Chair Kniss called the meeting to order at 3:01 P.M. in the Community Meeting Room, 250 Hamilton Avenue, Palo Alto, California.

Present: Cormack (participating remotely,) Filseth, Kniss (Chair)

Absent:

Oral Communications

None.

Agenda Items

1. Development of a Request for Proposals to the City Auditor Function and Discussion of Process and Next Steps.

Chair Kniss noted that the Council Appointed Officer’s (CAO) Committee (Committee) was going to examine the issuance of a Request for Proposal (RFP) to hire a new City Auditor. She recalled that last year the City of Palo Alto hired someone part-time for about six months.

Council Member Filseth recalled that the person was staffed for one year.

Chair Kniss was unsure exactly.

Council Member Filseth thought it might be less than a year.

Chair Kniss gave an overview of the City Auditor position in the past 36 years. The Palo Alto voters voted in the position of the City Auditor in the fall of 1986. Since then, were three long term auditors’; their names were: Harriet Richardson, Sharon Erikson and Bill Vincent, which equated about 20 years. In between these three auditors’ there were some short-term people in the position. This was a difficult position to recruit for and/or for people to stay in. She made note of the At-places Memorandum for the record. In
February, 2020 the City Council asked the Committee to work with Staff to prepare a solicitation for the City’s Auditing Function. She referenced two solicitations for the position of Auditor, one from the City of Santa Clara and one from the City of Rockville, Maryland and inquired why there was a company from Maryland.

Ed Shikada, City Manager answered there was some research done when looking for similar RFP’s.

Chair Kniss remarked that the Committee’s job was to discuss how they were going to go about the solicitation process and how to move forward speedily.

Council Member Filseth inquired about public comment.

Chair Kniss asked if there was anyone from the public interested in speaking; there was none. She asked if the Committee wanted to comment.

Council Member Filseth remarked no.

Chair Kniss stated that the Staff report was titled: Auditor Resource Evaluation, the issuance of an RFP for the evaluation or organization and resource options for the Auditor’s Office. The Staff recommendation was to evaluate how the Committee was to move forward, to issue an RFP, authorize the Committee to recommend a Consultant selection and to review the Consultant Report. She wanted to know how the discussion of the City Auditor went in 2019, and how successful Kevin Harper was.

Council Member Filseth recounted the City issued an RFP, there were several respondents and the City chose Kevin Harper & Associates. Kevin Harper & Associates did some research and prepared a report, which was consistent with what the City asked for. The recommendation of the Council now was for the Committee to issue a solicitation. In the previous case, the City issued the RFP for a study, but in this case, there was a question about whether the City was going to issue the RFP or if a contractor was to be engaged to work on the RFP itself, in conjunction with the Committee. The City Manager suggested Management Partners. One question before the Committee was should they utilize Management Partners or should the Committee look for someone else.

Chair Kniss asked for input.
Council Member Cormack clarified if she was being asked to comment about looking backward or forward.

Chair Kniss answered looking backward, and then they were going to look forward.

Council Member Cormack commented that everything was consistent with her understanding, looking backward.

Chair Kniss inquired of the City Manager’s comment.

Mr. Shikada thought the next steps were to do a procurement, in the broadest sense and then an RFP for Audit Services. The question for the Committee was how they were going to go about that. In discussion, there was the question of capacity of in-house Staff to do the procurement. As such, Staff asked Management Partner’s to put together a proposal to assess what the services and fees were to assist with the procurement. He clarified, the procurement was not to do auditing services, it was simply to support the procurement itself. The Committee had a proposal to consider; they were able to accept it and proceed with executing a contract, having Management Partners provide support to the Committee to get through the procurement process. A second option was to look for another resource to do the procurement with the Committee and a third option was to do the process with in-house Staff, which would take significant time and would take away from other essential functions. Staff recommended some contracted option to assist with the procurement or RFP.

Chair Kniss inquired if Staff spoke with Management Partners.

Mr. Shikada answered not directly, but other Staff had asked Management Partners to consider the RFP and put together a proposal.

Council Member Filseth felt the proposal was reasonable. Management Partners was someone the City was familiar with.

Kiely Nose, Chief Financial Officer and Director of Administrative Services reached out to Management Partners. The City was using some of their expertise to help bolster their own procurement team. This proposal came from a conversation with that special advisory team and a conversation about the nature of the work, which was associated with the procurement process, not audit services.
Chair Kniss inquired about the timeframe.

Mr. Shikada had not discussed the schedule and neither had Ms. Nose. Depending on the Committee choice, Staff was going to engage the conversation. He noted that so many Staff were working from home and there was some homework that needed to be done in order to proceed with the RFP. He suspected the process would move forward immediately and Staff expected the process to move forward fairly quickly.

Chair Kniss thought it was advantageous to have someone in place by June, 2020.

Council Member Filseth remarked that the Committee was directed by the Council to move expeditiously.

Chair Kniss felt the Committee had consensus so far: they were going to use Management Partners and they were going to oversee the RFP. Staff was going to convey to Management Partners the City’s desire on a short timeframe. The expectation for the process was six months but she was hoping for the process to move faster.

Council Member Cormack supported Management Partners. She inquired if Management Partners went forward with the RFP, were they also permitted to respond to the RFP.

Chair Kniss asked if Council Member Cormack was asking about responding.

Council Member Cormack said yes. She explained that if they helped the City manage the RFP, were they also allowed to respond to it.

Council Member Filseth clarified whether Management Partners were allowed to bid on the RFP.

Chair Kniss said no.

Council Member Cormack commented that there were about five issues when the companies were compared with one another. She inquired if it was the Chair’s intention for the Committee to decide today because part of Management Partners services was to assist the City with timeframes and not exceed budget, etc.
Chair Kniss understood that was Management Partner’s duty. If the other Committee members felt this was something to decide on today, the Committee could do that.

Council Member Filseth suggested the Chair appoint an Ad Hoc Committee from the CAO Committee, which would mean choosing one of the Committee Members to work with the company.

Chair Kniss clarified that would be an Ad Hoc Committee of one.

Council Member Filseth recommended himself.

Chair Kniss declared Council Member Filseth offered himself to be appointed to the Ad Hoc Committee before this meeting.

Council Member Filseth said yes.

**MOTION:** Council Member Filseth moved, seconded by Council Member Cormack to direct the CAO Committee to engage with Management Partners, for assistance in preparing the RFP.

**MOTION PASSED:** 3-0

**MOTION:** Council Member Filseth moved, seconded by Council Member Cormack to direct the CAO Chair to appoint an Ad Hoc Committee to work with Management Partners, in the development of the RFP which will then be brought back to the CAO Committee for review.

**MOTION PASSED:** 3-0

Chair Kniss said this gave Council Member Filseth an opportunity to explore more with Management Partners. She wanted to embellish on this subject further.

Council Member Cormack wanted to comment on five things she wanted Council Member Filseth to consider.

Council Member Filseth wanted to confirm there was no one else who wanted to be appointed to the Ad Hoc Committee.

Chair Kniss recalled that Council Member Filseth was involved last time.
Council Member Filseth responded yes.

Chair Kniss felt that since he had done that once, it was easier to do it a second time.

Council Member Cormack thought expertise and subject matter was valuable, especially since there was a timetable.

Council Member Filseth concurred.

Council Member Cormack had five things she wanted to be discussed: 1) For the RFP to not exceed budget or fixed fee or other payment structures; 2) Was the time period going to be for one year with three one year extensions or a fixed period, plus options; 3) Was the consultant going to remain on site; 4) She liked the Risk Assessment from Rockville and how they identified priority order; 5) Which auditing standards were going to be suggested, requested and required; and 6) To specify or require the type and number of Staff.

Council Member Filseth reiterated Council Member Cormack’s points of interest: 1) the payment model not to exceed a certain amount versus the fixed fee; and 2) will this be a fixed priority.

Council Member Cormack clarified the second was the time period; was this going to be a one-year time period with three one year options to continue or was it a two year contract. She wanted to know the duration of the contract and any options thereafter.

Council Member Filseth remarked that the third point was the Risk Assessment Model.

Council Member Cormack said yes and wanted to know whether it was going to be required for the contractor to be on-site.

Council Member Filseth acknowledged confirmation and asked about the standards.

Ms. Stump remarked that the Municipal Code mentioned standards, but it was something that could change with an Ordinance.
Council Member Filseth acknowledged the City Attorney. Unless there was some strong or compelling reason, the Council was going to use the City standards.

Chair Kniss thought discussing the Agenda Item in general was good because there was a difference between having someone elected and having an Auditor thirty years ago. There has been a lot of public comment and discussion amongst Colleagues, but the question was: was the Council correct in making this happen. The Committee had the support of the full Council to move forward. There was a complicated background, which was shared with a great deal of responsibility. From the elected leaders standpoint this was what they felt was the best way to move forward. Secondly, there was discussion about whether the contractor was going to be on or off the premises.

Mr. Shikada said no. It was part of the Committee’s decision as to how the services were scoped.

Chair Kniss said she knew the Rockville County very well. Their system was having consultants on site and easy access to the consultants. There were also decisions made every year about which audits were to be done, as is the process here. As head of the Health and Hospital Committee, she worked really closely on audits and having the auditor on site made a great deal of difference. Having someone on site was best because they were able to observe what was going on and there was better understanding. There might be some aspects to discuss with Management Partners and she suggested that her and Council Member Cormack were able to make suggestions as time went on. This was a leap into a different methodology for the City in their use of an auditor.

Council Member Filseth conveyed that the City Charter laid out certain constraints and requirements in terms of what the characteristics of the City Auditor were and he thought the Committee should be consistent with the letter and the spirit of what the Charter said. The compensation was going to be different, whether they were a direct City employee or a contractor, but the function should be the same.

Chair Kniss recalled that when she was with the County it was a long time before she realized they had a contractor because there was always someone on site. The Committee talked about how they were going to go about the process and who was going to shepherd the Committee through the process, which was Council Member Filseth.
Council Member Filseth reiterated that the Committee decided on Management Partners to prepare the RFP and how the Committee was going to interact with Management Partners.

Chair Kniss commented that a speedy time frame was helpful; she did not expect someone sitting in the Auditor’s desk until August or September, 2020.

Council Member Filseth repeated that the Council asked the Committee to proceed expeditiously.

Chair Kniss was concerned that there was no one that wanted to speak from the public.

Ms. Stump commented that there were some rapidly unfolding situations with the County’s health orders and that may be the reason there was an empty room. She urged the Committee to check the Council email, which may be one way that people may choose to communicate with the Committee. All stakeholder comments needed to be read and considered. It was possible for people to find a way to attend the next time they met.

Chair Kniss thought that was good but there was some uneasiness about the direction the Council was headed, and a lot has happened that has not been shared with the public as they would have liked. It was good that people knew when the next meeting was going to happen and to be comfortable being at the meeting.

Council Member Cormack asked when their next meeting was.

Chair Kniss clarified when this item was going to come back to Committee.

Council Member Cormack confirmed.

Chair Kniss referred this question to Council Member Filseth about the timeframe.

Council Member Filseth replied that he was going to need to consult with Staff.

**ADJOURNMENT:** The meeting was adjourned at 3:29 P.M.