BUREAU OF TREASURY AND DEBT MANAGEMENT

AUDIT OF NEGOTIATED BID BOND PROCESS

Fiscal Years 2014 Through 2018

TABLE OF CONTENTS

Executive Summary	1
Background Information	3
Objectives, Scope, and Methodology	9
Findings and Recommendations	10
Appendix I: Management's Response to the Audit Report	16

CITY OF BALTIMORE

JOAN M. PRATT, CPA
Comptroller

DEPARTMENT OF AUDITS
JOSH PASCH, CPA
City Auditor
100 N. Holliday Street Room 321, City Hall Baltimore, MD 21202
Telephone: 410-396-4783
Telefax: 410-545-3961

Honorable Joan M. Pratt, Comptroller
and Other Members
of the Board of Estimates
City of Baltimore, Maryland

Executive Summary

We conducted a performance audit of the Department of Finance, Bureau of Treasury and Debt Management's (Treasury) negotiated bid bond issuance process for Fiscal Years (FYs) 2014 through 2018. The objectives of our performance audit were to determine whether Treasury's: (1) negotiated bid process for hiring bond underwriters is transparent, fair and objective; and (2) related controls, policies and procedures were adequately designed and operating effectively to ensure the City of Baltimore (City) issues bonds at the lowest possible cost.

Treasury has the opportunity to improve on the negotiated bid bond issuance process by designing and implementing recommendations made in this audit to address the following issues:

- Treasury does not have formal (written, approved, and dated) policies and procedures although it has many good practices related to negotiated bid bond issuances process (see Table II on page 6). Formal policies and procedures promote compliance, accountability, consistency, and sustainability.

- Treasury has retained the services of the same two financial advisors[1] for more than 15 years without rotating. As discussed in *The Evolving Municipal Advisor Market in the Post Dodd Frank Era* written by Daniel Bergstresser & Martin J. Luby (see page 8) in 2018, municipalities do not always pay the lowest bond issuance costs when the same financial advisors and underwriters work jointly on municipal bond issuances.

- Treasury could not demonstrate it complied with the practice of date stamping the envelope of an underwriter's response to bond issuance Request for Proposals (RFPs) to confirm timely receipt by Treasury. In the event of litigation or a protest from an underwriter with an unsuccessful bid proposal, Treasury will not be able to produce evidence that supports when underwriter proposals were received.

[1] Treasury retains the services of two financial advisors: MuniCap that advises on all Tax Increment Financing (TIF) bonds sales and Public Financial Management (PFM) that advises on all non-TIF transactions.

- Certain members of the Board of Finance (BOF) did not consistently comply with the City's Ethics Board's financial disclosure filing requirement. A review of the City's Ethics Board Online Forms database confirmed inconsistent filing of the required annual financial disclosures for three of the five board members during FYs 2014 through 2017. The requirement for filing of financial disclosures are one of the key controls in the negotiated bid bond process. Without the filing of financial disclosures by BOF members, the risk of conflicts of interest among BOF members and underwriters and / or financial advisors is increased. This may result in the City paying higher cost of bond issuances.

We wish to acknowledge Treasury's cooperation extended to us during our audit.

Respectfully,

Josh Pasch

Josh Pasch, CPA
City Auditor
Baltimore, Maryland
October 24, 2019

Background Information

I. Bureau of Treasury and Debt Management

The Treasury manages the investment portfolio, issues new debt, manages existing debt and evaluates loan requests of the City. The Treasury is also responsible for the day-to-day cash management of the City.

In its role of issuing new debt, Treasury is responsible for issuing City bonds to finance City projects. The City issues the following two types of bonds:

- Revenue bonds are legally secured by specified revenue sources. For example, the City pledges parking fees, fines and tax revenues as a source for repayment of parking bond debt.

- General Obligation bonds are legally backed by the full faith and credit of the City which means the municipality is legally obligated to use its full taxing power to repay the bonds with tax revenue collected. The City issues both taxable and tax-exempt bonds.

II. Methods of Bond Sale

All City bonds are issued through either a negotiated bid sale or competitive bid sale process. The process of the sale depends on various factors, including the source, type and purpose of the bonds to be issued.

- In the competitive bid sale, underwriters submit bids to an electronic bidding platform and the underwriter bidding the lowest true interest cost is awarded the bonds.

- In the negotiated bid sale process, the City works with a single underwriting syndicate. The relationship can be established by two methods.

    - The first method is when the City identifies the need for additional funding for capital projects. The Treasury issues a RFP to solicit proposals directly from underwriters.

    - The second is when bond underwriters approach the City with innovative financing opportunities that may be beneficial to the City's current debt structure (Non RFP).

During FYs 2014 through 2018, the City's financings totaled $2.9 billion. Of the $2.9 billion, $2.2 billion represented negotiated bid bond issuances (see Table I on page 4).

Table I

Summary of Fiscal Years 2014 through 2018 Negotiated Bond Issuances

Type	Number of Issuances	Amount
RFPs	5	$1,736,590,000
Non-RFPs	6	420,484,928
Total	**11**	**$2,157,074,928**

Source: Treasury

III. Negotiated Bid Bond Sale Process

The Treasury begins the selection process by distributing RFPs to underwriters from the established list[2] based on the required degree of specialization for a particular bond sale. The RFP includes a response date deadline and requires the following specific information from interested underwriters: (1) takedown; (2) interest rates; (3) amount of uncommitted funds; (4) related experience; (5) distribution capabilities; (6) three references; (7) compliance to regulatory authorities; and (8) the underwriters' qualifications. Underwriter responses to the RFP are submitted to both Treasury and the financial advisor. The financial advisor summarizes and evaluates the responses to facilitate discussions with Treasury as to the merit of each proposal and to determine the firm that best satisfies the selected criterion and cost.

The Non-RFP proposals are submitted to the financial advisor for analysis and confirmation of the underwriter's proposed savings to the City.

If the results of the financial advisor's analysis is favorable to the City, Treasury submits the recommended underwriter's proposal[3] to the BOF (see textbox) for consideration and approval.

About the Board of Finance

The BOF was established by Article 7, sections 19 to 21 of the City of Baltimore Charter.

Members of the BOF:

- Consists of the Mayor of the City of Baltimore, the Comptroller and three other members appointed by the Mayor; and
- Must file financial disclosures as required by the Baltimore City Code, Article 8, § 7.

Source: Baltimore City Charter and Baltimore City Code

[2] The Treasury maintains an established list of 30 underwriters which is compiled based on previous business dealings. The list of underwriters is periodically updated with recommendations from the financial advisor and unsolicited underwriters' requests to Treasury. According to Treasury, both the financial advisors and underwriters are registered with and are regulated by the Municipal Securities Rulemaking Board (MSRB) and the Security Exchange Commission (SEC).

[3] The Treasury's memo to the BOF for approval of the recommended underwriter includes the recommended underwriter's proposal and the summarization of Treasury and the financial advisor's analysis of all proposals submitted.

As mandated by the City Charter, the BOF is responsible for all matters pertaining to the issuance and sale of certificates of indebtedness; therefore, the members must approve the final selection of the underwriter. The results of BOF members' votes are included in the minutes and become public records of the City. The Treasury files and retains BOF minutes and related bond issuance documents. Non-awarded proposals are not retained.

IV. Best Practices for Negotiated Bid Bond Process

As shown in Table II (see next page), Treasury has many Government Finance Officers Association's (GFOA) best practices in the negotiated bid bond process. Table III (see page 7) summarizes certain best practices that Treasury should consider implementing to improve the negotiated bid bond process.

Table II

Government Finance Officers Association's Best Practices - Selecting and Managing Underwriters for Negotiated Bond Sales that are currently in Treasury's Practices

COMPONENTS OF THE RFP
A clear and concise description of the contemplated bond sale transaction or financing program.
A statement noting whether firms may submit joint proposals. In addition, the RFP should state whether the issuer reserves the right to select more than one underwriter for a single transaction.
A description of the objective evaluation and selection criteria and explanation of how proposals will be evaluated.
A requirement that all underwriter compensation structures should be presented in a standard format. Proposers should identify which fees are proposed on a not-to-exceed basis, describe any condition attached to their fee proposal, and explicitly state which costs are included in the fee proposal and which costs are to be reimbursed.
A requirement that the proposer provide at least three references from other public-sector clients, preferably clients where the firm provided underwriting services similar to those proposed to be undertaken as the result of the RFP.
COMPONENTS OF THE UNDERWRITER'S PROPOSAL THAT DEMONSTRATE FIRM'S QUALIFICATIONS
Relevant experience of the firm and the individuals assigned to the issuer, and the identification and experience of the individual in charge of day-to-day management of the bond sale, including both the investment banker(s) and the underwriter(s).
A description of the firm's bond distribution capabilities including the experience of the individual primarily responsible for underwriting the proposed bonds. The firm's ability to access both retail and institutional investors should be described.
Demonstration of the firm's understanding of the issuer's financial situation, including ideas on how the issuer should approach financing issues such as bond structures, credit rating strategies and investor marketing strategies.
Demonstration of the firm's knowledge of local political, economic, legal or other issues that may affect the proposed financing.
Documentation of the underwriter's participation in the issuer's recent competitive sales or the competitive sales of other issuers in the same state.
Analytic capability of the firm and assigned investment banker(s).
The amount of uncommitted capital available and the ability and willingness of the firm to purchase the entire offering of the issuer, if necessary, in the case of a firm underwriting.
ADDITIONAL UNDERWRITER SELECTION PROCESS CONSIDERATIONS
Establish evaluation procedures and a systematic rating process based on objective criteria in the RFP, conduct interviews with proposers, and undertake reference checks. Where practicable, one individual should check all references using a standard set of questions to promote consistency. To remove any appearance of a conflict of interest resulting from political contributions or other activities, elected officials should not be part of the selection team.

Source: GFOA

Table III

Government Finance Officers Association's Underwriter Selection Best Practices that Treasury Should Consider Implementing

COMPONENTS OF THE UNDERWRITER'S PROPOSAL THAT DEMONSTRATE FIRM'S QUALIFICATIONS
Access to sources of current market information to provide bond pricing data before, during and after the sale.
Disclosure by the underwriter of any conflicts of interest, as stated in MSRB Board Rule G-17, including finder's fees, fee splitting, or other contractual arrangements of the firm that could present a real or perceived conflict of interest. Additionally, the firm should disclose if there are any pending investigations of the firm or enforcement or disciplinary actions imposed on the firm within the past three years by the SEC or other regulatory bodies.
ADDITIONAL UNDERWRITER SELECTION PROCESS CONSIDERATIONS
Take steps to maximize the number of respondents by posting the RFP on your website, using the resources of your municipal advisor, sending to firms that specialize in your type of credit, using mailing lists, media advertising, and using the resources of the GFOA.
Give adequate time for firms to develop their responses to the RFP. Two weeks should be appropriate for all but the most complicated RFPs.
Document and retain the description of how the selection was made and the rankings of each firm.

Source: GFOA and Department of Audits

V. About the Authors Cited in Finding #2

Daniel Bergstresser is a regular presenter at the annual Municipal Finance Conference hosted by the Brookings Institution. The conference is a collaboration between academics, practitioners, issuers and regulators that focuses on recent research on municipal capital markets and state and local fiscal issues. His research focuses on municipal finance and on the impact of taxation, regulation, and market structure on financial markets. This research has been published in the Journal of Law and Economics, The Journal of Financial Economics, The Quarterly Journal of Economics, Review of Financial Studies, and Journal of Public Economics, and has been widely cited in both the academic and business press.

Martin J. Luby is the assistant dean for academic strategies and an associate professor in the Lyndon Baines Johnson School of Public Affairs. His teaching and research broadly focuses on public finance with an emphasis in public financial management. Much of his research has focused on the municipal securities market and the use of debt finance by state and local governments. He has published on innovative government financial instruments, federal financing techniques, regulation of the municipal securities market and the role of financial intermediaries in state and local government financings. He is a registered municipal adviser representative with the SEC (Series 50 Qualification) and regulated by the MSRB.

Objectives, Scope and Methodology

We conducted our performance audit in accordance with G*enerally Accepted Government Auditing Standards (GAGAS),* except for peer review requirements. 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. The objectives of our performance audit were to determine whether Treasury's:

- Negotiated bid process for hiring bond underwriters is transparent, fair and objective.
- Related controls, policies and procedures were adequately designed and operating effectively to ensure the City issues bonds at the lowest possible cost.

The scope of our audit covers the Treasury's negotiated bid process for issuing bonds during FYs 2014 through 2018.

To accomplish our objectives, we:

- Interviewed key Treasury personnel.
- Conducted a walkthrough to obtain an understanding of negotiated bid bond issuance process.
- Researched best practices including the GFOA and regulations from the MSRB and the SEC.
- Evaluated objectives, risks and controls in the negotiated bid bond process.
- Selected six of 11 approved RFPs and non-RFPs, or 55 percent for testing.
- Tested the selected RFPs and non-RFPs by reviewing supporting bond issuance documentation.

Findings and Recommendations

Finding #1: Formal policies and procedures related to negotiated bid bond issuances need to be developed and implemented.

Although Treasury has many good practices for the negotiated bonds process (See Table II, page 6), Treasury does not have formal (written, approved and dated) policies and procedures such as documentation of negotiated bids received date (date stamp), retention of all bids received, and independent verification of financial advisors' and underwriters' financial disclosures for independence.

Formal policies and procedures promote compliance, accountability, consistency and sustainability. Due to the complex nature of the negotiated bid bond sales process, the lack of documented policies and procedures increases business succession and continuity risks in the event of unexpected turnover within Treasury.

A reason for not having formal policies and procedures may be that Treasury contracts with independent, trusted advisors to perform key roles throughout the process. Treasury has long-standing relationships with both of its financial advisors that exceed fifteen years (see text box on page 11). Consequently, Treasury depends on the regimented nature of their negotiated bid bond sales process in lieu of drafting written policies and procedures. Also, Treasury relies solely on financial advisors' and underwriters' compliance with MSRB Rule G-42 and Rule G-17, respectively to disclose potential conflicts of interest and maintain independence.

According to the *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States (Green Book), management:

- "Should implement control activities through policies."
- "Documents in policies the internal control responsibilities of the organization."
- "Documents in policies for each unit its responsibility for an operational process's objectives and related risks, and control activity design, implementation, and operating effectiveness."
- "Communicates to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities."
- "Periodically reviews policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity's objectives or addressing related risks."

The GFOA best practices recommended: "Disclosure by the underwriter of any conflicts of interest, as stated in MSRB Rule G-17, including finder's fees, fee splitting, or other contractual arrangements of the firm that could present a real or perceived conflict of interest. Additionally, the firm should disclose if there are any pending investigations of the firm or enforcement or disciplinary actions imposed on the firm within the past three years by the SEC or other regulatory bodies."

Recommendation #1:

We recommend the Director of Finance develop and implement formal policies and procedures by considering GFOA's recommended best practices for negotiated bid bond sales (See Table II and Table III in the Background). The formal policies and procedures should include the following requirements, but are not limited to: documentation retention, and independent verification of financial advisors' and underwriters' independence disclosures.

Finding #2: Treasury has retained the advisory services of the same two financial advisors for more than 15 years without rotating.

The Treasury issued a RFP in July 2015 in an attempt to secure new financial advisors. The RFP process did not result in new contracts being awarded. Therefore, the BOF approved resolutions[4] in September 2015 for both MuniCap and PFM (see textbox) to continue in their advisory roles with updated contract terms and billing rates.

As research findings presented in *The Evolving Municipal Advisor Market in the Post Dodd Frank Era* (Bergstresser & Luby[5], 2018, p.16) suggests the following analysis and guidance related to municipal advisor's relationships with underwriters:

- "The more concentrated the relationship between underwriter and municipal advisor, the higher the average bond price increase."

About the City's Two Financial Advisors

1. **MuniCap, Inc.** - The contract with MuniCap has been in place since October 2001 and is open-ended with a cancellation clause requiring 30 days' notice. MuniCap is a local financial advisory firm based in Columbia, Maryland. In addition to MuniCap's local ties, the firm has specialized experience related to TIF bond sales.
2. **Public Financial Management, Inc**. – According to Treasury, the contract with PFM has been in place prior to 2005. PFM is contracted as a financial advisor to many other local governments in Maryland, Virginia, the District of Columbia as well as several comparatively sized major cities in the United States.

Source: Treasury

[4] The resolution approved an extension for a three-year period beginning in September 2015 with the potential for two additional one-year extensions.

[5] See Section V of the Background on page 8.

- "Similarly, the more concentrated the business a municipal advisor does in the state that it is advising on a bond sale, the higher the average bond price increase."

- "….Municipal issuers should avoid selecting bond financing teams in which the underwriters and municipal advisors have consistently worked with each other…."

- "Issuers should consider at least rotating their municipal advisor to include national firms that may not have as strong of a local presence."

Recommendation #2:

We recommend the Director of Finance increase the pool of potential financial advisors by:

- Consulting with other municipalities of similar size and inquiring which financial advisor(s) are contracted to conduct analysis of TIF and other proposals.

- Encouraging these potential financial advisors to participate in the next RFP process.

- Effectively advertising the next RFP for new financial advisors in national newspapers.

- Incorporating Daniel Bergstresser and Martin Luby's recommendations listed above.

Finding #3: Retention of request for proposals documentation needs to be expanded.

The Treasury cannot demonstrate it: (1) is in compliance with the practice of date stamping the envelope of an underwriters' response to bond issuance RFPs; and, (2) the RFPs were timely received by Treasury. Specifically,

- Of the three awarded RFPs selected for testing, date stamps were missing on all three awarded RFPs.

- The proposals received from the underwriters that were not awarded the bond issuance contract were not retained by Treasury.

In the event of litigation or a protest from an underwriter with an unsuccessful bid proposal, Treasury will not be able to produce evidence that supports when underwriter proposals were received. The financial advisor's analysis and subsequent ranking of unsuccessful bid proposals cannot be validated after the bond issuance has been awarded, which prevents an independent review / audit of the process.

The bond issuance RFP requires all proposals to be received by Treasury prior to the deadline listed in the RFP.

According to GFOA best practices, bond issuers should:

- **"**Establish evaluation procedures and a systematic rating process based on objective criteria in the RFP, conduct interviews with proposers, and undertake reference checks."
- **"**Document and retain the description of how the selection was made and the rankings of each firm."

According to the Green Book, "Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained."

Recommendation #3:

We recommend the Director of Finance:

- Develop and implement a bid receipt log that documents, at a minimum, bidder's name, received date, and a receiver's signature.
- Require Treasury personnel:
    - Stamp the envelopes when bids are received.
    - Retain envelopes with date stamps as well as bid response packages for both awarded bidders and unsuccessful bidders in a secured format.

Finding #4: Certain Board of Finance members did not consistently comply with the City's financial disclosure requirement.

The three mayoral appointees, which represent 60 percent of the members who served on the BOF, did not consistently file financial disclosures with the City Ethics Board (See members 3, 4 and 5 in Table IV on page 14). Specifically, Member #3, Member #4, and Member #5 did not file financial disclosures for two years, three years, and four years, respectively.

Table IV

Summary of Board of Finance Members' Financial Disclosures Filings
FYs 2014 through 2018

	2014	2015	2016	2017	2018
Member #1	Yes	Yes	Yes	Yes	N/A
Member #2	N/A	N/A	Yes	Yes	Yes
Member #3	No	No	Yes	Yes	Yes
Member #4	No	No	No	Yes	Yes
Member #5	No	No	No	No	Yes
Member #6	Yes	Yes	Yes	Yes	Yes

Notes: N/A - member was not serving on the BOF at that time.
No - financial disclosure is not on file.
Yes - financial disclosure is on file
Source: The Department of Audits

The Treasury heavily relies on the financial advisors for the negotiated bid bond process. Additionally, the Mayor and the three mayoral appointees collectively represent 80 percent of the voting power of the BOF. Therefore, the requirement for filing of financial disclosures by members of BOF is a key control in the negotiated bid bond issuing process. Without the filing of financial disclosures by BOF members, the risk of conflicts of interest among BOF members and underwriters and / or financial advisors is increased. This may result in the City paying higher costs for bond issuances.

According to the Baltimore City Code, Article 8, *Ethics*,

- § 7-2. *General filing requirements*, "Except as otherwise specified in this subtitle, each statement must be filed with the Ethics Board on or before April 30 of each year."

- § 7-8. *Persons required to file – Agency officials and staff, "*The following officials and employees must file the financial disclosure statements required by this subtitle:

    (12a) *Finance Board.*

    (i) Members of the Board.

    (ii) All non-clerical employees of or assigned to the Board."

Recommendation #4:

We recommend the Director of Finance:

- Contact the Ethics Board to ensure all BOF members' financial disclosures have been filed[6] for the respective year when the City issues negotiated bonds subject to the BOF's approval.

- Include this step in formal policies and procedures discussed in Finding #1.

[6] According to the Baltimore City Code Article 8, Ethics, § 9-5.1. *Overdue financial disclosure statements*, "If a public servant has failed to file a complete financial disclosure statement within 5 days of the date required under this article, the Ethics Board must notify the public servant in writing of the public servant's noncompliance and of the potential consequences under this section for continued noncompliance." (Effective February 25, 2020)

APPENDIX I

Management's Response

Date: October 22, 2019

To: Josh Pasch, City Auditor

Subject: Management Response to Audit Report:
Audit of the Bureau of Treasury and Debt Management Negotiated Bid Bond Process

Our responses to the audit report findings recommendations are as follows:

Recommendation # 1

We recommend the Director of Finance develop and implement formal policies and procedures by considering GFOA's recommended best practices for negotiated bid bond sales (See Table II and Table III in the Background). The formal policies and procedures should include the following requirements, but are not limited to: documentation retention, and independent verification of financial advisors' and underwriters' independence disclosures.

Management Response/Corrective Action Plan

Agree ☒ ☒ **Disagree**

The Department of Finance concurs with part of the recommendation. The Department does fully disclose its competitive procurement process to the Board of Finance when each underwriting or financial advisor award is made. This process is summarized in an action memorandum that includes the major award categories for the Board's consideration. However we agree to formalize certain of the GFOA recommendations in a policy document and agree to time stamp, maintain a bid log and retain submissions for the biennial audit period.

In regard to the independence disclosure - we believe the Municipal Securities Rule Making Board (MSRB) Rules 17 and 42 already address potential financial advisor and underwriter independence and conflict of interest issues. These rules apply to all registered advisors and underwriters. The rules are the equivalent of federal law and go beyond the auditor's recommendation in that they require municipal securities dealers and municipal advisors to deal fairly with all persons and prohibits any deceptive, dishonest, or unfair practice. They also establish a fiduciary responsibility that includes a duty of loyalty and a duty of care to the City and requires a full disclosure of any and all conflicts of interest. Financial Industry Regulatory Authority (FINRA), the SEC and federal bank regulators share responsibility for enforcement and compliance. This federal regulatory regime includes disciplinary actions and penalties which protect the City from misconduct by municipal advisor or underwriter.

Implementation Date
One year from the date of this report

Responsible Personnel
Jennell Rogers, Chief Bureau of Treasury Management

Recommendation #2

We recommend the Director of Finance increase the pool of potential financial advisors by:

- Consulting with other municipalities of similar size and inquiring which financial advisor(s) are contracted to conduct analysis of TIF and other proposals.
- Encouraging these potential financial advisors to participate in the next RFP process.
- Effectively advertising the next RFP for new financial advisors in national newspapers.
- Incorporating Daniel Bergstresser and Martin Luby's recommendations listed above.

Management Response/Corrective Action Plan

Agree ☐ ☒ **Disagree**

We disagree with the finding and recommendation. As a professional services contract the selection of our advisors are fully compliant with city procurement rules and for PFM we have indeed conducted a formal competitive solicitation. Our last financial advisor RFP included nine of the top national advisory firms which in our view is more than sufficient. The Board of Finance last awarded the contract to PFM because they were the lowest responsible bidder. To award the contract to the next highest bidder is in direct violation of basic procurement rules. In fact this recommendation may result in the City paying more for the same financial advice and could subject the City to protests or more.

We also disagree with the above assertion that our bond rates have suffered – and that nationally well-known and respected firms such as PFM and PRAG are too cozy with underwriters. In our view they provide sound independent financial advice.

National advisory firms build their entire reputation on being independent. The auditor has not provided any direct evidence that Baltimore's bond rates have suffered as a result of our advisors and base their recommendation on one academic report.

Finally, we do in fact consult other municipalities on their financial advisor selections at GFOA meetings and do not believe expensive ads in national papers are required.

Implementation Date
N/A

Responsible Personnel
N/A

Recommendations #3

We recommend the Director of Finance:

- Develop and implement a bid receipt log that documents, at a minimum, bidder's name, received date, and a receiver's signature.

- Require Treasury personnel:
  - Stamp the envelopes when bids are received.
  - Retain envelopes with date stamps as well as bid response packages for both awarded bidders and unsuccessful bidders in a secured format.

Management Response/Corrective Action Plan

[X] **Agree** [ ] **Disagree**

See first paragraph of Management Response #1.

Implementation Date
Policy shall be implemented within one year of the date of this response.

Responsible Personnel
Jennell Rogers – Chief Bureau of Treasury Management – 410-396-4750.

Recommendations #4

We recommend Director of Finance:

- Contact the Ethics Board to ensure all BOF members' financial disclosures have been filed for the respective year when the City issues negotiated bonds subject to the BOF's approval.
- Include this step in formal policies and procedures discussed in Finding #1.

Management Response/Corrective Action Plan

[X] **Agree** [ ] **Disagree**

Compliance with City's disclosure and ethics rules lies with the Ethics Board. However, the Department agrees to adopt a policy to notify Board annually of the filing requirement and to notify members if they have not filed.

Implementation Date
Policy shall be implemented within one year of the date of this response.

Responsible Personnel
Jennell Rogers – Chief Bureau of Treasury Management – 410-396-4750.