



# City of Palo Alto

## COLLEAGUES MEMO

**DATE:** May 4, 2020

**TO:** City Council Members

**FROM:** Council Member Kniss, Council Member Filseth

**SUBJECT:** REVIEW AND APPROVAL OF THE CITY AUDITOR REQUEST FOR PROPOSALS EVALUATION PROCESS

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### **Executive Summary**

Per City Council direction, the Council Appointed Officers (CAO) Committee has prepared and issued a request for proposals (RFP) for internal auditing services, including designation of a new City Auditor.

Responses from firms bidding on this work are due on May 15. The CAO Committee requests the City Council review and approve the proposed evaluation and selection process described below, including designation of a tentative Fiscal Year 2020-21 budget allocation of \$750,000 for services to be provided.

### **Background**

On February 10, 2020, the City Council unanimously requested the Council Appointed Officers Committee (Committee) to initiate a request for proposals process to engage an outside firm to provide internal auditor services for the City of Palo Alto. The City Council action did not specify or delegate the proposal evaluation process and schedule, which are the focus of this report.

After the City Council's action, City staff managed a process to engage an outside consultant to support the work of the City Appointed Officers Committee. On March 17, the Committee approved a consulting engagement with Management Partners, a national local government consulting firm with offices in San Jose that has previously worked with the City of Palo Alto on internal auditing support and is currently providing expert advice related to purchasing processes. The Management Partners team is led by Partner Greg Larson, the former city manager of Los Gatos and Milpitas and past chief deputy controller for the State of California.

In addition, the Council Appointed Officers Committee appointed an Ad Hoc City Auditor RFP Subcommittee consisting of Council Member Eric Filseth to oversee and advise on this work between Committee meetings.

On April 16, the Committee had a robust discussion about the auditor scope of services,

the RFP itself, and the evaluation process using a report prepared by Management Partners as the framework for the discussion.

The CAO Committee approved the RFP with an initial contract term of two years with a possible extension up to three additional years. In addition, the RFP requires a citywide risk assessment upon commencement of the contract and every other year thereafter, an annual benchmark comparison of average audit costs, a biannual peer review as provided for by the Association of Local Government Auditors, and a performance evaluation of the City Auditor after six months and annually thereafter.

Based on the Committee's direction, Management Partners prepared the RFP document for review by City staff and the City Attorney's Office, as well as Council Member Eric Filseth as the City Auditor RFP Ad Hoc Subcommittee. The final RFP was released on Tuesday, March 21 on the City's PlanetBids purchasing website, and Management Partners has done additional outreach to prospective proposers. A copy of the full RFP is provided as Attachment A.

In addition to approving the release of the RFP as directed by the City Council on February 10, the Committee also approved recommendations to the City Council for the subsequent evaluation of the proposals that are submitted. This report is intended to obtain City Council review and approval of or modifications to the Committee's recommended City Auditor RFP evaluation process.

## **Discussion**

The City Auditor RFP evaluation and contract approval process is recommended to include two broad steps, as discussed below. The two steps are:

- 1) Evaluation of the proposals and selection of one or more finalists for recommendation to the City Council; and
- 2) City Council appointment of the City Auditor and contract approval.

The objective is to approve the contract before the summer recess so that the selected contractor can begin work at the start of the new fiscal year.

Each of the steps are reviewed below.

### *1. RFP Evaluation Process*

The City of Palo Alto has a well-structured purchasing process as specified in the Municipal Code, including the use of the RFP process to award contracts based on the best overall value to the City (as opposed to awarding to the lowest bidder). This process details the information required for professional services contracts as well as the evaluation criteria to be used, as listed on page 8 of the RFP with the recommended points allocation for each criterion.

The CAO Committee anticipates responses to the City Auditor RFP through May 15, and

recommends the following proposal evaluation process:

May 15 (Friday)	Proposals due and evaluated for responsiveness
May 18 (Monday)	Evaluator's briefing to kickoff evaluation process*
May 22 (Friday)	Completion of written proposal evaluations by evaluators*
May 26 (Monday)	CAO Committee reviews evaluation ratings and selects finalist(s)
June 2 (Tuesday)	CAO Committee interviews finalist(s) and recommends to Council

\*If there are three or fewer responsive proposals, then the CAO Committee members will serve as the proposal evaluators. If there are more than three responsive proposals received, then Council Member Eric Filseth, Greg Larson from Management Partners, and an independent third party appointed by the CAO Committee Chair will serve as the initial proposal evaluators.

## *2. City Council Appointment of the City Auditor and Contract Approval*

The Palo Alto City Charter specifies that the City Council will appoint a City Auditor who will report to and serve at the will of the City Council. Consequently, the selection of an outsourced service provider for the City's internal audit functions will also entail the City Council appointment of a designated staff member of the selected contractor to serve as City Auditor. In addition, the RFP and services contract specify requirements for the evaluation and replacement of the appointed City Auditor if required during the term of the contract.

The CAO Committee recommends the following City Auditor appointment process:

May 15 (Friday)	Submitted proposals include resumes for City Auditor candidates
June 2 (Tuesday)	Council receives resume(s) of proposed City Auditor finalist(s)
June 3 (Wednesday)	Council interviews City Auditor finalist(s) and provides direction
June 15 (Monday)	Completion of contract negotiations by Management Partners
June 22 (Tuesday)	City Council consideration of the recommended contract approval and appointment of the City Auditor
June 29 (Monday)	Potential special Council meeting if needed for Council action
July 1 (Wednesday)	Selected contractor commences services delivery

### **Timeline, Resource Impact, Policy Implications (If Applicable)**

The consolidated timeline for the entire RFP process, including the recommendations above, is summarized in Attachment B.

The City Auditor's Office approved budget and actual funds used has varied considerably over the past several years, as is shown in the table below. The lowest actual expenditure was \$362,000 in FY 2014-15 and the greatest budgeted amount was \$1,301,326 in FY 2017-18. The current year budget allocation was \$1,235,450, but that includes some expenditures that have been included in the City Auditor's Office previously but are being moved to the City administration next fiscal year, such as the periodic citizen survey.

	FY 2019-20	FY 2018-19	FY 2017-18	FY 2016-17	FY 2015-16	FY 2014-15
<b>Budgeted</b>	\$1,235,450	\$1,267,289	\$1,301,326	\$1,221,149	\$1,174,927	\$1,064,195
<b>Actuals</b>		\$1,081,000	\$994,000	\$847,000	\$414,000	\$362,000

Given fiscal challenges facing the City due to the COVID-19 emergency, yet wanting to provide some assurance to potential vendors as to the level of internal audit activity desired by the City, the CAO Committee is recommending that the City Council approve a preliminary budget allocation of \$750,000 to use during the City Auditor RFP selection process as a means to evaluate proposals based on efficiency and effectiveness. In addition, the CAO Committee has specified that proposers could identify additional services which could be provided if up to an additional \$250,000 was available for additional internal audit services.

There are no additional policy implications associated with this report. The City administration and City Attorney's Office have also reviewed as to form and advised on the preparation of the RFP and this report.

### **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.

### **Attachments:**

- Attachment A - City Auditor RFP
- Attachment B- City Auditor RFP Timeline



CITY OF  
**PALO  
ALTO**

**City Council  
Council Appointed Officers Committee**

**Request for Proposal (RFP) Number #F21-001  
for Internal Auditor Services**

<b>Pre-proposal Meeting:</b>	<b>10:00 a.m. Tuesday, April 28, 2020</b>
<b>RFP submittal deadline:</b>	<b>3:00 p.m. Friday, May 15, 2020</b>
<b>RFP Contact:</b>	<b>Pete Gonda, 831-345-0025 PGonda@ManagementPartners.com</b>

CITY OF PALO ALTO  
PURCHASING/CONTRACT ADMINISTRATION  
250 HAMILTON AVENUE  
PALO ALTO, CA 94301  
(650) 329-2271

**REQUEST FOR PROPOSAL (RFP) NO. F21-001  
FOR PROFESSIONAL SERVICES**

**TITLE: Internal Auditor Services**

**1. INTRODUCTION**

The Palo Alto City Council is seeking proposals from qualified firms to provide Internal Auditor services. The required services and performance conditions are described in the Scope of Services (Attachment B).

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. The City Auditor is responsible for conducting internal audits in accordance with Government Auditing Standards in order to provide stakeholders with independent and objective analysis as to whether 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.

The City Council desires to consider proposals from qualified firms to fulfil the City's Charter and Municipal Code requirements to provide internal auditing services.

The City Council anticipates budgeting \$750,000 for these services in the FY 2020/21 Fiscal Year, subject to final approval and/or adjustment as needs and available funding dictate, and as more fully described in Attachment B, Scope of Services. Proposing firms will be evaluated on a best value basis, based on the criteria set forth in the evaluation section of this RFP, including amongst the criteria the ability to provide the most cost effective and efficient services within the anticipated budget specified herein. The City Council intends to award an initial two-year contract with extensions up to three years.

**2. ATTACHMENTS**

The attachments below are included with this Request for Proposals (RFP) for the Proposer's review and submittal (see asterisk):

- Attachment A – Proposer's Information Form\*
- Attachment B – Scope of Services
- Attachment C – Sample Agreement for Professional Services
- Attachment D – Table Format for Firm Qualifications
- Attachment E – Cost Proposal Format
- Attachment F – Insurance Requirements

The items identified with an asterisk (\*) shall be filled out, signed by the appropriate representative of the Proposer's company and returned with submittal.

### **3. PRE-PROPOSAL CONFERENCE AND CERTIFICATIONS**

#### **3.1 Pre-proposal Conference**

A pre-proposal conference will be held Tuesday, April 28, at 10:00 a.m. via the secure Zoom link that will be provided upon RSVP to Pete Gonda at [PGonda@ManagementPartners.com](mailto:PGonda@ManagementPartners.com). Attendance is not mandatory. However, all prospective Proposers are strongly encouraged to attend.

#### **3.2 Examination of Proposal Documents**

The submission of a proposal shall be deemed a representation and certification by the Proposer that it:

- 3.2.1 Has carefully read and fully understands the information that was provided by the City to serve as the basis for submission of this proposal.
- 3.2.2 Has the capability to successfully undertake and complete the responsibilities and obligations of the proposal being submitted.
- 3.2.3 Represents that all information contained in the proposal is true and correct.
- 3.2.4 Did not, in any way, collude, conspire to agree, directly or indirectly, with any person, firm, corporation or other Proposer in regard to the amount, terms or conditions of this proposal.
- 3.2.5 Acknowledge that the City has the right to make any inquiry it deems appropriate to substantiate or supplement information supplied by Proposer, and Proposer hereby grants the City permission to make these inquiries, and to provide any and all related documentation in a timely manner.

#### **3.3 Addenda/Clarifications**

Should discrepancies or omissions be found in this RFP or should there be a need to clarify this RFP, questions or comments regarding this RFP must be emailed to and received by the RFP Contact no later than 1:00 p.m., Monday, May 4, 2020.

Correspondence shall be communicated either through the City's electronic procurement system or e-mailed to Pete Gonda, RFP Contact at [PGonda@ManagementPartners.com](mailto:PGonda@ManagementPartners.com). Responses from the City will be communicated through the City's electronic procurement system to all recipients of this RFP via Proposal addendum. Inquiries received after the

date and time stated will not be accepted. All addenda shall become a part of this RFP and shall be acknowledged on the Proposer's submittal.

The City shall not be responsible for nor be bound by any oral instructions, interpretations or explanations issued by its representatives.

### 3.4 Preparation and Submission of Proposals

All proposals shall be submitted electronically through the City's electronic procurement system (PlanetBids) at:

<https://www.planetbids.com/portal/portal.cfm?CompanyID=25569>

Proposals must be received by no later than **3:00 p.m. on Friday, May 15, 2020**. The e-procurement system will not accept any proposals after the specified close time.

### 3.5 Withdrawal or Modification of Proposals

A Proposer may withdraw or modify its proposal at any time before the expiration of the time for submission of proposals as provided in the RFP by entering the e-procurement system and selecting to withdraw the proposal. No request for modification of the proposal shall be considered after its submission and acceptance on grounds that Proposer was not fully informed to any fact or condition.

### 3.6 Rights of the City of Palo Alto

This RFP does not commit the City to enter into a contract, nor does it obligate the City to pay for any costs incurred in preparation and submission of proposals or in anticipation of a contract. The City reserves the right to:

- Make the selection based on its sole discretion;
- Reject any and all proposals;
- Issue subsequent Requests for Proposals;
- Postpone the due date and/or time for its own convenience;
- Remedy technical errors in the Request for Proposals process;
- Approve or disapprove the use of particular subconsultants;
- Negotiate with any, all or none of the Proposers;
- Accept other than the lowest offer;
- Waive informalities and irregularities in the Proposals and/or
- Enter into an agreement with another Proposer in the event the originally selected Proposer defaults or fails to execute an agreement with the City.



An agreement shall not be binding on the City unless and until it is executed by authorized representatives of the City and of the Proposer, and approved as required under Palo Alto Municipal Code.

#### **4. TENTATIVE TIMELINE**

The tentative RFP timeline is provided for the convenience of the Proposers, but may be subject to change at any time by the City. Any such change will be stated in an addendum to this RFP. The tentative RFP timeline is as follows:

RFP Issued	April 21, 2020
Pre-Proposal Meeting	April 28, 2020
Deadline for questions, clarifications	May 4, 2020
Proposals Due	May 15, 2020
Finalist Identified	May 26, 2020
Consultant Interviews	June 2 and 3, 2020
Scope and Fee Negotiations	June 4 to June 12, 2020
Contract awarded	June 22, 2020
Work commences	July 2020

Time is of the essence in conducting this RFP and awarding a contract to the firm whose proposal provides the best overall value to the City.

#### **5. PROPOSAL CONTENT AND FORMAT (to be submitted in this order only)**

These instructions outline the governing format and content of the proposal and the approach to be used in its development and presentation. The intent of the RFP is to encourage responses that clearly communicate the Proposer's understanding of the City's requirements and its approach to successfully provide the products and/or services on time and within budget. Only that information which is essential to an understanding and evaluation of the proposal should be submitted. Items not specifically and explicitly related to the RFP and proposal, e.g. brochures, marketing material, etc. will not be considered in the evaluation.

All proposals shall address the following items in the order listed below and shall be numbered Chapters 1 through 8 in the proposal document.

##### **5.1 Chapter 1 – Proposal Summary**

This Chapter shall discuss the highlights, key features and distinguishing points of the Proposal. A separate sheet shall include a list of individuals and contacts for this Proposal and how to communicate with them. Limit this Chapter to a total of three (3) pages including the separate sheet.

##### **5.2 Chapter 2 – Profile on the Proposing Firm(s)**

This Chapter shall include a brief description of the Proposer's firm size as well as the proposed local organization structure. Include a discussion of the Proposer firm's financial stability, capacity and resources. Include all other firms participating in the Proposal, including similar information about the firms.

Additionally, this section shall include a listing of any lawsuit or litigation and the result of that action resulting from (a) any public project undertaken by the Proposer or by its subcontractors where litigation is still pending or has occurred within the last five years or (b) any type of project where claims or settlements were paid by the consultant or its insurers within the last five years.

### 5.3 Chapter 3 – Qualifications of the Firm

This Chapter shall include a brief description of the Proposer's and any sub-Proposer's qualifications and previous experience on similar or related projects. Previous experience shall be provided in a table format (see Table for Firm Qualifications, Attachment D), and must include descriptions of pertinent project experience with other public municipalities and private sector entities, including a summary of the work performed, the total project cost, the percentage of work the firm was responsible for, the period over which the work was completed, and the name, title, and phone number of clients to be contacted for references. Proposers must also provide a brief statement of the firm's adherence to the schedule and budget for the project, and cost per audit information for each project listed.

This Chapter shall include information regarding any relationships with firms and/or individuals that **may** submit proposals in response to the RFPs being developed.

#### Minimum Qualifications of the Proposing Firm and Proposed City Auditor

In order to be considered for evaluation, proposing firms must demonstrate at least the minimum experience, certification and auditing standards requirements that are described in Section III of Appendix B (Scope of Services – Internal Auditor Services Designation of City Auditor, Minimum Experience Requirements, Auditing Standards and Required Disclosures).

### 5.4 Chapter 4 – Work Plan or Proposal

This Chapter shall present a well-conceived service plan. Include a full description of major tasks and subtasks. This section of the proposal shall establish that the Proposer understands the City's objectives and service requirements and Proposer's ability to satisfy those objectives and requirements. Succinctly describe the proposed approach for addressing the required services and the firm's ability to meet the City's schedule, outlining the approach that would be undertaken in providing the requested services.

## 5.5 Chapter 5 – Proposed Innovations

The Proposer may include for consideration innovations that have been used successfully on other engagements and which may provide the City with better service delivery. In this Chapter discuss any ideas, innovative approaches, or specific new concepts included in the Proposal that would provide benefit to the City. Associated pricing can be provided in Attachment E, Cost Proposal.

## 5.6 Chapter 6 – Project Staffing

This Chapter shall discuss how the Proposer would staff this project. Key project team members shall be identified by name, title, professional certification and specific responsibilities on the project. An organizational chart for the project team and resumes for key Proposer personnel shall be included. Key personnel will be an important factor considered by the review committee. Changes in key personnel may be cause for rejection of the proposal.

**NOTE:** The resume of the proposed City Auditor must be submitted as a separate page or pages within this Chapter of the submittal.

## 5.7 Chapter 7 – Proposal Exceptions

This Chapter shall discuss any exceptions or requested changes that Proposer has to the City’s RFP conditions, requirements and sample contract. If there are no exceptions noted, it is assumed the Proposer will accept all conditions and requirements identified in the Attachment C – “Sample Agreement for Professional Services.” Items not excepted will not be open to later negotiation.

## 5.8 Chapter 8 – Proposal Costs Sheet and Rates

The fee information is relevant to a determination of whether the fee is fair and reasonable in light of the services to be provided. Provision of this information assists the City in determining the firm’s understanding of the project, and provides staff with tools to negotiate the cost, provide in a table (See the Cost Proposal Table, Attachment E).

Consultant shall provide the following information:

- Direct labor rates for proposed staff;
- Overhead rate and breakdown of overhead elements;
- Subconsultant billing rates and mark-up percentage for ODC’s (other direct costs); and identify all reimbursable expenses.

This Chapter shall include the proposed costs to provide the services desired. Include any other cost and price information, **plus a not-to-exceed amount**, that

would be contained in a potential agreement with the City. The hourly rates may be used for pricing the cost of additional services outlined in the Scope of Work.

PLEASE NOTE: The City of Palo Alto does not pay for services before it receives them. Therefore, do not propose contract terms that call for upfront payments or deposits.

## 5.9 Chapter 9 – Evidence of Financial Stability

Proposers are required to submit evidence of financial stability that establishes the Proposer's ability to complete the obligations of the contract resulting from this solicitation. This may include submission of an audited financial statement or provision of a letter from a credible financial institution or Certified Public Accountant that certifies, under penalty of perjury, the Proposer's financial viability.

## 6. CONTRACT TYPE AND METHOD OF PAYMENT

It is anticipated that the agreement resulting from this solicitation, if awarded, will be a not-to-exceed budget per task form of contract. The City's required Agreement for Professional Services template is provided in Attachment C. The method of payment to the successful Proposer shall be on a per task basis with a maximum "not to exceed" fee as agreed to by the City as being the maximum cost to perform all services. This figure shall include direct costs and overhead such as transportation, communications, subsistence and materials and subcontracted items of work. Progress payments will be based on a percentage of tasks completed and accepted by the City.

Proposers shall be prepared to accept the terms and conditions of the Agreement, including Insurance Requirements in Attachment F. If a Proposer desires to take exception to the Agreement, Proposer shall provide the following information in Chapter 7 of their submittal package:

- Proposer shall clearly identify each proposed change to the Agreement, including all relevant Attachments.
- Proposer shall furnish the reasons for, as well as specific recommendations, for alternative language.

The above factors will be taken into account in evaluating proposals. Proposals that take substantial exceptions to the proposed Agreement may be determined by the City, at its sole discretion, to be unacceptable and no longer considered for award.

### Insurance Requirements

The selected Proposer(s), at Proposer’s sole cost and expense and for the full term of the Agreement or any extension thereof, shall obtain and maintain, at a minimum, all of the insurance requirements outlined in Attachment F.

All policies, endorsements, certificates and/or binders shall be subject to the approval of the Risk Manager of the City of Palo Alto as to form and content. These requirements are subject to amendment or waiver if so approved by the Risk Manager. The selected Proposer agrees to provide the City with a copy of said policies, certificates and/or endorsement upon award of contract.

**7. EVALUATION CRITERIA AND SELECTION PROCESS**

The City will evaluate the proposals provided based on the following criteria, at a minimum:

	<b>Evaluation Criteria</b>	<b>Potential Points</b>
7.1	Quality and completeness of proposal	10
7.2	Quality, performance and effectiveness of the solution, goods and/or services to be provided by the Proposer	10
7.3	Proposers experience, including the experience of staff to be assigned to the project, with engagements of similar scope and complexity	15
7.4	Cost to the city	15
7.5	Proposer’s financial condition and stability	10
7.6	Proposer’s ability to perform the work within the time specified	10
7.7	Proposer’s prior record of performance with City or other local, county or state agency	10
7.8	Proposer’s ability to provide future services	10
7.9	Proposer’s compliance with applicable laws, regulations, policies (including City Council policies), guidelines and orders governing prior or existing contracts performed by the contractor	10
	<b>Total Potential Points</b>	<b>100</b>

The selection committee will make a recommendation to the awarding authority, if a recommendation for an award is made. The acceptance of the proposal will be evidenced by written Notice of Award from the City’s Purchasing/Contract Administration Division to the successful Proposer.

**8. ORAL INTERVIEWS**

Proposers may be required to participate in oral interview(s). It is anticipated that an initial interview of selected Proposers will be conducted by the City’s Council Appointed Officers (CAO) Committee. It is also anticipated that the final City Auditor candidate or candidates will be interviewed by the City Council in closed session.

Proposers who are selected to proceed to an interview shall make every effort to attend. If representatives of the City experience difficulty on the part of any Proposer in scheduling a time for the oral interview, it may result in disqualification from further consideration.

## **9. PUBLIC NATURE OF MATERIALS**

Responses to this RFP become the exclusive property of the City of Palo Alto. At such time as the Administrative Services Department recommends to form to the City Manager or to the City Council, as applicable, all proposals received in response to this RFP becomes a matter of public record and shall be regarded as public records, with the exception of those elements in each proposal which are defined by the Proposer as business or trade secrets and plainly marked as "Confidential," "Trade Secret," or "Proprietary". The City shall not in any way be liable or responsible for the disclosure of any such proposal or portions thereof, if they are not plainly marked as "Confidential," "Trade Secret," or "Proprietary" or if disclosure is required under the Public Records Act. Any proposal which contains language purporting to render all or significant portions of the proposal "Confidential," "Trade Secret," or "Proprietary" shall be regarded as non-responsive.

Although the California Public Records Act recognizes that certain confidential trade secret information may be protected from disclosure, the City of Palo Alto may not accept or approve that the information that a Proposer submits is a trade secret. If a request is made for information marked "Confidential," "Trade Secret," or "Proprietary," the City shall provide the Proposer who submitted the information with reasonable notice to allow the Proposer to seek protection from disclosure by a court of competent jurisdiction.

## **10. COLLUSION**

By submitting a proposal, each Proposer represents and warrants that its proposal is genuine and not a sham or collusive or made in the interest of or on behalf of any person not named therein; that the Proposer has not directly induced or solicited any other person to submit a sham proposal or any other person to refrain from submitting a proposal; and that the Proposer has not in any manner sought collusion to secure any improper advantage over any other person submitting a proposal.

## **11. DISQUALIFICATION**

Factors such as, but not limited to, any of the following may be considered just cause to disqualify a proposal without further consideration:

11.1 Evidence of collusion, directly or indirectly, among Proposers in regard to the amount, terms or conditions of this proposal;

11.2 Any attempt to improperly influence any member of the evaluation team;

11.3 Existence of any lawsuit, unresolved contractual claim or dispute between Proposer and the City;

11.4 Evidence of incorrect information submitted as part of the proposal;

11.5 Evidence of Proposer's inability to successfully complete the responsibilities and obligation of the proposal; and

11.6 Proposer's default under any previous agreement with the City, which results in termination of the Agreement.

## **12. NON-CONFORMING PROPOSAL**

A proposal shall be prepared and submitted in accordance with the provisions of these RFP instructions and specifications. Any alteration, omission, addition, variance, or limitation of, from or to a proposal may be sufficient grounds for non-acceptance of the proposal, at the sole discretion of the City.

## **13. GRATUITIES**

No person shall offer, give or agree to give any City employee any gratuity, discount or offer of employment in connection with the award of contract by the city. No city employee shall solicit, demand, accept or agree to accept from any other person a gratuity, discount or offer of employment in connection with a city contract.

## **14. FIRMS OR PERSONS NOT ELIGIBLE TO SUBMIT A PROPOSAL**

In order to avoid any conflict of interest or perception of a conflict of interest, Proposer(s) selected to provide professional services under this RFP will be subject to the following requirements:

14.1 The Proposer(s) who works on the procurement will be precluded from submitting proposals as a prime contractor or subcontractor in the ultimate procurement.

14.2 The Proposer(s) may not have interest in any potential Proposer for the ultimate procurement.

14.3 The Proposer may not have a conflict of interest as defined under Palo Alto Municipal Code section 2.30.600 or 2.30.610, or as defined under state law including the Political Reform Act or Government Code section 1090 et seq.

## **15. LICENSE REQUIRED:**

This Section 15 (“License Required”) applies to this Request for Proposals. The City Auditor proposed for this work must hold current licensure as a Certified Public Account (CPA) or Certified Internal Auditor (CIA) and maintain such certification throughout any resultant contract term.

**16. [RESERVED] (CA DIR REGISTRATION REQUIREMENTS)**

**17. [RESERVED] (PREVAILING WAGE INFORMATION)**

**18. [RESERVED] (CERTIFIED PAYROLL)**

**19. SUSPENSION AND DEBARMENT STATUS:**

As applicable, the City will verify whether a contractor and its subcontractors, if any, are suspended or debarred from doing business with the federal government by searching the Excluded Parties List System ([www.sam.gov](http://www.sam.gov)). This verification process applies to contracts funded by federal grants and which are for \$25,000 or more (including as well any subcontract that is for \$25,000 or more). Unless an exception applies, no such federal funds may go to a person or entity that is suspended or debarred, thus any such person or entity found to be suspended or debarred in the check of the [www.sam.gov](http://www.sam.gov) list system will be disqualified under the Request for Proposals.

This Section 19 (“Suspension and Debarment Status”) applies to this Request for Proposals.

~ End of Section ~



Attachment A  
**Proposer's Information Form**

PROPOSER (please type/ print):

**Name:** \_\_\_\_\_

**Address:** \_\_\_\_\_

**Telephone:** \_\_\_\_\_ **Email:** \_\_\_\_\_

**Contact Person:** \_\_\_\_\_ **Title:** \_\_\_\_\_

**eMail (Required):** \_\_\_\_\_

**Telephone (Required):** \_\_\_\_\_

**Proposer, if selected, intends to carry on the business as (check one):**

- |   |   |
|---|---|
| <input type="checkbox"/> <b>Individual</b>  | <input type="checkbox"/> <b>Joint Venture</b> |
| <input type="checkbox"/> <b>Partnership</b> | <input type="checkbox"/> <b>Corporation</b>   |

**When incorporated?** \_\_\_\_\_

**In what state?** \_\_\_\_\_

**When authorized to do business in California?** \_\_\_\_\_

**Other (explain):** \_\_\_\_\_

**ADDENDA**

To assure that all Proposers have received each addendum, check the appropriate box(s) below. Failure to acknowledge receipt of an addendum/addenda may be considered an irregularity in the Proposal:

Addendum number(s) received:     1;    2;    3;    4;    5;    6;

Or,     \_\_\_\_\_ No Addendum/Addenda Were Received (**check and initial**).

**2 PROPOSER'S SIGNATURE**

No proposal shall be accepted which has not been signed in ink in the appropriate space below:

By signing below, the submission of a proposal shall be deemed a representation and certification by the Proposer that they have investigated all aspects of the RFP, that they are aware of the applicable facts pertaining to the RFP process, its procedures and requirements, and they have read and understand the RFP. No request for modification of the proposal shall be considered after its submission on the grounds that the Proposer was not fully informed as to any fact or condition.

**Attachment A – Proposer Information continued...**

1. If Proposer is **INDIVIDUAL**, sign here

Date: \_\_\_\_\_  
Signature Name and Title (type or print)

2. If Proposer is **PARTNERSHIP** or **JOINT VENTURE**; at least two (2) Partners shall sign here:

\_\_\_\_\_  
Partnership or Joint Venture Name (type or print)

Date: \_\_\_\_\_  
Member of the Partnership or Joint Venture signature

Date: \_\_\_\_\_  
Member of the Partnership or Joint Venture signature

3. If Proposer is a **CORPORATION** or **LLC**, the duly authorized officer(s) shall sign as follows:

The undersigned certify that he/she is respectively:

\_\_\_\_\_  
Officer Signature Name Title

**Corp./LLC Contract Signature Method:** Authorization to sign contracts and other documents on behalf of the corporation must be indicated by **selecting one of the following methods:**

**Method 1 (Two Specified Officers).** Authorization may be shown by two officers, one from each of the following groups, signing the instrument. (Corp. Code §§313; 5214.)

**Group A**

- (i) Chairman of the Board
- (ii) President
- (iii) Any Vice-President

**Group B**

- (i) Secretary or Assistant Secretary
- (ii) Chief Financial Officer
- (iii) Any Assistant Treasurer

**Email:** \_\_\_\_\_ **Email:** \_\_\_\_\_

**Method 2 (Certified Board Authorization).** Authorization may be shown by providing the City a copy of the corporation’s bylaws, board of directors meeting minutes, or any resolution of corporation’s board authorizing the person signing the instrument to execute instruments of the type in question, and certified by the Secretary or Asst. Secretary of the corporation to be a true copy. (Corp. Code §§314; 5215.)

**Method 3 (Notarized Officer Signature).** Authorization may be shown by the signature of either the corporation’s president, vice president, secretary, or assistant secretary accompanied by a notary acknowledgment in the form prescribed by Civil Code §1189. (Civil Code §1190.)

Of the corporation named below; that they are designated to sign the Proposal Cost Form by resolution (attach a certified copy, with corporate seal, if applicable, notarized as to its authenticity or Secretary’s certificate of authorization) for and on behalf of the below named CORPORATION, and that they are authorized to execute same for and on behalf of said CORPORATION.

\_\_\_\_\_

Corporation Name (type or print)

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

Title: \_\_\_\_\_

## ATTACHMENT B – SCOPE OF SERVICES

### I. 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.

#### City Council Decision to Outsource Internal Auditing Services

On February 10, 2020, the Palo Alto City Council unanimously voted to issue a Request for Proposals (RFP), overseen by the Council Appointed Officers (CAO) Committee, to consider qualified firms for the provision of internal auditor services. This decision was preceded by the actions briefly described below.

Following the retirement of the City Auditor in February 2019, the City Council authorized consultant engagements to:

- Help to ensure the continuity of operations and completion of work products in the City Auditor's Office, and
- Conduct a review of public sector and Palo Alto internal auditing practices.

The local government consulting firm Management Partners was engaged in March 2019 to assist with continuity of operations and provided assistance until mid-November 2019. The firm of Kevin W. Harper CPA & Associates was engaged in May 2019 to conduct the internal auditing practices review, delivering a written report to City Council in December 2019.

Key concerns expressed by the City Council during its deliberations included:

- The significant turnover in the City Auditor position in the last decade.
- A high cost per audit as compared with other cities with an internal function,
- Limited implementation of audit recommendations, and
- Limited focus on risk exposure and strengthening internal controls.

Key aspects of the City Council's decision to outsource the internal audit function included the desire to focus on:

- Annual audit planning through risk-based assessments, and
- The most efficient use of increasingly scarce City resources.

## II. Internal Auditor Scope of Services

This section contains the scope of internal auditor services as required by the City Charter and Municipal Code, including the required duties of, and audit tasks to be performed by, the City Auditor.

### Duties of the City Auditor

The duties of the City Auditor are to:

- 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.

### Required Internal Audit Tasks

The following 6 tasks represent the core services to be provided by the selected firm in accordance with RFP and contractual requirements. Pricing for these tasks must be provided in the manner specified in Section IV below, Section 5, Subsection 5.8 of the RFP (Proposal Cost Sheet and Rates) and in further accordance with Attachment E (Cost Proposal).

#### Task 1. Preparation of Annual Audit Plan:

Prepare an annual audit plan for review by the City Manager and appropriate City Council committee(s), and review and approval by the City Council. The audit plan must identify preliminary objectives of each audit to be performed, the schedule for each audit, and the estimated resources and costs for each audit. The City Auditor will 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 2.

#### Task 2. Citywide Risk Assessment:

Beginning with year 1 and continuing every other year thereafter, prepare a citywide risk assessment following the same review and approval requirements described in Task 1. This risk assessment will be the primary determinant of subsequent audit activity.

#### Task 3. Selection of External Financial Auditor and Annual Audit Coordination:

Coordinate the annual external financial audit in each year of the contract term.

The City Charter also requires that the City Auditor to oversee the selection process for the annual external financial auditor. The City anticipates conducting an RFP for this purpose in early 2022. For pricing purposes, proposers should assume that one RFP process will be conducted during the initial anticipated two-year term.

#### Task 4. Execute Annual Audit Plan:

Conduct a minimum of **X** internal audits in accordance with the approved annual audit plan. Each internal audit requires the preparation of a written report for review by the City Manager, City Attorney and appropriate committee, and review/approval by the City Council as required. For pricing, proposers may assume that an average annual audit plan consists of **X** performance audits, **X** financial/operational audits and **X** follow-up/unscheduled audits.

**Task 5. Preparation of Quarterly Reports and Annual Status Report:**

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.

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.

**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 two-year contract terms, 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 contract year, to be submitted at the beginning of the second contract year and every other year thereafter throughout the contract term, that includes benchmark agencies determined by the City Council, and obtain independent third-party certification of data accuracy.

Note: As required by Section 5, Subsection 5.3 of the RPF (Qualifications of the Firm), proposers must include cost per audit information for its past projects identified in Attachment D (Firm Experience).

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). It is anticipated that the new City Auditor appointed through this process will have a 6-month evaluation, and then annually thereafter throughout the initial contract term and any extensions granted by the City Council.

**III. Internal Auditor Services – Designation of City Auditor, Minimum Experience Requirements, Auditing Standards and Required Disclosures**

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

Proposing firms must designate an employee to fulfil the role of City Auditor, whose designation requires City Council approval and appointment, and whose appointment is subject to at-will modification by the Council.

The successful proposing firm must be willing to contractually accept this requirement and stipulate to reserved rights of the City and City Council to appoint a new City Auditor in the event the City Auditor vacates the appointment for whatever reason. These reserved rights, and corollary firm requirements include but may not be limited to:

- Stipulation that the contracted firm 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.
- Stipulation that a new appointment be conducted in the manner specified by the City Council, subject to applicable laws.
- Continued appointment based on and subject to acceptable performance.
- Contractual allowance of the contracted firm to propose alternative City Auditor(s) for Council consideration during the term of the agreement.

#### Minimum Experience Requirements

Proposing firms, and the proposed 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.

Firms (and the proposed City Auditor) that may not have the required 5 years of public sector experience may include relevant private sector experience so long as City Charter and Municipal Code requirements for auditing standards are demonstrably met.

#### Auditing Standards

In order to be considered for evaluation, the City Auditor must be a Certified Public Accountant (CPA) or Certified Internal Auditor (CIA) in good standing and must maintain such certification during any resultant contract term.

All staff members proposed for internal auditor services in conjunction with this RFP or assigned to internal auditor services under any resultant contract 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. Proposers whose staff members hold professional certifications such as CPA, CIA, Certified Government Auditing Professional (CGAP) or Certified Information Systems Auditor (CISA) will be favorably considered.

#### Required Disclosures

In order to be considered for evaluation, proposers must provide complete disclosure of any current or prior incidents within the last 5 years where it is/was alleged that proposer defaulted or failed to perform under contract which led the other party to terminate a contract or initiate termination proceedings whether such proceedings resulted in cured or curable defects.

Proposers must also disclose any civil or criminal litigation or investigation pending which involves the proposer or in which proposer has been judged guilty or liable.

Unless prohibited by law, identify the involved parties and the circumstances of the termination, termination proceedings, civil or criminal litigation, or investigation.

#### **IV. Staffing Plan for Internal Auditor Services**

Proposers must provide relevant information on key project team members in accordance with Section 5, Subsection 5.6 of the RFP (Project Staffing).

#### **V. Maintenance of Independent Contractor Status**

Proposers must include in their submittals recommendation(s) as to how the firm will ensure staff assigned to internal auditor services will maintain independent contractor status.

#### **VI. Cost Proposal and Best Value Determination**

The City Council intends to award a contract to a qualified firm whose proposal and staffing plan for internal auditor services represents the best overall value to the City based on the evaluation criteria and process detailed in the RFP. The cost proposal must be submitted in the format required in Attachment E, Cost Proposal (proposers are encouraged to submit cost proposals on an Excel spreadsheet as long as it conforms to the table format used in the Attachment E).

The City Council is anticipating a Fiscal Year 2020/21 budget of \$750,000 for internal auditor services. Proposing firms will be evaluated in large part on their proposed workplans to provide internal auditor services within this budgetary amount.

Note: The current budget includes approximately \$1 million for internal auditing services. This amount is anticipated to be reduced to \$750,000 as the City Council conducts budget deliberations, based on a recommendation by the Council Appointed Officers (CAO) Committee. Should budget deliberations result in a Fiscal Year 2020/21 budget for internal auditing that restores the full \$1 million, then the successful proposer may be asked to submit a proposal to conduct additional audits that, upon mutually agreeable terms, could be included in a resultant contract or a contract amendment, depending on timing of contract award and other factors.

Proposers are encouraged to consider the ramifications of the COVID-19 pandemic and how economic and working conditions may affect the internal audit program and the costs thereof.

Proposers are also encouraged to propose pricing for additional or innovative services not envisioned under this RFP that could result in cost savings or efficiencies, so long as such services are compliant with applicable laws and regulations.

Proposers must provide cost parameters for contract years 3 through 5 as specified in Attachment E.



**ATTACHMENT C**

**SAMPLE AGREEMENT FOR PROFESSIONAL SERVICES**

(USE FOR PROFESSIONAL SERVICES (DESIGN and NON-DESIGN))

**CITY OF PALO ALTO CONTRACT NO.**

**AGREEMENT BETWEEN THE CITY OF PALO ALTO AND  
FOR PROFESSIONAL SERVICES**

This Agreement is entered into on this \_\_\_\_\_ day of \_\_\_\_\_, (“Agreement”) by and between the CITY OF PALO ALTO, a California chartered municipal corporation (“CITY”), and \_\_\_\_\_, a \_\_\_\_\_, located at \_\_\_\_\_ (“CONSULTANT”).

**RECITALS**

The following recitals are a substantive portion of this Agreement.

- A. CITY intends to \_\_\_\_\_ (“Project”) and desires to engage a consultant to \_\_\_\_\_ 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 Exhibit “A”, attached to and made a part of this Agreement.

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” in accordance with the terms and conditions contained in this Agreement. The performance of all Services shall be to the reasonable satisfaction of CITY.

Optional On-Call Provision (This provision only applies if checked and only applies to on-call agreements.)

Services will be authorized by CITY, as needed, with a Task Order assigned and approved by CITY’s Project Manager. Each Task Order shall be in substantially the same form as Exhibit A-1. Each Task Order shall designate a CITY Project Manager and shall contain a specific scope of work, a specific schedule of performance and a specific compensation amount. The total price of all Task Orders issued under this Agreement shall not exceed the amount of Compensation set forth in Section 4 of this Agreement. CONSULTANT shall only be compensated for work

performed under an authorized Task Order and CITY may elect, but is not required, to authorize work up to the maximum compensation amount set forth in Section 4.

**SECTION 2. TERM.**

The term of this Agreement shall be from the date of its full execution through \_\_\_\_\_ unless terminated earlier pursuant to Section 19 of this Agreement.

**OR**

The term of this Agreement shall be from the date of its full execution through completion of the services in accordance with the Schedule of Performance attached at Exhibit “B” unless terminated earlier pursuant to Section 19 of this Agreement.

**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 schedule set forth in Exhibit “B”, attached to and made a part of this Agreement. Any Services for which times for performance are not specified in this Agreement 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 compensation to be paid to CONSULTANT for performance of the Services described in Exhibit “A” (“Basic Services”), and reimbursable expenses, shall not exceed \_\_\_\_\_ Dollars (\$ \_\_\_\_\_). CONSULTANT agrees to complete all Basic Services, including reimbursable expenses, within this amount. In the event Additional Services are authorized, the total compensation for Basic Services, Additional Services and reimbursable expenses shall not exceed \_\_\_\_\_ Dollars (\$ \_\_\_\_\_). The applicable rates and schedule of payment are set out at Exhibit “C-1”, entitled “HOURLY RATE SCHEDULE,” 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.

Additional Services, if any, shall be authorized in accordance with and subject to the provisions of Exhibit “C”. CONSULTANT shall not receive any compensation for Additional Services performed without the prior written authorization of CITY. Additional Services shall mean any work that is determined by CITY to be necessary for the proper completion of the Project, but which is not included within the Scope of Services described at Exhibit “A”.

**SECTION 5. INVOICES.** In order to request payment, CONSULTANT shall submit monthly invoices to the CITY describing the services performed and the applicable charges (including an identification of personnel who performed the services, hours worked, hourly rates, and reimbursable expenses), based upon the CONSULTANT’s billing rates (set forth in Exhibit “C-1”). If applicable, the invoice shall also describe the percentage of completion of each task. The information in CONSULTANT’s payment requests 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. 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 ten percent (10%) of CITY's stated construction budget, 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.** It is understood and agreed that in performing the Services under this Agreement CONSULTANT, and any person employed by or contracted with CONSULTANT to furnish labor and/or materials under this Agreement, shall act as and be an independent contractor and not an agent or employee of CITY.

**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 manager. 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.**

**Option A: No Subcontractor:** CONSULTANT shall not subcontract any portion of the work to be performed under this Agreement without the prior written authorization of the city manager or designee.

**Option B: Subcontracts Authorized:** Notwithstanding Section 11 above, CITY agrees that subconsultants may be used to complete the Services. The subconsultants authorized by CITY to perform work on this Project are:

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 manager or his designee.

**SECTION 13. PROJECT MANAGEMENT.** CONSULTANT will assign \_\_\_\_\_ as the \_\_\_\_\_ to have supervisory responsibility for the performance, progress, and execution of the Services and \_\_\_\_\_ as the project \_\_\_\_\_ to represent CONSULTANT during the day-to-day work on the Project. If circumstances cause the substitution of the project director, project coordinator, or any other key personnel for any reason, the appointment of a substitute project director and the assignment of any key new or replacement personnel will be subject to the prior written approval of the CITY's project manager. 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 \_\_\_\_\_, \_\_\_\_\_ Department, \_\_\_\_\_ Division, \_\_\_\_\_ Palo Alto, CA 94303, Telephone: \_\_\_\_\_. The project manager will be CONSULTANT's point of contact with respect to performance, progress and execution of the Services. CITY may designate an alternate project manager from time to time.

**SECTION 14. OWNERSHIP OF MATERIALS.** Upon delivery, all work product, including without limitation, all writings, drawings, plans, reports, specifications, calculations, documents, other materials and copyright interests developed under this Agreement shall be and remain the exclusive property of CITY without restriction or limitation upon their use. CONSULTANT agrees that all copyrights which arise from creation of the work pursuant to this Agreement shall be vested in CITY, and CONSULTANT waives and relinquishes all claims to copyright or other intellectual property rights in favor of the CITY. Neither CONSULTANT nor its contractors, if any, shall make any of such materials available to any individual or organization without the prior written approval of the City Manager or designee. CONSULTANT makes no representation of the suitability of the work product for use in or application to circumstances not contemplated by the scope of work.

**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.**

[Option A applies to the following design professionals pursuant to Civil Code Section 2782.8: architects; landscape architects; registered professional engineers and licensed professional land surveyors.] 16.1. To the fullest extent permitted by law, CONSULTANT shall protect, indemnify, defend and hold harmless CITY, its Council members, officers, employees and agents (each an "Indemnified Party") from and against any and all 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 attorneys fees, experts fees, court costs and disbursements ("Claims") that arise out of, pertain to, or relate 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.

[Option B applies to any consultant who does not qualify as a design professional as defined in Civil Code Section 2782.8.] 16.1. To the fullest extent permitted by law, CONSULTANT shall protect, indemnify, defend and hold harmless CITY, its Council members, officers, employees and agents (each an "Indemnified Party") from and against any and all 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 attorneys fees, experts fees, court costs and disbursements ("Claims") resulting from, arising out of or in any manner related to performance or nonperformance by 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 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 and will not be canceled, or materially reduced in coverage or limits, by the insurer except after filing with the Purchasing Manager thirty (30) days' prior written notice of the 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 within two (2) business days of 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 caused by or directly arising as a result of the Services performed under this Agreement, including such damage, injury, or loss arising after the Agreement is terminated or the term has expired.

## **SECTION 19. TERMINATION OR SUSPENSION OF AGREEMENT OR SERVICES.**

19.1. The City Manager 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. Upon such suspension or termination, CONSULTANT shall deliver to the City Manager immediately any and all copies of studies, sketches, drawings, computations, and other data, whether or not completed, prepared by CONSULTANT or its contractors, if any, or given to CONSULTANT or its contractors, if any, in connection with this Agreement. Such materials will become the property of CITY.

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 (i.e., 10 days after giving 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, 19.4, 20, and 25.

19.5. 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

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 4.62.030 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.

**OR**

26.1 **CONSULTANT is required to pay general prevailing wages** as defined in Subchapter 3, Title 8 of the California Code of Regulations and Section 16000 et seq. and Section 1773.1 of the California Labor Code. Pursuant to the provisions of Section 1773 of the Labor Code of the State of California, the City Council has obtained the general prevailing rate of per diem wages and the general rate for holiday and overtime work in this locality for each craft, classification, or type of worker needed to execute the contract for this Project from the Director of the Department of Industrial Relations (“DIR”). Copies of these rates may be obtained at the Purchasing Division’s office of the City of Palo Alto. CONSULTANT shall provide a copy of prevailing wage rates to any staff or subcontractor hired, and shall pay the adopted prevailing wage rates as a minimum. CONSULTANT shall comply with the provisions of all sections, including, but not limited to, Sections 1775, 1776, 1777.5, 1782, 1810, and 1813, of the Labor Code pertaining to prevailing wages.

26.2 CONSULTANT shall comply with the requirements of Exhibit “E” for any contract for public works construction, alteration, demolition, repair or maintenance.

**SECTION 27. MISCELLANEOUS PROVISIONS.**

27.1. This Agreement will be governed by the laws of the State of California.

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 document represents the entire and integrated agreement between the parties and supersedes all prior negotiations, representations, and contracts, either written or oral. This document may be amended only by a written instrument, which is signed by the parties.

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 or any amendment thereto is void or unenforceable, the unaffected provisions of this Agreement and any amendments thereto will remain in full force and effect.

27.7. All exhibits referred to in this Agreement and any addenda, appendices, attachments, and schedules to this Agreement which, from time to time, may be referred to in any duly executed amendment hereto are by such reference incorporated in this Agreement and will be deemed to be a 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 immediately upon learning that there has been a breach in the security of the system or in the security of the Personal Information. CONSULTANT shall not use Personal Information for direct marketing purposes without City's express written consent.

27.10. All unchecked boxes do not apply to this Agreement.

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 shall, when executed by all the parties, constitute a single binding agreement.

**CONTRACT No. S19XXXXXX SIGNATURE PAGE**

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**

**CONSULTANT**

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

**Officer 1**

By:  
Name:  
Title:

APPROVED AS TO FORM:

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

**Officer 2** (Required for Corp. or LLC)

By:  
Name:  
Title:

Attachments:

- EXHIBIT "A": SCOPE OF SERVICES
- EXHIBIT "A-1": PROFESSIONAL SERVICES TASK ORDER (for on-call contracts only)
- EXHIBIT "B": SCHEDULE OF PERFORMANCE
- EXHIBIT "C": COMPENSATION
- EXHIBIT "C-1": SCHEDULE OF RATES
- EXHIBIT "D": INSURANCE REQUIREMENTS
- EXHIBIT "E": DIR REGISTRATION FOR PUBLIC WORKS CONTRACTS

**EXHIBIT "A"**  
**SCOPE OF SERVICES**

(Optional – for On Call Agreements only)

**EXHIBIT “A-1”  
PROFESSIONAL SERVICES TASK ORDER**

Consultant hereby agrees to perform the work detailed below in accordance with all the terms and conditions of the Agreement referenced in Item 1A below. All exhibits referenced in Item 8 are incorporated into the Agreement 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.

ISSUE DATE

Purchase Requisition No.

1A. MASTER AGREEMENT NUMBER

1B. TASK ORDER NO.

2. CONSULTANT

3. PERIOD OF PERFORMANCE: START: COMPLETION:

4. TOTAL TASK ORDER PRICE: \$ \_\_\_\_\_  
BALANCE REMAINING IN MASTER AGREEMENT \$ \_\_\_\_\_

5. BUDGET CODE: \_\_\_\_\_  
COST CENTER \_\_\_\_\_ COST ELEMENT \_\_\_\_\_ WBS/CIP \_\_\_\_\_  
PHASE \_\_\_\_\_

6. CITY PROJECT MANAGER'S  
NAME/DEPARTMENT \_\_\_\_\_

7. DESCRIPTION OF SCOPE OF SERVICES

MUST INCLUDE:

- WORK TO BE PERFORMED
- SCHEDULE OF WORK
- BASIS FOR PAYMENT & FEE SCHEDULE
- DELIVERABLES
- REIMBURSABLES (with “not to exceed” cost)

8. ATTACHMENTS: A: Scope of Services B: \_\_\_\_\_

**I hereby authorize the performance of  
the work described above 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

**APPROVED:**  
COMPANY NAME: \_\_\_\_\_

BY: \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_  
Date \_\_\_\_\_

BY: \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_  
Date \_\_\_\_\_

**EXHIBIT “B”  
SCHEDULE OF PERFORMANCE**

CONSULTANT shall perform the Services so as to complete each milestone within the number of days/weeks specified below. The time to complete each milestone may be increased or decreased by mutual written agreement of the project managers for CONSULTANT and CITY so long as all work is completed within the term of the Agreement. CONSULTANT shall provide a detailed schedule of work consistent with the schedule below within 2 weeks of receipt of the notice to proceed.

Milestones	No. of Days/Weeks	Completion From NTP
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		

(Version 1 - use for task based compensation)

**EXHIBIT “C”  
COMPENSATION**

The CITY agrees to compensate the CONSULTANT for professional 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 C-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 Basic Services, including reimbursable expenses, and the total compensation for Additional Services do not exceed the amounts set forth in Section 4 of this Agreement.

<b>BUDGET SCHEDULE</b>	<b>NOT TO EXCEED AMOUNT</b>
Task 1 ( )	\$
Task 2 ( )	\$
Task 3 ( )	\$
Task 4 ( )	\$
Task 5 ( )	\$
Sub-total Basic Services	\$
Reimbursable Expenses	\$
Total Basic Services and Reimbursable expenses	\$
Additional Services (Not to Exceed)	\$
Maximum Total Compensation	\$

**REIMBURSABLE EXPENSES**

The administrative, overhead, secretarial time or secretarial overtime, word processing, photocopying, in-house printing, 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. Expenses for which CONSULTANT shall be reimbursed are:

A. Travel outside the San Francisco Bay area, including transportation and meals, will be reimbursed at actual cost subject to the City of Palo Alto's policy for reimbursement of travel and meal expenses for City of Palo Alto employees.

B. Long distance telephone service charges, cellular phone service charges, facsimile transmission and postage charges are reimbursable at actual cost.

All requests for payment of expenses shall be accompanied by appropriate backup information. Any expense anticipated to be more than \$            shall be approved in advance by the CITY's project manager.

### **ADDITIONAL SERVICES**

The CONSULTANT shall provide additional services only by advanced, written authorization from the CITY. The CONSULTANT, at the CITY's project manager's request, shall submit a detailed written proposal including a description of the scope of services, schedule, level of effort, and CONSULTANT's proposed maximum compensation, including reimbursable expense, for such services based on the rates set forth in Exhibit C-1. The additional services scope, schedule and maximum compensation shall be negotiated and agreed to in writing by the CITY's            and CONSULTANT prior to commencement of the services. Payment for additional services is subject to all requirements and restrictions in this Agreement

Work required because the following conditions are not satisfied or are exceeded shall be considered as additional services:



*(Version 2 – hourly rate - not task based)*

### **EXHIBIT “C” COMPENSATION**

The CITY agrees to compensate the CONSULTANT for professional services performed in accordance with the terms and conditions of this Agreement based on the hourly rate schedule attached as Exhibit C-1.

The compensation to be paid to CONSULTANT under this Agreement for all services, additional services, and reimbursable expenses shall not exceed the amount(s) stated in Section 4 of this Agreement. CONSULTANT agrees to complete all Services and Additional Services, including reimbursable expenses, within this/these amount(s). Any work performed or expenses incurred for which payment would result in a total exceeding the maximum amount of compensation set forth in this Agreement shall be at no cost to the CITY.

### **REIMBURSABLE EXPENSES**

The administrative, overhead, secretarial time or secretarial overtime, word processing, photocopying, in-house printing, 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. Expenses for which CONSULTANT shall be reimbursed are:

A. Travel outside the San Francisco Bay area, including transportation and meals, will be reimbursed at actual cost subject to the City of Palo Alto’s policy for reimbursement of travel and meal expenses for City of Palo Alto employees.

B. Long distance telephone service charges, cellular phone service charges, facsimile transmission and postage charges are reimbursable at actual cost.

All requests for payment of expenses shall be accompanied by appropriate backup information. Any expense anticipated to be more than \$            shall be approved in advance by the CITY’s project manager.

### **ADDITIONAL SERVICES**

The CONSULTANT shall provide additional services only by advanced, written authorization from the CITY. The CONSULTANT, at the CITY’s project manager’s request, shall submit a detailed written proposal including a description of the scope of services, schedule, level of effort, and CONSULTANT’s proposed maximum compensation, including reimbursable expenses, for such services based on the rates set forth in Exhibit C-1. The additional services scope, schedule and maximum compensation shall be negotiated and agreed to in writing by the CITY’s Project Manager and CONSULTANT prior to commencement of the services. Payment for additional services is subject to all requirements and restrictions in this Agreement.

*[OPTIONAL]* Work required because the following conditions are not satisfied or are exceeded shall be considered as Additional Services:

**EXHIBIT "C-1"**  
**SCHEDULE OF RATES**

**EXHIBIT “D”  
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:

REQUIRED	TYPE OF COVERAGE	REQUIREMENT	MINIMUM LIMITS	
			EACH OCCURRENCE	AGGREGATE
YES YES	WORKER’S COMPENSATION EMPLOYER’S LIABILITY	STATUTORY STATUTORY		
YES	GENERAL LIABILITY, INCLUDING PERSONAL INJURY, BROAD FORM PROPERTY DAMAGE BLANKET CONTRACTUAL, AND FIRE LEGAL LIABILITY	BODILY INJURY	\$1,000,000	\$1,000,000
		PROPERTY DAMAGE	\$1,000,000	\$1,000,000
		BODILY INJURY & PROPERTY DAMAGE COMBINED.	\$1,000,000	\$1,000,000
YES	AUTOMOBILE LIABILITY, INCLUDING ALL OWNED, HIRED, NON-OWNED	BODILY INJURY	\$1,000,000	\$1,000,000
		- EACH PERSON	\$1,000,000	\$1,000,000
		- EACH OCCURRENCE	\$1,000,000	\$1,000,000
		PROPERTY DAMAGE	\$1,000,000	\$1,000,000
		BODILY INJURY AND PROPERTY DAMAGE, COMBINED	\$1,000,000	\$1,000,000
YES	PROFESSIONAL LIABILITY, INCLUDING, ERRORS AND OMISSIONS, MALPRACTICE (WHEN APPLICABLE), AND NEGLIGENT PERFORMANCE			
		ALL DAMAGES	\$1,000,000	
YES	<b>THE CITY OF PALO ALTO IS TO BE NAMED AS AN ADDITIONAL INSURED:</b> 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 PROVISION FOR A WRITTEN THIRTY (30) DAY ADVANCE NOTICE TO CITY OF CHANGE IN COVERAGE OR OF COVERAGE CANCELLATION; AND
  - B. A CONTRACTUAL LIABILITY ENDORSEMENT PROVIDING INSURANCE COVERAGE FOR CONTRACTOR’S AGREEMENT TO INDEMNIFY CITY.
  - C. DEDUCTIBLE AMOUNTS IN EXCESS OF \$5,000 REQUIRE CITY’S PRIOR APPROVAL.
- II. CONTACTOR 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](HTTP://WWW.CITYOFPALOALTO.ORG/GOV/DEPTS/ASD/PLANET_BIDS_HOW_TO.ASP)**

**EXHIBIT “E”**  
**DIR REGISTRATION FOR PUBLIC WORKS CONTRACTS**

This Exhibit shall apply only to a contract for public works construction, alteration, demolition, repair or maintenance work, CITY will not accept a bid proposal from or enter into this Agreement with CONSULTANT without proof that CONSULTANT and its listed subcontractors are registered with the California Department of Industrial Relations (“DIR”) to perform public work, subject to limited exceptions. City requires CONSULTANT and its listed subcontractors to comply with the requirements of SB 854.

CITY provides notice to CONSULTANT of the requirements of California Labor Code section 1771.1(a), which reads:

“A contractor or subcontractor shall not be qualified to bid on, be listed in a bid proposal, subject to the requirements of Section 4104 of the Public Contract Code, or engage in the performance of any contract for public work, as defined in this chapter, unless currently registered and qualified to perform public work pursuant to Section 1725.5. It is not a violation of this section for an unregistered contractor to submit a bid that is authorized by Section 7029.1 of the Business and Professions Code or Section 10164 or 20103.5 of the Public Contract Code, provided the contractor is registered to perform public work pursuant to Section 1725.5 at the time the contract is awarded.”

CITY gives notice to CONSULTANT and its listed subcontractors that CONSULTANT is required to post all job site notices prescribed by law or regulation and CONSULTANT is subject to SB 854-compliance monitoring and enforcement by DIR.

CITY requires CONSULTANT and its listed subcontractors to comply with the requirements of Labor Code section 1776, including:

Keep accurate payroll records, showing the name, address, social security number, work classification, straight time and overtime hours worked each day and week, and the actual per diem wages paid to each journeyman, apprentice, worker, or other employee employed by, respectively, CONSULTANT and its listed subcontractors, in connection with the Project.

The payroll records shall be verified as true and correct and shall be certified and made available for inspection at all reasonable hours at the principal office of CONSULTANT and its listed subcontractors, respectively.

At the request of CITY, acting by its project manager, CONSULTANT and its listed subcontractors shall make the certified payroll records available for inspection or furnished upon request to the project manager within ten (10) days of receipt of CITY’s request.

**Attachment D  
TABLE FORMAT  
QUALIFICATIONS OF FIRM RELATIVE TO CITY'S NEEDS**

Minimum Qualifications of the Proposing Firm and Proposed City Auditor (provide brief, concise description of how the firm and proposed City Auditor meet at least the minimum requirements established in this RFP):

Use this table to provide relevant project experience (add row to include additional projects if desired)

Project Name	Client	Description of work performed	Total Project Cost	Percentage of work firm as responsible for	Period work was completed	Client contact information*
<p>Did your firm meet the project schedule (Circle one) : Yes No</p> <p>Give a brief statement of the firm's adherence to the schedule and budget for the project:</p> <p>Provide relevant cost per audit information:</p>						
<p>Did your firm meet the project schedule (Circle one) : Yes No</p> <p>Give a brief statement of the firm's adherence to the schedule and budget for the project:</p> <p>Provide relevant cost per audit information:</p>						

Did your firm meet the project schedule (Circle one) : Yes No

Give a brief statement of the firm's adherence to the schedule and budget for the project:

Provide relevant cost per audit information:

--	--	--	--	--	--	--

Did your firm meet the project schedule (Circle one) : Yes No

Give a brief statement of the firm's adherence to the schedule and budget for the project:

Provide relevant cost per audit information:

\*Include name, title and phone number.



**Attachment E  
COST PROPOSAL FORMAT – RFP**

**(The City requires a submittal in this format for the first two contract years – content should match cost for scope of services required. Proposers are encouraged to submit their pricing on an Excel spreadsheet.)**

Scope	Labor Categories (e.g., City Auditor, Consultant, Sr. Consultant, etc.)	Est. Hours	Hourly Rate	Extended Rate
<b>Task 1. Preparation of Annual Audit Plan</b>			\$	\$
			\$	\$
			\$	\$
TOTAL NOT TO EXCEED, TASK 1			\$	\$
<b>Task 2. Conduct Citywide Risk Assessment</b>			\$	\$
			\$	\$
			\$	\$
TOTAL NOT TO EXCEED, TASK 2			\$	\$
<b>Task 3. Selection of External Financial Auditor and Annual Audit Coordination</b>			\$	\$
			\$	\$
			\$	\$
TOTAL NOT TO EXCEED, TASK 3			\$	\$
<b>Task 4. Execute Annual Audit Plan</b>			\$	\$
TOTAL NOT TO EXCEED, TASK 4			\$	\$
<b>Task. 5. Preparation of Quarterly Reports and Annual Status Report</b>			\$	\$

TOTAL NOT TO EXCEED, TASK 5			\$	\$
<b>Task 6. Evaluation and Benchmarking</b>			\$	\$
TOTAL NOT TO EXCEED, TASK 6			\$	\$
<b>TOTAL NOT TO EXCEED (TASKS 1 – 6)*</b>			\$	\$
*For the purpose of the RFP evaluation process, the total for Tasks 1 through 6 should not exceed \$750,000 in years 1 and 2 of the contract. Adjustments may be made in conjunction with the budget adoption process and/or through contract negotiations with the top-rated proposer.				
<b>Innovations or Other Factors for Cost Savings or Efficiencies (describe or list; proposed costs can be additive or deductive)</b>			\$	\$
TOTAL INNOVATIONS or OTHER FACTORS			\$	\$
<b>GRAND TOTAL TASKS 1 – 6 AND INNOVATIONS/OTHER FACTORS</b>			\$	\$
<b>Use this row to identify pricing assumptions in contract years 3 through 5:</b> 1. 2. 3.				

**Attachment "F"**  
**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:**

REQUIRED	TYPE OF COVERAGE	REQUIREMENT	MINIMUM LIMITS	
			EACH OCCURRENCE	AGGREGATE
YES YES	WORKER'S COMPENSATION EMPLOYER'S LIABILITY	STATUTORY STATUTORY		
YES	GENERAL LIABILITY, INCLUDING PERSONAL INJURY, BROAD FORM PROPERTY DAMAGE BLANKET CONTRACTUAL, AND FIRE LEGAL LIABILITY	BODILY INJURY	\$1,000,000	\$1,000,000
		PROPERTY DAMAGE	\$1,000,000	\$1,000,000
		BODILY INJURY & PROPERTY DAMAGE COMBINED.	\$1,000,000	\$1,000,000
YES	AUTOMOBILE LIABILITY, INCLUDING ALL OWNED, HIRED, NON-OWNED	BODILY INJURY	\$1,000,000	\$1,000,000
		- EACH PERSON	\$1,000,000	\$1,000,000
		- EACH OCCURRENCE	\$1,000,000	\$1,000,000
		PROPERTY DAMAGE	\$1,000,000	\$1,000,000
		BODILY INJURY AND PROPERTY DAMAGE, COMBINED	\$1,000,000	\$1,000,000
YES	PROFESSIONAL LIABILITY, INCLUDING, ERRORS AND OMISSIONS, MALPRACTICE (WHEN APPLICABLE), AND NEGLIGENT PERFORMANCE	ALL DAMAGES	\$1,000,000	
YES	<b>THE CITY OF PALO ALTO IS TO BE NAMED AS AN ADDITIONAL INSURED:</b> 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, <b>NAMING AS ADDITIONAL INSUREDS CITY, ITS COUNCIL MEMBERS, OFFICERS, AGENTS, AND EMPLOYEES.</b>			

- I. INSURANCE COVERAGE MUST INCLUDE:
  - A. A PROVISION FOR A WRITTEN THIRTY DAY ADVANCE NOTICE TO CITY OF CHANGE IN COVERAGE OR OF COVERAGE CANCELLATION; AND
  - B. A CONTRACTUAL LIABILITY ENDORSEMENT PROVIDING INSURANCE COVERAGE FOR CONTRACTOR'S AGREEMENT TO INDEMNIFY CITY.
  - C. DEDUCTIBLE AMOUNTS IN EXCESS OF \$5,000 REQUIRE CITY'S PRIOR APPROVAL.
- II. CONTACTOR MUST SUBMIT CERTIFICATE(S) OF INSURANCE EVIDENCING REQUIRED COVERAGE.
- 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

**Attachment "F"**  
**INSURANCE REQUIREMENTS**

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 ISSUING COMPANY 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 ISSUING COMPANY SHALL PROVIDE CITY AT LEAST A TEN (10) DAY WRITTEN NOTICE BEFORE THE EFFECTIVE DATE OF CANCELLATION.

**NOTICES SHALL BE MAILED TO:**

**PURCHASING AND  
CONTRACT ADMINISTRATION  
CITY OF PALO ALTO  
P.O. BOX 10250  
PALO ALTO, CA 94303.**

## Attachment B – Palo Alto City Auditor Request for Proposals Timeline

Activity <i>(items completed as of the May 4<sup>th</sup> Council meeting are in italics)</i>	Date
	April
<i>(1) Conduct kick off meeting with staff</i>	<i>April 2</i>
<i>(2) Conduct meetings with the City Attorney and Council Member Filseth</i>	<i>Week of April 6</i>
<i>(3) Approval of the scope of work by CAO Committee</i>	<i>April 15</i>
<i>(4) Prepare and issue RFP: April 8 – 21</i>	<i>April 8 – 21</i>
<i>(5) Conduct pre-proposal meeting: April 28</i>	<i>April 28</i>
	May
<i>(6) Deadline for RFP questions from possible proposers</i>	<i>May 4</i>
(7) Provide responses to questions: May 4-8	May 4 - 8
(8) Proposal due date	May 15 (3:00 p.m.)
(9) CAO Committee and/or Evaluation Team briefing and training	May 18 (a.m.)
(10) Evaluate proposals	May 18 - 22
(11) CAO Committee selects finalists to interview	May 26 (p.m.)
	June
(12) CAO Committee conducts interview(s) and identifies top-rated proposer(s)	June 2 (a.m.)
(13) City Council conducts closed session interview(s) of City Auditor candidate(s)	June 3 (p.m.)
(14) Conduct scope and fee negotiations	June 4 - 15
(15) City Council considers award of contract and appointment of City Auditor	June 22 (regular meeting) or 29 (special meeting)
	July
(16) Commence provision of services	July 1