



City of Palo Alto

Office of the City Auditor

FY22/FY23 Annual Audit
Plan

February 15, 2022

Overview

Introduction

The purpose of the audit activities performed by the Office of the City Auditor (OCA) for the City of Palo Alto (the City) is “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”, according to the Palo Alto Municipal Code ([Section 2.08.130](#)). It requires the City Auditor prepare an annual audit plan for the City Council’s approval at the beginning of each fiscal year.

In accordance with Task #2 of the Baker Tilly agreement ([City of Palo Alto Contract No. C21179340](#)), Baker Tilly US, LLP (Baker Tilly) performed the initial risk assessment after having started to serve as OCA in October 2020 and submitted in early 2021 the FY21-FY22 annual audit plan identifying audit activities across an 18-months horizon (through FY22).

The OCA updated the initial risk assessment in January 2022, one year after our initial risk assessment. This audit plan for the remaining FY22 and FY23 was prepared based on the results of the updated risk assessment. The OCA will seek approval of contract task orders iteratively during that timeframe in order to remain agile and accommodate changes to the plan as time passes.

Other activities are addressed in separate task orders corresponding to the tasks in the Baker Tilly agreement. For example, the City Auditor performs follow up on audit findings and recommendations, as outlined in Task #5.

Conformance with Local Ordinances and Standards

Section 2.08.130 of the Palo Alto Municipal Code defines that the mission of OCA is to promote honest, efficient, effective, economical, and fully accountable and transparent city government. Audits are to be conducted and nonaudit services provided in accordance with Government Auditing Standards, as established by the Comptroller General of the United States, Governmental Accountability Office.

The following duties of the City Auditor exist regarding the plan and scope of internal audits.

[Palo Alto City Charter](#)

Article IV Sec. 12 requires the City Auditor to perform the following:

- Conduct audits in accordance with a schedule approved by the City Council and may conduct unscheduled audits from time to time.
- Conducts internal audits of all the fiscal transactions of the City.

[Title 2 Administrative Code](#)

Section 2.08.130 requires the City Auditor to perform the following:

- Prepare an annual audit plan for city council approval.
- Identify the preliminary objectives of each audit to be performed, reflecting the purpose of the engagement and a preliminary description of the areas that may be addressed.
- Conduct performance audits and perform nonaudit services of any city department, program, service, or activity as approved by the city council.

[California Government Code](#)

Section 1236 requires all cities that conduct audit activities to conduct their work under the general and specified standards prescribed by the Institute of Internal Auditors (IIA) or the Government Auditing Standards (GAO) issued by the Comptroller General of the United States, as appropriate.

Audit Activity Types

OCA will conduct performance audits and perform financial/operational analyses of any City department, program, service, or activity as approved by the City Council in accordance with the Baker Tilly agreement.

Performance Audits

According to the Government Auditing Standards ([GAO-18-568G](#), Section 1.21 and 1.22, page 10-12), performance audits provide objective analysis, findings, and conclusions to assist management and those charged with governance and oversight with, among other things, improving program performance and operations, reducing costs, facilitating decision making by parties responsible for overseeing or initiating corrective action, and contributing to public accountability. Performance audits may include the following four (4) audit objectives:

- Program effectiveness and results
- Internal control design and effectiveness
- Compliance with laws, regulations, and policies
- Prospective analysis

Audit Planning Considerations

While maintaining its independence and objectivity in accordance with standards, the City Auditor considers a variety of matters when developing the Annual Audit Plan, including but not limited to:

- Risk assessment – OCA performed a risk assessment and summarized the results in a separate report (Task #2). Generally speaking, audit activities target high(er) risk areas. The results are shown the following page.
- Ability to add value – audit seeks to add value through independent and objective analysis.
- City Council – the City Auditor reports to the City Council and seeks input on audit priorities.
- Coverage and Prior Audits – the City Auditor considers prior audits conducted by OCA, the financial audit, and other audit and consulting reports recently issued.
- “Ripeness” and On-Going Initiatives – certain risk areas may be addressed through operational activities, which could mean they are not be ripe for audit to add value.
- Scheduling – the City Auditor takes into consideration the timing of an audit and other on-going initiatives that directly relate. Putting an undue burden on City staff may exacerbate the risk at hand or other interrelated risks.

Risk Assessment Results

The OCA performed a citywide risk assessment to plan for FY22 and FY23 audit activities and documented the methodology and the detailed results in a separate Risk Assessment Report. In summary, we identified the following areas rated as High or High-Moderate risks. In determining the audit activities to be performed in FY22 and in FY23, we further reviewed these risks and functional areas and considered the matters listed in the previous page.

Functional Area	Title	Likelihood (1-5)	Impact (1-5)	Score
City Wide	COVID-19 Response	5	5	50
Org Wide	Employee Retention & Succession Planning	5	4	46
Planning and Development Services	Long Range Planning	5	4	46
Information Technology	Disaster Recovery Preparedness and Testing	3	5	44
Information Technology	Host Intrusion and Malware Defense	3	5	44
Information Technology	Problem Management and Incident Response	3	5	44
Transportation	Contract Management	3	5	44
Org Wide	Workforce	4	4	42
Org Wide	Citywide Risk Management	4	4	42
Administrative Services	Procurement	4	4	42
Fire	Emergency Medical Service	4	4	42
Human Resources	High Cost Claims	4	4	42
Human Resources	Workload	4	4	42
Information Technology	Mobile Device Management	5	3	40
Information Technology	Strategy and Governance	5	3	40
Public Works	Secondary Treatment Upgrades	2	5	38
Public Works	ADA Compliance Upgrade	2	5	38
Administrative Services	Investments, Debt, and Cash Management	2	5	38
Information Technology	Information Security	2	5	38
Information Technology	Operations and Monitoring	2	5	38
Information Technology	Physical and Environmental Controls	2	5	38
Information Technology	Ransomware	2	5	38
Police	Use of Force and Officer Conduct	2	5	38
Org Wide	Governance	3	4	36
Org Wide	Organizational Culture	3	4	36
Administrative Services	ERP System Upgrade	3	4	36
City Wide	Sustainability and Climate Action Plan	3	4	36
Administrative Services	Accounts Receivable	3	4	36
Fire	Fire Suppression	3	4	36
Fire	Fire Prevention - Palo Alto Foothills & Wildcat Fire Risk	3	4	36
Public Works	Public Services - Fleet	3	4	36
Public Works	Wastewater Treatment Plant Operations	3	4	36
Public Works	Public Services -Facilities	3	4	36
Utilities	AMI (Advanced Metering Infrastructure) Project	3	4	36
Utilities	Rates and Rate Adjustments	3	4	36

Proposed Audit Activities for FY2022-2023

Included in the tables below are the proposed audit activities for the remainder of FY2022 and FY2023. Each audit activity corresponds to a risk rated as High or Moderate in the Risk Assessment Report and selected based on other factors outlined on page 3.

The preliminary audit objectives are described for each audit listed. These objectives and scope of each audit activity will be further defined based on the result of a project planning risk assessment processes performed at the beginning of each activity.

Audits are planned in three overall phases – note that the timing may differ slightly for each audit activity:

- **Phase I** – Activities projected to start before March 2022 and end by June 2022
- **Phase II** – Activities projected to start in March 2022 and end by December 2022
- **Phase III** – Activities projected to start in June 2022 or January 2023 and end by June 2023

Amendments to the proposed audit plan will be proposed either as needed or after conducting an annual risk assessment and update the audit plan, as needed, during FY23. Amendments may be proposed in response to changes in the City's environment such as organizational structure, operations, risks, systems, and controls. Please note that the City Auditor will actively manage projects and overall budgets and workload in its execution of the workplan.

For each audit activity, a task order is submitted to the City Council for approval before the work is commenced. We have prepared and attached to this report multiple task orders that correspond to audit activities we have prioritized (e.g., those in Phase I). Those audit activities for are marked with an "X" in the 'Seeking Approval' column of the table below, and the Task Orders are included in the Appendix.

Phase I Activities

Seeking Approval	Function	Project Title	Audit Objectives	Timeline	Estimated Hours	FY22 Cost	FY23 Cost (*)	Total Cost FY21+22+23
	Administrative Services	Economic Recovery Advisory (Task Order 4.7)	<ul style="list-style-type: none"> Review the City's long-term financial planning model and offer recommendations for improvement. Identify and evaluate key revenue sources categories that present long term risk to the City's financial sustainability. Perform scenario analysis and advise in the development of long term financial projections. 	March - December 2021	400	\$64,663		\$64,663
	Public Works	Public Safety Building - Construction Audit (Task Order 4.8)	<ul style="list-style-type: none"> Monthly invoice review Change order testing Contingency and allowance testing Lien waiver control Compliance with insurance requirements 	March 2021 - June 2023	420	\$26,633	\$26,633	\$51,266
	Planning and Development Services	Building Permit & Inspection Process Review (Task Order 4.9)	<ul style="list-style-type: none"> Identify highest impact area to focus the assessment (e.g., specific permit type(s), specific sub-processes, etc.). Document corresponding process(es) and evaluate for efficiency and effectiveness. Benchmark operational performance against industry practices and established standards. 	April – September 2021	360	\$48,300		\$48,300
	Citywide	Nonprofit Agreements Risk Management Review (Task Order 4.10)	<ul style="list-style-type: none"> Evaluate controls in place to ensure that nonprofit organizations are properly vetted prior to selection and monitored through the life of an agreement. Assess the performance monitoring process against the best practice. Follow up on relevant audit findings from past audit work. 	May – September 2021	400	\$55,246		\$55,246
	Utilities	Utility Work Order & Process Review (Task Order 4.11)	<ul style="list-style-type: none"> Determine whether adequate controls are in place and working effectively around the work order process Assess the work order process against best practices 	January - December 2022	400	\$81,400		\$81,400
	Administrative Services / Information Technology	Wire Payment Process and Controls (Task Order 4.12)	<ul style="list-style-type: none"> Determine whether adequate controls are in place and working effectively to ensure that all disbursements are valid and properly processed in compliance with City's policies and procedures Determine whether end user security awareness training is sufficient to prevent erroneous payments caused by phishing 	February - June 2022	270	\$54,550		\$54,550
Phase I Sub Total					2,250	\$329,792	\$26,633	\$355,425

* For the purpose of audit plan preparation, OCA used the FY22 budget amount for FY23

Phase II Activities

Seeking Approval	Function	Project Title	Audit Objectives (preliminary objectives for audits not currently subject to approval)	Timeline	Estimated Hours	FY22 Cost	FY23 Cost (*)	Total Cost
X	Human Resources	Remote and Flexible Work Study	<ul style="list-style-type: none"> Assess employee and management perspectives for long-term remote and flexible work viability and associated challenges Evaluate positive outcomes and challenges for managing a mixed location workforce Identify policies, processes, management practices and work culture improvements that may improve the City's ability to manage a remote workforce 	March - December 2022	285	\$50,000	\$10,000	\$60,000
X	Information Technology	Cybersecurity Assessment	<ul style="list-style-type: none"> Map current state security capabilities to the NIST Cybersecurity Framework and evaluate the maturity of current security processes Identify current risks related to weaknesses in the City's cybersecurity program Identify target state objectives utilizing the Capability Maturity Model (CMMI) and develop recommendation to meet the objectives 	March - December 2022	525	\$90,000	\$20,000	\$110,000
X	Public Works	Wastewater Treatment Plant Agreement Audit	<ul style="list-style-type: none"> Evaluate whether direct and indirect costs incurred by the City are properly allocated to the operation of the Wastewater Treatment Plant. Review whether costs are properly allocated to the various parties to the Wastewater Treatment Plant Agreement. 	March 2022 - December 2022	400	\$60,000	\$2,250	\$62,250
Phase II Sub Total					1,210	\$194,000	\$38,250	\$232,250

* For the purpose of audit plan preparation, OCA used the FY22 budget amount for FY23

Phase III Activities

Seeking Approval	Function	Project Title	Preliminary Audit Objectives	Timeline	Estimated Hours	FY22 Cost	FY23 Cost (*)	Total Cost
	Transportation	Contract Management - ALPR Technology	<ul style="list-style-type: none"> Determine whether policies and procedures are implemented effectively to protect the privacy of personal information gathered using ALPR technology for the City's parking management. Determine whether the City monitors the vendor's performance to ensure the compliance with contract terms and applicable laws and regulations related to data privacy. 	June 2022 - January 2023	400		\$82,500	\$82,500
	Administrative Services	Investment Management	<ul style="list-style-type: none"> Determine whether adequate controls are in place and operating effectively to ensure that investments are managed in accordance with the investment management and other relevant policies. Assess the organizational structure and operations of the investment portfolio management function against best practice. 	June 2022 - January 2023	350		\$61,550	\$61,550
	Information Technology	Disaster Recovery Preparedness	<ul style="list-style-type: none"> Determine whether a formal disaster recovery plan exists and aligns with the City's needs for business continuity Determine whether a disaster recovery plan is periodically tested and updated to ensure a successful recovery 	January - June 2023	400		\$87,500	\$87,500
	Administrative Services	Procurement Process	<ul style="list-style-type: none"> Determine whether adequate controls are in place and working effectively to ensure that the appropriate vendors are selected properly to achieve desired objectives Identify the opportunities to improve the efficiency and effectiveness of the procurement process 	January - June 2023	350		\$61,550	\$61,550
	Planning and Development Services	Long Range Planning	<ul style="list-style-type: none"> Review progress against intended goals and identify any gaps Determine whether an effective control environment exists for the Long Range Planning group to maintain City's Comprehensive Plan Determine whether adequate controls are in place and working effectively for data analyses 	January - June 2023	400		\$82,500	\$82,500
	Public Works	ADA Compliance	<ul style="list-style-type: none"> Determine whether improvements have been made to make facilities, programs, and services accessible in accordance with the Transition Plan and Self-Evaluation Final Study to ensure compliance with the Americans with Disabilities Act (ADA) OF 1990 	January - June 2023	350		\$61,550	\$61,550
	TBD	TBD / Ad Hoc Requests	TBD	TBD	TBD			
Phase III Sub Total					2,300	\$0	\$458,100	\$458,100
Phase I + II + III TOTAL					5,760	\$523,792	\$521,983	\$1,045,775
FY22 - FY23 Budget						\$600,000	\$560,000	\$1,160,000
FY23 Ad Hoc / Contingency						\$76,208	\$38,017	\$114,225

* For the purpose of audit plan preparation, OCA used the FY22 budget amount for FY23

Appendix: Task Orders

Audit Activity 4.13 – Remote and Flexible Work Study

PROFESSIONAL SERVICES TASK ORDER

TASK ORDER FY22-004.13

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

CONTRACT NO. C21179340

OR PURCHASE ORDER REQUISITION NO. (AS APPLICABLE)

- 1A. MASTER AGREEMENT NO. (MAY BE SAME AS CONTRACT / P.O. NO. ABOVE):
- 1B. TASK ORDER NO.: FY22-004.13
2. CONSULTANT NAME: Baker Tilly US, LLP
3. PERIOD OF PERFORMANCE: START: March 1, 2022 COMPLETION: December 31, 2022
4. TOTAL TASK ORDER PRICE: \$60,000
BALANCE REMAINING IN MASTER AGREEMENT/CONTRACT \$TBD
5. BUDGET CODE _____
COST CENTER _____
COST ELEMENT _____
WBS/CIP _____
PHASE _____
6. CITY PROJECT MANAGER'S NAME & DEPARTMENT:
Greer Stone, Chair of the City Council's Policy and Services Committee
7. DESCRIPTION OF SCOPE OF SERVICES (Attachment A)
MUST INCLUDE:
- SERVICES AND DELIVERABLES TO BE PROVIDED
 - SCHEDULE OF PERFORMANCE
 - MAXIMUM COMPENSATION AMOUNT AND RATE SCHEDULE (as applicable)
 - REIMBURSABLE EXPENSES, if any (with "not to exceed" amount)
8. ATTACHMENTS: A: Task Order Scope of Services B (if any): N/A

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

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

APPROVED:
CITY OF PALO ALTO

APPROVED:
COMPANY NAME: _____

BY: _____
Name _____
Title _____
Date _____

BY: _____
Name _____
Title _____
Date _____

Attachment A

DESCRIPTION OF SCOPE OF SERVICES

Introduction

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

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

Services & Deliverables

Baker Tilly’s approach to conducting the Construction Controls Assessment involves four (3) primary steps:

- Step 1: Audit Planning
- Step 2: Control review and analysis
- Step 3: Reporting

Step 1 – Audit Planning

This step consists of the tasks performed to adequately plan the work necessary to address the overall audit objective and to solidify mutual understanding of the audit scope, objectives, audit process, and timing between stakeholders and auditors. Tasks include:

- Gather information to understand the environment under review
 - Understand the organization structure and objectives
 - Review the codes, regulations, policies, and other standards and expectations
 - Review the prior audit results, if any
 - Review previously conducted employee engagement and satisfaction surveys
 - Issue an employee survey centered on remote work capabilities
 - Issue a management survey centered on remote work capabilities
 - Review additional documentation and conduct interviews as necessary
- Assess the audit risk
- Write an audit plan and audit program
 - Define audit objectives and scope
 - Identify the audit procedures to be performed and the evidence to be obtained
- Announce the initiation of the audit and conduct a kick-off meeting with key stakeholders
 - Discuss audit objectives, scope, audit process, timing, resources, and expectations
 - Discuss documentation and interview requests for the audit

Step 2 – Control Review and Testing

This step involves executing the procedures in the audit program to gather information, interview individuals, and analyze the data and information to obtain sufficient evidence to address the audit objectives. The preliminary audit objective is to: (1) Assess employee and management perspectives for long-term remote and flexible work viability and associated challenges; (2) Evaluate positive outcomes and challenges for managing a mixed location workforce; (3) Identify policies, processes, management practices and work culture improvements that may improve the City’s ability to manage a remote workforce. Tasks include but are not limited to:

- Analyze employee and management surveys to identify management and policy change opportunities and barriers for managing a mixed location workforce
- Interview (focus group and/or individual) the Human Resources, employee representatives and management representatives to understand the current state, benefits and barriers to
- Review relevant policies and procedures as well as the position eligibility standards for remote work to identify the criteria to be used for evaluation of control design and effectiveness
- Research best practices and practices of surrounding communities
- Analyze available data to assess current practices impact on recruitment and retention
- Validate analysis with Human Resources

Step 3 – Reporting

In Step 3, the project team will perform tasks necessary to finalize audit working papers and submit a final audit report. Tasks include:

- Develop findings, conclusions, and recommendations based on the supporting evidence gathered
- Validate findings with the appropriate individuals
- Complete the supervisory review of working papers and a draft audit report
- Distribute a draft audit report and conduct a closing meeting with key stakeholders
 - Discuss the audit results, findings, conclusions, and recommendations
 - Discuss management responses
- Obtain written management responses and finalize a report

Deliverables:

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

- Audit Report with remote and flexible work data analysis and best practice recommendation

Schedule of Performance

Anticipated Start Date: March 1, 2022

Anticipated End Date: December 31, 2022

Maximum Compensation Amount and Rate Schedule

The not-to-exceed maximum, inclusive of reimbursable expenses (as summarized below) for this Task is \$60,000. The not-to-exceed budget is based on an estimate of 285 total project hours, of which 16 are estimated to be completed by the City Auditor.

Reimbursable Expenses

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

The not-to-exceed maximum for reimbursable expenses for this Task is \$5,000.

The following summarizes anticipated reimbursable expenses:

- Round-trip Airfare – \$1,200
- Rental Car - \$600
- Hotel accommodation - \$2,500 (8 nights)
- Food and incidentals – \$700

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

Audit Activity 4.14 – Cybersecurity Assessment

PROFESSIONAL SERVICES TASK ORDER

TASK ORDER FY22-004.14

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

CONTRACT NO. C21179340

OR PURCHASE ORDER REQUISITION NO. (AS APPLICABLE)

- 1A. MASTER AGREEMENT NO. (MAY BE SAME AS CONTRACT / P.O. NO. ABOVE):
- 1B. TASK ORDER NO.: FY22-004.14
2. CONSULTANT NAME: Baker Tilly US, LLP
3. PERIOD OF PERFORMANCE: START: March 1, 2022 COMPLETION: December 31, 2022
4. TOTAL TASK ORDER PRICE: \$110,000
BALANCE REMAINING IN MASTER AGREEMENT/CONTRACT \$TBD
5. BUDGET CODE _____
COST CENTER _____
COST ELEMENT _____
WBS/CIP _____
PHASE _____
6. CITY PROJECT MANAGER'S NAME & DEPARTMENT:
Greer Stone, Chair of the City Council's Policy and Services Committee
7. DESCRIPTION OF SCOPE OF SERVICES (Attachment A)
MUST INCLUDE:
- SERVICES AND DELIVERABLES TO BE PROVIDED
 - SCHEDULE OF PERFORMANCE
 - MAXIMUM COMPENSATION AMOUNT AND RATE SCHEDULE (as applicable)
 - REIMBURSABLE EXPENSES, if any (with "not to exceed" amount)
8. ATTACHMENTS: A: Task Order Scope of Services B (if any): N/A

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

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

APPROVED:
CITY OF PALO ALTO

APPROVED:
COMPANY NAME: _____

BY: _____
Name _____
Title _____
Date _____

BY: _____
Name _____
Title _____
Date _____

Attachment A DESCRIPTION OF SCOPE OF SERVICES

Introduction

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

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

Services & Deliverables

Cybersecurity Maturity Assessment

Baker Tilly’s approach to conducting a cybersecurity assessment and developing a cybersecurity program strategy involves four (4) primary steps:

- Step 1: Assessment Planning and Kick-off
- Step 2: Information Gathering
- Step 3: Cybersecurity Capability Analysis and Recommendations
- Step 4: Reporting

Step 1 – Assessment Planning and Kick-off

This step consists of the tasks performed to adequately plan the work necessary to address the overall assessment objective and to solidify mutual understanding of the assessment scope, objectives, assessment process, and timing between stakeholders and assessors. Tasks include:

- Baker Tilly will work with the City to finalize the assessment scope and project timeline. Baker Tilly will also provide the City with an initial interview and documentation request list.
- Finally, Baker Tilly will perform a project kick-off discussion with the City to ensure alignment with the project timeline, interview schedule, and deliverables.

Step 2 – Information Gathering

This step involves conducting interviews with identified IT security personnel and key stakeholders to identify security capabilities, processes, and currently implemented technologies.

Baker Tilly will also review current IT security policy and procedure documentation, as well as network and infrastructure architecture documents.

Step 3 – Cybersecurity Capability Analysis and Recommendations

This step involves mapping current state security capabilities to the NIST Cybersecurity Framework and evaluate the maturity of current security processes. Baker Tilly will also identify current risks related to weaknesses in the City's cybersecurity program.

Baker Tilly will then review current state capabilities and risks with the City to ensure alignment on Baker Tilly's initial analysis and identify target state objectives utilizing the Capability Maturity Model (CMMI)

Finally, Baker Tilly will take the identified improvement areas and target state maturity objectives to develop our recommendations for the City's cybersecurity program to meet its target state objectives.

Step 4 – Reporting

The project team will perform tasks necessary to finalize the initial draft cybersecurity assessment report and review a draft report with the stakeholders. Additionally, the team will submit a final assessment report to the City. Tasks include:

- Develop findings, conclusions, and recommendations based on the supporting evidence gathered
- Validate findings with the appropriate individuals
- Distribute a draft assessment report and conduct a closing meeting with key stakeholders
 - Discuss the assessment results, findings, conclusions, and recommendations
- Obtain written management responses and finalize a report

Deliverables:

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

- Cybersecurity Assessment Report and Program Strategy

External Penetration Testing

Baker Tilly will perform external penetration testing on behalf of the City. Baker Tilly's approach to conducting these security testing activities involves four (4) primary steps:

- Step 1: Assessment Planning and Kick-off
- Step 2: Open-Source Information Gathering and Reconnaissance
- Step 3: External Penetration Testing
- Step 4: Reporting

Step 1 – Assessment Planning and Kick-off

This step consists of the tasks performed to adequately plan the work necessary to address the overall testing objective and to solidify mutual understanding of the testing scope, objectives, testing process, and timing between stakeholders and assessors. Tasks include:

- Baker Tilly will work with the City to finalize the testing scope and project timeline.
- Baker Tilly will perform a project kick-off discussion with the City to ensure alignment with the project timeline, testing approach, and deliverables.
- Baker Tilly will provide the City with an ISP authorization form and Rules of Engagement documents for signature to confirm testing scope and activities.

Step 2 – Open-Source Information Gathering and Reconnaissance

This step involves conducting interviews with identified IT security personnel and key stakeholders to identify security capabilities, processes, and currently implemented technologies.

Baker Tilly will also review current IT security policy and procedure documentation, as well as network and infrastructure architecture documents.

Step 3 – External Penetration Testing

Baker Tilly will conduct external penetration testing on up to 300 active and 208 dormant external IP addresses provided by the City. External penetration testing services include:

- Confirmation of active versus dormant IP addresses
- Identification of services and service versions running on each active system;
- Automated vulnerability discovery scanning for each active system;
- Penetration attempts on systems identified that have known exploitable vulnerabilities; and
- Deep dive exploitation of any identified exploitable vulnerabilities to gain unauthorized access to internal systems and/or data.

Step 4 – Reporting

The project team will perform tasks necessary to finalize our security testing report and review a draft report with City stakeholders. Additionally, the team will submit a final testing report to the City. Tasks include:

- Develop findings, conclusions, and recommendations based on the supporting evidence gathered
- Validate findings with the appropriate individuals
- Distribute a draft testing report and conduct a closing meeting with key stakeholders
 - Discuss the testing results, findings, conclusions, and recommendations
- Obtain written management responses and finalize a report

Deliverables:

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

- External Penetration Testing Report

Schedule of Performance

Anticipated Start Date: March 1, 2022

Anticipated End Date: December 31, 2022

Maximum Compensation Amount and Rate Schedule

The not-to-exceed maximum, inclusive of reimbursable expenses (as summarized below) for this Task is \$110,000. The not-to-exceed budget is based on an estimate of 525 total project hours, of which 30 are estimated to be completed by the City Auditor.

Reimbursable Expenses

We plan to complete the audit work remotely, including all interviews and documentation review. However, if the City requests the assessment team to travel on-site for meetings, interviews, or assessment report readouts, these travel related expenses will be billed in addition to the fees above.

Audit Activity 4.15 – Wastewater Treatment Plant Agreement

PROFESSIONAL SERVICES TASK ORDER

TASK ORDER FY22-004.15

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

CONTRACT NO. C21179340

OR PURCHASE ORDER REQUISITION NO. (AS APPLICABLE)

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- 1B. TASK ORDER NO.: FY22-004.14
2. CONSULTANT NAME: Baker Tilly US, LLP
3. PERIOD OF PERFORMANCE: START: March 1, 2022 COMPLETION: December 31, 2022
4. TOTAL TASK ORDER PRICE: \$110,000
BALANCE REMAINING IN MASTER AGREEMENT/CONTRACT \$TBD
5. BUDGET CODE _____
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6. CITY PROJECT MANAGER'S NAME & DEPARTMENT:
Greer Stone, Chair of the City Council's Policy and Services Committee
7. DESCRIPTION OF SCOPE OF SERVICES (Attachment A)
MUST INCLUDE:
- SERVICES AND DELIVERABLES TO BE PROVIDED
 - SCHEDULE OF PERFORMANCE
 - MAXIMUM COMPENSATION AMOUNT AND RATE SCHEDULE (as applicable)
 - REIMBURSABLE EXPENSES, if any (with "not to exceed" amount)
8. ATTACHMENTS: A: Task Order Scope of Services B (if any): N/A

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

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

APPROVED:
CITY OF PALO ALTO

APPROVED:
COMPANY NAME: _____

BY: _____
Name _____
Title _____
Date _____

BY: _____
Name _____
Title _____
Date _____

Attachment A DESCRIPTION OF SCOPE OF SERVICES

Introduction

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

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

Services & Deliverables

Baker Tilly’s approach to conducting a Wasterwater Treatment Plant Agreement Review involves three (3) primary steps:

- Step 1: Audit Planning
- Step 2: Process and Control Review
- Step 3: Reporting

Step 1 – Audit Planning

This step consists of the tasks performed to adequately plan the work necessary to address the overall audit objective and to solidify mutual understanding of the audit scope, objectives, audit process, and timing between stakeholders and auditors. Tasks include:

- Gather information to understand the environment under review
 - Understand the organizational structure and objectives
 - Review the City code, regulations, and other standards and expectations
 - Review prior audit results, as applicable
 - Review additional documentation and conduct interviews as necessary
- Assess the audit risk
- Write an audit planning memo and audit program
 - Refine audit objectives and scope
 - Identify the audit procedures to be performed and the evidence to be obtained and examined
- Announce the initiation of the audit and conduct kick-off meeting with key stakeholders
 - Discuss audit objectives, scope, audit process, timing, resources, and expectations
 - Discuss documentation and interview requests for the audit

Step 2 – Process and Control Review

This step involves executing the procedures in the audit program to gather information, interview individuals, and analyze the data and information to obtain sufficient evidence to address the audit objectives. The preliminary audit objective is to: (1) Determine whether adequate controls are in place and working effectively to ensure that costs for treatment plan operations are properly accounted for and allocated; (2) Assess the compliance with contracts and regulations. Procedures include:

- Interview the appropriate individuals to understand the process, the information system used, and internal controls related to accounting and allocation of costs for treatment plan operations.
- Review the contracts, policies and procedures as well as the regulations and standards to identify the criteria to be used for evaluation of compliance and control design and effectiveness
- Review the documents (such as contracts and supporting documents for allocation) for the selected allocation transactions
- Compare the cost accounting and allocation methodology against the requirements

Step 3 – Reporting

In Step 3, the project team will perform tasks necessary to finalize audit working papers, prepare and review a draft report with the stakeholders, and submit a final audit report. Tasks include:

- Develop findings, conclusions, and recommendations based on the supporting evidence gathered
- Validate findings with the appropriate individuals and discuss the root cause of the identified findings
- Complete supervisory review of working papers and a draft audit report
- Distribute a draft audit report and conduct a closing meeting with key stakeholders
 - Discuss the audit results, findings, conclusions, and recommendations
 - Discuss management responses
- Obtain written management responses and finalize a report
- Review report with members of City Council and/or the appropriate Council Committee
- Present the final report to the City Council and/or appropriate Council Committee

Deliverables:

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

- Audit Report

Schedule of Performance

Anticipated Start Date: March 1, 2022
Anticipated End Date: December 31, 2022

Maximum Compensation Amount and Rate Schedule

The not-to-exceed maximum, inclusive of reimbursable expenses (as summarized below) for this Task is \$82,500. The not-to-exceed budget is based on an estimate of 400 total project hours, of which 20 are estimated to be completed by the City Auditor.

Reimbursable Expenses

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

The not-to-exceed maximum for reimbursable expenses for this Task is \$4,750.

The following summarizes anticipated reimbursable expenses (for three team members):

- Round-trip Airfare – \$1500
- Rental Car - \$400
- Hotel accommodation - \$2500 (4 nights)
- Food and incidentals – \$750

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