / A / AA
APPLE INC	3.7%	AA / Aaa / NR
BANK OF AMERICA CO	1.3%	A / A / AA
BLACKROCK INC	1.1%	AA / Aa / NR
CHEVRON CORPORATION	2.0%	AA / Aa / NR
JP MORGAN CHASE & CO	2.5%	A / A / AA
MICROSOFT CORP	1.1%	AAA / Aaa / NR
NIKE INC	1.3%	AA / A / NR
TORONTO-DOMINION BANK	1.2%	A / A / AA
VISA INC	1.2%	AA / Aa / NR
WAL-MART STORES INC	1.2%	AA / Aa / AA
<b>Total</b>	<b>100.0%</b>	

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Includes accrued interest and excludes balances invested in overnight funds.

### Sector Allocation Review - CITY OF SALEM LONG-TERM PORTFOLIO

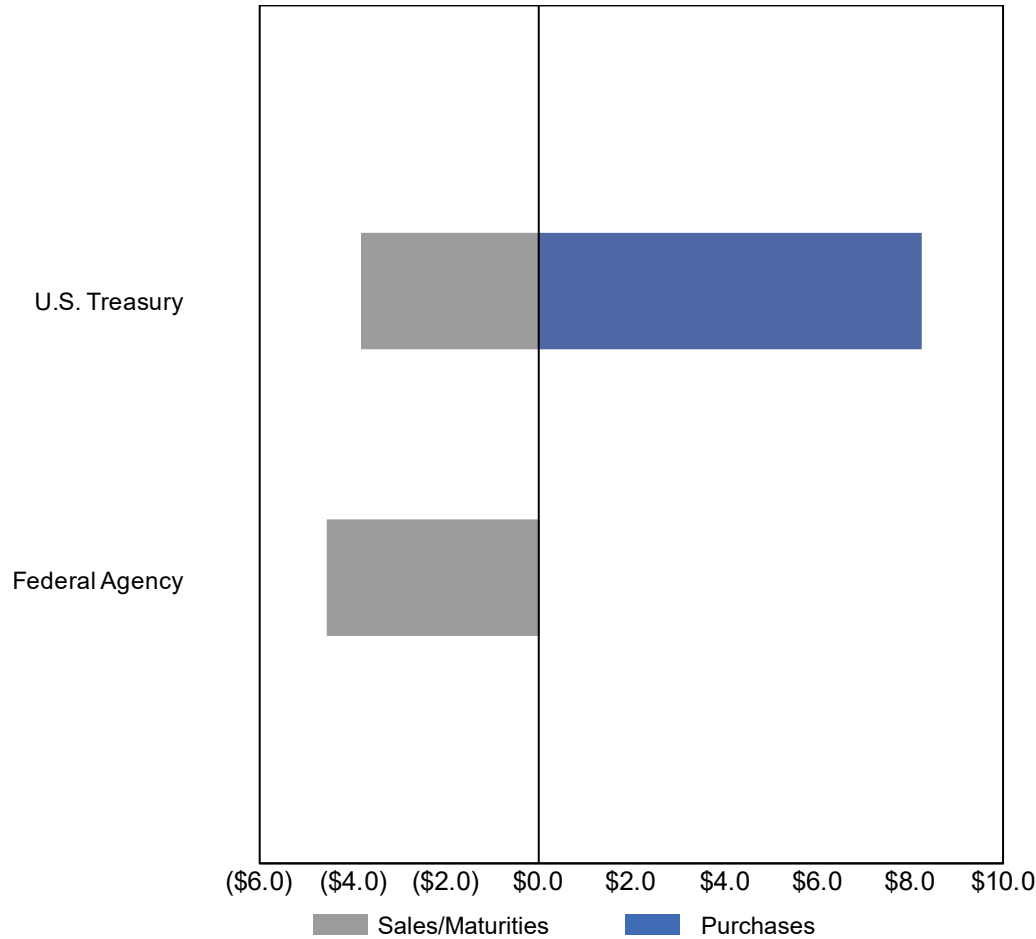
Security Type	Jun-22	% of Total	Sep-22	% of Total	Dec-22	% of Total	Mar-23	% of Total
U.S. Treasury	\$123.7	73.7%	\$118.8	72.5%	\$139.3	75.4%	\$145.6	77.8%
Federal Agency	\$10.7	6.4%	\$10.5	6.4%	\$10.6	5.7%	\$6.2	3.3%
Corporate	\$33.3	19.9%	\$34.6	21.1%	\$34.9	18.9%	\$35.4	18.9%
<b>Total</b>	<b>\$167.7</b>	<b>100.0%</b>	<b>\$163.9</b>	<b>100.0%</b>	<b>\$184.8</b>	<b>100.0%</b>	<b>\$187.2</b>	<b>100.0%</b>



Market values, excluding accrued interest. Only includes fixed-income securities held within the separately managed account(s) and LGIPs managed by PFMAM. Detail may not add to total due to rounding.

## Portfolio Activity - CITY OF SALEM LONG-TERM PORTFOLIO

**Net Activity by Sector**  
(\$ millions)

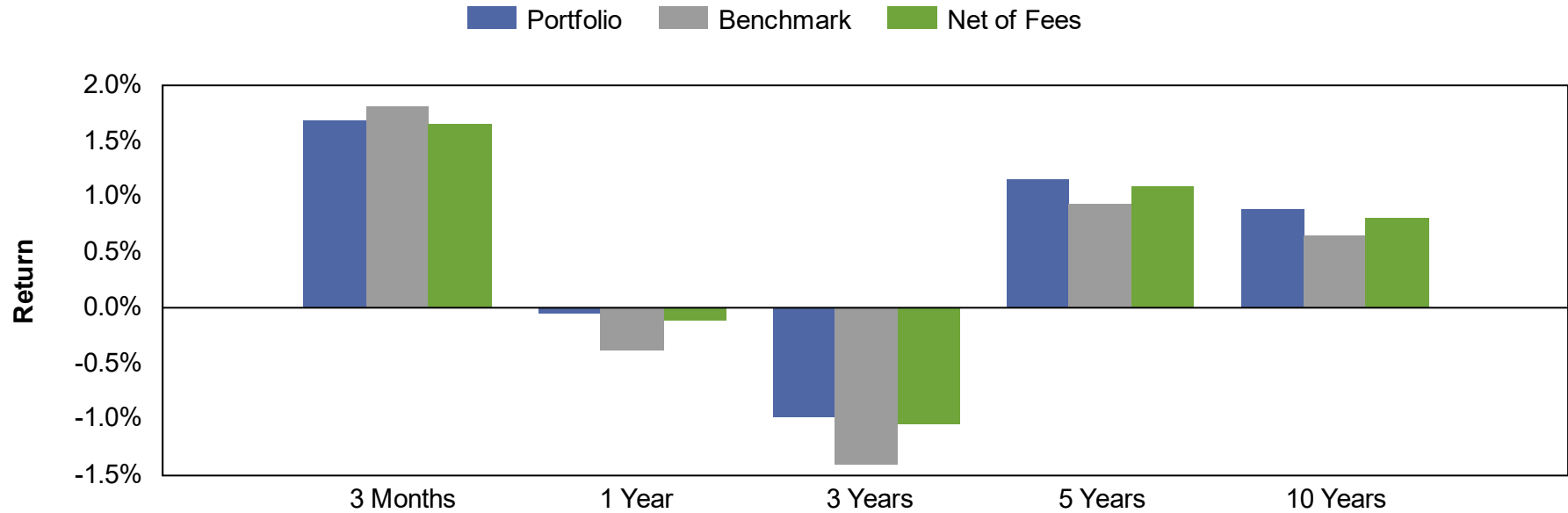


Sector	Net Activity
U.S. Treasury	\$4,429,087
Federal Agency	(\$4,530,938)
<b>Total Net Activity</b>	<b>(\$101,851)</b>

Based on total proceeds (principal and accrued interest) of buys, sells, maturities, and principal paydowns. Detail may not add to total due to rounding.



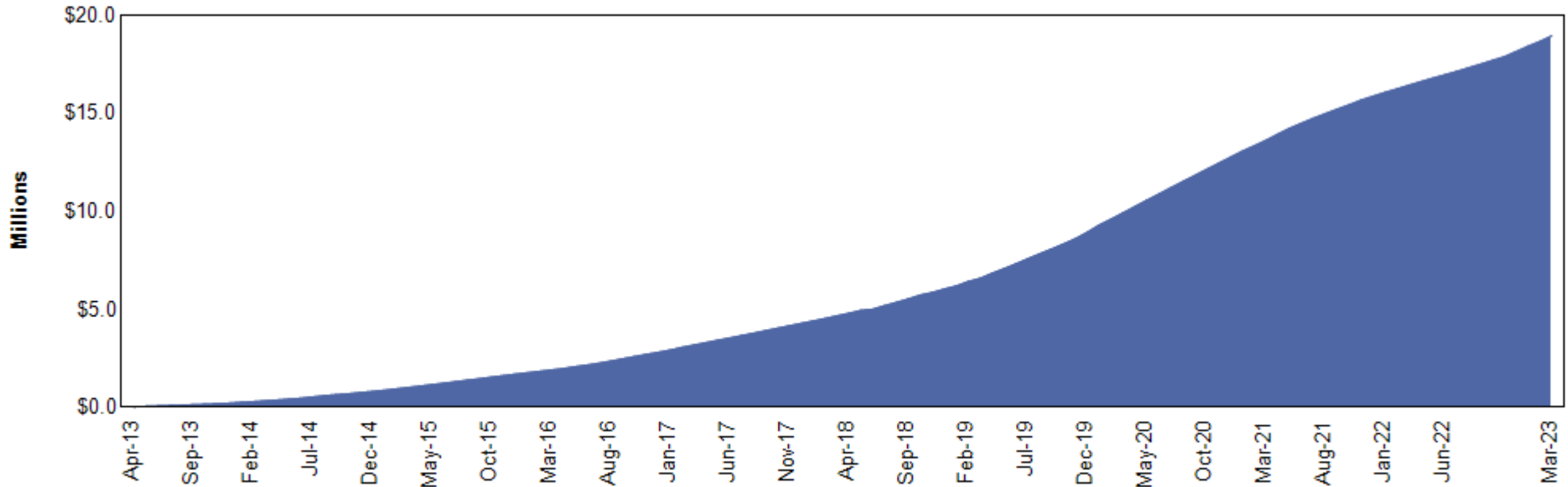
### Portfolio Performance - CITY OF SALEM LONG-TERM PORTFOLIO



Market Value Basis Earnings	3 Months	1 Year	3 Years	5 Years	10 Years
Interest Earned <sup>2</sup>	\$623,607	\$2,344,521	\$8,464,870	\$13,335,813	\$19,674,586
Change in Market Value	\$2,487,118	(\$2,123,968)	(\$13,423,943)	(\$5,313,185)	(\$8,449,174)
<b>Total Dollar Return</b>	<b>\$3,110,725</b>	<b>\$220,553</b>	<b>(\$4,959,073)</b>	<b>\$8,022,628</b>	<b>\$11,225,412</b>
<b>Total Return<sup>3</sup></b>					
Portfolio	1.68%	-0.04%	-0.97%	1.17%	0.89%
Benchmark <sup>4</sup>	1.82%	-0.38%	-1.41%	0.94%	0.66%
<b>Basis Point Fee</b>	<b>0.02%</b>	<b>0.08%</b>	<b>0.07%</b>	<b>0.07%</b>	<b>0.07%</b>
<b>Net of Fee Return</b>	<b>1.66%</b>	<b>-0.11%</b>	<b>-1.04%</b>	<b>1.10%</b>	<b>0.82%</b>

1. The lesser of 10 years or since inception is shown. Since inception returns for periods one year or less are not shown. Performance inception date is December 31, 2012.  
 2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.  
 3. Returns for periods one year or less are presented on a periodic basis. Returns for periods greater than one year are presented on an annualized basis.  
 4. The portfolio's benchmark is currently the ICE BofAML 1-5 Year U.S Treasury Index. Prior to 12/31/19 is was the 1-3 Year U.S Treasury Index. Prior to 6/30/16 it was the ICE BofAML 0-3 Year U.S Treasury Index. Source: Bloomberg.

### Accrual Basis Earnings - CITY OF SALEM LONG-TERM PORTFOLIO



Accrual Basis Earnings	3 Months	1 Year	3 Years	5 Year	10 Year <sup>1</sup>
Interest Earned <sup>2</sup>	\$623,607	\$2,344,521	\$8,464,870	\$13,335,813	\$19,674,586
Realized Gains / (Losses) <sup>3</sup>	-	(\$12,857)	\$164,118	(\$227,918)	(\$73,544)
Change in Amortized Cost	\$177,979	\$188,735	\$406,052	\$1,180,522	(\$639,803)
<b>Total Earnings</b>	<b>\$801,587</b>	<b>\$2,520,398</b>	<b>\$9,035,040</b>	<b>\$14,288,417</b>	<b>\$18,961,239</b>

1. The lesser of 10 years or since inception is shown. Performance inception date is December 31, 2012.

2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

3. Realized gains / (losses) are shown on an amortized cost basis.

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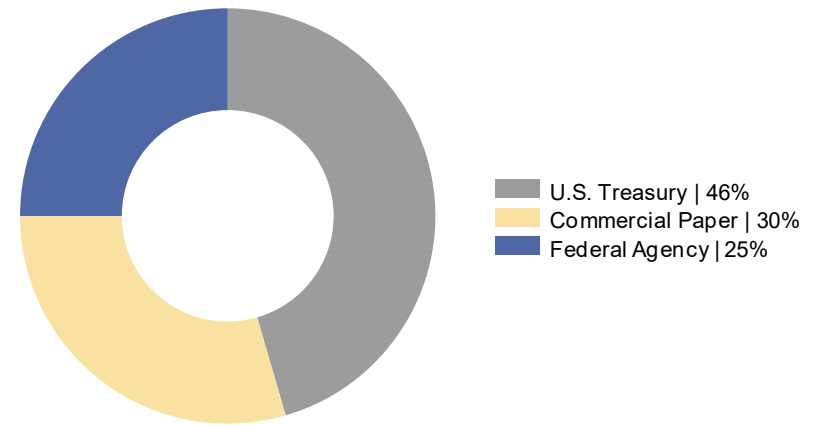
Portfolio Review:  
CITY OF SALEM SHORT TERM PORTFOLIO

## Portfolio Snapshot - CITY OF SALEM SHORT TERM PORTFOLIO<sup>1</sup>

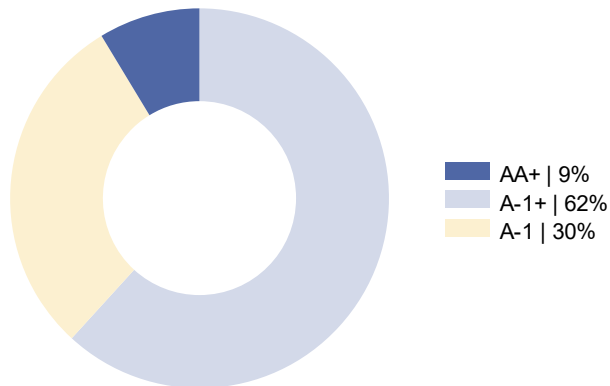
### Portfolio Statistics

<b>Total Market Value</b>	\$100,878,276.07
<i>Securities Sub-Total</i>	\$100,863,193.65
<i>Accrued Interest</i>	\$15,082.42
<i>Cash</i>	\$0.00
<b>Portfolio Effective Duration</b>	0.35 years
<b>Yield At Cost</b>	4.70%
<b>Yield At Market</b>	4.75%
<b>Portfolio Credit Quality</b>	AA

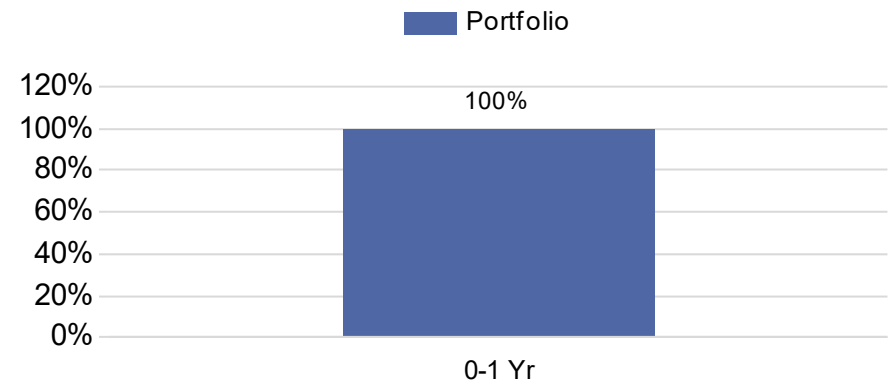
### Sector Allocation



### Credit Quality - S&P



### Duration Distribution



1. Yield and duration calculations exclude cash and cash equivalents. Sector allocation includes market values and accrued interest. An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

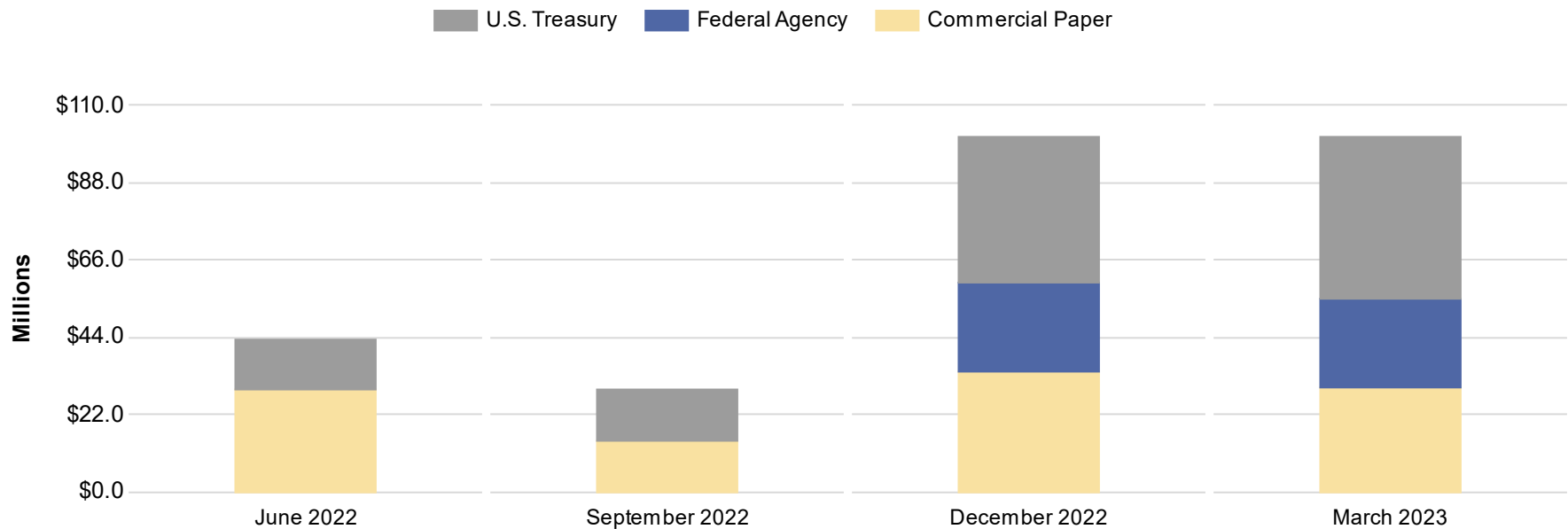
## Issuer Diversification - CITY OF SALEM SHORT TERM PORTFOLIO

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
<b>U.S. Treasury</b>	<b>45.5%</b>	
UNITED STATES TREASURY	45.5%	AA / Aa / AA
<b>Federal Agency</b>	<b>25.0%</b>	
FEDERAL HOME LOAN BANKS	25.0%	AA / Aa / NR
<b>Commercial Paper</b>	<b>29.5%</b>	
BNP PARIBAS	9.9%	A / Aa / AA
CREDIT AGRICOLE SA	9.8%	A / Aa / A
MITSUBISHI UFJ FINANCIAL GROUP INC	9.8%	A / Aa / A
<b>Total</b>	<b>100.0%</b>	

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Includes accrued interest and excludes balances invested in overnight funds.

### Sector Allocation Review - CITY OF SALEM SHORT TERM PORTFOLIO

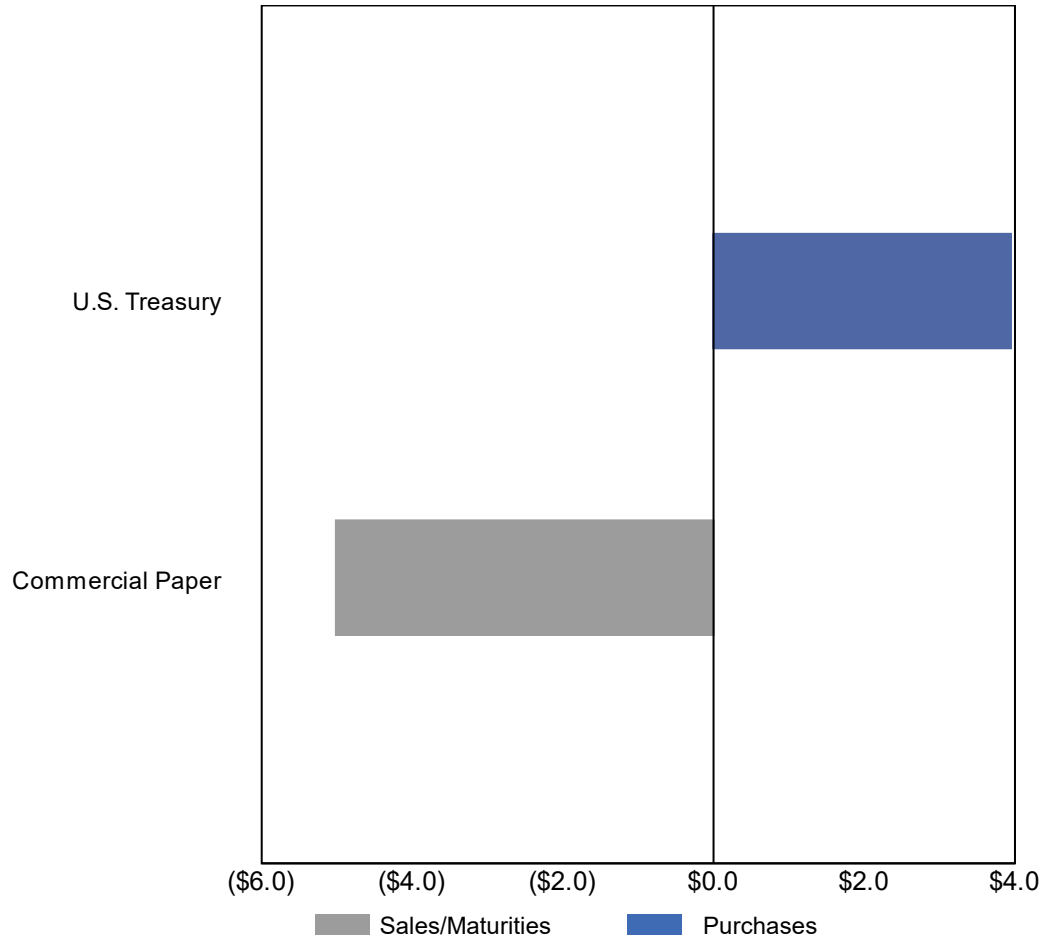
Security Type	Jun-22	% of Total	Sep-22	% of Total	Dec-22	% of Total	Mar-23	% of Total
U.S. Treasury	\$14.4	33.2%	\$14.4	49.7%	\$41.4	41.2%	\$45.9	45.5%
Federal Agency	\$0.0	0.0%	\$0.0	0.0%	\$24.9	24.7%	\$25.2	25.0%
Commercial Paper	\$28.9	66.8%	\$14.6	50.3%	\$34.4	34.1%	\$29.8	29.5%
<b>Total</b>	<b>\$43.2</b>	<b>100.0%</b>	<b>\$29.0</b>	<b>100.0%</b>	<b>\$100.7</b>	<b>100.0%</b>	<b>\$100.9</b>	<b>100.0%</b>



Market values, excluding accrued interest. Only includes fixed-income securities held within the separately managed account(s) and LGIPs managed by PFMAM. Detail may not add to total due to rounding.

## Portfolio Activity - CITY OF SALEM SHORT TERM PORTFOLIO

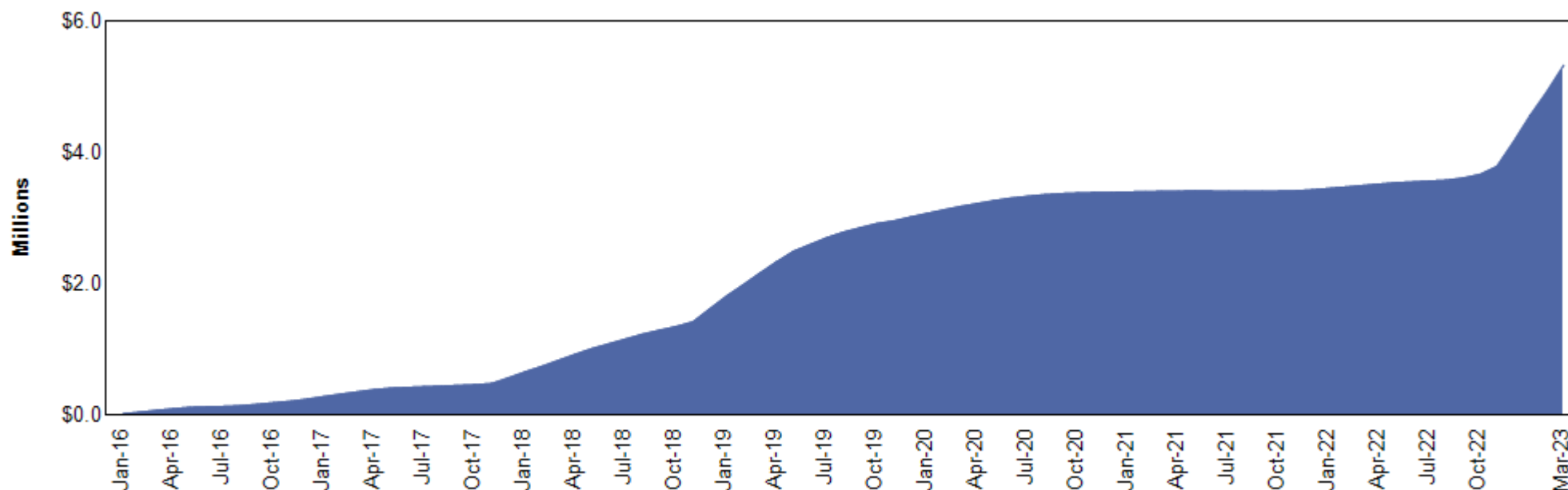
**Net Activity by Sector**  
(\$ millions)



Sector	Net Activity
U.S. Treasury	\$3,955,947
Commercial Paper	(\$5,000,000)
<b>Total Net Activity</b>	<b>(\$1,044,053)</b>

Based on total proceeds (principal and accrued interest) of buys, sells, maturities, and principal paydowns. Detail may not add to total due to rounding.

## Accrual Basis Earnings - CITY OF SALEM SHORT TERM PORTFOLIO



Accrual Basis Earnings	3 Months	1 Year	3 Years	5 Year	Since Inception <sup>1</sup>
Interest Earned <sup>2</sup>	\$11,126	\$15,082	\$172,537	\$512,727	\$723,764
Realized Gains / (Losses) <sup>3</sup>	-	-	-	-	\$4,369
Change in Amortized Cost	\$1,153,808	\$1,816,069	\$1,976,703	\$3,976,027	\$4,601,705
<b>Total Earnings</b>	<b>\$1,164,935</b>	<b>\$1,831,151</b>	<b>\$2,149,240</b>	<b>\$4,488,754</b>	<b>\$5,329,838</b>

1. The lesser of 10 years or since inception is shown. Performance inception date is January 1, 1900.

2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

3. Realized gains / (losses) are shown on an amortized cost basis.

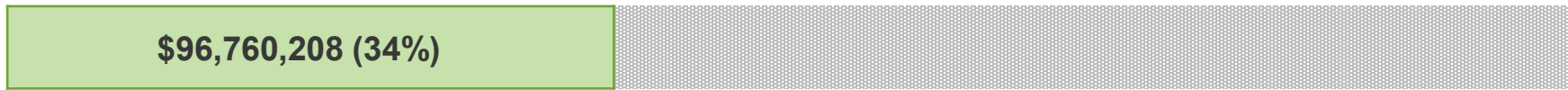


# ESG Overview



### ESG-Rated Portfolio

**16**/17 issuers with a total MV of \$288.6 million<sup>1</sup>

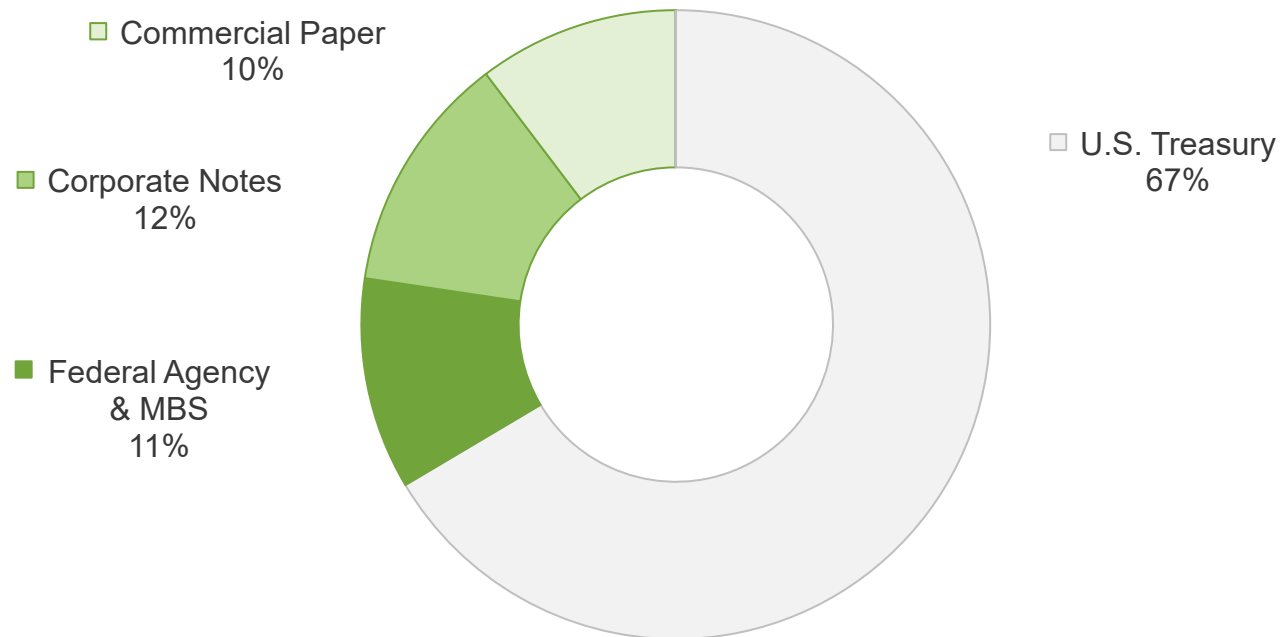


**\$96,760,208 (34%)**

**Non-ESG Rated Issuers:**  
U.S. Treasuries

### Sector Allocation

*Green shades are ESG-rated sectors*



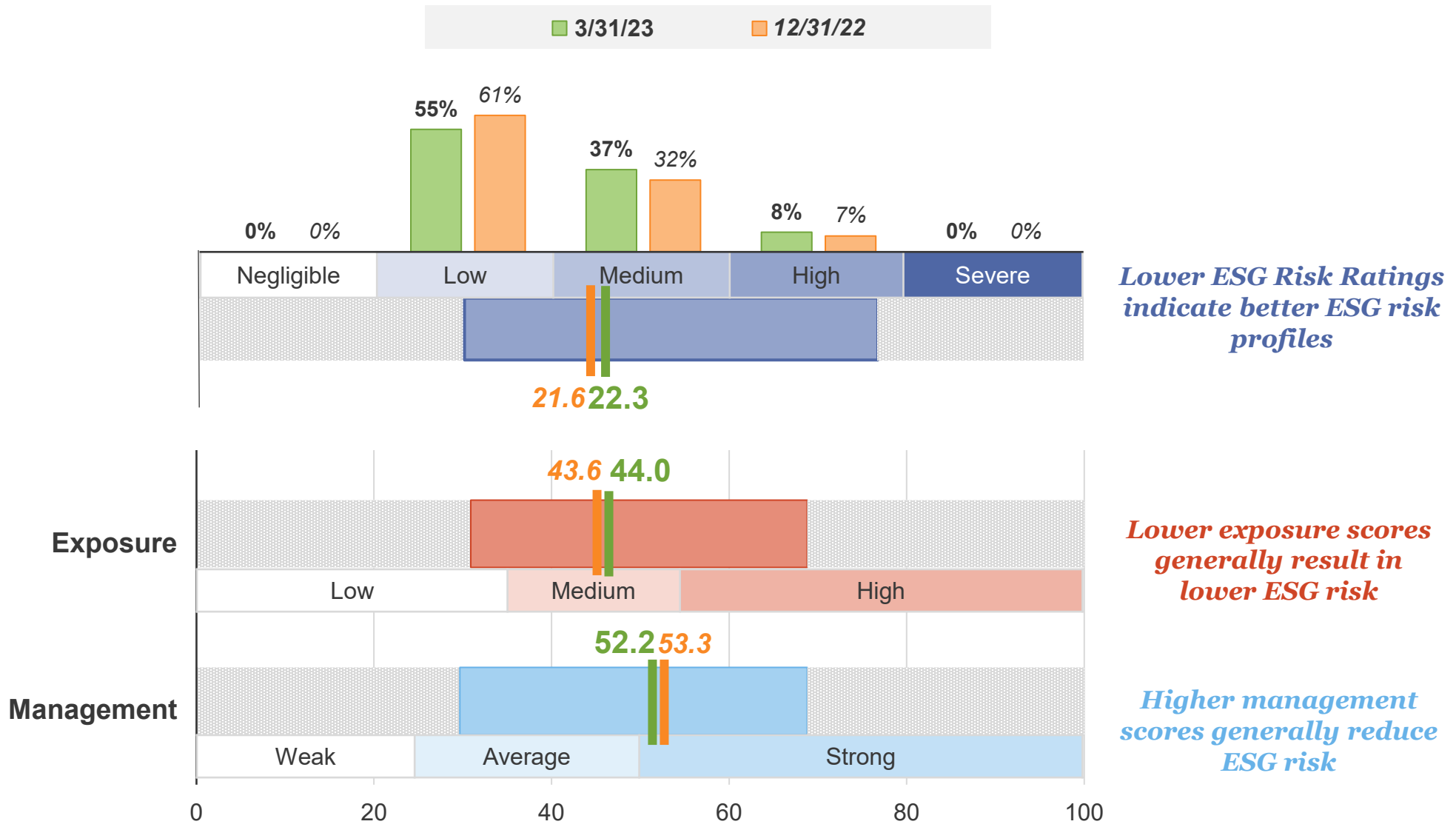
Commercial Paper  
10%

Corporate Notes  
12%

Federal Agency  
& MBS  
11%

U.S. Treasury  
67%

### Quarter-Over-Quarter Summary Comparison



Data Source: Sustainalytics. Data as of March 31, 2023 and December 31, 2022, as indicated. Please see important disclosures at the end of this presentation.

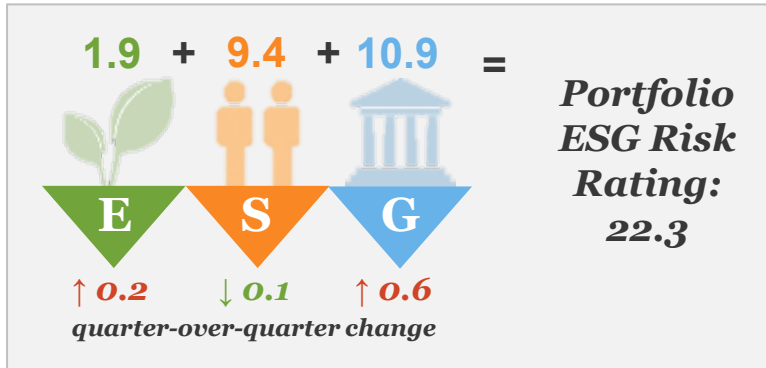
## Holdings as of March 31, 2023

Issuer	% Weight	Subindustry	Subindustry Percentile	ESG Risk Rating 3/31/23	QoQ Change in ESG Rating	Contributions		
						E	S	G
Microsoft Corp	0.7%	Enterprise and Infrastructure Software	6	15.0	-	12%	52%	36%
Apple Inc	2.4%	Technology Hardware	20	16.9	+0.2	7%	33%	59%
Visa, Inc.	0.8%	Data Processing	25	17.7	+2.1	12%	47%	41%
BlackRock, Inc.	0.7%	Asset Management and Custody Services	6	18.3	-	4%	40%	57%
Mitsubishi UFJ Financial Group Inc	3.4%	Diversified Banks	12	18.3	+0.4	6%	46%	48%
Federal Home Loan Bank System	8.7%	Consumer Finance	14	18.8	-	-	53%	47%
Nike Inc.	0.8%	Footwear	79	19.6	+2.6	15%	49%	36%
The Toronto-Dominion Bank	0.8%	Diversified Banks	17	19.9	-	5%	40%	55%
Walmart Inc.	0.8%	Food Retail	18	21.3	(3.4)	22%	48%	30%
Federal Home Loan Mortgage Corp	2.1%	Thriffs and Mortgages	26	22.9	-	-	55%	45%
Crédit Agricole SA	3.4%	Diversified Banks	37	25.1	-	4%	38%	58%
BNP Paribas SA	3.4%	Diversified Banks	38	25.5	-	7%	27%	66%
Bank of America Corporation	0.8%	Diversified Banks	54	28.3	+1.5	5%	42%	53%
JPMorgan Chase & Co.	1.6%	Diversified Banks	57	29.3	-	4%	42%	54%
Amazon.com Inc	1.6%	Online and Direct Marketing Retail	94	30.3	-	23%	43%	33%
Chevron Corporation	1.3%	Integrated Oil & Gas	36	38.4	-	49%	24%	27%

# Additional ESG Information



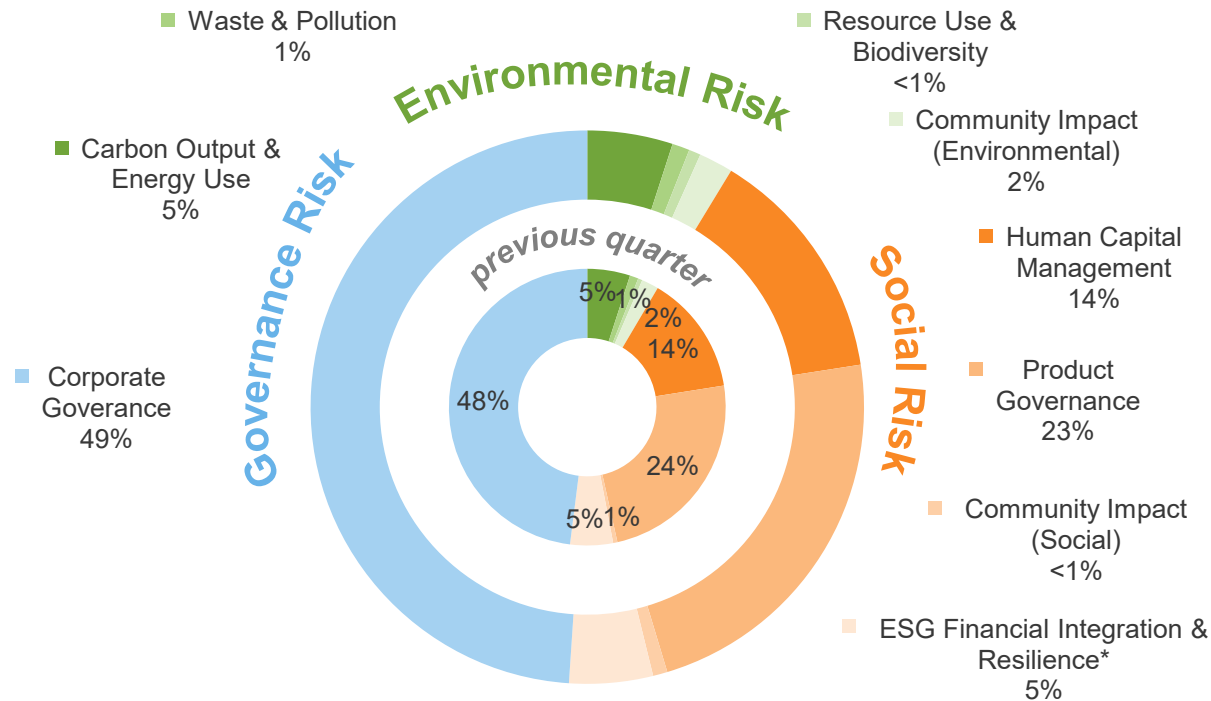
### Risk Contribution by ESG Themes



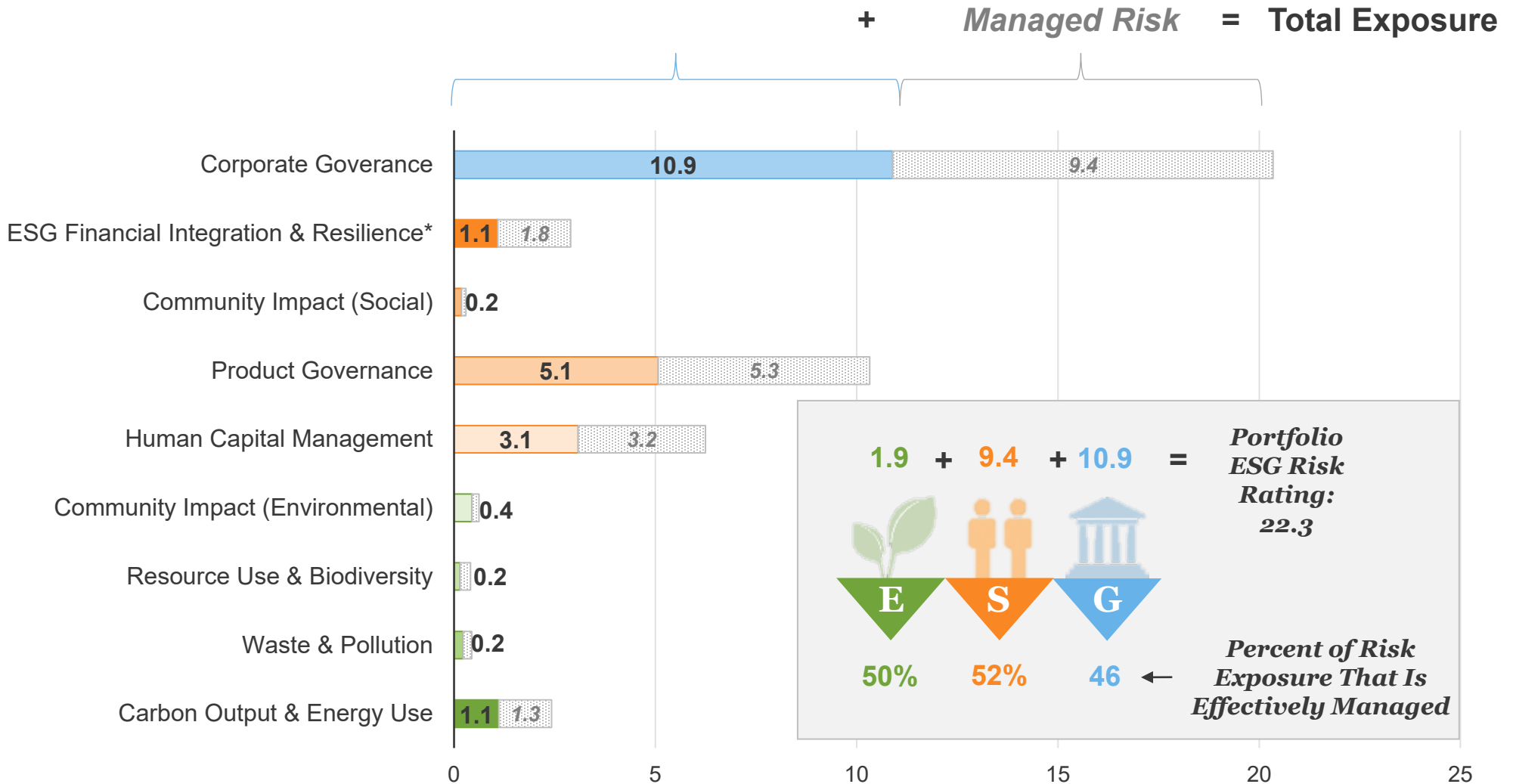
*Environmental risk evaluates how a company manages its environmental impact and carbon footprint*

*Social risk analyzes how a company treats employees, customers, the community, and other stakeholders as well as other companies it interacts with*

*Governance risk assesses how a company is managed from the perspective of executive pay, internal controls, board composition, lobbying practices, and related issues*



### ESG Risk Exposure by ESG Theme

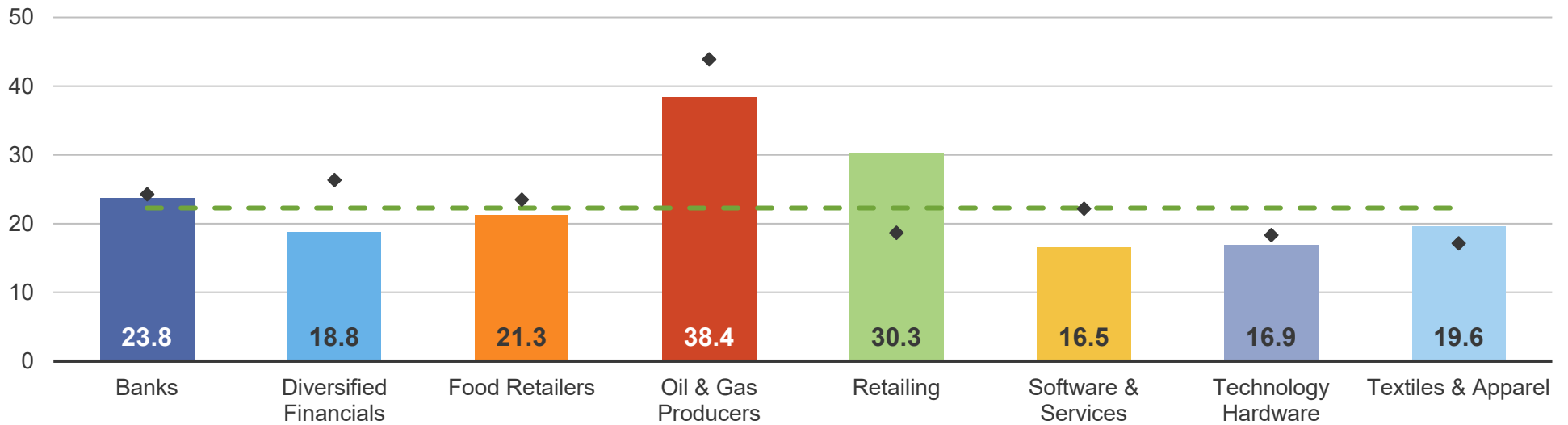


Source: Sustainalytics. ESG Themes were created by PFMAM based on the material ESG issues (“MEIs”) and ESG indicators developed and defined by Sustainalytics. Please see the ESG Themes Glossary provided in the Appendix for additional information and details. \* Only applies to financial service industries.

## ESG Investments – Industry Diversification

### ESG Risk Rating by Industry

◆ Overall Industry Average



### Industry Distribution

(# of Issuers)



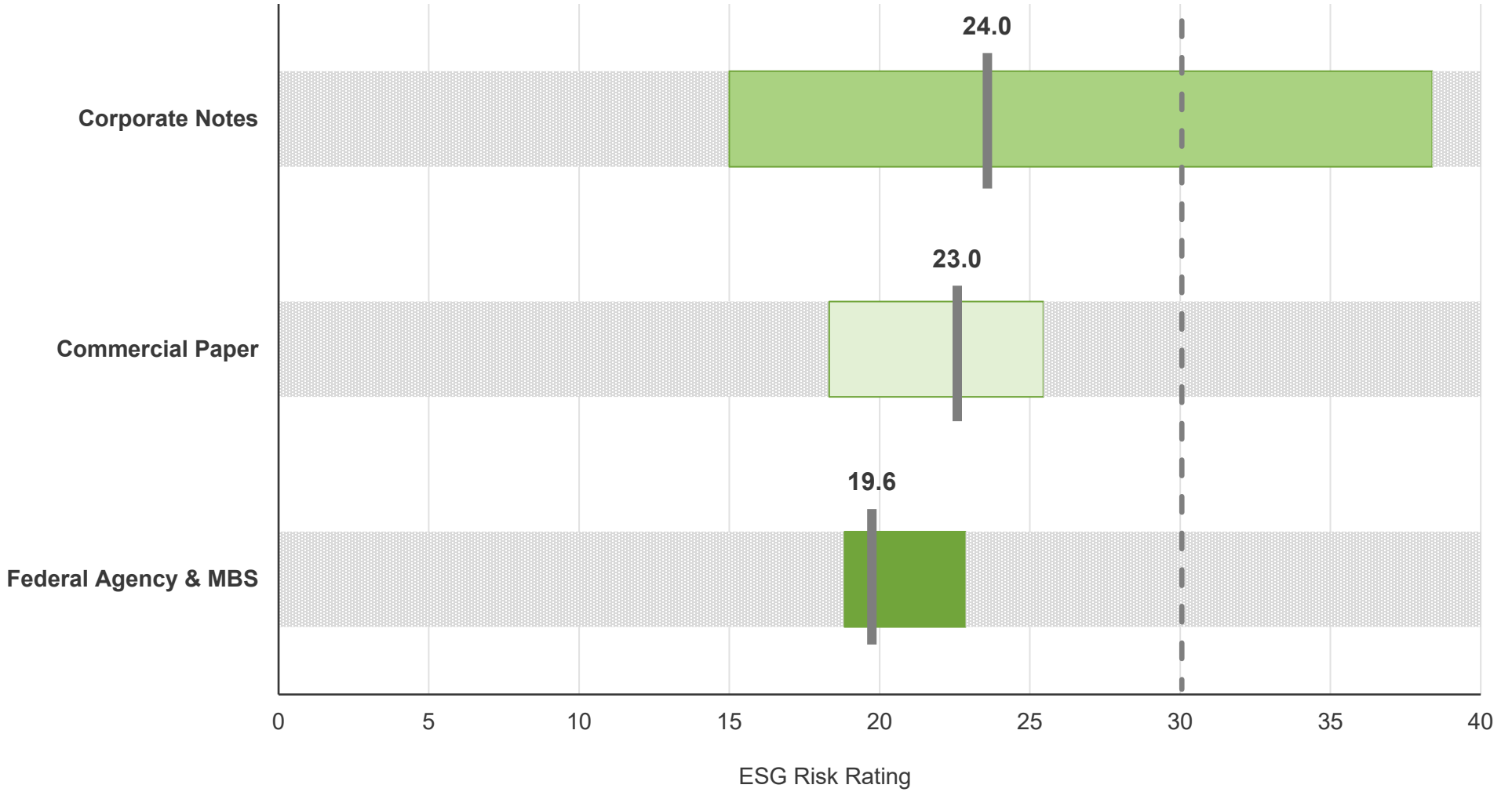
(Allocation % of Market Value)



Portfolio holdings and Sustainalytics data as of March 31, 2023. "ESG Risk Rating by Industry" represents the market value-weighted average ESG risk rating for each industry, as classified by Sustainalytics. "Industry Distribution" charts show the total number of issuers per industry and the allocation as percentage of portfolio market value.



### ESG Investments – ESG Risk Rating by Sector



Source: Sustainalytics. Data as of March 31, 2023. Bars represent the range of held issuers' ESG risk rating that fall under each sector, and lines indicate the sectors market value-weighted average ESG risk rating. Corporate notes with ESG Risk Score greater than permitted maximum were purchased before ESG strategy was put in place. Please see important disclosures at the end of this presentation.

# Appendix

## *ESG Themes Information*



	ESG Theme	Theme Description	Key Indicators
<p style="text-align: center; font-weight: bold; color: white;">Environment</p>	<p>Carbon Output &amp; Energy Use</p>	<p>Refers to a company’s management of risks related to its energy efficiency and greenhouse gas emissions in its operation as well as its products and services in the production phase and during the product use phase</p>	<ul style="list-style-type: none"> <li>• Carbon intensity</li> <li>• Renewable energy use</li> <li>• Env. Mgt. System certification</li> <li>• GHG reporting / risk management</li> <li>• Hazardous products</li> <li>• Sustainable products &amp; services</li> </ul>
	<p>Waste &amp; Pollution</p>	<p>Evaluates the management of emissions and releases from a company’s own operations to air, water, and land, excluding greenhouse gas emissions</p>	<ul style="list-style-type: none"> <li>• Emergency response program</li> <li>• Solid waste management</li> <li>• Effluent management</li> <li>• Radioactive waste management</li> <li>• Hazardous waste management</li> <li>• Non-GHG air emissions programs</li> <li>• Oil spill disclosure &amp; performance</li> <li>• Recycled material use</li> </ul>
	<p>Resource Use &amp; Biodiversity</p>	<p>Analyzes how efficiently and effectively a company uses its raw material inputs and water in production. It also encompasses how a company manages the impact of its operations on land, ecosystems, and wildlife</p>	<ul style="list-style-type: none"> <li>• Biodiversity programs</li> <li>• Deforestation programs / polices</li> <li>• Site closure &amp; rehabilitation</li> <li>• Water intensity &amp; risk management</li> <li>• Forest certifications</li> <li>• Supplier environmental programs / certifications</li> <li>• Sustainable agriculture programs</li> </ul>
	<p>Community Impact (Environmental)</p>	<p>Evaluates the community impact from an environmental risk perspective based on an assessment of Community Relations, Products &amp; Services, Occupational Health and Safety, and Product Governance</p>	<ul style="list-style-type: none"> <li>• Env Impact – Community Relations</li> <li>• Env Impact – Products &amp; Services</li> <li>• Env Impact – Occupational Health and Safety</li> <li>• Env Impact – Product Governance</li> </ul>

ESG Themes listed were created by PFMAM for educational purposes based on the material ESG issues (“MEIs”) and ESG indicators developed and defined by Sustainalytics.

	ESG Theme	Theme Description	Key Indicators
<b>Social</b>	Human Capital Management	Evaluates the management of risks related to human rights, labor rights, equality, talent development, employee retention, and labor health and safety	<ul style="list-style-type: none"> <li>• Discrimination policy</li> <li>• Diversity programs</li> <li>• Gender pay equality / disclosures</li> <li>• Employee development</li> <li>• Supply chain management / standards</li> <li>• Human rights policies &amp; programs</li> <li>• Employee health &amp; safety</li> </ul>
	Product Governance	Focuses on the management of risks related to product quality, safety, wellness, and nutrition, as well as customer data privacy & cybersecurity	<ul style="list-style-type: none"> <li>• Product &amp; service safety programs / certifications</li> <li>• Data privacy management</li> <li>• Media &amp; advertising ethics policy</li> <li>• Organic products / GMO policy</li> <li>• Product health statement</li> </ul>
	Community Impact (Social)	Assesses how companies engage with local communities and their management of access to essential products or services to disadvantaged communities or groups	<ul style="list-style-type: none"> <li>• Equitable pricing and availability</li> <li>• Access to health care</li> <li>• Price transparency</li> <li>• Human rights / indigenous policy</li> <li>• Community involvement programs</li> <li>• Noise management</li> </ul>
	ESG Financial Integration & Resilience*	Analyzes financial stability and issues that pose systemic risks and potential external costs to society in the financial services industry. Also measures ESG activities by financial institutions	<ul style="list-style-type: none"> <li>• Systemic risk management / reporting</li> <li>• Tier 1 capital</li> <li>• Leverage ratio</li> <li>• Responsible investment / asset management</li> <li>• Underwriting standards</li> <li>• Financial inclusion</li> <li>• Credit &amp; loan standards</li> <li>• Green buildings investments</li> </ul>

\* Only applies to financial service industries

ESG Themes listed were created by PFMAM for educational purposes based on the material ESG issues ("MEIs") and ESG indicators developed and defined by Sustainalytics.

## ESG Themes Glossary

ESG Theme	Theme Description	Key Indicators
<p><b>Governance</b></p>	<p>Corporate Governance</p> <p>Evaluates a company's rules, policies, and practices with a focus on how a company's board of directors manages and oversees the operations of a company. Also assesses the management of general professional ethics and lobbying activities</p>	<ul style="list-style-type: none"> <li>• Board/management quality &amp; integrity</li> <li>• Board structure</li> <li>• Ownership &amp; shareholder rights</li> <li>• Remuneration</li> <li>• Audit &amp; financial reporting</li> <li>• Stakeholder governance</li> <li>• Bribery &amp; corruption policies / programs</li> <li>• Money laundering policy</li> <li>• Whistleblower programs</li> <li>• Business ethics programs</li> <li>• Political involvement policy</li> <li>• Lobbying and political expenses</li> </ul>

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# Portfolio Holdings and Transactions

**Managed Account Detail of Securities Held - CITY OF SALEM LONG-TERM PORTFOLIO**

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>U.S. Treasury</b>											
US TREASURY NOTES DTD 05/02/2016 1.625% 04/30/2023	912828R28	4,500,000.00	AA+	Aaa	1/17/2020	1/22/2020	4,506,503.91	1.58	30,704.42	4,500,157.97	4,489,452.90
US TREASURY NOTES DTD 08/01/2016 1.250% 07/31/2023	912828S92	3,750,000.00	AA+	Aaa	11/19/2019	11/21/2019	3,702,685.55	1.60	7,769.34	3,745,752.93	3,705,468.75
US TREASURY NOTES DTD 08/31/2016 1.375% 08/31/2023	912828D1	4,500,000.00	AA+	Aaa	1/17/2020	1/22/2020	4,466,425.78	1.59	5,380.43	4,496,125.07	4,438,125.00
US TREASURY NOTES DTD 09/30/2016 1.375% 09/30/2023	912828T26	3,750,000.00	AA+	Aaa	11/19/2019	11/21/2019	3,717,480.47	1.61	140.88	3,745,799.46	3,689,062.50
US TREASURY NOTES DTD 09/30/2021 0.250% 09/30/2023	91282CDA6	7,475,000.00	AA+	Aaa	10/14/2021	10/15/2021	7,459,816.41	0.35	51.06	7,471,135.09	7,313,820.31
US TREASURY N/B NOTES DTD 12/31/2021 0.750% 12/31/2023	91282CDR9	2,750,000.00	AA+	Aaa	1/10/2022	1/11/2022	2,742,910.16	0.88	5,184.74	2,747,298.17	2,669,218.75
US TREASURY NOTES DTD 01/03/2017 2.250% 12/31/2023	912828V23	3,530,000.00	AA+	Aaa	11/19/2019	11/21/2019	3,619,491.02	1.61	19,965.95	3,546,336.14	3,465,467.36
US TREASURY NOTES DTD 01/31/2017 2.250% 01/31/2024	912828V80	4,600,000.00	AA+	Aaa	11/26/2019	11/27/2019	4,718,953.13	1.61	17,154.70	4,623,775.04	4,505,843.52
US TREASURY NOTES DTD 03/15/2021 0.250% 03/15/2024	91282CBR1	5,000,000.00	AA+	Aaa	4/15/2021	4/16/2021	4,992,773.44	0.30	577.45	4,997,629.63	4,796,094.00
US TREASURY NOTES DTD 03/31/2017 2.125% 03/31/2024	912828W71	4,600,000.00	AA+	Aaa	11/26/2019	11/27/2019	4,698,289.06	1.61	267.08	4,622,620.12	4,488,593.52
US TREASURY N/B NOTES DTD 04/15/2021 0.375% 04/15/2024	91282CBV2	2,500,000.00	AA+	Aaa	4/27/2021	4/28/2021	2,501,464.84	0.36	4,326.92	2,500,513.98	2,392,187.50
US TREASURY NOTES DTD 05/31/2017 2.000% 05/31/2024	912828XT2	5,250,000.00	AA+	Aaa	1/17/2020	1/22/2020	5,333,876.95	1.62	35,192.31	5,272,458.57	5,100,703.13
US TREASURY NOTES DTD 06/30/2017 2.000% 06/30/2024	912828XX3	4,600,000.00	AA+	Aaa	11/26/2019	11/27/2019	4,678,343.75	1.61	23,127.07	4,621,302.77	4,462,000.00
US TREASURY NOTES DTD 08/31/2019 1.250% 08/31/2024	912828YE4	5,250,000.00	AA+	Aaa	1/17/2020	1/22/2020	5,163,457.03	1.62	5,706.52	5,223,363.48	5,026,875.00
US TREASURY NOTES DTD 09/30/2019 1.500% 09/30/2024	912828YH7	4,600,000.00	AA+	Aaa	11/26/2019	11/27/2019	4,575,742.19	1.61	188.52	4,592,485.43	4,411,687.50

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>U.S. Treasury</b>											
US TREASURY N/B NOTES DTD 10/15/2021 0.625% 10/15/2024	91282CDB4	5,000,000.00	AA+	Aaa	11/9/2021	11/12/2021	4,992,382.81	0.68	14,423.08	4,995,984.57	4,728,125.00
US TREASURY NOTES DTD 10/31/2019 1.500% 10/31/2024	912828YM6	5,250,000.00	AA+	Aaa	1/17/2020	1/22/2020	5,219,238.28	1.63	33,066.30	5,239,787.25	5,027,695.05
US TREASURY NOTES DTD 11/17/2014 2.250% 11/15/2024	912828G38	4,070,000.00	AA+	Aaa	11/26/2019	11/27/2019	4,192,735.94	1.62	34,656.84	4,110,168.13	3,941,540.63
US TREASURY NOTES DTD 12/31/2019 1.750% 12/31/2024	912828YY0	4,750,000.00	AA+	Aaa	1/17/2020	1/22/2020	4,777,275.39	1.63	20,896.06	4,759,671.05	4,556,289.30
US TREASURY N/B NOTES DTD 01/15/2022 1.125% 01/15/2025	91282CDS7	10,670,000.00	AA+	Aaa	11/28/2022	11/30/2022	9,958,527.73	4.45	25,201.24	10,070,238.95	10,111,491.65
US TREASURY NOTES DTD 03/31/2020 0.500% 03/31/2025	912828ZF0	4,100,000.00	AA+	Aaa	11/9/2021	11/12/2021	4,059,320.31	0.80	56.01	4,075,954.52	3,823,250.00
US TREASURY NOTES DTD 07/31/2020 0.250% 07/31/2025	91282CAB7	6,000,000.00	AA+	Aaa	4/15/2021	4/16/2021	5,898,984.38	0.65	2,486.19	5,945,076.38	5,508,750.00
US TREASURY NOTES DTD 08/31/2020 0.250% 08/31/2025	91282CAJ0	11,100,000.00	AA+	Aaa	11/28/2022	11/30/2022	9,958,347.66	4.25	2,413.04	10,096,936.30	10,168,641.18
US TREASURY NOTES DTD 12/31/2020 0.375% 12/31/2025	91282CBC4	2,000,000.00	AA+	Aaa	1/15/2021	1/19/2021	1,992,500.00	0.45	1,885.36	1,995,828.72	1,822,500.00
US TREASURY NOTES DTD 01/31/2021 0.375% 01/31/2026	91282CBH3	5,900,000.00	AA+	Aaa	4/15/2021	4/16/2021	5,790,066.41	0.77	3,667.13	5,834,956.48	5,356,093.75
US TREASURY N/B NOTES DTD 02/15/2023 4.000% 02/15/2026	91282CGL9	4,500,000.00	AA+	Aaa	2/21/2023	2/23/2023	4,449,023.44	4.41	22,375.69	4,450,757.02	4,518,281.25
US TREASURY NOTES DTD 02/28/2021 0.500% 02/28/2026	91282CBQ3	2,665,000.00	AA+	Aaa	3/16/2021	3/18/2021	2,623,255.27	0.82	1,158.70	2,640,433.41	2,421,818.75
US TREASURY N/B NOTES DTD 05/31/2021 0.750% 05/31/2026	91282CCF6	4,000,000.00	AA+	Aaa	11/9/2021	11/12/2021	3,951,718.75	1.02	10,054.95	3,966,397.88	3,638,124.80
US TREASURY N/B NOTES DTD 07/31/2021 0.625% 07/31/2026	91282CCP4	2,750,000.00	AA+	Aaa	3/3/2022	3/4/2022	2,617,119.14	1.77	2,848.76	2,649,555.28	2,480,156.25
US TREASURY N/B NOTES DTD 05/31/2022 2.625% 05/31/2027	91282CET4	1,000,000.00	AA+	Aaa	5/31/2022	6/2/2022	991,484.38	2.81	8,798.08	992,898.98	958,906.20
US TREASURY N/B NOTES DTD 06/30/2022 3.250% 06/30/2027	91282CEW7	5,500,000.00	AA+	Aaa	7/12/2022	7/14/2022	5,566,816.41	2.98	44,934.39	5,557,192.19	5,405,468.75
US TREASURY N/B NOTES DTD 07/31/2022 2.750% 07/31/2027	91282CFB2	2,500,000.00	AA+	Aaa	8/11/2022	8/12/2022	2,478,808.59	2.93	11,395.03	2,481,518.85	2,407,422.00



Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>U.S. Treasury</b>											
US TREASURY NOTES DTD 10/31/2020 0.500% 10/31/2027	91282CAU5	4,325,000.00	AA+	Aaa	3/31/2023	4/3/2023	3,745,010.74	3.71	9,199.59	3,745,010.74	3,752,613.07
<b>Security Type Sub-Total</b>		<b>152,735,000.00</b>					<b>150,140,829.32</b>	<b>1.92</b>	<b>405,253.83</b>	<b>150,315,120.55</b>	<b>145,581,767.37</b>
<b>Federal Agency</b>											
FREDDIE MAC NOTES DTD 07/23/2020 0.375% 07/21/2025	3137EAEU9	2,850,000.00	AA+	Aaa	11/30/2020	12/1/2020	2,844,129.00	0.42	2,078.13	2,847,080.11	2,619,862.50
FREDDIE MAC NOTES DTD 09/25/2020 0.375% 09/23/2025	3137EAEX3	1,400,000.00	AA+	Aaa	9/29/2020	9/30/2020	1,397,830.00	0.41	116.67	1,398,919.18	1,280,451.20
FREDDIE MAC NOTES DTD 09/25/2020 0.375% 09/23/2025	3137EAEX3	2,500,000.00	AA+	Aaa	11/30/2020	12/1/2020	2,490,025.00	0.46	208.33	2,494,856.37	2,286,520.00
<b>Security Type Sub-Total</b>		<b>6,750,000.00</b>					<b>6,731,984.00</b>	<b>0.43</b>	<b>2,403.13</b>	<b>6,740,855.66</b>	<b>6,186,833.70</b>
<b>Corporate</b>											
APPLE INC (CALLABLE) BONDS DTD 02/09/2017 3.000% 02/09/2024	037833CG3	2,380,000.00	AA+	Aaa	1/17/2020	1/22/2020	2,477,699.00	1.94	10,313.33	2,397,374.84	2,351,118.70
BLACKROCK INC CORP NOTES DTD 03/18/2014 3.500% 03/18/2024	09247XAL5	2,000,000.00	AA-	Aa3	11/19/2019	11/21/2019	2,130,520.00	1.92	2,527.78	2,029,096.29	1,971,836.00
BANK OF AMERICA CORP (CALLABLE) CORPORAT DTD 10/21/2020 0.810% 10/24/2024	06051GJH3	2,500,000.00	A-	A2	7/20/2021	7/22/2021	2,505,125.00	0.75	8,831.25	2,501,281.25	2,429,835.00
CHEVRON CORP (CALLABLE) NOTES DTD 05/11/2020 1.554% 05/11/2025	166764BW9	2,000,000.00	AA-	Aa2	3/12/2021	3/16/2021	2,041,100.00	1.05	12,086.67	2,020,480.90	1,882,962.00
CHEVRON CORP (CALLABLE) NOTES DTD 05/11/2020 1.554% 05/11/2025	166764BW9	2,000,000.00	AA-	Aa2	3/11/2021	3/15/2021	2,048,380.00	0.96	12,086.67	2,024,092.46	1,882,962.00
JPMORGAN CHASE & CO (CALLABLE) CORP NOTE DTD 06/01/2021 0.824% 06/01/2025	46647PCH7	5,000,000.00	A-	A1	5/25/2021	6/1/2021	5,010,350.00	0.77	13,733.33	5,004,032.34	4,739,650.00
MICROSOFT CORP NOTES (CALLABLE) DTD 11/03/2015 3.125% 11/03/2025	594918BJ2	2,000,000.00	AAA	Aaa	3/16/2021	3/18/2021	2,186,160.00	1.06	25,694.44	2,099,541.46	1,948,224.00

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>Corporate</b>											
APPLE INC (CALLABLE) CORPORATE NOTES DTD 02/08/2021 0.700% 02/08/2026	037833EB2	5,000,000.00	AA+	Aaa	2/8/2021	2/10/2021	4,996,800.00	0.71	5,152.78	4,998,168.42	4,547,750.00
AMAZON INC CORP NOTES (CALLABLE) DTD 05/12/2021 1.000% 05/12/2026	023135BX3	5,000,000.00	AA	A1	6/8/2021	6/10/2021	5,010,400.00	0.96	19,305.56	5,006,515.45	4,534,915.00
TORONTO-DOMINION BANK CORPORATE NOTES DTD 06/03/2021 1.200% 06/03/2026	89114TZD7	2,500,000.00	A	A1	6/16/2021	6/18/2021	2,509,725.00	1.12	9,833.33	2,506,223.79	2,222,597.50
WAL MART INC CORP NOTES (CALLABLE) DTD 09/17/2021 1.050% 09/17/2026	931142ER0	2,500,000.00	AA	Aa2	2/28/2022	3/2/2022	2,401,175.00	1.96	1,020.83	2,424,690.59	2,253,000.00
NIKE INC CORPORATE NOTES (CALLABLE) DTD 03/27/2020 2.750% 03/27/2027	654106AJ2	2,500,000.00	AA-	A1	7/12/2022	7/14/2022	2,424,975.00	3.45	763.89	2,436,379.50	2,369,845.00
VISA INC CORP NOTES (CALLABLE) DTD 04/02/2020 1.900% 04/15/2027	92826CAL6	2,500,000.00	AA-	Aa3	7/12/2022	7/14/2022	2,334,875.00	3.42	21,902.78	2,359,700.82	2,292,415.00
<b>Security Type Sub-Total</b>		<b>37,880,000.00</b>					<b>38,077,284.00</b>	<b>1.42</b>	<b>143,252.64</b>	<b>37,807,578.11</b>	<b>35,427,110.20</b>
<b>Managed Account Sub Total</b>		<b>197,365,000.00</b>					<b>194,950,097.32</b>	<b>1.77</b>	<b>550,909.60</b>	<b>194,863,554.32</b>	<b>187,195,711.27</b>
<b>Securities Sub Total</b>		<b>\$197,365,000.00</b>					<b>\$194,950,097.32</b>	<b>1.77%</b>	<b>\$550,909.60</b>	<b>\$194,863,554.32</b>	<b>\$187,195,711.27</b>
<b>Accrued Interest</b>											<b>\$550,909.60</b>
<b>Total Investments</b>											<b>\$187,746,620.87</b>

**Quarterly Portfolio Transactions - CITY OF SALEM LONG-TERM PORTFOLIO**

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
<b>BUY</b>									
2/21/2023	2/23/2023	4,500,000.00	91282CGL9	US TREASURY N/B NOTES	4.00%	2/15/2026	4,453,001.34	4.41%	
3/31/2023	4/3/2023	4,325,000.00	91282CAU5	US TREASURY NOTES	0.50%	10/31/2027	3,754,210.33	3.71%	
<b>Total BUY</b>		<b>8,825,000.00</b>					<b>8,207,211.67</b>		<b>0.00</b>
<b>INTEREST</b>									
1/15/2023	1/15/2023	10,670,000.00	91282CDS7	US TREASURY N/B NOTES	1.12%	1/15/2025	60,018.75		
1/21/2023	1/21/2023	2,850,000.00	3137EAEU9	FREDDIE MAC NOTES	0.37%	7/21/2025	5,343.75		
1/31/2023	1/31/2023	2,500,000.00	91282CFB2	US TREASURY N/B NOTES	2.75%	7/31/2027	34,375.00		
1/31/2023	1/31/2023	2,750,000.00	91282CCP4	US TREASURY N/B NOTES	0.62%	7/31/2026	8,593.75		
1/31/2023	1/31/2023	5,900,000.00	91282CBH3	US TREASURY NOTES	0.37%	1/31/2026	11,062.50		
1/31/2023	1/31/2023	4,600,000.00	912828V80	US TREASURY NOTES	2.25%	1/31/2024	51,750.00		
1/31/2023	1/31/2023	6,000,000.00	91282CAB7	US TREASURY NOTES	0.25%	7/31/2025	7,500.00		
1/31/2023	1/31/2023	3,750,000.00	912828S92	US TREASURY NOTES	1.25%	7/31/2023	23,437.50		
2/8/2023	2/8/2023	5,000,000.00	037833EB2	APPLE INC (CALLABLE) CORPORATE NOTES	0.70%	2/8/2026	17,500.00		
2/9/2023	2/9/2023	2,380,000.00	037833CG3	APPLE INC (CALLABLE) BONDS	3.00%	2/9/2024	35,700.00		
2/28/2023	2/28/2023	4,500,000.00	912828D1	US TREASURY NOTES	1.37%	8/31/2023	30,937.50		
2/28/2023	2/28/2023	2,665,000.00	91282CBQ3	US TREASURY NOTES	0.50%	2/28/2026	6,662.50		
2/28/2023	2/28/2023	5,250,000.00	912828YE4	US TREASURY NOTES	1.25%	8/31/2024	32,812.50		

## Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
<b>INTEREST</b>									
2/28/2023	2/28/2023	11,100,000.00	91282CAJ0	US TREASURY NOTES	0.25%	8/31/2025	13,875.00		
3/15/2023	3/15/2023	5,000,000.00	91282CBR1	US TREASURY NOTES	0.25%	3/15/2024	6,250.00		
3/17/2023	3/17/2023	2,500,000.00	931142ER0	WAL MART INC CORP NOTES (CALLABLE)	1.05%	9/17/2026	13,125.00		
3/18/2023	3/18/2023	2,000,000.00	09247XAL5	BLACKROCK INC CORP NOTES	3.50%	3/18/2024	35,000.00		
3/23/2023	3/23/2023	3,900,000.00	3137EAEX3	FREDDIE MAC NOTES	0.37%	9/23/2025	7,312.50		
3/27/2023	3/27/2023	2,500,000.00	654106AJ2	NIKE INC CORPORATE NOTES (CALLABLE)	2.75%	3/27/2027	34,375.00		
3/31/2023	3/31/2023	7,475,000.00	91282CDA6	US TREASURY NOTES	0.25%	9/30/2023	9,343.75		
3/31/2023	3/31/2023	4,600,000.00	912828W71	US TREASURY NOTES	2.12%	3/31/2024	48,875.00		
3/31/2023	3/31/2023	3,750,000.00	912828T26	US TREASURY NOTES	1.37%	9/30/2023	25,781.25		
3/31/2023	3/31/2023	4,100,000.00	912828ZF0	US TREASURY NOTES	0.50%	3/31/2025	10,250.00		
3/31/2023	3/31/2023	4,600,000.00	912828YH7	US TREASURY NOTES	1.50%	9/30/2024	34,500.00		
<b>Total INTEREST</b>		<b>110,340,000.00</b>					<b>564,381.25</b>		<b>0.00</b>
<b>MATURITY</b>									
2/17/2023	2/17/2023	4,500,000.00	3130AJ7E3	FEDERAL HOME LOAN BANKS NOTES	1.37%	2/17/2023	4,530,937.50		
3/31/2023	3/31/2023	3,750,000.00	912828Q29	US TREASURY NOTES	1.50%	3/31/2023	3,778,125.00		
<b>Total MATURITY</b>		<b>8,250,000.00</b>					<b>8,309,062.50</b>		<b>0.00</b>

## Managed Account Detail of Securities Held - CITY OF SALEM SHORT TERM PORTFOLIO

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>U.S. Treasury</b>											
US TREASURY BILL DTD 11/10/2022 0.000% 05/11/2023	912796ZE2	10,000,000.00	A-1+	P-1	11/14/2022	11/15/2022	9,783,420.83	4.50	0.00	9,951,055.55	9,951,128.00
US TREASURY BILL DTD 05/19/2022 0.000% 05/18/2023	912796W47	8,500,000.00	A-1+	P-1	11/21/2022	11/22/2022	8,313,400.21	4.57	0.00	8,450,450.90	8,450,328.55
US TREASURY BILL DTD 06/16/2022 0.000% 06/15/2023	912796X53	4,000,000.00	A-1+	P-1	3/16/2023	3/20/2023	3,955,946.58	4.61	0.00	3,962,022.91	3,962,121.20
CASH MGMT BILL DTD 08/11/2022 0.000% 08/10/2023	912796XY0	15,000,000.00	A-1+	P-1	11/28/2022	11/30/2022	14,536,567.25	4.54	0.00	14,760,040.75	14,747,913.00
US TREASURY N/B NOTES DTD 11/30/2021 0.500% 11/30/2023	91282CDM0	9,000,000.00	AA+	Aaa	11/28/2022	11/30/2022	8,629,101.56	4.77	15,082.42	8,753,073.09	8,751,094.20
<b>Security Type Sub-Total</b>		<b>46,500,000.00</b>					<b>45,218,436.43</b>	<b>4.58</b>	<b>15,082.42</b>	<b>45,876,643.20</b>	<b>45,862,584.95</b>
<b>Federal Agency</b>											
FED HOME LN DISCOUNT NT DISC NOTES DTD 09/15/2022 0.000% 09/15/2023	313384LT4	5,000,000.00	A-1+	P-1	12/15/2022	12/16/2022	4,825,962.50	4.76	0.00	4,893,537.50	4,885,770.68
FED HOME LN DISCOUNT NT DISC NOTES DTD 11/17/2022 0.000% 11/17/2023	313384PJ2	14,500,000.00	A-1+	P-1	12/2/2022	12/5/2022	13,852,893.19	4.85	0.00	14,071,081.94	14,056,244.36
FHLB DISC NOTE DTD 11/21/2022 0.000% 11/20/2023	313384PM5	1,500,000.00	A-1+	P-1	11/21/2022	11/22/2022	1,429,366.25	4.90	0.00	1,454,662.08	1,453,516.54
FED HOME LN DISCOUNT NT DISC NOTES DTD 12/15/2022 0.000% 12/15/2023	313384QN2	5,000,000.00	A-1+	P-1	12/15/2022	12/16/2022	4,769,972.22	4.77	0.00	4,836,958.33	4,829,067.12
<b>Security Type Sub-Total</b>		<b>26,000,000.00</b>					<b>24,878,194.16</b>	<b>4.82</b>	<b>0.00</b>	<b>25,256,239.85</b>	<b>25,224,598.70</b>

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>Commercial Paper</b>											
BNP PARIBAS NY BRANCH COMM PAPER DTD 11/14/2022 0.000% 05/15/2023	09659CSF6	10,000,000.00	A-1	P-1	11/14/2022	11/15/2022	9,752,130.56	5.06	0.00	9,939,744.45	9,937,600.00
CREDIT AGRICOLE CIB NY COMM PAPER DTD 08/25/2022 0.000% 05/22/2023	22533USN4	10,000,000.00	A-1	P-1	11/21/2022	11/22/2022	9,749,113.89	5.12	0.00	9,929,308.33	9,927,940.00
MUFG BANK LTD/NY COMM PAPER DTD 09/12/2022 0.000% 06/09/2023	62479MT94	10,000,000.00	A-1	P-1	9/13/2022	9/14/2022	9,699,988.89	4.15	0.00	9,922,758.33	9,910,470.00
<b>Security Type Sub-Total</b>		<b>30,000,000.00</b>					<b>29,201,233.34</b>	<b>4.78</b>	<b>0.00</b>	<b>29,791,811.11</b>	<b>29,776,010.00</b>
<b>Managed Account Sub Total</b>		<b>102,500,000.00</b>					<b>99,297,863.93</b>	<b>4.70</b>	<b>15,082.42</b>	<b>100,924,694.16</b>	<b>100,863,193.65</b>
<b>Securities Sub Total</b>		<b>\$102,500,000.00</b>					<b>\$99,297,863.93</b>	<b>4.70%</b>	<b>\$15,082.42</b>	<b>\$100,924,694.16</b>	<b>\$100,863,193.65</b>
<b>Accrued Interest</b>											<b>\$15,082.42</b>
<b>Total Investments</b>											<b>\$100,878,276.07</b>

### Quarterly Portfolio Transactions - CITY OF SALEM SHORT TERM PORTFOLIO

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amount (\$)	Yield at Market	Realized G/L (BV)
<b>BUY</b>									
3/16/2023	3/20/2023	4,000,000.00	912796X53	US TREASURY BILL	0.00%	6/15/2023	3,955,946.58	4.61%	
<b>Total BUY</b>		<b>4,000,000.00</b>					<b>3,955,946.58</b>		<b>0.00</b>
<b>MATURITY</b>									
3/13/2023	3/13/2023	5,000,000.00	62479MQD8	MUFG BANK LTD/NY COMM PAPER	0.00%	3/13/2023	5,000,000.00		
<b>Total MATURITY</b>		<b>5,000,000.00</b>					<b>5,000,000.00</b>		<b>0.00</b>

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- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.
- MBS maturities are represented by expected average life.

## Glossary

- **Accrued Interest:** Interest that is due on a bond or other fixed income security since the last interest payment was made.
- **Agencies:** Federal agency securities and/or Government-sponsored enterprises.
- **Amortized Cost:** The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short-term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer-term securities is amortized using the constant yield basis.
- **Asset-Backed Security:** A financial instrument collateralized by an underlying pool of assets – usually ones that generate a cash flow from debt, such as loans, leases, credit card balances, and receivables.
- **Bankers' Acceptance:** A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill as well as the insurer.
- **Commercial Paper:** An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- **Contribution to Total Return:** The weight of each individual security multiplied by its return, then summed for each sector to determine how much each sector added or subtracted from the overall portfolio performance.
- **Effective Duration:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- **Effective Yield:** The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- **FDIC:** Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- **Interest Rate:** Interest per year divided by principal amount and expressed as a percentage.
- **Market Value:** The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- **Maturity:** The date upon which the principal or stated value of an investment becomes due and payable.
- **Negotiable Certificates of Deposit:** A CD with a very large denomination, usually \$1 million or more, that can be traded in secondary markets.
- **Par Value:** The nominal dollar face amount of a security.
- **Pass-through Security:** A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.

## Glossary

- **Repurchase Agreements:** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- **Settle Date:** The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction (i.e., coupon payments and maturity proceeds) occurs on a non-business day, the funds are exchanged on the next business day.
- **Supranational:** A multinational union or association in which member countries cede authority and sovereignty on at least some internal matters to the group, whose decisions are binding on its members.
- **Trade Date:** The date on which the transaction occurred; however, the final consummation of the security transaction and payment has not yet taken place.
- **Unsettled Trade:** A trade which has been executed; however, the final consummation of the security transaction and payment has not yet taken place.
- **U.S. Treasury:** The department of the U.S. government that issues Treasury securities.
- **Yield:** The rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.
- **YTM at Cost:** The yield to maturity at cost is the expected rate of return based on the original cost, the annual interest receipts, maturity value, and the time period from purchase date to maturity, stated as a percentage on an annualized basis.
- **YTM at Market:** The yield to maturity at market is the rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.



*Proprietary & Confidential*

FINAL REPORT

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**City of Salem**  
**PROCUREMENT PERFORMANCE AUDIT**

March 28, 2023

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This report is intended for the internal use of City of Salem,  
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# I. EXECUTIVE SUMMARY

## A. INTRODUCTION

The City of Salem’s (the City) Contracts and Procurement Division (the Division) oversees contracting and purchasing for the City. Procurement is largely decentralized across the City, with each department making purchasing decisions for itself with general oversight by the Division.

The City engaged Moss Adams, LLP, to conduct a performance audit focused on contracts and procurement to help identify improvements that will increase effectiveness, efficiency, and alignment with best practices. This audit was conducted under Generally Accepted Government Audit Standards (GAGAS) and took place between October 2022 and February 2023. Our analysis included interviews with Division staff and other key stakeholders; review of policies, procedures, and practices; testing; and research into best practices and industry standards.

## B. SUMMARY OF FINDINGS AND RECOMMENDATIONS

Findings and recommendations are summarized below.

FINDINGS AND RECOMMENDATIONS		
Goal Alignment and Performance Management		
1.	<b>Finding</b>	City procurement policies and practices could be refined to more closely align with City goals and strategies.
	<b>Recommendation</b>	<ol style="list-style-type: none"> <li>The City should develop and document explicit procurement activities and goals that can be used to contribute to City goals and priorities. This may take the form of updates in the next strategic plan, a distinct strategic planning document focused on procurement, or another formal City strategy document.</li> <li>The Division should update procurement policies and procedures in response to the activities and goals identified in the previous recommendation, to ensure that procurement processes align with expected activities and goals.</li> </ol>
2.	<b>Finding</b>	The Division does not utilize a performance management framework to support procurement goal achievement.
	<b>Recommendation</b>	The City should develop and implement a performance management framework to promote continuous improvement of the procurement function relative to procurement goals. This framework should establish Key Performance Indicators (KPIs) that are used to regularly assess procurement efforts.
ORS Alignment		
3.	<b>Finding</b>	The City’s Procurement Contracting Rules (PCRs) largely align with the assessed requirements from the Oregon Revised Statutes (ORS), with the PCR



## FINDINGS AND RECOMMENDATIONS

		language either addressing elements or the City addressing them through implication and actual practice. However, there were areas where language could be refined.
	<b>Recommendation</b>	<ol style="list-style-type: none"> <li>1. The Division should update the competitive sealed procurements section of the PCRs to align more closely with section 279B.060(12) of the ORS by requiring that Requests for Proposals include a description of the manner in which the proposers who are eliminated from further competition may protest or otherwise object to the contracting agency's decision.</li> <li>2. The Division should update the special procurement section of the PCRs to align more closely with sections 279B.085(2) and 279B.085(4) of the ORS by: <ol style="list-style-type: none"> <li>A. Requiring that written special procurement requests describe the contracting procedure, goods or services, or class of goods or services that are the subject of the special procurement, and the circumstances that justify the use of a special procurement</li> <li>B. Establishing criteria to be used when determining whether to approve a special procurement request, including the following: that the request is unlikely to encourage favoritism in the awarding of public contracts or to substantially diminish competition for public contracts; that it is reasonably expected to result in substantial cost savings to the City or to the public; or that it should otherwise substantially promote the public interest in a manner that could not practicably be realized by complying with standard requirements</li> </ol> </li> </ol>
<b>Essential Training in a Decentralized Environment</b>		
	<b>Finding</b>	The City does not have a formal procurement training program for department staff responsible for aspects of procurement, contributing to inconsistent processes and understanding of procurement policies across departments.
4.	<b>Recommendation</b>	The City should develop and implement a comprehensive procurement training program that establishes standard procurement processes and responsibilities for staff relative to their roles. The program should establish training requirements at the time staff begin in their relevant positions as well as regular refresher training.
	<b>Finding</b>	Inconsistencies in records management may contribute to missing procurement documentation.
5.	<b>Recommendation</b>	The City should ensure that training addresses procurement-related records management expectations, including for invoices (see Finding 4 and its associated recommendation for more details).
	<b>Finding</b>	Staff do not consistently follow City corporate card policies, contributing to purchases that may be out of alignment with City strategies and priorities.
6.	<b>Recommendation</b>	The City should ensure that staff who are assigned corporate cards participate in regular refresher trainings that include information on card care, prohibited purchases, required report documentation, policy violation consequences, and reporting of card holder changes (see Finding 4 and its associated recommendation for more details)





FINDINGS AND RECOMMENDATIONS		
Policies, Procedures, and Process Improvement		
7.	<b>Finding</b>	<p>The City is missing procurement policies, procedures, or standard practices in key areas, contributing to inconsistencies in receiving and in reconciliation between invoices and Purchase Orders (POs).</p> <ol style="list-style-type: none"> <li>1. Currently, there is no centralized receiving policy, contributing to inconsistent collection of receiving documentation.</li> <li>2. Existing policies and procedures do not address how POs and invoices should be reconciled when they do not align.</li> </ol>
	<b>Recommendation</b>	<ol style="list-style-type: none"> <li>1. The City should develop and implement central receiving policies and procedures that designate required receiving activities and documentation.</li> <li>2. The City should develop and implement central policies and procedures that designate how differences between POs and invoices should be reconciled when they do not align.</li> </ol>
Central Oversight and Monitoring		
8.	<b>Finding</b>	<p>The City does not have a process in place to consistently identify whether businesses are owned by employees, preventing the City from ensuring compliance with procurement rules designed to prevent conflicts of interest.</p>
	<b>Recommendation</b>	<p>The City should develop and implement a process by which employee business ownership can be determined for relevant procurements. Practices that address this could include annual statements of conflicts of interest by employees, or methods designed to ensure employee connections with procurement partners can be consistently and comprehensively identified.</p>
9.	<b>Finding</b>	<p>The City lacks clear processes to ensure all employees sign a cardholder agreement before a corporate card is used.</p>
	<b>Recommendation</b>	<ol style="list-style-type: none"> <li>1. The Division should develop a process by which they verify that every employee with access to a corporate card fills out an agreement form.</li> <li>2. The Division should work with departments to identify a current list of card users and update current card listings.</li> </ol>
10.	<b>Finding</b>	<p>Cardholder applications are not consistently updated to reflect changes in cardholders, inhibiting effective oversight over City corporate cards.</p>
	<b>Recommendation</b>	<p>The Card Administrator should review on-hand cardholder applications against the annual review of card locations and cardholder verification, to ensure cardholder application forms are up to date and accurate.</p>
11.	<b>Finding</b>	<p>Controls over corporate cards vary significantly by department.</p>
	<b>Recommendation</b>	<p>The Division should develop a process for physically verifying the location and access control over corporate cards. This process may be uniform across corporate cards or risk based.</p>
12.	<b>Finding</b>	<p>There may be instances where payments are split in order to remain under the \$5,000 purchase limit, preventing Division oversight over, and visibility into, these purchases.</p>



FINDINGS AND RECOMMENDATIONS		
	<b>Recommendation</b>	The Division should develop a process for identifying and following up on purchases that may be artificially fragmented. When artificial fragmenting is identified, the City should ensure the behavior is addressed appropriately with training, warnings, or sanctions.
<b>Succession Planning</b>		
13.	<b>Finding</b>	The City's procurement processes often rely on a single individual to maintain and train staff on those processes. This places the City at an increased risk of institutional knowledge loss and reduced efficiency if the individual is not present.
	<b>Recommendation</b>	The Division should establish and document backups for procurement processes managed by single individuals. The City should conduct cross-training among these employees to ensure adequate and consistent coverage of key functions and duties.



## II. INTRODUCTION

### A. BACKGROUND

Moss Adams conducted a performance audit of the City's procurement and contract management function assessing the following areas:

- The structure, function, and role of procurement personnel
- The alignment of procurement and contract management with:
  - City goals, policies, and strategic plan
  - Industry best practices
  - Applicable laws and regulations
- Opportunities for improvement in service delivery, internal controls, organization, operations, and process efficiency

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### B. SCOPE AND METHODOLOGY

This organizational analysis was designed to identify opportunities to increase the efficiency and effectiveness of the City's operations.

This analysis was informed by staff interviews, document reviews, testing, and research on industry best practices. The study was conducted between October 2022 and February 2023, and consisted of four major phases:

1. **Project Initiation and Management:** This phase concentrated on comprehensive project planning and project management including scope setting, identifying staff to interview and documents to review, and establishing a plan for fieldwork.
2. **Fact Finding:** This phase included staff interviews, document review, and research into relevant laws and industry standards. We worked with City staff to obtain the most currently available information and insights.
  - *Staff Interviews:* We conducted interviews with approximately 20 staff members, including representation from the Division, department buyers, and key stakeholders.
  - *Testing:* We performed detailed testing designed to access the following:
    - Staff adherence to PCRs, by reviewing a sample of 32 transactions from the procurement transaction listing from FY19–22.
    - Staff adherence to the Credit Card Policy, by reviewing a sample of 32 credit card transactions from a listing of credit card transactions from FY19–22.
    - Cardholder adherence to cardholder responsibilities, by reviewing a sample of five cardholders against the responsibilities outlined in the Credit Card Policy.



- Card Administrator responsibilities outlined in the Credit Card Policy, through inquiry with the Card Administrator.
  - *Document Review:* We reviewed documents including policies and procedures, templates and forms, and planning and goal documents.
  - *Goal Alignment Review:* We compared existing procurement policies and procedures to the City’s organizational goal documents (such as the strategic plan) to assess the extent to which City procurement practices align with organizational goals.
  - *Regulatory Alignment Review:* We compared existing procurement policies and procedures to key sections of the Oregon Revised Statutes (ORS), namely 279B.055 relating to competitive sealed bidding, 279B.060 relating to competitive sealed proposals, 279B.065 relating to small procurements, 279B.070 relating to intermediate procurements, 279B.075 relating to sole-source procurements, 279B.080 relating to emergency procurements, and 279B.085 relating to special procurements.
  - *Industry Standards and Best Practice Research:* Based on opportunities for the improvements identified, we conducted research to ascertain industry standards and best practices.
3. **Analysis:** This phase served as the assessment portion of the project. Based on the information gathered, we evaluated the importance, impact, and scope of our observations in order to develop recommendations to increase the efficiency of operations.
4. **Reporting:** This phase concluded the project. We reviewed draft observations and recommendations with the City leadership team to validate facts and confirm the practicality of recommendations.

## C. COMMENDATIONS

Although the focus of this engagement was to identify areas that need improvement within the procurement function, it is important to note the areas of strength that can be leveraged for further improvement within the City. The following is a summary of commendations that the Moss Adams team would like to note.

The Division received high praise from many of the staff interviewed for their quick responsiveness and technical assistance. The Division’s assistance provides consistent support throughout the City to align practices and aid departments in purchasing functions. This Division has considerable experience and a wealth of knowledge related to contracts and procurement.

The organizational emphasis on continuous improvement was further evidenced in the quality of information provided by staff during interviews. Throughout our analysis, staff provided thorough information on the actors and factors influencing City procurement and the unique context in which City purchasing occurs. The level of detail provided by staff greatly enhanced the quality of observations and recommendations provided in this report.



The City's PCRs should also be commended. Although we highlight opportunities for improvement, these rules are largely aligned with industry best practices and contain most of the effective procurement practices specified in the sections of the ORS we reviewed. These rules provide a solid foundation upon which to improve the procurement function.

We would like to commend the City and management for their willingness to assist us in this assessment process. These commendations, coupled with our findings and recommendations, provide an overview of areas of strengths and weaknesses that can help improve operations and reduce risk at the City.

#### **D. STATEMENT OF COMPLIANCE WITH GAGAS**

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



### III. FINDINGS AND RECOMMENDATIONS

Based on the input gathered from interviews, document review, and testing, as well as comparisons to best practices, we prepared a comprehensive set of findings and recommendations, which are presented in this section. Our aim is to provide the City with actionable information on opportunities for improvement. Our recommendations are intended to impact the operational effectiveness and efficiency of the City’s procurement activities.

#### A. GOAL ALIGNMENT AND PERFORMANCE MANAGEMENT

##### Alignment of Procurement Practices

<b>1. Finding</b>	City procurement policies and practices could be refined to more closely align with City goals and strategies.
<b>Recommendation</b>	<ol style="list-style-type: none"> <li>1. The City should develop and document explicit procurement activities and goals that can be used to contribute to City goals and priorities. This may take the form of updates in the next strategic plan, a distinct strategic planning document focused on procurement, or another formal City strategy document.</li> <li>2. The Division should update procurement policies and procedures in response to the activities and goals identified in the previous recommendation to ensure that procurement processes align with expected activities and goals.</li> </ol>

**City procurement practices are strongly aligned with City goals for good governance and fiscal sustainability, with policies being designed to deliver services as affordably as possible.** The City’s strategic plan includes “Good Governance” as one of the City’s goals, with one element of this goal being to manage the enterprise to be fiscally sustainable. Procurement is a key element of these fiscal sustainability efforts, and the Public Contracting Rules (PCRs), the City’s primary policy document for procurement, includes many rules designed to ensure the City receives services that are the most affordable and tailored to the City’s needs. Applicable PCR elements include requirements for competitive procurements for purchases above \$5,000, reviews of exceptional purchases such as sole-source procurements by the Contracts and Procurement Manager, and other controls designed to provide oversight over City purchases.

**Some elements of the PCRs are aligned with City goals relating to equity and sustainability, but these elements are not applied on a regular basis.** City goal areas and priorities, as articulated in the current strategic plan, include increasing the equitable delivery of City services and natural environment stewardship. City values articulated in the strategic plan further describe commitments to equity across City services and creation of a city where everyone can thrive. Procurement activities have the potential to further these priorities by ensuring equitable access to work opportunities with the City, and guiding the



City to make purchasing decisions that have positive environmental impacts. Several elements of the PCRs directly align with these priorities, but the City has historically taken a reactive approach to these preferences. For example:

- PCR 7.4 allows for women, minority, disabled, veteran, and emerging small or historically underutilized business to be used in selection criteria for informal written solicitation; however, Division staff indicate this preference is rarely applied.
- PCR 2.24 established a preference for recycled goods and the City includes this preference in all bid documents but has yet to receive a bid with this preference. The City may consider taking additional steps to educate vendors on the benefits of applying for equity and sustainability preferences. Without clear procurement processes in place to aid these goals, the City is missing an opportunity to forward key equity and sustainability goals through one of their key activities.

**The City has begun to draft policies and procedures that explicitly incorporate equity and sustainability into procurement practices.** The City recently approved a Sustainable Business Operations policy that encourages employees to incorporate specific environmental factors into procurement decisions, such as waste management and reduction, greenhouse gas emissions, and pollutant releases when practicable. The City has also drafted a policy designed to increase access to the City's procurement processes. The draft policy encourages the use of firms certified by the State of Oregon Certification Office of Business Inclusion and Diversity (COBID) by encouraging staff to contact a minimum of two COBID-certified firms for bids within a certain dollar threshold and setting an aspiration of at least 10% participation of firms certified by COBID in its overall dollar amount of contracting and purchasing activities.

**While progress is being made toward aligning procurement practices with City goals, efforts could be supported through goals that more explicitly address the role of procurement.** There is a procurement nexus with the City goals discussed above, but those goals and priorities are high-level and the strategic plan does not identify specific procurement activities to be used to achieve these objectives. Some other local governments in Oregon identify explicit goals and procurement activities used to achieve their equity and sustainability goals. For example:

- The City of Portland is in the process of developing a procurement strategic plan that establishes goals to maximize payments to Black, Indigenous, and people of color (BIPOC) businesses, establish a fully funded procurement sustainability program, develop effective social equity programs, and eliminate barriers to contracting.
- Oregon Metro's strategic plan identifies explicit goals to advance social equity by alleviating barriers to contracting processes that prevent (COBID)-certified firms from realizing contracting opportunities and by incorporating diversity, equity, and inclusion metrics into contract proposal evaluation.



By articulating specific procurement-related activities within strategic plans, the City can help ensure tangible procurement processes are aiding its broader goals.

***Recommendation: Establish City Strategy-Aligned Procurement Goals***

**The City should develop and document explicit procurement activities and goals that can be used to contribute to City goals and priorities. This may take the form of updates in the next strategic plan, a distinct strategic planning document focused on procurement, or another formal City strategy document.**

By defining more explicit goals, the City can create a clearer path for staff responsible for procurement to act on those goals. Goals raised by other jurisdictions such as the City of Portland and Oregon Metro (as discussed previously) provide examples of what these kinds of tangible goals can look like.

MANAGEMENT RESPONSE	
Management Agreement	Concur
Owner	DEI Coordinator, Climate Action Plan Coordinator, and Contracts & Procurement Division
Target Completion Date	FY 24/25
Action Plan	<p>Work with DEI Coordinator and Climate Action Plan Coordinator to review the PCR's to add any revisions.</p> <p>Get Revisions to PCR's approved by City Council.</p> <p>Work through purchasing templates to update language.</p>

***Recommendation: Tailor Policies and Procedures to Goals***

**The Division should update procurement policies and procedures in response to the activities and goals identified in the previous recommendation, to ensure that procurement processes align with expected activities and goals.**

Policies that have been developed up until this point have been based on existing high-level City goals relating to procurement. Once the City defines clearer goals, the Division can help ensure those goals are met by developing tactical policies and procedures meant to be executive on those City priorities.





MANAGEMENT RESPONSE	
Management Agreement	Concur
Owner	Contracts & Procurement Division
Target Completion Date	FY 24/25
Action Plan	Develop more detailed policies and procedures.

## Procurement Performance Management

<b>2. Finding</b>	The Division does not utilize a performance management framework to support procurement goal achievement.
<b>Recommendation</b>	The City should develop and implement a performance management framework to promote continuous improvement of the procurement function relative to procurement goals. This framework should establish Key Performance Indicators (KPIs) that are used to regularly assess procurement efforts.

**Currently, the City does not systematically use data to continually monitor and improve performance relating to procurement goals.** Achievement of goals relating to procurement can also be supported through implementation of a performance management framework. The National Institute for Government Procurement (NIGP) specifies both performance management and performance measurement as best practices for government procurement.<sup>1</sup> Performance management is the regular, methodical evaluation of data to inform decision-making, enhance accountability, and drive continuous organizational improvement. Performance measurement collects and develops the data used in performance management.

A lack of performance improvement processes can result in challenges in the following areas:

- **Informed Decision-Making:** Without clear goals and evaluative criteria, it is difficult to objectively understand how effectively procurement is functioning. Without this information, decisions can often be based on more subjective measures such as anecdotal evidence. In addition, it is difficult for Division and City leaders to understand a coherent, comprehensive, and consistent picture of procurement performance and track

<sup>1</sup> National Institute of Governmental Purchasing (NIGP): Strategic Procurement Planning



large-scale progress toward critical goals without a robust performance management framework.

- **Accountability and Organizational Learning:** Without clear reporting structures and processes, it can be challenging to cultivate accountability or identify areas for organizational learning and improvement.
- **External Communication:** Data can help the City better tell its story to residents, demonstrating the efficacy, value, and cost-efficiency of City procurement efforts.

A performance management framework can be used to promote the continuous improvement of the procurement function relative to procurement goals. Such a framework should establish KPIs that are used to regularly assess procurement efforts. A performance management effort could tie directly into the development of explicit procurement goals by establishing KPIs for the goals identified, collecting data relative to those KPIs, monitoring progress toward those goals using that data, and monitoring processes for continuous improvement. The NIGP recommends including the following KPIs for procurement performance management; however, the chosen KPIs should ultimately relate to organizational goals.

- Timeliness of procurement processes
- Vendor performance
- Internal and external customer satisfaction
- Cost savings
- Costs of procurement operations
- Development and retention of procurement staff

***Recommendation: Establish a Performance Management Framework***

**The City should develop and implement a performance management framework to promote the continuous improvement of the procurement function relative to procurement goals. This framework should establish KPIs that are used to regularly assess procurement efforts.**

The performance management system should be designed following the development of goals, which can be used to inform the appropriate KPIs. By developing a system for evaluating organizational performance on procurement goals, the City can help ensure that procurement efforts continually improve in their ability to address organizational priorities.



MANAGEMENT RESPONSE	
Management Agreement	Concur.
Owner	Contracts & Procurement Division
Target Completion Date	FY 24/25
Action Plan	Look into the various performance measure programs. Identify the appropriate KPI's.

## B. ORS ALIGNMENT

3.	Finding	The City's PCRs largely align with the assessed requirements from the Oregon Revised Statutes (ORS), with the PCR language either addressing elements or the City addressing them through implication and actual practice. However, there were areas where language could be refined.
	Recommendation	<ol style="list-style-type: none"> <li>1. The Division should update the competitive sealed procurements section of the PCRs to align more closely with section 279B.060(12) of the ORS by requiring that Requests for Proposals include a description of the manner in which the proposers who are eliminated from further competition may protest or otherwise object to the contracting agency's decision.</li> <li>2. The Division should update the special procurement section of the PCRs to align more closely with sections 279B.085(2) and 279B.085(4) of the ORS by:               <ol style="list-style-type: none"> <li>A. Requiring that written special procurement requests describe the contracting procedure, goods or services, or class of goods or services that are the subject of the special procurement, and the circumstances that justify the use of a special procurement.</li> <li>B. Establishing criteria to be used when determining whether to approve a special procurement request, including the following: that the request is unlikely to encourage favoritism in the awarding of public contracts or to substantially diminish competition for public contracts; that it is reasonably expected to result in substantial cost savings to the City or to the public; or that it should otherwise substantially promote the public interest in a manner that could not practicably be realized by complying with standard requirements</li> </ol> </li> </ol>

### **The City PCRs are written in alignment with the ORS, with only minor differences.**

Moss Adams compared the PCRs to the key sections of the ORS, namely 279B.055 relating to competitive sealed bidding, 279B.060 relating to competitive sealed proposals, 279B.065 relating to small procurements, 279B.070 relating to intermediate procurements, 279B.075 relating to sole-source procurements, 279B.080 relating to emergency procurements, and 279B.085 relating to special procurements. In most areas, the City's PCRs aligned directly



with the ORS requirements. In some cases, the City’s PCR was stricter than those requirements (for example, setting a lower threshold before formal competitive bidding must be used).

There were areas where language in the PCRs deviated slightly from the ORS, excluded some relevant details in the ORS, or were structured in a way that created potential ambiguity. For example, language from ORS 279B.060 item 12 indicates that “The contracting agency shall include [in the Request for Proposal] a description of the manner in which the proposers who are eliminated from further competition may protest or otherwise object to the contracting agency’s decision.” Within the PCRs, this requirement is included only in the Professional Services Procurement section rather than in the broader Competitive Sealed Proposals section. While there are other sections in the PCRs that indicate that protests are allowed, these sections do not explicitly state that a description of the manner of protest shall be provided to the proposer in the Request for Proposals.

In addition, the PCR section on special procurements does not articulate all elements that must be included in written requests for special procurements and criteria that must be considered to determine whether a special procurement will be approved. The special procurement documentation reviewed did incorporate these elements, indicating that, in practice, these elements are considered. By incorporating these details into the PCR, the City can ensure the PCR aligns with both the ORS and actual practice in this area.

***Recommendation: Update the PCR – RFP Protest Content***

**The Division should update the competitive sealed procurements section of the PCRs to align more closely with section 279B.060(12) of the ORS by requiring that Requests for Proposals include a description of the manner in which the proposers who are eliminated from further competition may protest or otherwise object to the contracting agency’s decision.**

While this element is included in the PCR, the City can reduce ambiguity regarding its interpretation by relocating the related language such that it is clear how widely it applies. By clarifying these policies, the City can also help proactively ensure that any future changes to related documents designed based on the PCR incorporate this requirement.

MANAGEMENT RESPONSE	
Management Agreement	Concur
Owner	Contracts & Procurement Division
Target Completion Date	By the end of the 2023 calendar year or sooner.
Action Plan	Update the PCR’s and take to City Council for review and approval.



***Recommendation: Update the PCR – Special Procurement Content***

The Division should update the special procurement section of the PCRs to align more closely with sections 279B.085(2) and 279B.085(4) of the ORS by:

- A. Requiring that written special procurement requests describe the contracting procedure, goods or services, or class of goods or services that are the subject of the special procurement, and the circumstances that justify the use of a special procurement.**
- B. Establishing criteria to be used when determining whether to approve a special procurement request, including the following: that the request is unlikely to encourage favoritism in the awarding of public contracts or to substantially diminish competition for public contracts; that it is reasonably expected to result in substantial cost savings to the City or to the public; or that it should otherwise substantially promote the public interest in a manner that could not practicably be realized by complying with standard requirements**

Even when effective practices are in place, it is important to ensure that policies clearly outline those practices. By clarifying these policies, the City can also help proactively ensure that any future changes to related documents designed based on the PCR incorporate this requirement.

MANAGEMENT RESPONSE	
Management Agreement	Concur
Owner	Contracts & Procurement Division
Target Completion Date	By the end of the 2023 calendar year or sooner.
Action Plan	Update the PCR's and take to City Council for review and approval.



## C. ESSENTIAL TRAINING IN A DECENTRALIZED ENVIRONMENT

### Formal Procurement Training Program

4.	Finding	The City does not have a formal procurement training program for department staff responsible for aspects of procurement, contributing to inconsistent processes and understanding of procurement policies across departments.
	Recommendation	The City should develop and implement a comprehensive procurement training program that establishes standard procurement processes and responsibilities for staff relative to their roles. The program should establish training requirements at the time staff begin in their relevant positions as well as regular refresher training.

**The City does not have a formal procurement training program that can be used to ensure consistent processes across the City’s decentralized procurement environment.** In a decentralized procurement structure such as the City’s, it is essential that the staff responsible for various procurement activities are trained to fulfill their roles. While Division staff displayed a strong understanding of City procurement processes, some departmental buyers across the City indicated that training was limited, with training not occurring or occurring as on-the-job training. Buyers indicated that, consequently, procurement processes differed across departments. Additionally, we heard from those interviewed that procurement templates, guides, and other relevant documents are difficult to find. Without access to policies and procedures or templates, key procurement processes may be missed or conducted out of alignment with policies.

The City does not have a formal procurement training program for departmental buyers, with training typically initiated by the departments. Departmental procurement staff indicated that the Division makes itself available for training, but training is driven by the individual buyers directly reaching out to the Division, and there is not regular refresher training for staff. The Division relies on departments across the City to notify them that new buyers have been hired, which limits their ability to identify staff who require procurement training.

The lack of a comprehensive training program contributes to a variety of inconsistencies, including in records management and application of policy, as discussed later in this report. One way the City can ensure relevant staff receive procurement training is by establishing processes wherein HR refers employees involved in the procurement process to relevant training with the Division as part of onboarding. Relevant staff could include those responsible for buying, processing invoices, or approving purchases.

#### ***Recommendation: Develop a Comprehensive Procurement Training Program***

**The City should develop and implement a comprehensive procurement training program that establishes standard procurement processes and responsibilities for staff relative to their roles. The program should establish training requirements at the time staff begin in their relevant positions as well as regular refresher training.**



The Division should create a procurement-specific onboarding program for all roles with purchasing responsibilities. All new hires involved in procurement should receive these onboarding trainings, along with any existing employees who acquire procurement responsibilities through promotion or another change in employment.

Common approaches to training programs include:

- **Supported Training and Partner Connections:** This can include an explanation of the position, training or shadowing, communication of expectations and evaluation criteria, and introductions to key partners in the procurement process within the Division.
- **Checklist:** Efforts to convey information specific to the City’s procurement processes can be guided by a comprehensive checklist. The checklist helps ensure that all relevant information is covered in an effective and efficient manner.
- **Review of Policies, Procedures, and Systems:** Trainings may include a review and discussion of relevant policies, procedures, guidelines, the FIMS system, and any other technology used in contracting and purchasing.
- **Communication Processes:** This may include training on what information is expected to be communicated throughout the procurement process, such as communications within the City and between the City and vendors.
- **Unique Activities Identified by Individual Departments:** Each department is unique and may require additional focused or specialized onboarding activities.
- **Ongoing Learning:** Onboarding is a comprehensive process expected to last between one month to the entire first year. Providing ongoing training through semi-annual or annual trainings to refresh skills and present new topics is necessary in retaining and cultivating high-performing employees.

MANAGEMENT RESPONSE	
Management Agreement	Concur
Owner	Contracts & Procurement Division
Target Completion Date	By the end of June 2024
Action Plan	This will be a big task with many layers and discussions.



## Inconsistent Records Management

<b>5.</b>	<b>Finding</b>	Inconsistencies in records management may contribute to missing procurement documentation.
	<b>Recommendation</b>	The City should ensure that training addresses procurement related records management expectations, including for invoices (see Finding 4 and its associated recommendation for more details)

**Records were not properly maintained in some cases.** Records management is important in documenting information necessary for decision-making, adhering to rules and regulations, and ensuring proper internal controls. In testing a sample of transactions, we found that two invoices out of the 32 samples could not be located by Accounts Payable. Per the Oregon State Archives (OSA) 166-200-0210, invoices should be retained for a minimum of three years. Retaining invoices is important not only to adhere to state policy, but because missing invoices may lead to missed payments or improper record keeping. If there is an issue with a PO, payment, or invoice later on, there is no way to confirm an invoice if it is missing. The Contracts and Procurement Manager indicated that the City is transitioning to an electronic document storage system, and that all contracts and procurement-related documents and forms will be located in this system to improve access, indicating this will help with records management.

### *Recommendation: Establish Records Management Training*

**The City should ensure that training addresses procurement related records management expectations, including for invoices (see Finding 4 and its associated recommendation for more details)**

The City should ensure the training program addressed in recommendation established in Finding 4 includes procurement-related records management expectations, including for invoices. As a part of the ongoing procurement training, employees should be reminded of proper records management procedures.

MANAGEMENT RESPONSE	
<b>Management Agreement</b>	Concur
<b>Owner</b>	Contracts & Procurement, Accounts Payable, City Departments
<b>Target Completion Date</b>	End of June 2024
<b>Action Plan</b>	Moving to an electronic document storage system for all records.





## Inconsistent Application of Corporate Card Policy

6.	Finding	Staff do not consistently follow City corporate card policies, contributing to purchases that may be out of alignment with City strategies and priorities.
	Recommendation	The City should ensure that staff who are assigned corporate cards participate in regular refresher trainings that include information on card care, prohibited purchases, required report documentation, policy violation consequences, and reporting of card holder changes (see Finding 4 and its associated recommendation for more details)

**Corporate Card policies are not consistently followed.** The Corporate Card Policy was established to promote proper use of corporate cards at the City and to explain applicable rules, laws, and regulations related to corporate cards. Though a policy is in place at the City, staff do not consistently follow that policy, presenting opportunities for operational delays and potential compliance violations.

In testing a sample of corporate card transactions, we found two out of 32 corporate card transactions sampled related to specific gear and equipment purchased from vendors with existing City contracts, which is a violation of the Corporate Card Policy. According to the Corporate Card Policy section 5.3.2., “The following are allowable card purchases...Supplies/services that may not be available through the City’s warehouse or an existing City contract.” In evaluating these two purchases against the current Contractors of Record – Annual Database, they related to existing City contractors and should have been made through the contract instead of a corporate card. This would ensure vendors are properly vetted and allow the City to negotiate favorable contract terms.

We also found two out of 32 transactions selected for testing had purchases made before the Corporate Card Check-Out form was approved. If this form is not filled out, there is a risk that the card was used by someone who was not authorized to use the corporate card. Additionally, the purchase made may not be allowable or approved by the department after the purchase was made.

Currently, employees are trained on corporate card procedures when they request a corporate card. The training is done online, and the employee must sign a corporate card agreement signifying they have reviewed the policy. In addition, the Division provides training on an as-needed basis at the request of an employee or departments.

### ***Recommendation: Establish Cardholder Training***

**The City should ensure that staff who are assigned corporate cards participate in regular refresher trainings that include information on card care, prohibited purchases, required report documentation, policy violation consequences, and reporting of card holder changes (see Finding 4 and its associated recommendation for more details).**



To address these findings, the City should ensure that staff who are assigned corporate cards participate in regular refresher trainings that include information on card care, prohibited purchases, required report documentation, policy violation consequences, and reporting of changes in card holder. Similar to the contracts and procurement training, the Card Administrator should make corporate card training sessions available for employees to view as needed.

MANAGEMENT RESPONSE	
Management Agreement	Concur
Owner	Contracts and Procurement Division
Target Completion Date	June 2024
Action Plan	Roll out training to the various departments regarding the corporate card and hold the departments accountable for following the policies.

## D. POLICIES, PROCEDURES, AND PROCESS IMPROVEMENT

<b>7. Finding</b>	<p>The City is missing procurement policies, procedures, or standard practices in key areas, contributing to inconsistencies in receiving and in reconciliation between invoices and POs</p> <ol style="list-style-type: none"> <li>1. Currently, there is no centralized receiving policy, contributing to inconsistent collection of receiving documentation.</li> <li>2. Existing policies and procedures do not address how POs and invoices should be reconciled when they do not align.</li> </ol>
<b>Recommendation</b>	<ol style="list-style-type: none"> <li>1. The City should develop and implement central receiving policies and procedures that designate required receiving activities and documentation.</li> <li>2. The City should develop and implement central policies and procedures that designate how differences between POs and invoices should be reconciled when they do not align.</li> </ol>

**While the PCR generally provides a strong policy framework, it does not fully address specific procurement procedures needed in a decentralized environment.** The City has a generally strong policy framework articulated in its PCRs, which lay out key procurement rules such as procurement thresholds and required practices for specific procurement processes across their 146-page length. The PCRs are designed to lay out the rules for procurement rather than the details of specific purchasing processes that staff outside the Division may take part in. The PCRs, therefore, do not address all procurement, and in the



absence of other central procurement policies, not all required documentation is consistently collected.

As with training, comprehensive policies and procedures are needed in a decentralized procurement environment to ensure that strong procurement processes are followed across the City. Policies and procedures help employees understand expectations and perform processes consistently across locations and time. Additionally, well-developed policies and procedures reduce the City's operating risk and increase employee accountability.

**There is not currently a centralized receiving policy, contributing to inconsistent collection of receiving documentation.** Receiving is decentralized across the City and there is no centralized receiving policy at the City. In testing a sample of PO transactions, nine out of the 32 PO transactions did not have evidence that receiving was done by the department. Each department may have different receiving procedures and without a clear policy and procedure, important receiving steps — like documenting when receiving has been completed — may be missed. Additionally, undocumented receiving may indicate the items purchased were received incorrectly or not at all, increasing the risk that department inventory may be overstated or vendor payments may be unsubstantiated.

**Existing policies and procedures do not address how PO and invoices should be reconciled when they do not align.** In our testing of PO transactions, we also found one instance in which the City paid an invoice amount greater than the PO amount. Several approval emails were sent between AP and the Department, indicating that approval occurred. However, there is no documented policy or procedure in place to ensure appropriate and consistent reconciliation between invoices and POs in these instances. Without a standard practice in place, AP may pay an invoice that was not approved by a department, potentially impacting departmental budgets.

***Recommendation: Develop Central Receiving Policies***

**The City should develop and implement central receiving policies and procedures that designate required receiving activities and documentation.**

The Division should review all department procurement-related policies to ensure consistent guidance across the City and should solicit feedback from departments on what elements of the procurement policy can be clarified or expanded upon.



MANAGEMENT RESPONSE	
Management Agreement	Concur
Owner	Contracts and Procurement Division, Accounts Payable
Target Completion Date	End of 2023
Action Plan	PW has already rolled out a receiving program with invoicing that will assist the City.

***Recommendation: Develop PO and Invoice Reconciliation Policies***

**The City should develop and implement central policies and procedures that designate how differences between POs and invoices should be reconciled when they do not align.**

All related and important standardized but informal City processes should be formally written into the policy. Well-developed and properly applied procedures will help increase employee accountability, smooth employee transitions, and ultimately improve the City’s ability to serve customers.

MANAGEMENT RESPONSE	
Management Agreement	Concur
Owner	Contracts and Procurement Division, Accounts Payable
Target Completion Date	End of 2023
Action Plan	C&P and AP will work together to develop a City Policy for PO and Invoice Reconciliation.



## E. CENTRAL OVERSIGHT AND MONITORING

### Procurement Conflicts of Interest

8.	Finding	The City does not have a process in place to consistently identify whether businesses are owned by employees, preventing the City from ensuring compliance with procurement rules designed to prevent conflicts of interest.
	Recommendation	The City should develop and implement a process by which employee business ownership can be determined for relevant procurements. Practices that address this could include annual statements of conflicts of interest by employees, or methods designed to ensure employee connections with procurement partners can be consistently and comprehensively identified.

**Central procurement and purchasing oversight processes are limited in places.** When purchasing processes are decentralized, it is integral that the central procurement body maintains effective oversight over departmental purchases. In order to provide this oversight, the Division needs to have full information on areas of oversight responsibility. In several areas, information and communication provided or available to the Division was insufficient to adequately monitor departmental procurement practices. Findings 8 through 12 can also partially be addressed through oversight improvements.

**The City does not have processes in place to identify businesses it is contracting with are owned by employees.** According to PCR 1.7, “No contract shall be entered into with any City employee, or any business with which any City employee is associated.” Currently, the City does not have a way to ensure purchases are not made with a City employee beyond coincidental knowledge or self-identification. However, this self-identification is not a City requirement. As a result, there is a risk that purchases could be made in association with a City employee with whom there is a conflict of interest. In general, conflicts of interest occur when one’s private interest and public duties overlap, resulting in a real or perceived lack of independence or impartiality.

#### *Recommendation: Address Conflicts of Interest*

**The City should develop and implement a process by which employee business ownership can be determined for relevant procurements. Practices that address this could include annual statements of conflicts of interest by employees, or methods designed to ensure employee connections with procurement partners can be consistently and comprehensively identified.**

The City should develop and implement a process by which employee business ownership can be determined. One option is to require annual self-reporting of any actual or potential conflicts of interest, where employees fill out a conflict-of-interest form stating all related business ownership. This may be done on an annual basis on a standardized template. The Division should also ensure there is an easy and accessible way to report any procurement-related conflicts of interest throughout the year.



The City may also consider requiring potential vendors to fill out a conflict-of-interest form when submitting a proposal, to be able to assess potential conflicts of interest before awarding a contract. See the [Appendix](#) for several examples of conflict-of-interest forms. As a part of this process, the City should train employees on the importance of reporting and the risks of conflicts of interest for the City and the employee.

MANAGEMENT RESPONSE	
Management Agreement	Concur
Owner	Human Resources and Contracts and Procurement
Target Completion Date	End of 2023
Action Plan	Work with Human Resources to provide C & P with the employees that have businesses and C&P will maintain that list on the intranet for City employees.

## Cardholder Agreement Procedures

<b>9. Finding</b>	The City lacks clear processes to ensure all employees sign a cardholder agreement before a corporate card is used.
<b>Recommendation</b>	<ol style="list-style-type: none"> <li>1. The Division should develop a process by which they will verify that every employee with access to a corporate card has an agreement form filled out.</li> <li>2. The Division should work with departments to identify a current list of card users and update current card listings.</li> </ol>

**Current controls meant to control card access have important limitations.** When an employee requests a corporate card, they must fill out a cardholder agreement form. According to the Corporate Card Policy section 5.1, “All cardholders, including temporary card users, must submit a signed Corporate Cardholder or Temporary Card User Agreement to the Card Administrator.” The cardholder agreement form is comprehensive and includes all of the necessary components.

In reviewing corporate card administrative procedures, we reviewed cardholder agreement forms and found employees may have access to multiple cards, and multiple employees may have access to one card. While best practices indicate that cards should be assigned to individuals, this may not always be practical. If cards are shared however, proper controls must be in place to ensure that all card users are tracked. The City lacks internal controls that effectively ensure that all employees who have access to a card sign an agreement form. The risk of card violations increases when employees do not agree to and understand card policies.



**Recommendation: Verify Access to Cards**

The Division should develop a process by which they will verify that every employee with access to a corporate card has an agreement form filled out. This process should be done annually to ensure periodic confirmation of that agreement forms have been filled out.

The City's controls over credit cards are heavily oriented around ensuring that known cardholders are trained on the appropriate use of those cards. By bolstering processes to ensure that all cardholders are known, the City can help ensure that cardholders understand and follow credit card policies.

MANAGEMENT RESPONSE	
Management Agreement	Concur
Owner	Contracts and Procurement
Target Completion Date	Done
Action Plan	Have a list of cardholders on the intranet and notified departments to review the listing before allowing the use of a credit card. The list will be updated monthly.

**Recommendation: Update Current Card Listings**

The Division should work with departments to identify a current list of card users and update current card listings.

The Division should work with departments to identify a current list of card users and update current card listings, to ensure the Division has accurate records of all current cardholders. This should include ensuring all cardholders have an agreement form filled out.

MANAGEMENT RESPONSE	
Management Agreement	Concur
Owner	Contracts and Procurement Division
Target Completion Date	Done
Action Plan	C&P has rolled out new cardholder and card manager electronic forms for all departments to have on file.



## Cardholder Application Forms

<b>10. Finding</b>	Cardholder applications are not consistently updated to reflect changes in cardholders, inhibiting effective oversight over City corporate cards.
<b>Recommendation</b>	The Card Administrator should review on-hand cardholder applications against the annual review of card locations and cardholder verification, to ensure cardholder application forms are up to date and accurate.

**Cardholder applications are not consistently updated.** We reviewed several cardholder application forms to ensure all cards were properly requested. We found that some applications were filled out only for the initial card request and were not updated to reflect a change in the cardholder’s name over time. According to the Corporate Card Policy 5.9.1, “Corporate card information such as name of cardholder and card manager should be updated as information changes, through the submission of a Corporate Card Application form and by checking the change box.” City Corporate Card Applications include a section to indicate if the form relates to a new card, replacement card, cancellation, or change, to ensure all updates to an application are documented. However, per the Card Administrator, the application form is being used only for new cards or replacement cards. Changes related to the cardholder are not necessarily documented, meaning the application form may not document the current cardholder.

### *Recommendation: Review Cardholder Applications Against Other Documentation*

**The Card Administrator should review cardholder applications against the annual review of card locations and cardholder verification, to ensure cardholder application forms are up to date and accurate.**

By leveraging the other recommendations in this section, the Card Administrator can develop a comprehensive process for ensuring that all cardholders are known and tracked.

MANAGEMENT RESPONSE	
<b>Management Agreement</b>	Concur
<b>Owner</b>	Contracts & Procurement Division
<b>Target Completion Date</b>	End of 2023
<b>Action Plan</b>	Will review all cardholder applications to make sure they are current before doing the annual report.





## Decentralized Corporate Card Controls

11.	<b>Finding</b>	Controls over corporate cards vary significantly by department.
	<b>Recommendation</b>	The Division should develop a process for physically verifying the location and access controls over corporate cards. This process may be uniform across corporate cards or risk based.

**The decentralized nature of the City’s procurement processes can present challenges in ensuring internal controls are in place and are not being circumvented, including for corporate cards.** Internal controls related to corporate cards help ensure that payments using corporate cards are properly authorized, valid, and appropriately City related. Department staff reported a wide variety of methods for controlling access to corporate cards. Some strictly restrict access using a locked cabinet and controlled key held by only one person, while others allow a group of staff direct access to the corporate card. Some staff indicated control issues with the corporate cards as well, with staff not consistently using sign-out sheets when the cards are more accessible.

According to the Corporate Card Policy, to verify the accuracy of corporate card location the Card Administrator must “verify, or cause to be verified, the physical location and person holding the card each year.” In our interviews, the Card Administrator indicated they keep a spreadsheet of the physical locations of all cards but have not physically verified the location of cards due to capacity constraints. Though documentation of their location is important, verifying the physical location of cards would provide an extra check to ensure they are stored properly, to prevent lost or stolen cards given significant inconsistencies in card control practices.

### ***Recommendation: Implement Physical Corporate Card Controls***

**The Division should develop a process for physically verifying the location and access controls over City corporate cards. This process may be uniform across corporate cards or risk based.**

The Card Administrator should develop a detailed process for verifying the physical location of corporate cards. This process should include details on how often cards are reviewed, who is authorized to do physical checks, how these checks are to be completed, and how they should be documented. The Card Administrator may consider keeping a log to track when physical checks are completed and any issues that arise from the check. If cards are found to be improperly stored, the Card Administrator should document the misuse and educate the Department on the importance of physical controls.



MANAGEMENT RESPONSE	
Management Agreement	Concur
Owner	Contracts and Procurement Division
Target Completion Date	End of 2023
Action Plan	Annually the Card Administrator will verify physical locations of the credit cards.

## Fragmented Purchases Review

<b>12. Finding</b>	There may be instances where payments are split in order to remain under the \$5,000 purchase limit, preventing Division oversight over, and visibility into, these purchases.
<b>Recommendation</b>	The Division should develop a process for identifying and following up on purchases that may be artificially fragmented. When artificial fragmenting is identified, the City should ensure the behavior is addressed appropriately with training, warnings, or sanctions.

### **Purchases may be artificially split in order to avoid oversight in some instances.**

Corporate Card Policy section 5.4.5 prohibits the “artificially dividing or fragmenting a purchase into smaller amounts to remain under the \$5,000 limit, or the monthly credit limit.” In reviewing the corporate card transaction list for the year 2021, there was one instance where a department made multiple purchases to the same vendor on the same day for the same amount that when added together, were greater than \$5,000, the procurement threshold. This could indicate the purchases were split into smaller purchases to avoid going through the procurement process, inhibiting purchasing oversight. Departmental staff indicated that staff occasionally split invoices into smaller amounts to avoid process slowdowns due to Central Procurement review.

We also reviewed PO transactions from July 1, 2019, through June 31, 2021, and found several instances where multiple transactions were made on the same day to the same supplier for a total amount greater than \$5,000. Not all these transactions may be attempts to circumvent procurement processes with fragmented purchases, but they do indicate a potential risk. The PCRs do not include language prohibiting fragmenting purchases, except those conducted on credit cards, into smaller amounts to remain under \$5,000, but it is not a best practice for procurement. When employees bypass the procurement process, the City may miss out on more competitive pricing or formal vendor reviews to encourage favorable vendor contracts with the City.



### ***Recommendation: Address Fragmented Purchases***

**The Division should develop a process for identifying and following up on purchases that may be artificially fragmented. When artificial fragmenting is identified, the City should ensure the behavior is addressed appropriately with training, warnings, or sanctions.**

This process could include periodically reviewing transactions to identify indicators of fragmenting and following up with relevant departments to clarify details. Indicators may include purchases made on the same day to the same vendor for similar goods.

MANAGEMENT RESPONSE	
Management Agreement	Concur
Owner	Contracts and Procurement Division
Target Completion Date	Ongoing
Action Plan	Typically, C&P reviews purchases annually for fragmenting or purchases that should be set up on an annual contract. Will work on review the report monthly.

## **F. SUCCESSION PLANNING**

<b>13. Finding</b>	The City's procurement processes often rely on a single individual to maintain and train staff on those processes. This places the City at an increased risk of institutional knowledge loss and reduced efficiency if the individual is not present.
<b>Recommendation</b>	The Division should establish and document backups for procurement processes managed by single individuals. The City should conduct cross-training among these employees to ensure adequate and consistent coverage of key functions and duties.

**Procurement processes are often heavily reliant on institutional knowledge and a limited number of key individuals.** Each department at the City has a procurement representative who helps manage purchases for their department. Departments interviewed typically only had one individual in charge of procurement-related activities and didn't have a backup person who could take over in cases of leave or emergency. If these sole contributors are unable to fulfill these duties, many procurement processes may suffer delays or stop altogether if the City is unable to hire replacements in time for the incumbent to adequately train and transfer knowledge to their successor. This places the City at a risk of service disruption if these individuals are absent due to vacation, illness, prolonged absence, or departure from City employment. This can negatively impact the quality and efficiency of the procurement function.



***Recommendation: Establish Succession Plans and Cross-Training***

**The Division should establish and document backups for procurement processes managed by single individuals. The City should conduct cross-training among these employees to ensure adequate and consistent coverage of key functions and duties.**

The City should cross-train employees, either within a department or across departments, to either train an employee on procurement procedures or train someone already knowledgeable in procurement about the nuances of another department. In instances where cross-training does not make sense, the department should create plans to bring in the Division for support.

The City may facilitate this recommendation by developing a common template for succession plans, providing guidance and technical support to departments as they create these plans, and reviewing departmental plans to ensure completeness and accountability. The succession planning process may contain the following elements:

- Identification of essential procurement positions and their critical competencies
- Procedures to identify, promote, and select high-potential staff, along with plans for individual career development
- Methods to identify and fill gaps in succession (e.g., strengthen internal capabilities and/or recruit from the outside)
- Integration with the City’s strategic plan
- Regular review of each essential position’s plan
- A project plan with clear milestones to guide implementation

The City may analyze employee demographics to forecast potential retirements and prioritize development of succession strategies for those positions, such as knowledge transfer efforts and leadership and technical training.

MANAGEMENT RESPONSE	
Management Agreement	Concur
Owner	Contracts and Procurement Division
Target Completion Date	Ongoing
Action Plan	Continuous cross training among C&P staff. Work with Departments to notify C&P when new employees are hired for training.



# APPENDIX

## CITY OF EUGENE CONFLICT OF INTEREST DISCLOSURE FORM<sup>2</sup>

### EUGENE CONFLICT OF INTEREST (COI) DISCLOSURE FORM

#### Public Improvement Procurements

#### ORS279C and Eugene Purchasing Regulations Division 49

#### City of Eugene Public Works Engineering

Project Title \_\_\_\_\_

City of Eugene Project No.: \_\_\_\_\_

Bid Closing: \_\_\_\_\_

Firms proposing to enter into a Contract with the City of Eugene must be in conformance with the City of Eugene Conflict of Interest Guidelines. The COI Guidelines are available at the City of Eugene Standard Specifications for Construction webpage.

Bidders are required to submit the COI Disclosure Form to the Agency as part of their bid.

**This COI Disclosure Form must be signed in ink by a principal of the Firm to certify that it is correct. A Firm's certification that this disclosure form is correct includes the disclosure by its Associates and Subcontractors.**

My signature certifies that as disclosure on or attached to the present form:

- (a) The Firm's disclosures are complete, accurate, and not misleading.
- (b) The Firm has provided the City of Eugene COI Guidelines to all Associates and Subcontractors (if any) and the present form includes or has attached any required COI disclosures from those sources.

**I hereby certify that I am authorized to sign this COI Disclosure Form as a Representative for the Firm identified below:**

Bidder Firm's Legal Name: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Bidder's Telephone: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Read questions 1 – 7 on page 2.

I have read and complied with the COI Guidelines and the COI Disclosure Form and did not answer "Yes" to any of the questions on page 2. If this box is marked, submit page 1 with the proposal. No additional information is submitted at this time.

If the answer is "Yes" to any of the questions, submit the entire completed and signed COI Disclosure Form with the proposal.

\_\_\_\_\_

<sup>2</sup> <https://www.eugene-or.gov/DocumentCenter/View/44363/Eugene-Conflict-of-Interest-Disclosure-Form?bidId=>



Answer all questions “No”, “Yes” or “N/A”. If the answer is “yes” to any question, then use the comments field to explain the response. If you are uncertain about the response to the question, answer “yes” and use the comment field to explain. Information to include in the comments field includes, but is not limited to, furnishing all relevant facts that are necessary to make the response complete, accurate, and not misleading; identifying any actions that must be taken to avoid, neutralize, or mitigate such conflicts of interest.

If the answer is “Yes” to any of the questions, submit page 2 answering all questions “No”, “Yes” or “N/A”. Provide entire form with Proposal submittal.

1. Is any Associate of the Firm a former employees of the Agency within the last two years? Yes

If “Yes”, complete and attach the “Relatives and Former Agency Employees – Roles and Signatures” form (Part A and/or B, as applicable).

2. Is any Associate of the Firm a Relative or Member of the Household of a current Agency employee that had or will have any involvement with this Procurement or Contract Authorization? Yes

If “Yes”, complete and attach the “Relatives and Former Agency Employees – Roles and Signatures” form (Part A and/or B, as applicable).

3. Does the Firm or any Associate of the Firm have an Actual, Apparent or Potential Conflict Of Interest

(“Individual” or “Organizational”) with regard to any known member of an Agency Procurement evaluation or selection team?

No Yes Comments:

4. Has the Firm or an Associate of the Firm offered to a Public Official, or is the Firm aware of any Public Official that has solicited or received, directly or indirectly, any pledge or promise of employment or other benefit based on the understanding that the Public Official’s vote, official action or judgment would be influenced thereby?

No Yes Comments:

5. Has (or will) the Firm or an Associate of the Firm provided a direct beneficial financial interest to any person within two years after the person ceased to hold a position as a Public Official who was involved in the Procurement or Authorization for the Contract, or is the Firm aware of any such person or Public Official who has or will receive a direct beneficial financial interest within the two year period?

No Yes Comments:

6. Is the Firm aware of any current or former Public Official that has an Actual, Apparent or Potential Conflict Of Interest with respect to the Procurement or award of this Contract or performing the work for Agency?

No Yes Comments:

7. Have Subcontractors or other Associates furnished COI Disclosure Forms, separate from the present form, which included conflicts or potential conflicts of interest? (If “yes”, attach the disclosures.)

No Yes N/A (If no conflicts identified) Comments:



**CONFLICT OF INTEREST (COI) DISCLOSURE FORM**

**Public Improvement Procurements**

**Relatives and Former Agency Employees – Roles and Signatures**

Use Part A to list each employee of the Firm that was employed by Agency within the last two years, state the job the employee performed for the Agency, the role the employee now serves for the Firm and the date the employee left Agency. Use Part B for Firm Associates with Relatives or Members of the Household working for Agency that had or will have involvement with this Procurement or Contract.

<b>Part A: Employees that left Agency in the last two years</b>			
<b>Employee Name/Signature</b>	<b>Job Performed for Agency</b>	<b>Current Role with Firm</b>	<b>Date left Agency</b>
Name: _____ Sign: _____ <input type="checkbox"/> Involved with this Procurement on behalf of Agency? Yes / No (circle one) <input type="checkbox"/> Involved with Proposal development for this Procurement? Yes / No (circle one)			
Name: _____ Sign: _____ <input type="checkbox"/> Involved with this Procurement on behalf of Agency? Yes / No (circle one) <input type="checkbox"/> Involved with Proposal development for this Procurement? Yes / No (circle one)			
<b>Part B: Identify Associates of the Firm that are Relatives or Members of the Household of Agency employees currently working for Agency, if the Agency employee had or will have any involvement with this Procurement of Contract.</b>			
<b>Firm Associate's Name:</b>	<b>Name and Relationship of Relative or Member of Household Employed at Agency</b>	<b>Role at Agency</b>	<b>Agency employee's role with this procurement</b>

(Make copies of this form as needed to list additional employees)



# CITY OF PORTLAND CONFLICT OF INTEREST FORM<sup>3</sup>

## CONFLICT OF INTEREST QUESTIONS

For definitions and examples, please visit:

<https://www.portlandoregon.gov/civic/article/725028>. See more information and links to resources on the next page.

### **Applicant Name:**

1. Are you or is a relative associated with a business, as defined by ORS 244.020(3)(4), that is related to the subject matter to be considered by this advisory body? If yes, please explain. If no, enter “no” or “N/A,” which stands for “not applicable.”

Even if you or a relative’s connection to a business does not rise to the financial thresholds contained in ORS 244.020(3)(4), the City would like to know of any relationship to a business that could benefit financially from the outcome of the matter to be considered by this advisory body.

2. Do you or a relative have connections that could result in a financial benefit of more than \$500 annually? If yes, please explain. If no, enter “no” or “N/A.”

3. Do you or does any relative of yours have a professional affiliation with the City of Portland, either as a staff member or through a contract? Please list their name, their position, your relationship, the bureau/department, and the contract. If no, enter “no” or “N/A.”

## CONFLICT OF INTEREST & APPLICATION SIGNATURE

I affirm that all information contained in this form is true to the best of my knowledge. If at any time following the submission of this form, I become aware of any *actual* or *potential* conflicts of interest or if the information provided becomes inaccurate or

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<sup>3</sup> <https://www.portlandoregon.gov/civic/article/697078>





incomplete, promptly notify the staff contact for the City advisory body. Misstatement of fact or misrepresentation of conflicts of interest may result in this application being disqualified, or future dismissal from the advisory body.

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**Signature**

**Print Name:**

*(Applicant may print name in place of signature, should printing and scanning be a barrier)*

**Today's Date:**

Members of City advisory bodies are public officials, based on State law ORS 244.020(15), and as such are required to disclose conflicts of interest. Under Oregon Revised Statute 244.020(3), an appointee has conflict of interest when participating in an official action which could or would result in a financial benefit or avoidance of detriment to the public official, a relative of the public official, or a business with which either is associated.

Additionally, [Portland City Code Chapter 1.03, Code of Ethics](#), requires advisory board members to uphold a specific standard of behavior. This language is included as part of this form and will also be provided as part of your training. Public officials also need to observe the Oregon Government Ethics Commission's "Oregon Government Ethics Law - A Guide for Public Officials", booklet available at [www.oregon.gov/OGEC/Pages/training.aspx](http://www.oregon.gov/OGEC/Pages/training.aspx). Please refer to the [Definitions](#) page for more information. (Information is in English, see page 2 for accommodations instructions.)



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