



City of Palo Alto

MEMORANDUM

To: City Council

From: Councilmember Eric Filseth, City Auditor RFP Ad Hoc Subcommittee

Date: June 1, 2020

SUBJECT: Council Appointed Officers Committee Recommendation to Reject Proposals Received in Response to the Internal Auditor Services Request for Proposals (RFP)

Executive Summary

Per City Council direction, the City successfully released a request for proposals for internal auditing services and six proposals were received. However, all of the proposals had defects and four were determined to be non-responsive.

It is recommended that all proposals be rejected in accordance with Municipal Code requirements and that the request for proposals be released again pursuant to a new schedule resulting in contract approval by the end of August.

Background

On February 10, 2020, the City Council unanimously requested the Council Appointed Officers Committee (CAO Committee) to initiate a request for proposals (RFP) process to engage an outside firm to provide internal auditor services for the City of Palo Alto. The RFP was released as scheduled on April 21, 2020.

On May 4, 2020, the City Council unanimously approved an RFP evaluation process and schedule as recommended by the Council Appointed Officers Committee.

On May 15, 2020, six proposals were received for providing internal auditing services to the City of Palo Alto, and an RFP Evaluation Team was established consisting of Councilmember Eric Filseth as the Ad Hoc City Auditor RFP Subcommittee, former Councilmember and Mayor Larry Klein as the CAO Committee Chair appointee, and Greg Larson, a consultant with Management Partners supporting the process.

Discussion

None of the submitted proposals included all of the information required by the RFP instructions. In addition, four of the proposals were determined to be non-responsive for failure to list current and prior litigation per the City's standard RFP requirement.

The failure of sufficient proposals to fully meet the City's purchasing standards can likely be attributed to:

- 1) The short time frame to submit proposals for a unique array of services;
- 2) The COVID 19 pandemic that was erupting during the proposal period; and,
- 3) Disclosure requirements intended to protect the City that may have been problematic for some of the proposers.

Consequently, both Management Partners and the City Attorney's Office recommended to the CAO Committee that all proposals be rejected and that the RFP be reissued, with modifications, to ensure a fully competitive process for the provision of outsourced internal auditing services for the City of Palo Alto.

On May 26, 2020, the CAO Committee unanimously approved recommending to the City Council that all proposals be rejected. If the City Council approves rejecting all proposals, the RFP will be reissued as recommended below.

Management Partners is contacting all six proposers to inform them of the recommended action and to identify potential changes to the RFP that might encourage fully compliant proposals without undermining the City's commitment to a thorough RFP process that ensures disclosure of potentially relevant legal actions, reliable evidence of financial stability, and pricing presentations in the required format.

All other aspects of the RFP itself and the RFP evaluation process would remain consistent with prior CAO Committee and City Council direction.

Revised Timeline

Pending City Council approval of the CAO Committee's recommendation to reject all proposals and reissue the RFP, the revised RFP process would be as follows, subject to CAO Committee and City Council availability to meet during the summer break:

June 1	City Council consideration of rejecting all proposals
June 8	Reissue the RFP, with modifications
July 10	Submittal of proposals
July 21	CAO Committee reviews proposal ratings and selects finalist(s)
July 28	CAO Committee interviews finalist(s)
July 29 or Aug. 3	City Council interviews City Auditor candidates
August 17	City Council consideration of contract for services
August 24	Special City Council meeting, if needed, for Council action
September 1	Commencement of delivery of internal auditing services

It is recommended that this schedule be established by the CAO Committee so that the Committee may modify the schedule as necessary to meet City noticing requirements and Council availability.

Stakeholder Engagement

This work has been based on extensive prior discussion and direction from the City Council during public meetings and overseen by the Council Appointed Officers Committee which has also met in public meetings.

Environmental Review

This action is exempt from CEQA and requires no further environmental review.



Eric Filseth