CITY OF PALO ALTO
COUNCIL APPOINTED OFFICERS COMMITTEE

The Honorable City Council
Palo Alto, California

September 28, 2020

Approval of a Contract With Baker Tilly US, LLP for Internal Auditor Services in an Amount Not-to-Exceed $1,300,000 for a Term Commencing October 1, 2020 through June 30, 2022, Including Approval of Four Initial Task Orders; Adoption of a Resolution to Appoint Kyle O'Rourke of Baker Tilly US, LLP as City Auditor; and Amendment of the Table of Organization to Eliminate 4.0 Positions in Various Funds

Recommendation
The City Council is recommended to:

A. Approve and authorize the Mayor or his/her designee to execute the attached professional services contract (Attachment A) with Baker Tilly US, LLP for internal auditing services in an amount not to exceed $1,300,000 for a term commencing October 1, 2020 through June 30, 2022, including approval of four initial task orders detailing initial work commencing on October 1, 2020;

B. Adopt a resolution appointing Kyle O’Rourke of Baker Tilly US, LLP, Certified Internal Auditor (CIA), as Palo Alto’s City Auditor (Attachment B); and

C. Amend the Table of Organization to Eliminate 4.0 positions, 1.0 City Auditor position in the General Fund, and 3.0 Senior Performance Auditor positions (2.0 from the General Fund and 1.0 from the Utilities’ Enterprise Funds).

Executive Summary
The actions recommended in this report will result in the transition of internal audit services to Baker Tilly US, LLP (Baker Tilly), an internationally-regarded advisory, tax, auditing, and assurance firm, and appoint Kyle O’Rourke, MPA, CIA, CGAP, CRMA, Senior Consulting Manager with Baker Tilly, as Palo Alto’s City Auditor in conformance with the Palo Alto City Charter. This will This contract approval authorizes a term commencing October 1, 2020 through June 30, 2022, in an amount not to exceed $1,300,000, including four initial task orders detailing initial work commencing October 1, 2020. The contract provides the option to extend the term for a period or periods of up to three additional years, through June 30, 2025, by mutual agreement with compensation to be determined in such years by terms outlined in the contract. Any extension would require future action by the City Council for formal authorization and, if enacted, would allow for up to a five-year term in total. Finally, the recommended actions will adjust the City’s authorized staffing and resources given the new model for the delivery of internal audit services.
Per City Council direction on February 10, 2020, the Council Appointed Officers (CAO) Committee oversaw a request for proposals (RFP) process for outsourced internal auditing services, led a procurement process aligned with Council direction, and engaged in a transparent review of scope of work services, RFP evaluation, and a public interview process as part of the overall effort. The services that were solicited include management and performance auditing and oversight of the City’s independent financial auditor which completes annual financial reporting including the City’s Comprehensive Financial Report (CAFR).

From April to June, the CAO Committee and evaluation team reviewed the RFP and evaluation process, developed the scope of services, and screened responses to the RFP. Written proposals were evaluated under the criteria provided in Municipal Code section 2.30.410. This work resulted in public interviews of top firms by the CAO Committee on July 28. Following these public interviews, the City Council conducted closed session interviews of the City Auditor candidates designated by the top firms recommended by the CAO Committee. Through the interview process, the Council has selected Baker Tilly and Kyle O’Rourke to lead the City’s internal audit services.

It is recommended that the City Council approve the proposed contract and initial task orders with Baker Tilly for outsourced internal auditing services, adopt a resolution appointing Kyle O’Rourke of Baker Tilly as City Auditor, and approve changes to the City’s Table of Organization to align resources with this direction.

Discussion
Baker Tilly is one of the few comprehensive professional services firms in this field with a group dedicated to state and local governmental clients. Baker Tilly’s experience extends across more than 40 states with specific public sector clients in California such as the cities of Carlsbad, Riverside, Burbank, Modesto and Richmond and several utility clients including Sacramento Municipal Utility District, Imperial Irrigation District, Northern California Power Agency, San Diego Gas & Electric, Glendale Utilities, Pasadena Water and Electric, Anaheim Public Utilities, and the California Public Utilities Commission. This is notable as Palo Alto owns and operates its own utilities.
Kyle O’Rourke is a 10-year veteran in internal auditing and consulting services. O’Rourke specializes in internal audit and risk consulting, business process reviews, organizational and operational assessments, benchmarking studies and technology needs assessments. He is a Certified Internal Auditor (CIA), a Certified Government Auditing Professional (CGAP), and holds a Master of Public Affairs with a concentration in Public Financial Management, and Bachelor of Science in Public Affairs, from Indiana University at Bloomington. O’Rourke also serves as Senior Vice President of the Chicago chapter of the Institute of Internal Auditors (IIA). Other industry memberships include the Association of Local Government Auditors (ALGA) and the Association of Government Accountants (AGA). He holds several other industry certifications and related training including IIA Risk Management Assurance Certification and the IIA Leadership Academy, and has written extensively on auditing, risk-management and related topics.

Baker Tilly’s response to the formal RFP can be found [here](#). Included in this package is the full resume of Mr. O’Rourke which can be found in the Appendices pages viii – ix.

**Contract Terms Summary:**

**TERM:** Initial 1.75-year contract commencing October 1, 2020 through June 30, 2022; mutual option to renew for up to an additional three years through June 30, 2025 (requires City Council approval)

**COMPENSATION:** Target value of compensation is not to exceed $1.3 million during the initial term. Year 1: $550,000 (prorated to conform to City’s fiscal year ending 6/30/21); Year 2: $750,000.

**LOCATION:** Contract terms and compensation anticipate that the City Auditor, Kyle O’Rourke, will be on-site in Palo Alto every other week (post the current public health emergency); Other staff will be on-site as appropriate.

**SCOPE OF SERVICES:** Core services stipulated include Citywide Risk Assessment at least every other year; Annual Audit Plan preparation; Anticipated six audits per year
(four major and two smaller audits); several other small projects; Management and oversight of the Fraud, Waste and Abuse Hot Line; Selection and oversight of the City’s Independent Financial Auditor. Audits will be conducted in conformance with established auditing standards (Yellow Book).

**REPORTING/PUBLIC:** Baker Tilly will ensure biannual peer reviews are completed and annual comparison of auditing costs with benchmarked agencies. Quarterly status reports, annual reports, and the annual audit plan will continue to be reviewed by the appropriate governing body (outlined in oversight below) as prepared and brought forward by Baker Tilly.

**OVERSIGHT:** Consistent with a City Council Appointed Office as stipulated in the City’s Charter, Mr. O’Rourke will report to City Council including annual performance reviews by the City Council. *City Council* will review quarterly status reports and annual reports *Policy and Services Committee* will continue to oversee the annual audit plan, status reports and completed audits

**TERMINATION** Termination is at City Council’s discretion with 10 days’ notice; Baker Tilly may terminate with 30 days’ notice only in event of a substantial failure of performance under the contract by the City.

**Background, Process, and Selection Steps**

On February 25, 2019, the City Council initiated a process to review service delivery options for the City Auditor function, including commission of an industry survey. *City Council Auditor Resource Evaluation; Report #10109*.

On February 10, 2020, the City Council discussed service models and considered the completed industry survey “Internal Auditing Practices: City of Palo Alto Relative to Industry Practices” commissioned in February 2019. Council unanimously requested the Council Appointed Officers Committee to initiate an accelerated RFP process to engage an outside firm to provide internal auditor services for the City of Palo Alto. *CAO Committee Discussion and Recommendation – City Auditor’s Office; Report #11039*.

After the City Council’s action, City staff assisted the Council to engage an outside consultant to support the work of the CAO Committee. On March 17, 2020, the Committee approved a consulting engagement with Management Partners, a national local government consulting firm, to work with the Council on the internal auditing services RFP. *Development Of A Request For Proposals For The City Auditor Function And Discussion Of Process And Next Steps; Report can be found here.* In addition, the CAO Committee appointed a City Auditor RFP Ad Hoc Subcommittee consisting of Council Member Eric Filseth to oversee and advise on the progress of this work.

On April 16, 2020 the CAO Committee had a robust discussion about the auditor scope of services, the RFP itself, and the evaluation process. *Request for Proposals for the City Auditor Function: Key Decision Points for Scope of Services, Proposer Requirements, and Process Steps:*
Report can be found here. Based on the CAO Committee’s direction, the RFP was posted on April 21 on the City’s PlanetBids purchasing website, and additional outreach to prospective proposers was conducted.

On May 4, the City Council approved the CAO Committee’s recommendation that the Committee evaluate responsive proposals and forward one or more finalists to Council for further evaluation and selection of a firm and individual to serve as City Auditor. Review And Approval Of The City Auditor Request For Proposals Evaluation Process; Report can be found here. The RFP evaluation process specified that if there were more than three responsive proposals submitted, then an Evaluation Team would be convened to do a first screening of the responses. The Evaluation Team was to include: Council Member Eric Filseth as the City Auditor RFP Ad Hoc Subcommittee; Greg Larson from Management Partners; and an independent third party appointed by the CAO Committee Chair, former Mayor and Council Member Larry Klein as CAO Committee Chair Liz Kniss’ appointee.

On May 26, 2020 the CAO Committee was informed that none of the six proposers responding to the RFP released on April 21, 2020 were fully compliant with the City’s responsiveness standards for this RFP. Consequently, the CAO Committee recommended, and on June 1, 2020 the City Council approved, a rejection of all proposals and authorization to reissue the RFP with clarifications to ensure competitive and responsive proposals, with an expectation that interviews with qualified proposers would be conducted in July. Update on the Internal Auditing Request for Proposals and Direction on Next Steps Report can be found here.

The RFP was then reissued on June 8, 2020. The same six proposers submitted responsive proposals on July 10, 2020 which were then scored by the Evaluation Team. On July 21, 2020 the CAO Committee reviewed the Evaluation Team’s rankings and concurred with the recommendation to invite four of the six firms to structured CAO Committee interviews. Discussion and Direction on the Evaluation of Submittals for the Internal Auditing Services Request for Proposals: Agenda including the report can be found here.

The CAO Committee interviews were completed on July 28, 2020 and the Committee recommended that individuals who would serve as the designated City Auditor from the three top-ranked firms be interviewed by City Council during closed session on July 29. Video of the July 28th interviews can be found here. Direction to proceed with reference checking was provided with a final round of interviews conducted on August 17 following reference checking and contract exception review. The City Council interviewed the two final proposed City Auditor designees and selected a preferred applicant.

The City Council directed Management Partners to proceed with contract negotiations with the preferred applicant and firm, and delegated oversight of the remaining process to Councilman Eric Filseth as the City Auditor RFP Ad Hoc Subcommittee. Final contract negotiations with the preferred firm were conducted through early September, and the standard one-week protest period passed with no protests filed.
The City Council and CAO Committee undertook a systematic, deliberative and public process to ensure that the selected firm and proposed City Auditor candidate were selected based on the best possible value to the City in exchange for public funds. As is typical with RFP processes, the evaluation of the written proposals and subsequent interviews of the ranked firms, were conducted in structured fashion and in accordance with evaluation criteria established in the Municipal Code. The Council paid particular attention to the experience, knowledge, skills and abilities of the individual proposed to serve as City Auditor.

**Timeline and Next Steps**
If Council approves the contract on September 28, the engagement is anticipated to begin October 1. The Task Orders for the initial work are attached to the proposed agreement for services and include performing a citywide risk assessment, preparation of an audit plan, oversight and selection of the independent financial auditor, and ongoing services support and evaluation.

The risk assessment and resulting audit plan will be presented to and discussed at a Policy & Services Committee meeting and then proposed to City Council for consideration and approval. Future changes to task orders may be considered by the Chair of the Policy & Service Committee and advanced to the full council if significant. The Council anticipates initial audit work will begin in 2021 following adoption of the audit plan.

**Resource Impact**
Fiscal Year 2021 is expected to be a transition year as the organization shifts to a new model for the delivery of internal audit services. This memorandum authorizes the necessary steps to align resources with the new service delivery model through both the authorization of the contract with Baker Tilly and the amendments to the Table of Organization, also known as the authorized staffing levels. With the elimination of 4.0 positions (1.0 City Auditor and 3.0 Senior Performance Auditors), funds will be reallocated from salary to non-salary expenses to provide funding for the FY 2021 pro-rated contract not to exceed $550,000. In FY 2021, as a result of the transition costs, the Office of the City Auditor is expected to remain at or potentially exceed adopted budget appropriation levels of $1.1 million in all funds, $870,000 in the General Fund (this includes central allocated costs as well as direct expenses). Staff will monitor these transition costs and bring forward any adjustments necessary as part of the FY 2021 Mid-Year Budget Review or Year-End Budget adjustments. In subsequent years, it is expected that the contract services authorized will be funded similarly to the current audit services, 75% in the General Fund and 25% in the Utilities Enterprise Funds for a total not to exceed $750,000 annually. The FY 2022 budget development will incorporate these changes to both staffing and contractual service funding reducing contract services funding in the Office of the City Auditor for this contract as well as the contract with the City’s independent financial auditor.

**Stakeholder Engagement**
This work has been based on extensive prior discussion and direction from the City Council during multiple public meetings and overseen by the Council Appointed Officers Committee which has also met in several public meetings.
Environmental Review
This action is exempt from CEQA and requires no further environmental review.

ATTACHMENTS:
- Attachment A: Contract with Baker Tilly for Internal Audit Services (C21179340) (PDF)
- Attachment B: Resolution Appointing Kyle O'Rourke as Palo Alto City Auditor v3 (PDF)
CITY OF PALO ALTO CONTRACT NO. C21179340

AGREEMENT FOR PROFESSIONAL SERVICES BETWEEN
THE CITY OF PALO ALTO AND BAKER TILLY US, LLP

This Agreement for Professional Services (this “Agreement”) is entered into as of the 1st day of October, 2020, by and between the CITY OF PALO ALTO, a California chartered municipal corporation (“CITY”), and BAKER TILLY US, LLP, an Illinois Limited Liability Partnership, located at 205 Michigan Avenue, Suite 2800, Chicago, IL 60601 (“CONSULTANT”).

REQUITALS

The following recitals are a substantive portion of this Agreement.

A. CITY issued request for proposals (RFP) F21-001 (Re-issue) for internal auditor services in accordance with City Charter and Municipal Code requirement (“Project”) and desires to engage a consultant to provide such internal auditor services in connection with the Project (“Services”).

B. CONSULTANT has represented that it has the necessary professional expertise, qualifications, and capability, and all required licenses and/or certifications to provide the Services.

C. CITY in reliance on these representations desires to engage CONSULTANT to provide the Services as more fully described in Section 1 (Scope of Services) and Exhibit “A”, attached to and made a part of this Agreement.

D. On September 28, 2020, the Palo Alto City Council approved this Agreement and a resolution appointing Kyle O’Rourke as designated City Auditor.

NOW, THEREFORE, in consideration of the recitals, covenants, terms, and conditions, in this Agreement, the parties agree:

AGREEMENT

SECTION 1. SCOPE OF SERVICES. CONSULTANT shall perform the Services described at Exhibit “A” (which includes without limitation the As Required Services detailed below in this Section 1) in accordance with the terms and conditions contained in this Agreement. The performance of all Services shall be to the reasonable satisfaction of CITY.

CONSULTANT shall provide As Required Services associated with the scope of services described in Exhibit A, to be authorized by CITY in writing as detailed in herein. CITY may elect to, but is not required to, authorize As Required Services up to the maximum compensation amount set forth in Section 4. As Required Services, if any, shall be authorized by the CITY with a Task Order (as below) assigned and authorized by CITY’s Project Manager, as identified in Section 13 (Project Management), except as otherwise provided in the last paragraph of this Section 1, below. Each Task Order shall be in substantially the same form as the attached Exhibit A-1, entitled “PROFESSIONAL SERVICES TASK ORDER”. Each Task Order shall contain a specific scope of services, schedule of performance and maximum compensation amount, in accordance with the
provisions of this Agreement, and shall be drafted and proposed by CONSULTANT if so requested by CITY. Task Orders may be assigned at the task level as described in Exhibit A or associated sub-task level. Compensation for As Required Services shall be based on the compensation structure set forth in Section 4 and Exhibit B, including any authorized expenses, based on the hourly rates set forth in Exhibit B-1, or a negotiated lump sum, to be set forth in the Task Order.

To accept a Task Order, CONSULTANT shall sign the Task Order and return it to the CITY’s Project Manager within the time specified by the CITY’s Project Manager, and upon authorization by CITY (defined as counter-signature by the CITY’s Project Manager), the fully executed Task Order shall become part of this Agreement. The cumulative total compensation to CONSULTANT for all Services, and all Task Orders authorized under this Agreement, shall not exceed the amount of compensation set forth in Section 4. CONSULTANT shall only be compensated for As Required Services performed under an authorized Task Order and only up to the maximum amount of compensation set forth in Section 4. Performance of and payment for any As Required Services are subject to all requirements and restrictions in this Agreement.

The Task Orders for Tasks 1, 2, 3, and 5 for Fiscal Year 2020-21 are attached and hereby approved. Any changes to herein-approved Task Orders for Tasks 1, 2, 3, and 5 may be made by subsequent review and approval by the CITY’s Project Manager via amended Task Order, utilizing the Task Order approval process detailed herein.

SECTION 2. TERM. The term of this Agreement shall be from October 1, 2020 through June 30, 2022, coinciding with partial Fiscal Year 2020-21 (October 1, 2020 through June 30, 2021) and full Fiscal Year 2021-22 (July 1, 2021 through June 30, 2022), unless terminated earlier pursuant to Section 19 of this Agreement. The term of this Agreement may be extended by written instrument, in accordance with Section 27.4 of this Agreement, for any period or periods not to exceed three (3) additional years.

SECTION 3. SCHEDULE OF PERFORMANCE. Time is of the essence in the performance of Services under this Agreement. CONSULTANT shall complete the Services within the term of this Agreement and in accordance with the Scope of Services set forth in Exhibit A and/or the timeline set forth in the relevant Task Order, as applicable. Any Services for which times for performance are not specified in this Agreement or in the relevant Task Order shall be commenced and completed by CONSULTANT in a reasonably prompt and timely manner based upon the circumstances and direction communicated to the CONSULTANT. CITY’s agreement to extend the term or the schedule for performance shall not preclude recovery of damages for delay if the extension is required due to the fault of CONSULTANT.

SECTION 4. NOT TO EXCEED COMPENSATION. The total compensation to be paid to CONSULTANT for performance of the Services, including As Required Services (per Section 1) and any reimbursable expenses, shall not exceed five hundred and fifty thousand dollars ($550,000) in partial Fiscal Year 2020-21, and seven hundred and fifty thousand dollars ($750,000) in Fiscal Year 2021-22, for a total contract amount not to exceed one million three hundred thousand dollars ($1,300,000), as detailed in Exhibit B (Compensation).

CONSULTANT agrees to complete all Services, including As Required Services and any reimbursable expenses, within this amount. The applicable rate schedule is set out at Exhibit “B-1”, entitled “SCHEDULE OF RATES,” which is attached to and made a part of this Agreement.
Any work performed or expenses incurred for which payment would result in a total exceeding the maximum amount of compensation set forth herein shall be at no cost to the CITY.

**SECTION 5. INVOICES.** In order to request payment, CONSULTANT shall submit monthly invoices describing the Services performed and the applicable charges (including, if applicable, an identification of personnel who performed the Services, hours worked, hourly rates, and reimbursable expenses), based upon Exhibit B, the CONSULTANT’s schedule of rates (set forth in Exhibit B-1), and/or the relevant Task Order, as applicable. If applicable, the invoice shall also describe the percentage of completion of each task. The information in CONSULTANT’s invoices shall be subject to verification by CITY. CONSULTANT shall send all invoices to the CITY’s Project Manager at the address specified in Section 13 below (Project Management), with a copy to CITY’s Accounts Payable Division, with payment subject to approval of the CITY’s Project Manager. The CITY will generally process and pay invoices within thirty (30) days of receipt.

**SECTION 6. QUALIFICATIONS/STANDARD OF CARE.** All of the Services shall be performed by CONSULTANT or under CONSULTANT’s supervision. CONSULTANT represents that it possesses the professional and technical personnel necessary to perform the Services required by this Agreement and that the personnel have sufficient skill and experience to perform the Services assigned to them. CONSULTANT represents that it, its employees and subconsultants, if permitted, have and shall maintain during the term of this Agreement all licenses, permits, qualifications, insurance and approvals of whatever nature that are legally required to perform the Services.

All of the Services to be furnished by CONSULTANT under this Agreement shall meet the professional standard and quality that prevail among professionals in the same discipline and of similar knowledge and skill engaged in related work throughout California under the same or similar circumstances.

**SECTION 7. COMPLIANCE WITH LAWS.** CONSULTANT shall keep itself informed of and in compliance with all federal, state and local laws, ordinances, regulations, and orders that may affect in any manner the Project or the performance of the Services or those engaged to perform Services under this Agreement. CONSULTANT shall procure all permits and licenses, pay all charges and fees, and give all notices required by law in the performance of the Services.

**SECTION 8. ERRORS/OMISSIONS.** CONSULTANT is solely responsible for costs, including, but not limited to, increases in the cost of Services, arising from or caused by CONSULTANT’s errors and omissions, including, but not limited to, the costs of corrections such errors and omissions, any change order markup costs, or costs arising from delay caused by the errors and omissions or unreasonable delay in correcting the errors and omissions.

**SECTION 9. COST ESTIMATES.** If this Agreement pertains to the design of a public works project, CONSULTANT shall submit estimates of probable construction costs at each phase of design submittal. If the total estimated construction cost at any submittal exceeds the CITY’s stated construction budget by ten percent (10%) or more, CONSULTANT shall make recommendations to CITY for aligning the PROJECT design with the budget, incorporate CITY approved recommendations, and revise the design to meet the Project budget, at no additional cost to CITY.
SECTION 10. INDEPENDENT CONTRACTOR. CONSULTANT acknowledges and agrees that CONSULTANT and any agent or employee of CONSULTANT will act as and shall be deemed at all times to be an independent contractor and shall be wholly responsible for the manner in which CONSULTANT performs the Services requested by CITY under this Agreement. CONSULTANT and any agent or employee of CONSULTANT will not have employee status with CITY, nor be entitled to participate in any plans, arrangements, or distributions by CITY pertaining to or in connection with any retirement, health or other benefits that CITY may offer its employees. CONSULTANT will be responsible for all obligations and payments, whether imposed by federal, state or local law, including, but not limited to, FICA, income tax withholdings, workers’ compensation, unemployment compensation, insurance, and other similar responsibilities related to CONSULTANT’s performance of the Services, or any agent or employee of CONSULTANT providing same. Nothing in this Agreement shall be construed as creating an employment or agency relationship between CITY and CONSULTANT or any agent or employee of CONSULTANT. Any terms in this Agreement referring to direction from CITY shall be construed as providing for direction as to policy and the result of CONSULTANT’s provision of the Services only, and not as to the means by which such a result is obtained. CONSULTANT agrees to maintain and make available to CITY, upon request and during regular business hours, accurate books and accounting records demonstrating CONSULTANT’s compliance with this Section.

SECTION 11. ASSIGNMENT. The parties agree that the expertise and experience of CONSULTANT are material considerations for this Agreement. CONSULTANT shall not assign or transfer any interest in this Agreement nor the performance of any of CONSULTANT’s obligations hereunder without the prior written consent of the City Council. Consent to one assignment will not be deemed to be consent to any subsequent assignment. Any assignment made without the approval of the city manager will be void.

SECTION 12. SUBCONTRACTING.

CONSULTANT shall not subcontract any portion of the work to be performed under this Agreement without the prior written authorization of the CITY.

Upon prior written authorization by CITY via Task Order, CONSULTANT shall be responsible for directing the work of any subconsultants and for any compensation due to subconsultants. CITY assumes no responsibility whatsoever concerning compensation. CONSULTANT shall be fully responsible to CITY for all acts and omissions of a subconsultant. CONSULTANT shall change or add subconsultants only with the prior approval of the CITY via Task Order.

SECTION 13. PROJECT MANAGEMENT. CONSULTANT will assign Jodi Dobson as the Project Manager to have supervisory responsibility for the performance, progress, and execution of the Services and Kyle O’Rourke as the designated City Auditor to represent CONSULTANT during the day-to-day work on the Project. If circumstances cause the substitution of the Project Manager, designated City Auditor, or any other key personnel for any reason, the appointment of a substitute beyond a period of 90 days will be subject to the prior written approval of the CITY’s Project Manager. Further, the City Council will interview and approve by resolution the appointment of any substitute City Auditor as specified here and in Exhibit A (Scope of Services). CONSULTANT, at CITY’s request, shall promptly remove personnel who CITY finds do not perform the Services in an acceptable manner, are uncooperative, or present a threat to the
adequate or timely completion of the Project or a threat to the safety of persons or property.

CITY’s Project Manager is the Chair of the City Council’s Policy and Services Committee, or other City Council designee as identified to CONSULTANT in writing. The CITY’s Project Manager will be CONSULTANT’s point of contact with respect to performance, progress and execution of the Services under this Agreement. City Council may designate an alternate CITY Project Manager upon approval of the Annual Audit Plan described in Exhibit A (Scope of Services), approval of City Council appointments, or at any other time it is so acted upon by City Council.

**SECTION 14. OWNERSHIP OF MATERIALS.** CITY shall retain all title to CITY’s documents, data and other materials that are provided to CONSULTANT, including all copies thereof, and all rights to patents, copyrights, trademarks, trade secrets and other intellectual property rights inherent in such CITY materials. CITY hereby grants to CONSULTANT a limited, non-exclusive, non-transferable license to use such CITY materials in the performance of this Agreement and for CONSULTANT’s internal quality assurance purposes to meet its professional standards per the American Institute of Certified Public Accountants (AICPA), Consulting Standards and for no other purpose. Pursuant to this Agreement, CONSULTANT will provide CITY with the deliverables (“Deliverables”) detailed in Exhibit A (Scope of Services) and/or any approved Task Order, as applicable. Deliverables provided by the CONSULTANT shall become the property of the City. City hereby grants to CONSULTANT a limited, non-exclusive, non-transferable license to use such Deliverables for CONSULTANT’s internal quality assurance purposes to meet its professional standards per the AICPA, Consulting Standards, and for no other purpose without the prior written consent of the City Manager. All programs, working papers, files, and other materials used or made by the CONSULTANT pursuant to this Agreement in researching and preparing any Deliverable to be provided to the CITY hereunder shall remain the property of the CONSULTANT (except as otherwise provided for in this Section). The City will have access to such materials upon request. The CONSULTANT shall comply with the confidentiality provisions of this Agreement and shall not disclose to any third party the contents of such programs, working papers, files, or any other materials or Deliverables without prior written approval of the City Manager.

**SECTION 15. AUDITS.** CONSULTANT will permit CITY to audit, at any reasonable time during the term of this Agreement and for three (3) years thereafter, CONSULTANT’s records pertaining to matters covered by this Agreement. CONSULTANT further agrees to maintain and retain such records for at least three (3) years after the expiration or earlier termination of this Agreement.

**SECTION 16. INDEMNITY.**

16.1. To the fullest extent permitted by law, CONSULTANT shall indemnify, defend and hold harmless CITY, its Council members, officers, employees and agents (each an “Indemnified Party”) from and against any and all third-party demands, claims, or liability of any nature, including death or injury to any person, property damage or any other loss, including all costs and expenses of whatever nature including attorney’s fees, experts fees, court costs and disbursements (“Claims”) resulting from, arising out of or in any manner related to the negligence, recklessness, or willful misconduct of CONSULTANT, its officers, employees, agents or contractors under this Agreement, regardless of whether or not it is caused in part by an
Indemnified Party.

16.2. Notwithstanding the above, nothing in this Section 16 shall be construed to require CONSULTANT to indemnify an Indemnified Party from Claims arising from the active negligence, sole negligence or willful misconduct of an Indemnified Party.

16.3. The acceptance of CONSULTANT’s services and duties by CITY shall not operate as a waiver of the right of indemnification. The provisions of this Section 16 shall survive the expiration or early termination of this Agreement.

SECTION 16.A. LIMITATION OF LIABILITY.

16A.1. NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, IN NO EVENT SHALL CONSULTANT BE LIABLE TO CITY, REGARDLESS OF WHETHER ANY CLAIM IS BASED ON CONTRACT OR TORT, FOR SPECIAL, CONSEQUENTIAL, INDIRECT OR INCIDENTAL DAMAGES OR FOR ANY LOSS OF PROFIT OR LOSS OF BUSINESS BY CITY, EVEN IF CONSULTANT HAS BEEN ADVISED OF THE POSSIBILITY OF ANY SUCH POTENTIAL CLAIM, LOSS OR DAMAGE. EXCEPT AS PROVIDED IN THE IMMEDIATELY FOLLOWING SENTENCE, IN NO EVENT SHALL THE TOTAL AGGREGATE LIABILITY UNDER THIS AGREEMENT OF CONSULTANT TO CITY EXCEED THE DOLLAR AMOUNT PROVIDED FOR IN SECTION 4 (“NOT TO EXCEED COMPENSATION”) OF THIS AGREEMENT. CONSULTANT’S LIABILITY LIMIT SET FORTH HEREIN SHALL NOT APPLY TO (1) DAMAGES CAUSED BY CONSULTANT’S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, (2) CONSULTANT’S OBLIGATIONS TO INDEMNIFY AND DEFEND CITY PURSUANT TO SECTION 16 (“INDEMNIFICATION”) OF THIS AGREEMENT, (3) LIMIT CLAIMS OR GENERAL DAMAGES THAT FALL WITHIN THE INSURANCE COVERAGE OF THIS AGREEMENT, (4) STATUTORY DAMAGES, AND (5) WRONGFUL DEATH CAUSED BY CONSULTANT.

16A.2. CITY’S PAYMENT OBLIGATIONS UNDER THIS AGREEMENT SHALL BE LIMITED TO THE PAYMENT OF THE COMPENSATION PROVIDED FOR IN SECTION 4 (“NOT TO EXCEED COMPENSATION”) OF THIS AGREEMENT. NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, IN NO EVENT SHALL CITY BE LIABLE, REGARDLESS OF WHETHER ANY CLAIM IS BASED ON CONTRACT OR TORT, FOR ANY SPECIAL, CONSEQUENTIAL, INDIRECT OR INCIDENTAL DAMAGES, INCLUDING, BUT NOT LIMITED TO, LOST PROFITS, ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR THE SERVICES PERFORMED IN CONNECTION WITH THIS AGREEMENT.

SECTION 17. WAIVERS. The waiver by either party of any breach or violation of any covenant, term, condition or provision of this Agreement, or of the provisions of any ordinance or law, will not be deemed to be a waiver of any other term, covenant, condition, provisions, ordinance or law, or of any subsequent breach or violation of the same or of any other term, covenant, condition, provision, ordinance or law.

SECTION 18. INSURANCE.
18.1. CONSULTANT, at its sole cost and expense, shall obtain and maintain, in full force and effect during the term of this Agreement, the insurance coverage described in Exhibit "D". CONSULTANT and its contractors, if any, shall obtain a policy endorsement naming CITY as an additional insured under any general liability or automobile policy or policies.

18.2. All insurance coverage required hereunder shall be provided through carriers with AM Best's Key Rating Guide ratings of A-:VII or higher which are licensed or authorized to transact insurance business in the State of California. Any and all contractors of CONSULTANT retained to perform Services under this Agreement will obtain and maintain, in full force and effect during the term of this Agreement, identical insurance coverage, naming CITY as an additional insured under such policies as required above.

18.3. Certificates evidencing such insurance shall be filed with CITY concurrently with the execution of this Agreement. The certificates will be subject to the approval of CITY’s Risk Manager and will contain an endorsement stating that the insurance is primary coverage. CONSULTANT shall provide the Purchasing Manager with thirty (30) days' prior written notice of any cancellation or modification. If the insurer cancels or modifies the insurance and provides less than thirty (30) days’ notice to CONSULTANT, CONSULTANT shall provide the Purchasing Manager written notice of the cancellation or modification promptly following the CONSULTANT’s receipt of such notice. CONSULTANT shall be responsible for ensuring that current certificates evidencing the insurance are provided to CITY’s Chief Procurement Officer during the entire term of this Agreement.

18.4. The procuring of such required policy or policies of insurance will not be construed to limit CONSULTANT's liability hereunder nor to fulfill the indemnification provisions of this Agreement. Notwithstanding the policy or policies of insurance, CONSULTANT will be obligated for the full and total amount of any damage, injury, or loss in accordance with the terms of Sections 16 and 16.A of this Agreement.

SECTION 19. TERMINATION OR SUSPENSION OF AGREEMENT OR SERVICES.

19.1. The CITY may suspend the performance of the Services, in whole or in part, or terminate this Agreement, with or without cause, by giving ten (10) days prior written notice thereof to CONSULTANT. Upon receipt of such notice, CONSULTANT will immediately discontinue its performance of the Services.

19.2. CONSULTANT may terminate this Agreement or suspend its performance of the Services by giving thirty (30) days prior written notice thereof to CITY, but only in the event of a substantial failure of performance by CITY.

19.3. In the event of such suspension or termination, CONSULTANT will deliver to the CITY’s Project Manager on or before the effective date in the notice of suspension or termination, any and all Deliverables, as detailed in Section 14 (Ownership of Materials), whether or not completed, prepared by CONSULTANT or its contractors, if any, in the performance of this Agreement. Such Deliverables are the property of CITY, as detailed in Section 14 (Ownership of Materials).

19.4. Upon such suspension or termination by CITY, CONSULTANT will be
paid for the Services rendered or materials delivered to CITY in accordance with the scope of services on or before the effective date in the notice of suspension or termination; provided, however, if this Agreement is suspended or terminated on account of a default by CONSULTANT, CITY will be obligated to compensate CONSULTANT only for that portion of CONSULTANT’s services which are of direct and immediate benefit to CITY as such determination may be made by the City Manager acting in the reasonable exercise of his/her discretion. The following Sections will survive any expiration or termination of this Agreement: 14, 15, 16, 16.A, 19.4, 20, 25 and 27.

195. No payment, partial payment, acceptance, or partial acceptance by CITY will operate as a waiver on the part of CITY of any of its rights under this Agreement.

SECTION 20. NOTICES.

All notices hereunder will be given in writing and mailed, postage prepaid, by certified mail, addressed as follows:

To CITY: Office of the City Clerk
          City of Palo Alto
          Post Office Box 10250
          Palo Alto, CA 94303

With a copy to the Purchasing Manager and Project Manager

To CONSULTANT: Attention of the project director
          at the address of CONSULTANT recited above

SECTION 21. CONFLICT OF INTEREST.

21.1. In accepting this Agreement, CONSULTANT covenants that it presently has no interest, and will not acquire any interest, direct or indirect, financial or otherwise, which would conflict in any manner or degree with the performance of the Services.

21.2. CONSULTANT further covenants that, in the performance of this Agreement, it will not employ subconsultants, contractors or persons having such an interest. CONSULTANT certifies that no person who has or will have any financial interest under this Agreement is an officer or employee of CITY; this provision will be interpreted in accordance with the applicable provisions of the Palo Alto Municipal Code and the Government Code of the State of California.

21.3. If the Project Manager determines that CONSULTANT is a “Consultant” as that term is defined by the Regulations of the Fair Political Practices Commission, CONSULTANT shall be required and agrees to file the appropriate financial disclosure documents required by the Palo Alto Municipal Code and the Political Reform Act.

SECTION 22. NONDISCRIMINATION. As set forth in Palo Alto Municipal Code section 2.30.510, CONSULTANT certifies that in the performance of this Agreement, it shall not discriminate in the employment of any person due to that person’s race, skin color, gender, gender
identity, age, religion, disability, national origin, ancestry, sexual orientation, pregnancy, genetic information or condition, housing status, marital status, familial status, weight or height of such person. CONSULTANT acknowledges that it has read and understands the provisions of Section 2.30.510 of the Palo Alto Municipal Code relating to Nondiscrimination Requirements and the penalties for violation thereof, and agrees to meet all requirements of Section 2.30.510 pertaining to nondiscrimination in employment.

SECTION 23. ENVIRONMENTALLY PREFERRED PURCHASING AND ZERO WASTE REQUIREMENTS. CONSULTANT shall comply with the CITY’s Environmentally Preferred Purchasing policies which are available at CITY’s Purchasing Department, incorporated by reference and may be amended from time to time. CONSULTANT shall comply with waste reduction, reuse, recycling and disposal requirements of CITY’s Zero Waste Program. Zero Waste best practices include first minimizing and reducing waste; second, reusing waste and third, recycling or composting waste. In particular, CONSULTANT shall comply with the following zero waste requirements:

(a) All printed materials provided by CONSULTANT to CITY generated from a personal computer and printer including but not limited to, proposals, quotes, invoices, reports, and public education materials, shall be double-sided and printed on a minimum of 30% or greater post-consumer content paper, unless otherwise approved by CITY’s Project Manager. Any submitted materials printed by a professional printing company shall be a minimum of 30% or greater post-consumer material and printed with vegetable based inks.

(b) Goods purchased by CONSULTANT on behalf of CITY shall be purchased in accordance with CITY’s Environmental Purchasing Policy including but not limited to Extended Producer Responsibility requirements for products and packaging. A copy of this policy is on file at the Purchasing Division’s office.

(c) Reusable/returnable pallets shall be taken back by CONSULTANT, at no additional cost to CITY, for reuse or recycling. CONSULTANT shall provide documentation from the facility accepting the pallets to verify that pallets are not being disposed.

SECTION 24. COMPLIANCE WITH PALO ALTO MINIMUM WAGE ORDINANCE. CONSULTANT shall comply with all requirements of the Palo Alto Municipal Code Chapter 4.62 (Citywide Minimum Wage), as it may be amended from time to time. In particular, for any employee otherwise entitled to the State minimum wage, who performs at least two (2) hours of work in a calendar week within the geographic boundaries of the City, CONSULTANT shall pay such employees no less than the minimum wage set forth in Palo Alto Municipal Code section 4.62.30 for each hour worked within the geographic boundaries of the City of Palo Alto. In addition, CONSULTANT shall post notices regarding the Palo Alto Minimum Wage Ordinance in accordance with Palo Alto Municipal Code section 4.62.060.

SECTION 25. NON-APPROPRIATION

25.1. This Agreement is subject to the fiscal provisions of the Charter of the City of Palo Alto and the Palo Alto Municipal Code. This Agreement will terminate without any penalty (a) at the end of any fiscal year in the event that funds are not appropriated for the following fiscal year, or (b) at any time within a fiscal year in the event that funds are only appropriated for a portion of the fiscal year and funds for this Agreement are no longer available. This section shall
take precedence in the event of a conflict with any other covenant, term, condition, or provision of this Agreement.

SECTION 26. PREVAILING WAGES AND DIR REGISTRATION FOR PUBLIC WORKS CONTRACTS

26.1 This Project is not subject to prevailing wages. CONSULTANT is not required to pay prevailing wages in the performance and implementation of the Project in accordance with SB 7 if the contract is not a public works contract, if the contract does not include a public works construction project of more than $25,000, or the contract does not include a public works alteration, demolition, repair, or maintenance (collectively, ‘improvement’) project of more than $15,000.

SECTION 27. MISCELLANEOUS PROVISIONS.

27.1. This Agreement will be governed by the laws of the State of California without regard to conflict of law provisions.

27.2. In the event that an action is brought, the parties agree that trial of such action will be vested exclusively in the state courts of California in the County of Santa Clara, State of California.

27.3. The prevailing party in any action brought to enforce the provisions of this Agreement may recover its reasonable costs and attorneys’ fees expended in connection with that action. The prevailing party shall be entitled to recover an amount equal to the fair market value of legal services provided by attorneys employed by it as well as any attorneys’ fees paid to third parties.

27.4. This Agreement represents the entire and integrated agreement between the parties and supersedes all prior negotiations, representations, and contracts, either written or oral. This Agreement may be amended only by a written instrument, which is signed by the parties and approved as required under the Palo Alto Municipal Code.

27.5. The covenants, terms, conditions and provisions of this Agreement will apply to, and will bind, the heirs, successors, executors, administrators, assignees, and consultants of the parties.

27.6. If a court of competent jurisdiction finds or rules that any provision of this Agreement is void or unenforceable, the unaffected provisions of this Agreement will remain in full force and effect.

27.7. All exhibits, addenda, appendices, attachments, and schedules to this Agreement (collectively, “exhibits”) which are referred to herein are by such reference incorporated in this Agreement and deemed part of this Agreement.

27.8. In the event of a conflict between the terms of this Agreement and the exhibits hereto or CONSULTANT’s proposal (if any), the Agreement shall control. In the case of any conflict between the exhibits hereto and CONSULTANT’s proposal, the exhibits shall control.
27.9 If, pursuant to this contract with CONSULTANT, CITY shares with CONSULTANT personal information as defined in California Civil Code section 1798.81.5(d) about a California resident (“Personal Information”), CONSULTANT shall maintain reasonable and appropriate security procedures to protect that Personal Information, and shall inform City promptly following discovery that there has been a breach in the security of the system impacting or potentially impacting Personal Information, or in the security of the Personal Information, in CONSULTANT’S custody or control. CONSULTANT shall not use Personal Information for direct marketing purposes without City’s express written consent.

27.10 In the performance of the services, CONSULTANT may have access to CITY’s proprietary or confidential information, the disclosure of which to third parties may damage the CITY, its employees, customers or residents and/or may violate state and/or federal law. CONSULTANT will hold such information in confidence and use it only to perform this Agreement and for no other purpose. CONSULTANT shall exercise the same standard of care to protect such information as CONSULTANT uses to protect its own proprietary and/or confidential information and in no case less than a reasonable standard of care.

27.11 The individuals executing this Agreement represent and warrant that they have the legal capacity and authority to do so on behalf of their respective legal entities.

27.12 This Agreement may be signed in multiple counterparts, which, when executed by the parties, shall together constitute a single binding agreement.
IN WITNESS WHEREOF, the parties hereto have by their duly authorized representatives executed this Agreement on the date first above written.

CITY OF PALO ALTO

City Manager (Required on contracts over $85,000)
Purchasing Manager (Required on contracts over $50,000)
Contracts Administrator (Required on contracts under $50,000)

APPROVED AS TO FORM:

City Attorney or designee
(Required on Contracts over $25,000)

BAKER TILLY US, LLP

Officer 1
By: 
Name: Jodi Dobson
Title: Partner

Officer 2 (Required for Corp. or LLC)
By: 
Name: Heather Acker
Title: Partner

Attachments:
EXHIBIT “A”: SCOPE OF SERVICES
EXHIBIT “A-1”: PROFESSIONAL SERVICES TASK ORDER
EXHIBIT “B”: COMPENSATION
EXHIBIT “B-1”: SCHEDULE OF RATES
EXHIBIT “C”: INSURANCE REQUIREMENTS
FISCAL YEAR 2020/21 TASK ORDERS 1, 2, 3 AND 5
EXHIBIT “A”
SCOPE OF SERVICES

Background
In accordance with City Charter and Municipal Code requirements, the Palo Alto City Council must appoint a City Auditor who serves at the will of the Council, and who executes annual Council-approved internal audit plans through the Office of the City Auditor.

Mission of the Office of the City Auditor
The mission of the office of the city auditor is to promote honest, efficient, effective, economical, and fully accountable and transparent city government. This mission is fulfilled by conducting annual performance audits and financial/operational analyses of city departments, programs, services or activities.

These audits are intended to ensure that city management is using its financial, physical, and informational resources effectively, efficiently, economically, ethically, and equitably, and in compliance with laws, regulations, contract and grant requirements, and city policies and procedures.

Internal Auditor Scope of Services
This section contains the scope of internal audit services to be performed by CONSULTANT as required by the City Charter and Municipal Code, including the required duties of, and audit tasks performed by, the CONSULTANT’S City Auditor.

Service Requirements of the City Auditor
The City Auditor shall:

- Ensure that city departments and officers responsible for accounting and financial management activities comply with statutory requirements and accounting standards.
- Perform internal audits of all the fiscal transactions and operations of the City, in accordance with annual audit plans approved and directed by the City Council, that include:
  - Conducting performance audits of city departments, programs, services or activities,
  - Examination and analysis of fiscal procedures and expenditures,
  - Provision of other analyses of financial and operational data, and
  - Periodic unscheduled audits.

As Required Internal Audit Tasks
The following 6 tasks represent the core services to be provided by CONSULTANT. These As Required Services must be authorized by CITY’s representative through the approval of Task Orders prepared by CONSULTANT, in further accordance with Section 4 of this Agreement (Not To Exceed Compensation) and Exhibit A-1 thereto (Professional Services Task Order).
Task 1. Citywide Risk Assessment:
Beginning with year 1 and continuing at a minimum every other year thereafter, prepare a citywide risk assessment following the same review and approval requirements described in Task 2. The risk assessment process will be the primary determinant of subsequent audit activity.

Task 2. Preparation of Annual Audit Plan:
Prepare an annual audit plan for review by the City Manager and appropriate City Council committee(s), and approval by the City Council, that identifies preliminary objectives of each audit to be performed, the schedule for each audit, and the estimated not to exceed resources and costs for each audit. The City Auditor shall consult with the City Attorney as necessary when developing audit plans. The annual audit plan will be largely based on the risk assessment required in Task 1.

Task 3. Selection of External Financial Auditor and Annual Audit Coordination:
Coordinate the annual external financial audit in each year of the contract term.

Pursuant to the City Charter, the City Auditor shall oversee the selection process for the annual external financial auditor. The City anticipates conducting a Request for Proposals for this purpose in early 2021.

Task 4. Execute Annual Audit Plan:
Conduct a minimum number of internal audits in accordance with each approved annual audit plan based on the risk assessments. Each internal audit will commence only upon the City’s approval of a Task Order (which may be at the task or sub-task level) as required by this Agreement. Each internal audit requires the preparation of a written report for review by the City Manager, City Attorney and appropriate Council committee, and review/approval by the City Council as required.

Task 5. Preparation of Quarterly Reports, Annual Status Report, Provision of City Hotline, and Other Ongoing Office Administrative Functions:
Prepare and issue quarterly reports describing the status and progress toward audit completion, to be provided as information reports to the City Council and reviewed by the appropriate committee, unless other reporting methods are directed by Council.

Prepare and issue an annual report in the first quarter of each fiscal year on the status of recommendations made in completed audits, to be provided as an information report to the City Council and reviewed by the appropriate committee, unless other reporting methods are directed by Council.

Maintain and respond to the City’s employee “hotline” function provided through voicemail, email or written submissions. Coordinate referrals as appropriate to other City offices, departments or divisions and incorporate relevant referrals into future risk assessments, audit plans or audit activity as appropriate.
Task 6. Evaluation and Benchmarking

Undergo a peer evaluation following the guidelines of the Association of Local Government Auditors every two years (i.e., at the end of the initial contract term, then every other year thereafter throughout the contract term), or as required by the City Council, so that performance of the internal audit function can be objectively assessed.

Prepare a cost per audit analysis following the first completed fiscal year, to be submitted at the beginning of the second fiscal year and every year thereafter throughout the contract term, that includes benchmark agencies determined by the CITY, and obtain independent third-party certification of data accuracy.

The cost per audit analysis will be used to evaluate the cost effectiveness of services provided by the CONSULTANT. This evaluation will be incorporated into ongoing performance assessments as required and will help ensure that fees for service provision throughout the duration of the Agreement are objectively determined and mutually agreed upon.

Last, the City Council will perform periodic Closed Session performance evaluations with the designated City Auditor as allowed by law and performed with the other City Council appointees (the City Manager, City Attorney and City Clerk). The appointed City Auditor will have a 6-month evaluation, and then annually thereafter throughout the initial contract term and any extensions granted by the City Council.

Internal Auditor Services – Designation of City Auditor, Minimum Experience Requirements and Auditing Standards

Consistent with City Charter and Municipal Code provisions, the City Council must appoint a City Auditor who serves at the will of the Council, and who executes annual Council-approved internal audit plans through the Office of the City auditor.

Designation of City Auditor

The CONSULTANT has designated Kyle O’Rourke to fulfil the role of City Auditor, whose designation received City Council approval and appointment, and whose appointment is subject to at-will modification by the Council.

In accepting this appointment and its associated responsibilities and requirements, the CONSULTANT agrees to the following stipulations and reserved rights of the CITY in the event the City Auditor vacates the appointment for whatever reason:

- CONSULTANT must designate a temporary replacement not to exceed 3 months if the City Auditor vacates the appointment without enough time for Council to appoint a replacement.
- Any subsequent appointment of a City Auditor be conducted in the manner specified by the City Council, subject to applicable laws.
- Continued appointment of the City Auditor is based on and subject to acceptable performance.
During the term of this Agreement, CONSULTANT may propose an alternative City Auditor for Council consideration should it become necessary to do so.

**Minimum Experience Requirements**
The CONSULTANT and City Auditor must have at least 5 years of experience performing internal audit services to local, state, federal or quasi-public entities, with a focus on performance auditing.

**Auditing Standards**
The appointed City Auditor must be a Certified Public Accountant (CPA) or Certified Internal Auditor (CIA) in good standing and must maintain such certification at all time during the term of the Agreement.

All staff members of CONSULTANT assigned to internal auditor services under this Agreement must be able to conduct or assist in conducting internal audits in accordance with Government Accounting Standards, as established by the Comptroller General of the United States, Governmental Accountability Office.

**Maintenance of Independent Contractor Status**
Proposers must maintain independent contractor status at all times during the Agreement term.

**Best Value Service Provision**
The City Council has awarded this contract to the CONSULTANT based on its ability to deliver cost effective and efficient internal auditor services that represent the best possible value in exchange for public funds. Continued service provision is dependent on a number of evaluative factors to help determine that the CITY receives the best possible value for internal audit services during the term of this Agreement. These include, but are not limited to, acceptable pricing; cost effective and service provision provided by the City Auditor and CONSULTANT; and favorable City Auditor performance evaluations.

Additionally, budget constraints and economic conditions are factors that shall be considered in determining acceptable pricing and funding.
EXHIBIT “A-1”
PROFESSIONAL SERVICES TASK ORDER

Consultant shall perform the Services detailed below in accordance with all the terms and conditions of the Agreement referenced in Item 1A below. All exhibits referenced in Item 8 below are incorporated into this Task Order by this reference. The Consultant shall furnish the necessary facilities, professional, technical and supporting personnel required by this Task Order as described below.

<table>
<thead>
<tr>
<th>CONTRACT NO.</th>
<th>OR PURCHASE ORDER REQUISITION NO. (AS APPLICABLE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1A.</td>
<td>MASTER AGREEMENT NO. (MAY BE SAME AS CONTRACT / P.O. NO. ABOVE):</td>
</tr>
<tr>
<td>1B.</td>
<td>TASK ORDER NO.:</td>
</tr>
<tr>
<td>2.</td>
<td>CONSULTANT NAME:</td>
</tr>
<tr>
<td>3.</td>
<td>PERIOD OF PERFORMANCE: START: COMPLETION:</td>
</tr>
<tr>
<td>4.</td>
<td>TOTAL TASK ORDER PRICE: $ _________________________</td>
</tr>
<tr>
<td></td>
<td>BALANCE REMAINING IN MASTER AGREEMENT/CONTRACT $ ______________</td>
</tr>
<tr>
<td>5.</td>
<td>BUDGET CODE ____________________</td>
</tr>
<tr>
<td></td>
<td>COST CENTER ____________________</td>
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<tr>
<td></td>
<td>COST ELEMENT ____________________</td>
</tr>
<tr>
<td></td>
<td>WBS/CIP ______________</td>
</tr>
<tr>
<td></td>
<td>PHASE ______________</td>
</tr>
<tr>
<td>6.</td>
<td>CITY PROJECT MANAGER’S NAME &amp; DEPARTMENT: ______________</td>
</tr>
</tbody>
</table>
| 7.            | DESCRIPTION OF SCOPE OF SERVICES (Attachment A) MUST INCLUDE:
|               | • SERVICES AND DELIVERABLES TO BE PROVIDED            |
|               | • SCHEDULE OF PERFORMANCE                           |
|               | • MAXIMUM COMPENSATION AMOUNT AND RATE SCHEDULE (as applicable) |
|               | • REIMBURSABLE EXPENSES, if any (with “not to exceed” amount) |
| 8.            | ATTACHMENTS: A: Task Order Scope of Services B (if any): __________________________ |

I hereby authorize the performance of the work described in this Task Order.

I hereby acknowledge receipt and acceptance of this Task Order and warrant that I have authority to sign on behalf of Consultant.

APPROVED:
CITY OF PALO ALTO

BY: ____________________________            BY: ____________________________
Name_____________________________            Name_____________________________
Title_____________________________            Title_____________________________
Date _____________________________            Date _____________________________
EXHIBIT “B”
COMPENSATION

The CITY agrees to compensate the CONSULTANT for the Services (including As Required Services) performed in accordance with the terms and conditions of this Agreement, and as set forth in the budget schedule below. Compensation shall be calculated based on the hourly rate schedule attached as Exhibit B-1 up to the not to exceed budget amount for each task set forth below.

CONSULTANT shall perform the tasks and categories of work as outlined and budgeted below. The CITY’s Project Manager may approve in writing the transfer of budget amounts between any of the tasks or categories listed below provided the total compensation for Services, including As Required Services and any reimbursable expenses do not exceed the amounts set forth in Section 4 of this Agreement.

<table>
<thead>
<tr>
<th>Budget Schedule</th>
<th>FY 2020-21</th>
<th>FY 2021-22</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Task 1: Citywide Risk Assessment</td>
<td>$65,000.00</td>
<td>$25,000.00</td>
<td>$90,000.00</td>
</tr>
<tr>
<td>Task 2: Preparation of Annual Audit Plan</td>
<td>$15,000.00</td>
<td>$15,000.00</td>
<td>$30,000.00</td>
</tr>
<tr>
<td>Task 3: Selection of External Financial Auditor and Annual Audit Coordination</td>
<td>$30,000.00</td>
<td>$20,000.00</td>
<td>$50,000.00</td>
</tr>
<tr>
<td>Task 4: Execute Annual Audit Plan</td>
<td>$390,000.00</td>
<td>$600,000.00</td>
<td>$990,000.00</td>
</tr>
<tr>
<td>Task 5: Preparation of Quarterly Reports, Annual Status Report, Provision of City Hotline, and Other Ongoing Office Administrative Functions</td>
<td>$50,000.00</td>
<td>$50,000.00</td>
<td>$100,000.00</td>
</tr>
<tr>
<td>Task 6: Evaluation and Benchmarking</td>
<td>$0.00</td>
<td>$40,000.00</td>
<td>$40,000.00</td>
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<tr>
<td>Totals</td>
<td>$550,000.00</td>
<td>$750,000.00</td>
<td>$1,300,000.00</td>
</tr>
</tbody>
</table>

REIMBURSABLE EXPENSES

The administrative, overhead, secretarial time or secretarial overtime, word processing, photocopying, in-house printing, computing, telecommunications, insurance and other ordinary business expenses are included within the scope of payment for Services and are not reimbursable expenses. CITY shall reimburse CONSULTANT for the following reimbursable expenses at cost:
Travel to or from the San Francisco Bay area, including transportation and meals, will be reimbursed at actual cost. Any and all such reimbursable expenses shall be identified by CONSULTANT as separate line items on the applicable Task Order. Consultant travel and meal expenses are not subject to the City’s Travel Policy. CONSULTANT shall identify a fixed “not to exceed” figure for anticipated reimbursable expenses, subject to the City of Palo Alto’s approval of such Task Order.

Should CONSULTANT’S actual incurred expenses exceed the “not to exceed” figure, CONSULTANT and the CITY shall meet in good faith to determine the extent to which CONSULTANT shall be reimbursed by the CITY for the excess.

All requests for payment of expenses exceeding $25.00 shall be accompanied by appropriate backup documentation and information, including without limitation prior City approval as part of the associated Task Order.
EXHIBIT “B-1”  
SCHEDULE OF RATES

Compensation for services rendered under this Agreement shall be calculated based on the following hourly rate schedule, which shall remain fixed during the term of the Agreement.

Hourly rates for any subsequent renewal term or terms shall be negotiated to the mutual agreement of the parties.

<table>
<thead>
<tr>
<th>Staff level</th>
<th>Hourly rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partner/Director</td>
<td>$345</td>
</tr>
<tr>
<td>City Auditor/Senior Manager</td>
<td>$245</td>
</tr>
<tr>
<td>Manager</td>
<td>$210</td>
</tr>
<tr>
<td>Senior Consultant</td>
<td>$185</td>
</tr>
<tr>
<td>Consultant</td>
<td>$130</td>
</tr>
</tbody>
</table>
EXHIBIT “C”
INSURANCE REQUIREMENTS

CONTRACTORS TO THE CITY OF PALO ALTO (CITY), AT THEIR SOLE EXPENSE, SHALL FOR THE TERM OF THE CONTRACT OBTAIN AND MAINTAIN INSURANCE IN THE AMOUNTS FOR THE COVERAGE SPECIFIED BELOW. AFFORDED BY COMPANIES WITH AM BEST’S KEY RATING OF A-:VII, OR HIGHER, LICENSED OR AUTHORIZED TO TRANSACT INSURANCE BUSINESS IN THE STATE OF CALIFORNIA.

AWARD IS CONTINGENT ON COMPLIANCE WITH CITY’S INSURANCE REQUIREMENTS, AS SPECIFIED, BELOW:

<table>
<thead>
<tr>
<th>REQUIRED</th>
<th>TYPE OF COVERAGE</th>
<th>REQUIREMENT</th>
<th>MINIMUM LIMITS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>EACH OCCURRENCE</td>
</tr>
<tr>
<td>YES</td>
<td>WORKER’S COMPENSATION</td>
<td>STATUTORY</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>YES</td>
<td>EMPLOYER’S LIABILITY</td>
<td>STATUTORY</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>YES</td>
<td>GENERAL LIABILITY, INCLUDING PERSONAL INJURY, BROAD FORM PROPERTY DAMAGE BLANKET CONTRACTUAL, AND FIRE LEGAL LIABILITY</td>
<td>BODILY INJURY</td>
<td>$1,000,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>PROPERTY DAMAGE</td>
<td>$1,000,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>BODILY INJURY &amp; PROPERTY DAMAGE COMBINED</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>YES</td>
<td>AUTOMOBILE LIABILITY, INCLUDING ALL OWNED, HIRED, NON-OWNED</td>
<td>BODILY INJURY</td>
<td>$1,000,000</td>
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<tr>
<td></td>
<td></td>
<td>- EACH PERSON</td>
<td>$1,000,000</td>
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<tr>
<td></td>
<td></td>
<td>- EACH OCCURRENCE</td>
<td>$1,000,000</td>
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<tr>
<td></td>
<td></td>
<td>PROPERTY DAMAGE</td>
<td>$1,000,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>BODILY INJURY AND PROPERTY DAMAGE, COMBINED</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>YES</td>
<td>PROFESSIONAL LIABILITY, INCLUDING ERRORS AND OMISSIONS, MALPRACTICE (WHEN APPLICABLE), AND NEGLIGENT PERFORMANCE</td>
<td>ALL DAMAGES</td>
<td>$1,000,000</td>
</tr>
</tbody>
</table>

THE CITY OF PALO ALTO IS TO BE NAMED AS AN ADDITIONAL INSURED: CONTRACTOR, AT ITS SOLE COST AND EXPENSE, SHALL OBTAIN AND MAINTAIN, IN FULL FORCE AND EFFECT THROUGHOUT THE ENTIRE TERM OF ANY RESULTANT AGREEMENT, THE INSURANCE COVERAGE HEREIN DESCRIBED, INSURING NOT ONLY CONTRACTOR AND ITS SUBCONSULTANTS, IF ANY, BUT ALSO, WITH THE EXCEPTION OF WORKERS’ COMPENSATION, EMPLOYER’S LIABILITY AND PROFESSIONAL INSURANCE, NAMING AS ADDITIONAL INSUREDS CITY, ITS COUNCIL MEMBERS, OFFICERS, AGENTS, AND EMPLOYEES.

I. INSURANCE COVERAGE MUST INCLUDE:
   A. A CONTRACTUAL LIABILITY ENDORSEMENT PROVIDING INSURANCE COVERAGE FOR CONTRACTOR’S AGREEMENT TO INDEMNIFY CITY.

II. CONTRACTOR MUST SUBMIT CERTIFICATES(S) OF INSURANCE EVIDENCING REQUIRED COVERAGE AT THE FOLLOWING URL: https://www.planetbids.com/portal/portal.cfm?CompanyID=25569.

III. ENDORSEMENT PROVISIONS, WITH RESPECT TO THE INSURANCE AFFORDED TO “ADDITIONAL INSUREDS”
   A. PRIMARY COVERAGE

   WITH RESPECT TO CLAIMS ARISING OUT OF THE OPERATIONS OF THE NAMED INSURED, INSURANCE AS AFFORDED BY THIS POLICY IS PRIMARY AND IS NOT ADDITIONAL TO OR CONTRIBUTING WITH ANY OTHER INSURANCE CARRIED BY OR FOR THE BENEFIT OF THE ADDITIONAL INSUREDS.

   B. CROSS LIABILITY

   THE NAMING OF MORE THAN ONE PERSON, FIRM, OR CORPORATION AS INSUREDS UNDER THE POLICY SHALL NOT, FOR THAT REASON ALONE, EXTINGUISH ANY RIGHTS OF THE INSURED AGAINST ANOTHER, BUT THIS ENDORSEMENT, AND THE NAMING OF MULTIPLE INSUREDS, SHALL NOT INCREASE THE TOTAL LIABILITY OF
THE COMPANY UNDER THIS POLICY.

C. NOTICE OF CANCELLATION

1. IF THE POLICY IS CANCELED BEFORE ITS EXPIRATION DATE FOR ANY REASON OTHER THAN THE NON-PAYMENT OF PREMIUM, THE CONSULTANT SHALL PROVIDE CITY AT LEAST A THIRTY (30) DAY WRITTEN NOTICE BEFORE THE EFFECTIVE DATE OF CANCELLATION.

2. IF THE POLICY IS CANCELED BEFORE ITS EXPIRATION DATE FOR THE NON-PAYMENT OF PREMIUM, THE CONSULTANT SHALL PROVIDE CITY AT LEAST A TEN (10) DAY WRITTEN NOTICE BEFORE THE EFFECTIVE DATE OF CANCELLATION.

VENDORS ARE REQUIRED TO FILE THEIR EVIDENCE OF INSURANCE AND ANY OTHER RELATED NOTICES WITH THE CITY OF PALO ALTO AT THE FOLLOWING URL:

HTTPS://WWW.PLANETBIDS.COM/PORTAL/PORTAL.CFM?COMPANYID=25569

OR

HTTP://WWW.CITYOFPALOALTO.ORG/GOV/DEPTS/ASD/PLANET_BIDS_HOW_TO.ASP
PROFESSIONAL SERVICES TASK ORDER

TASK ORDER 1 – FY21

Consultant shall perform the Services detailed below in accordance with all the terms and conditions of the Agreement referenced in Item 1A below. All exhibits referenced in Item 8 below are incorporated into this Task Order by this reference. The Consultant shall furnish the necessary facilities, professional, technical and supporting personnel required by this Task Order as described below.

CONTRACT NO. C21179340
OR PURCHASE ORDER REQUISITION NO. (AS APPLICABLE)

1A. MASTER AGREEMENT NO. (MAY BE SAME AS CONTRACT / P.O. NO. ABOVE):
1B. TASK ORDER NO.: FY21-001
2. CONSULTANT NAME: Baker Tilly US, LLP
3. PERIOD OF PERFORMANCE: START: October 1, 2020 COMPLETION: January 15, 2021
4. TOTAL TASK ORDER PRICE: $65,000
   BALANCE REMAINING IN MASTER AGREEMENT/CONTRACT $1,235,000
5. BUDGET CODE
   COST CENTER
   COST ELEMENT
   WBS/CIP
   PHASE
6. CITY PROJECT MANAGER’S NAME & DEPARTMENT:
   Alison Cormack, Chair of the City Council’s Policy and Services Committee
7. DESCRIPTION OF SCOPE OF SERVICES (Attachment A), MUST INCLUDE:
   ▪ SERVICES AND DELIVERABLES TO BE PROVIDED
   ▪ SCHEDULE OF PERFORMANCE
   ▪ MAXIMUM COMPENSATION AMOUNT AND RATE SCHEDULE (as applicable)
   ▪ REIMBURSABLE EXPENSES, if any (with “not to exceed” amount)
8. ATTACHMENTS: A: Task Order Scope of Services B (if any): N/A

I hereby authorize the performance of the work described in this Task Order. I hereby acknowledge receipt and acceptance of this Task Order and warrant that I have authority to sign on behalf of Consultant.

APPROVED:
CITY OF PALO ALTO

BY: ____________________________ Name ____________________________
   Title __________________________ Title ____________________________
   Date __________________________ Date __________________________

APPROVED:
COMPANY NAME: __________________________

BY: __________________________
Name __________________________
Title __________________________
Date __________________________
Attachment A

DESCRIPTION OF SCOPE OF SERVICES

Introduction

Attachment A, the Description of Scope of Services, contains the following four (4) elements:

• Services and Deliverables To Be Provided
• Schedule of Performance
• Maximum Compensation Amount and Rate Schedule (As Applicable)
• Reimbursable Expenses, if any (With “Not To Exceed” Amount)

Services & Deliverables

Baker Tilly’s approach to conducting the Citywide Risk Assessment involves four (4) primary steps:

• Step 1: Project Planning & Management
• Step 2: Information Gathering
• Step 3: Analysis
• Step 4: Reporting

Step 1 – Project Planning & Management
This step includes those tasks necessary to solidify mutual understanding of the risk assessment scope, objectives, deliverables, and timing as well as ensuring that appropriate client and consultant resources are available and well-coordinated. Tasks include:

• Finalize project design – The first project activities will be to:
  o Identify communication channels and reporting relationships and responsibilities of project staff
  o Review and confirm project timelines
  o Review and confirm deliverables
• Arrange logistics/administrative support – Matters to be addressed include schedules for interviews and data collection, contact persons in the departments, any other logistical matters, etc.
• Conduct kick-off meeting with key project stakeholders

Step 2 – Information Gathering
This step involves gathering information, through various means, that will enable the project team to understand the various risks facing the City. Tasks include:

• Request and review background information – the project team will develop an information request(s) in order to obtain various background information from the City. The request will include, but not be limited to:
- Strategic plan(s)
- Financial reports, including the most recent City Budget and Comprehensive Annual Financial Report (CAFR)
- Operational policies and procedures
- Municipal code
- Consulting reports
- Other relevant information and reports

- Conduct interviews with City Council and management
  - Risk assessment interviews, aimed at understanding City functions and identifying risks, will be conducted with City Council members as well as department and division
- Conduct research into key risks in order to identify relevant information to assess risks

Overall, the project team will consider the following risk types:

- Strategic
- Financial
- Operational
- Technology
- Compliance
- Reputational
- Political

**Step 3 – Risk Analysis**

In Step 3, the project team will develop a risk matrix consisting of auditable areas (also referred to as an audit or risk universe). The risk matrix will include the following risk categories:

- Environment, Strategy, and Governance – risks that have an organization wide impact and are not subject to a specific department or function (e.g., ethics)
- Significant Projects and Initiatives – risks associated with large projects (e.g., capital projects, technology implementation) or City initiatives (e.g., employee engagement initiative).
- Function Specific Risks – risks associated with a specific department or function (e.g., procurement policy compliance)

After assembling a risk matrix, the project team will assess the likelihood and impact of potential adverse events in order to quantitatively score each auditable area for purposes of prioritizing audit activities.

**Step 4 – Reporting**

In Step 4, the project team will finalize the draft Risk Matrix and prepare a draft Risk Assessment Report. The project team will ask for input (general completeness, risk scoring) on the Risk Matrix from key project stakeholders. Upon finalization of the Risk Matrix, the project team will finalize the Risk Assessment Report.
Deliverables:
The following deliverables will be prepared as part of this engagement:

- Risk Matrix
- Risk Assessment Report
- Presentation of Results to City Council (note that this may be combined with presentation of the Task 2 Annual Audit Plan)

Schedule of Performance

Anticipated Start Date: October 1, 2020
Anticipated End Date: January 15, 2021

Maximum Compensation Amount and Rate Schedule
The not-to-exceed maximum, inclusive of reimbursable expenses (as summarized below) for this Task is $65,000. The not-to-exceed budget is based on an estimate of 320 total project hours, of which 80 are estimated to be completed by the City Auditor.

Reimbursable Expenses
If circumstances allow, Baker Tilly anticipates planning one on-site fieldwork week. Given this possibility, Baker Tilly could incur reimbursable expenses for this Task.

The not-to-exceed maximum for reimbursable expenses for this Task is $1,800.

The following summarizes anticipated reimbursable expenses:

- Round-trip Airfare – $400
- Rental Car - $400
- Hotel accommodation - $700 (3 nights)
- Food and incidentals – $300

Note that, if current restrictions associated with COVID-19 continue, an on-site visit may not be possible. The project team will work with the City to consider circumstances at the time.
PROFESSIONAL SERVICES TASK ORDER

TASK ORDER 2 – FY21

Consultant shall perform the Services detailed below in accordance with all the terms and conditions of the Agreement referenced in Item 1A below. All exhibits referenced in Item 8 below are incorporated into this Task Order by this reference. The Consultant shall furnish the necessary facilities, professional, technical and supporting personnel required by this Task Order as described below.

<table>
<thead>
<tr>
<th>CONTRACT NO.</th>
<th>C21179340</th>
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<tbody>
<tr>
<td>OR PURCHASE ORDER NO.</td>
<td>(AS APPLICABLE)</td>
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1A. MASTER AGREEMENT NO. (MAY BE SAME AS CONTRACT / P.O. NO. ABOVE):
1B. TASK ORDER NO.: FY21-002
2. CONSULTANT NAME: Baker Tilly US, LLP
3. PERIOD OF PERFORMANCE: START: October 1, 2020 COMPLETION: January 15, 2021
4. TOTAL TASK ORDER PRICE: $15,000
   BALANCE REMAINING IN MASTER AGREEMENT/CONTRACT $1,220,000
5. BUDGET CODE
   COST CENTER
   COST ELEMENT
   WBS/CIP
   PHASE
6. CITY PROJECT MANAGER’S NAME & DEPARTMENT:
   Alison Cormack, Chair of the City Council’s Policy and Services Committee
7. DESCRIPTION OF SCOPE OF SERVICES (Attachment A), MUST INCLUDE:
   ▪ SERVICES AND DELIVERABLES TO BE PROVIDED
   ▪ SCHEDULE OF PERFORMANCE
   ▪ MAXIMUM COMPENSATION AMOUNT AND RATE SCHEDULE (as applicable)
   ▪ REIMBURSABLE EXPENSES, if any (with “not to exceed” amount)
8. ATTACHMENTS: A: Task Order Scope of Services B (if any): N/A

I hereby authorize the performance of the work described in this Task Order. I hereby acknowledge receipt and acceptance of this Task Order and warrant that I have authority to sign on behalf of Consultant.

APPROVED:
CITY OF PALO ALTO

BY: ___________________________  BY: ___________________________
Name: ___________________________  Name: ___________________________
Title: ___________________________  Title: ___________________________
Date: ___________________________  Date: ___________________________
Attachment A
DESCRIPTION OF SCOPE OF SERVICES

Introduction

Attachment A, the Description of Scope of Services, contains the following four (4) elements:

- Services and Deliverables To Be Provided
- Schedule of Performance
- Maximum Compensation Amount and Rate Schedule (As Applicable)
- Reimbursable Expenses, if any (With “Not To Exceed” Amount)

Services & Deliverables

Baker Tilly’s approach to preparing the Annual Audit Plan involves two (2) primary steps:

- Step 1: Consultation with City Council and Management
- Step 2: Reporting

Step 1 – Consultation with City Council and Management
The Risk Matrix and Risk Assessment Report will serve as the primary drivers of the Annual Audit Plan. The project team will initiate discussions over Risk Assessment results, potential audit activities, and audit coverage with City Council and Management. The purpose of those conversations will be to understand the priorities of City Council, and to develop a Draft Annual Audit Plan.

The Draft Annual Audit Plan will identify the following components for each audit activity:

- Audit activity type – audit or consulting activity
- Audit objectives and scope
- Anticipated budget – both in terms of hours and budget
- Anticipated timeline

Step 2 – Reporting
The project team will present the Draft Annual Audit Plan to the City Council in order to obtain input on each potential audit activity. Upon refining the plan, the project team will finalize the Annual Audit Plan for presentation to City Council.

Deliverables:
The following deliverable will be prepared as part of this engagement:

- Annual Audit Plan
Schedule of Performance

Anticipated Start Date: October 1, 2020
Anticipated End Date: January 15, 2021

Maximum Compensation Amount and Rate Schedule
The not-to-exceed maximum, inclusive of reimbursable expenses (as summarized below) for this Task is $15,000. The not-to-exceed budget is based on an estimate of 60 total project hours, of which 20 are estimated to be completed by the City Auditor.

Reimbursable Expenses
Baker Tilly does not anticipate incurring reimbursable expenses for this Task.
PROFESSIONAL SERVICES TASK ORDER

TASK ORDER 3 – FY21

Consultant shall perform the Services detailed below in accordance with all the terms and conditions of the Agreement referenced in Item 1A below. All exhibits referenced in Item 8 below are incorporated into this Task Order by this reference. The Consultant shall furnish the necessary facilities, professional, technical and supporting personnel required by this Task Order as described below.

CONTRACT NO. C21179340
OR PURCHASE ORDER REQUISITION NO. (AS APPLICABLE)

1A. MASTER AGREEMENT NO. (MAY BE SAME AS CONTRACT / P.O. NO. ABOVE):
1B. TASK ORDER NO.: FY21-003
2. CONSULTANT NAME: Baker Tilly US, LLP
3. PERIOD OF PERFORMANCE: START: October 1, 2020 COMPLETION: June 30, 2021
4. TOTAL TASK ORDER PRICE: $30,000
   BALANCE REMAINING IN MASTER AGREEMENT/CONTRACT $1,190,000
5. BUDGET CODE
   COST CENTER
   COST ELEMENT
   WBS/CIP
   PHASE
6. CITY PROJECT MANAGER’S NAME & DEPARTMENT:
   Alison Cormack, Chair of the City Council’s Policy and Services Committee
7. DESCRIPTION OF SCOPE OF SERVICES (Attachment A)
   MUST INCLUDE:
   ▪ SERVICES AND DELIVERABLES TO BE PROVIDED
   ▪ SCHEDULE OF PERFORMANCE
   ▪ MAXIMUM COMPENSATION AMOUNT AND RATE SCHEDULE (as applicable)
   ▪ REIMBURSABLE EXPENSES, if any (with “not to exceed” amount)
8. ATTACHMENTS: A: Task Order Scope of Services
   B (if any): N/A

I hereby authorize the performance of this Task Order.
I hereby acknowledge receipt and acceptance of this Task Order and warrant that I have authority to sign on behalf of Consultant.

APPROVED: APPROVED:
CITY OF PALO ALTO COMPANY NAME: __________________________

BY: __________________________
Name __________________________
Title __________________________
Date __________________________
Attachment A
DESCRIPTION OF SCOPE OF SERVICES

Introduction

Attachment A, the Description of Scope of Services, contains the following four (4) elements:

- Services and Deliverables To Be Provided
- Schedule of Performance
- Maximum Compensation Amount and Rate Schedule (As Applicable)
- Reimbursable Expenses, if any (With “Not To Exceed” Amount)

Services & Deliverables

Baker Tilly’s approach to preparing the Annual Audit Plan involves one (1) primary step in FY21.

- Step 1: Selection of the Financial Auditor

Step 1 – Selection of the Financial Auditor

In FY20, the project team will assist in the selection of the Financial Auditor. In order to accomplish this task, the project team will:

- Meet with management to understand the nature of the existing agreement with the Financial Auditors
- Work with the Purchasing Department to develop a strategy for selection, including developing the solicitation, formulating the selection committee, evaluating proposals, finalizing selection, and developing a contract document
- Review the prior solicitation materials with the Purchasing Department, Administrative Services Department, and Legal Department to identify necessary updates and other considerations
- Assist the Purchasing Department in finalizing the solicitation materials
- Coordinate activities of the selection committee
- Coordinate contract review between the selected vendor and the Legal Department
- Periodically report on the status of the selection to the City Council
- Assist, as needed and required, in City Council presentations related to the selection

Deliverables:

The final deliverable associated with this Task consists of a final contract with the selected Financial Audit vendor.
Schedule of Performance

Anticipated Start Date: October 1, 2020
Anticipated End Date: June 30, 2021

Maximum Compensation Amount and Rate Schedule
The not-to-exceed maximum, inclusive of reimbursable expenses (as summarized below) for this Task is $30,000. The not-to-exceed budget is based on an estimate of 130 total project hours, of which 40 are estimated to be completed by the City Auditor.

Reimbursable Expenses
Baker Tilly anticipates incurring reimbursable expenses for this Task. The expenses will be incurred to attend the City Council meeting for final selection of the Financial Auditor.

The not-to-exceed maximum for reimbursable expenses for this Task is $1,300.

The following summarizes anticipated reimbursable expenses:
- Round-trip Airfare – $400
- Rental Car - $250
- Hotel accommodation - $450 (2 nights)
- Food and incidentals – $200

Note that, if current restrictions associated with COVID-19 continue, the final presentation may take place virtually. The project team will work with the City to consider circumstances at the time.
PROFESSIONAL SERVICES TASK ORDER

TASK ORDER 5 – FY21

Consultant shall perform the Services detailed below in accordance with all the terms and conditions of the Agreement referenced in Item 1A below. All exhibits referenced in Item 8 below are incorporated into this Task Order by this reference. The Consultant shall furnish the necessary facilities, professional, technical and supporting personnel required by this Task Order as described below.

CONTRACT NO. C21179340
OR PURCHASE ORDER REQUISITION NO. (AS APPLICABLE)

1A. MASTER AGREEMENT NO. (MAY BE SAME AS CONTRACT / P.O. NO. ABOVE):
1B. TASK ORDER NO.: FY21-005
2. CONSULTANT NAME: Baker Tilly US, LLP
3. PERIOD OF PERFORMANCE: START: October 1, 2020 COMPLETION: June 30, 2021
4. TOTAL TASK ORDER PRICE: $50,000
BALANCE REMAINING IN MASTER AGREEMENT/CONTRACT $1,140,000
5. BUDGET CODE
COST CENTER
COST ELEMENT
WBS/CIP
PHASE
6. CITY PROJECT MANAGER’S NAME & DEPARTMENT:
   Alison Cormack, Chair of the City Council’s Policy and Services Committee
7. DESCRIPTION OF SCOPE OF SERVICES (Attachment A), MUST INCLUDE:
   ▪ SERVICES AND DELIVERABLES TO BE PROVIDED
   ▪ SCHEDULE OF PERFORMANCE
   ▪ MAXIMUM COMPENSATION AMOUNT AND RATE SCHEDULE (as applicable)
   ▪ REIMBURSABLE EXPENSES, if any (with “not to exceed” amount)
8. ATTACHMENTS: A: Task Order Scope of Services B (if any): N/A

I hereby authorize the performance of the work described in this Task Order. I hereby acknowledge receipt and acceptance of this Task Order and warrant that I have authority to sign on behalf of Consultant.

APPROVED: APPROVED:
CITY OF PALO ALTO COMPANY NAME: ____________________________

BY: ____________________________ BY: ____________________________
Name ____________________________ Name ____________________________
Title ____________________________ Title ____________________________
Date ____________________________ Date ____________________________
Attachment A
DESCRIPTION OF SCOPE OF SERVICES

Introduction

Attachment A, the Description of Scope of Services, contains the following four (4) elements:

• Services and Deliverables To Be Provided
• Schedule of Performance
• Maximum Compensation Amount and Rate Schedule (As Applicable)
• Reimbursable Expenses, if any (With “Not To Exceed” Amount)

Services & Deliverables

Baker Tilly will provide the following services in Task 5:

• Quarterly Reports
• Annual Status Report
• Provision of the City Hotline
• Office Administrative Functions

Deliverables:
The following deliverable will be prepared as part of this engagement:

• Quarterly Reports (2 in FY21)
• Annual Status Report

Schedule of Performance

Anticipated Start Date: October 1, 2020
Anticipated End Date: June 30, 2021

Maximum Compensation Amount and Rate Schedule
The not-to-exceed maximum, inclusive of reimbursable expenses (as summarized below) for this Task is $50,000 The not-to-exceed budget is based on an estimate of 250 total project hours, of which 80 are estimated to be completed by the City Auditor.

Reimbursable Expenses
Baker Tilly anticipates incurring reimbursable expenses for this Task. The expenses will be incurred to present Quarterly Reports to City Council.
The not-to-exceed maximum for reimbursable expenses for this Task is $2,800.

The following summarizes anticipated reimbursable expenses:

- Round-trip Airfare – $900
- Rental Car – $500
- Hotel accommodation - $900 (4 nights)
- Food and incidentals – $500

Note that, if current restrictions associated with COVID-19 continue, the final presentation may take place virtually. The project team will work with the City to consider circumstances at the time.
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A Resolution of the City Council for the City of Palo Alto
Appointing Kyle O’Rourke, Senior Consulting Manager with
Baker Tilly US, LLP, as the Palo Alto City Auditor.

RECITALS

A. The Palo Alto City Charter specifies the duties and functions of the City Auditor for the
City of Palo Alto;

B. The Charter further specifies that the City Council shall appoint the City Auditor;

C. The Council has directed a comprehensive request for proposals process for outsourced
internal auditing services; and

D. The Council has interviewed candidates to serve as City Auditor resulting from that
request for proposals process and has identified a highly-qualified, experienced
candidate;

NOW, THEREFORE, the Council of the City of Palo Alto RESOLVES as follows:

SECTION 1. The Council hereby appoints Kyle O’Rourke, Senior Consulting Manager for
Baker Tilly US, LLP, as City Auditor for the City of Palo Alto;

SECTION 2. Kyle O’Rourke shall serve as City Auditor at the will of the Council as
provided by the Charter, and shall further serve according to all of the terms and provisions of
the Charter, the Municipal Code and the agreement for outsourced internal auditing services
between the City of Palo Alto and Baker Tilly US, LLP; and

SECTION 3. Nothing in this action confers employment or other employee rights,
responsibilities and obligations to Kyle O’Rourke or Baker Tilly US, LLP.; and
SECTION 4. This resolution shall be effective October 1, 2020 and only through the term of the agreement for outsourced internal auditing services between the City of Palo Alto and Baker Tilly US, LLP, including any amendment, extension or termination approved by the Council.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

__________________________________  __________________________
City Clerk                                      Mayor

APPROVED AS TO FORM:

__________________________________
City Attorney