



Council Appointed Officers Committee Staff Report

From: City Manager

Report Type: ACTION ITEM

Lead Department: City Manager

Meeting Date: April 10, 2023

Report #:2303-1232

TITLE

Discussion and Recommendation to the City Council on Next Steps Regarding Appointment of the City Auditor

RECOMMENDATION

Discuss and provide a recommendation to the City Council on next steps regarding appointment of the City Auditor.

BACKGROUND

The Palo Alto Charter provides that the City Council appoint an Auditor who serves at the Council's will. The Charter describes the Auditor's key duties. (See Charter, Art. IV, sections 1 and 12.)

In February 2020, the Council directed the Council Appointed Officers (CAO) Committee to conduct a solicitation for outsourced internal auditing services. After an extensive procurement process, the CAO Committee recommended finalists for Council consideration. Each finalist was a firm that proposed a specific individual candidate to be appointed by Council as Auditor, together with additional personnel and resources needed to accomplish all Auditor's Office tasks under the direction of the Auditor candidate. On September 28, 2020, the Council approved a contract beginning October 1, 2020 with Baker Tilly US, LLP, and appointed Baker Tilly principal Kyle O'Rourke as the City Auditor. The original contract ended June 30, 2022, and provided for a not-to-exceed amount of \$1,300,000. On May 9, 2022, the Council approved an amendment to the contract to: 1) extend the term to June 30, 2025, 2) revise the project scope, and 3) increase the contract amount by \$2,126,250 to a not-to-exceed amount of \$3,426,250 over five years.

On August 17, 2022, the City received notification from Baker Tilly informing the City that a change in the Palo Alto City Auditor appointment would be necessary due to staffing changes at the company. The City's contract with Baker Tilly (Exhibit A, Scope of Services under "Designation of City Auditor") addresses the potential for a vacancy in the City Auditor appointment identifying that "during the term of this Agreement, CONSULTANT may propose an alternative City Auditor for Council consideration should it become necessary to do so." On August 22, 2022^{[1](#)} the City Council acted to "request up to three individuals to interview from Baker Tilly to act as an interim Auditor, and the Council Appointed

Officers Committee to meet to address the next steps for filling the Auditor position for the medium to long term.”

On August 30, the Council interviewed three candidates and on September 19, 2022, the Council adopted a resolution appointing Adriane D. McCoy of Baker Tilly US, LLP as the Interim City Auditor through January 31, 2023^[2]. On January 23, 2023, Council extended the interim appointment through April 30, 2023^[3]. This additional time was authorized so the CAO committee could discuss their recommendations for the medium to long term appointment of a City Auditor.

Baker Tilly is a comprehensive professional services firm with a group dedicated to state and local governmental clients. Baker Tilly’s experience extends across more than 40 states with specific public sector clients in California such as the cities of Carlsbad, Riverside, Burbank, Modesto and Richmond and several utility clients including Sacramento Municipal Utility District, Imperial Irrigation District, Northern California Power Agency, San Diego Gas & Electric, Glendale Utilities, Pasadena Water and Electric, Anaheim Public Utilities, and the California Public Utilities Commission.

^[1] City Council August 22, 2022, Item #AA3, CMR:

<https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-councilagendas-minutes/2022/20220822/20220822pccsm-amended-redacted-linked.pdf#page=335>

^[2] City Council September 19, 2022, Item #4, CMR #14760,

<https://cityofpaloalto.primegov.com/Public/CompiledDocument?meetingTemplateId=9054&compileOutputType=1>

^[3] City Council January 23, 2023, Item #9,

<https://cityofpaloalto.primegov.com/meetings/ItemWithTemplateType?id=1202&meetingTemplateType=2>

FISCAL/RESOURCE IMPACT

There is no resource impact associated with this interim appointment. The BakerTilly contract is executed and budgeted in the FY 2023 Adopted Budget.

STAKEHOLDER ENGAGEMENT

This work has been based on extensive prior discussion and direction from the City Council during multiple public meetings beginning in 2020. The CAO committee recommendation(s) will be brought to the full Council for approval.

ENVIRONMENTAL REVIEW

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

ATTACHMENTS

Attachment A: BakerTilly LLP, Contract with Amendment 1

APPROVED BY:

Kiely Nose, Assistant City Manager