

**Council Meeting: April 8, 2008****SUBJECT: Award of Request for Proposals for Financial Auditing Services
(F0712-60)****REPORT IN BRIEF**

Approval is requested for award of a five-year contract in an amount not to exceed \$440,514 to Maze & Associates of Pleasant Hill to provide financial auditing services. The contract would contain options to renew for two additional one-year periods.

BACKGROUND

The City's year end financial reports provide relevant financial information to citizens, creditors, investors, City Council, City staff, and other concerned readers. Responsibility for the accuracy of the data and the fairness of the presentation rests with the City. The City Charter and certain government grants require an annual audit of the City's financial transactions and records by an independent Certified Public Accountant.

On May 13, 2001, City Council awarded a five-year contract for financial auditing services to Caporicci & Larson (including two annual extensions). That contract expired June 30, 2007. Caporicci & Larson has served the City well as its independent auditor the past seven years, and the City has been very satisfied with its services.

The Government Finance Officers Association (GFOA) has a series of Recommended Practices for State and Local Governments. The Recommended Practice regarding audit procurement states, in part:

“Governmental entities should enter into multiyear agreements of at least five years in duration when obtaining the services of independent auditors.... Such agreements allow for greater continuity and help to minimize the potential for disruption in connection with the independent audit. Multiyear agreements can also help to reduce audit costs by allowing auditors to recover certain start-up costs over several years, rather than over a single year.”

The GFOA Recommended Practice goes on to say:

“Governmental entities should undertake a full-scale competitive process for the selection of independent auditors at the end of the term of each audit contract.”

Based on these recommendations, staff initiated a competitive proposal process in December 2007 for a multiyear contract for financial auditing services.

DISCUSSION

Request for Proposals No. F0712-60 for financial auditing services was developed by Finance staff. The Request for Proposals (RFP) process was used because, unlike an Invitation for Bids, it allows for consideration of factors in addition to cost during proposal evaluation. In this instance, staff determined that proposals would be evaluated based upon quality, staff tenure, audit approach, expertise and experience, references, and cost. The RFP was directly distributed to 17 firms, and was also advertised on the City’s website and on the Onvia DemandStar public procurement network.

Five responsive proposals were received as summarized in the following schedule.

<u>Proposer</u>	<u>FY</u> <u>07/08</u>	<u>FY</u> <u>08/09</u>	<u>FY</u> <u>09/10</u>	<u>FY</u> <u>10/11</u>	<u>FY</u> <u>11/12</u>	<u>TOTAL</u>
Lance, Soll & Lunghard, LLP	\$73,830	\$76,784	\$79,860	\$83,067	\$86,386	\$399,927
Caporicci & Larson, CPA	\$78,390	\$79,306	\$80,476	\$81,668	\$82,885	\$402,725
Moss, Levy & Hartzheim, LLP	\$79,830	\$82,301	\$84,772	\$87,440	\$90,107	\$424,450
Maze & Associates	\$81,820	\$84,847	\$87,987	\$91,242	\$94,618	\$440,514
Moreland & Associates Inc.	\$93,000	\$95,800	\$98,700	\$101,700	\$104,800	\$494,000

All five firms met the mandatory elements of criteria – independence, no conflict of interest, licensed to practice in California and submission of external quality control review report. The firms were then evaluated in the following areas: past experience and performance on comparable government engagements, quality of professional personnel and their availability for technical consultation, adequacy of proposed staffing plan, sampling

techniques and analytical procedures. Following a comprehensive review of the written proposals by Finance staff, the committee agreed that the proposal submitted by Maze & Associates provides the City with the best service while allowing a “fresh look” at the City’s financial practices from a new accounting firm. Of all the proposals received, Maze & Associates demonstrated the most comprehensive areas of audit coverage and provided the most thorough discussion of new pronouncements issued by the Governmental Accounting Standards Board.

In addition, Maze & Associates will structure the annual audit to achieve rotating coverage of sensitive areas at no additional cost and will perform the quarterly examinations of the City’s books and records as required by Charter Section 1318. This additional examination will save the City approximately \$10,000 annually in costs currently being incurred.

Staff recommends award of contract to Maze & Associates to provide financial auditing services for a term of five years with the option to renew for two additional one-year periods. The contract will begin with the audit for FY 2007/2008.

Maze & Associates is a well known firm that provides auditing, accounting, and advisory services to many governmental entities primarily in the Bay Area. Other clients include the Cities of Campbell, Cupertino, Daly City, Hayward, Milpitas, Mountain View, and Palo Alto. References for Maze & Associates were uniformly very favorable when contacted. The proposed engagement team will consist of seven individuals who have significant experience in governmental auditing.

The average annual contract price is \$88,102, for a total fixed-rate not-to-exceed price of \$440,514 for the five-year term of the contract.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, in the Council Chambers lobby, in the Office of the City Clerk, at the Library, Senior Center, Community Center and Department of Public Safety; posting the agenda and report on the City's Web site; and making the report available at the Library and the Office of the City Clerk.

FISCAL IMPACT

Cost for the FY 2007/2008 audit will be \$81,820. Total cost to the City for the five-year contract for financial auditing services will be \$440,514. Costs will be distributed among various benefiting City funds.

The recommended contract with Maze and Associates will include the additional examination of our books and records as required by Charter Section 1318 and will therefore save approximately \$10,000 per year.

RECOMMENDATION

It is recommended that Council:

1. Award a five-year contract to Maze & Associates to provide financial auditing services; and
2. Delegate authority to the City Manager to exercise an option to extend the contract for two additional one-year periods if in the City's best interest.

Prepared by:

Mary J. Bradley
Director of Finance

Approved by:

Amy Chan
City Manager

Attachment

Draft Service Agreement

DRAFT
SERVICE AGREEMENT BETWEEN CITY OF SUNNYVALE
AND MAZE AND ASSOCIATES
FOR FINANCIAL AUDITING SERVICES

THIS AGREEMENT, dated _____, is by and between the CITY OF SUNNYVALE, a municipal corporation ("CITY"), and MAZE & ASSOCIATES, a California corporation ("AUDITOR").

WHEREAS, the CITY is in need of professional financial auditing services; and

WHEREAS, AUDITOR possesses the skill and ability to provide the required services;

NOW, THEREFORE, THE PARTIES ENTER INTO THIS AGREEMENT.

1. Services

AUDITOR shall provide services in accordance with Exhibit "A", attached and incorporated by reference. AUDITOR shall determine the method, details and means of performing the services. CITY shall have no right to and shall not, control the manner or determine the method of accomplishing AUDITOR's services.

2. Time for Performance

The term of this Agreement shall be in force up to and until AUDITOR completes all services required for the fiscal year ending June 30, 2012, unless otherwise terminated. The Agreement may be extended for two additional one-year periods at the option of CITY.

3. Duties of CITY

CITY shall provide any documents or information available to CITY required by AUDITOR for performance of its duties. Any materials provided shall be returned to CITY upon completion of the work.

4. Compensation

CITY agrees to pay AUDITOR as full compensation for the services rendered pursuant to this Agreement, the amounts set forth in Exhibit "B", attached and incorporated herein by reference. AUDITOR shall submit invoices to CITY to be paid in accordance with the procedures set forth in Exhibit "B".

5. Ownership of Documents

CITY shall have full and complete access to AUDITOR's working papers, drawings and other documents during progress of the work. All documents of any description prepared by AUDITOR shall become the property of the CITY at the completion of the project and upon payment in full to the AUDITOR. AUDITOR may retain a copy of all materials produced pursuant to this agreement.

6. Conflict of Interest

No officer or employee of CITY shall have any interest, direct or indirect, in this Agreement or in the proceeds thereof. During the term of this Agreement AUDITOR shall not accept employment or an obligation which is inconsistent or incompatible with AUDITOR's obligations under this Agreement.

7. Confidential Information

AUDITOR shall maintain in confidence and at no time use, except to the extent required to perform its obligations hereunder, any and all proprietary or confidential information of CITY of which AUDITOR may become aware in the performance of its services.

8. Compliance with Laws

- (a) AUDITOR shall not discriminate against any participant, student, employee or applicant for employment under this Agreement because of race, religion, creed, color, gender, age, disability, national origin or any other basis to the extent prohibited by federal, state or local law.
- (b) AUDITOR shall comply with all federal, state and city laws, statutes, ordinances, rules and regulations and the orders and decrees of any courts or administrative bodies or tribunals in any manner affecting the performance of the Agreement.

9. Independent Auditor

AUDITOR is acting as an independent AUDITOR in performing the work required by this Agreement and is not an agent, servant or employee of CITY. Nothing in this Agreement shall be interpreted or construed as creating or establishing the relationship of employer and employee between CITY and AUDITOR. AUDITOR is responsible for paying all required state and federal taxes.

10. Indemnity

AUDITOR shall indemnify, defend, and hold harmless the CITY, its officers, officials, employees and volunteers from and against all claims, damages, losses and expenses, including attorney fees, arising out of the performance of the services described in Exhibit "A", caused in whole or in part by any negligent act or omission of AUDITOR, any subcontractor, anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, except where caused by the active negligence, sole negligence or willful misconduct of the CITY.

11. Insurance

AUDITOR shall take out and maintain during the life of this Agreement policies of insurance as specified in Exhibit "C" attached and incorporated by reference, and shall provide all certificates or endorsements as specified in Exhibit "C."

12. CITY Representative

Grace Leung, as City Manager's authorized representative, shall represent CITY in all matters pertaining to the services to be rendered under this Agreement. All requirements of CITY pertaining

to the services and materials to be rendered under this Agreement shall be coordinated through the CITY representative.

13. AUDITOR Representative

Mark Wong shall represent AUDITOR in all matters pertaining to the services and materials to be rendered under this Agreement. All requirements of AUDITOR pertaining to the services to be rendered under this Agreement shall be coordinated through the AUDITOR representative.

14. Notices

All notices required by the Agreement shall be in writing, and shall be personally delivered or sent by first class mail, postage prepaid or by commercial courier, addressed as follows:

To CITY: Grace Leung, Budget Finance Manager
Department of Finance
CITY OF SUNNYVALE
P. O. Box 3707
Sunnyvale, CA 94088-3707

To AUDITOR: Mark Wong, Partner
MAZE & ASSOCIATES
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

Nothing in this provision shall be construed to prohibit communication by more expedient means, such as by telephone or facsimile transmission, to accomplish timely communication. However, to constitute effective notice, written confirmation of a telephone conversation or an original of a facsimile transmission must be sent by first class mail or commercial carrier, or hand delivered.

Each party may change the address by written notice in accordance with this paragraph. Notices delivered personally shall be deemed communicated as of actual receipt; mailed notices shall be deemed communicated as of three days after mailing, unless such date is a date on which there is no mail service. In that event communication is deemed to occur on the next mail service day.

15. Assignment

Neither party shall assign or sublet any portion of this Agreement without the prior written consent of the other party.

16. Termination

If AUDITOR defaults in the performance of this Agreement, or materially breaches any of its provisions, CITY at its option may terminate this Agreement by giving written notice to AUDITOR. If CITY fails to pay AUDITOR, AUDITOR at its option may terminate this Agreement if the failure is not remedied by CITY within thirty (30) days from the date payment is due.

Without limitation to such rights or remedies as CITY shall otherwise have by law, CITY also shall have the right to terminate this Agreement for any reason upon ten (10) days' written notice to AUDITOR. In the event of such termination, AUDITOR shall be compensated in proportion to the percentage of services performed or materials furnished (in relation to the total which would have been performed or furnished) through the date of receipt of notification from CITY to terminate. AUDITOR shall present CITY with any work product completed at that point in time.

17. Entire Agreement; Amendment

This writing constitutes the entire agreement between the parties relating to the services to be performed or materials to be furnished hereunder. No modification of this Agreement shall be effective unless and until such modification is evidenced by writing signed by all parties.

18. Miscellaneous

Time shall be of the essence in this Agreement. Failure on the part of either party to enforce any provision of this Agreement shall not be construed as a waiver of the right to compel enforcement of such provision or any other provision. This Agreement shall be governed and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the parties have executed this Agreement.

ATTEST:

CITY OF SUNNYVALE ("CITY")

By _____
City Clerk

By _____
City Manager

APPROVED AS TO FORM:

MAZE & ASSOCIATES ("AUDITOR")

By _____
City Attorney

By _____

Name and Title

By _____

Name and Title

EXHIBIT "A"
SERVICES TO BE PERFORMED

Scope of Work

AUDITOR shall conduct an annual independent audit of CITY's financial transactions. The purpose of this audit is to express an opinion as to the fair presentation of the general-purpose financial statements of CITY and the financial position of those funds covered in the scope of the audit in accordance with generally accepted accounting principles (GAAP) and applicable laws and regulations.

AUDITOR shall also issue separate financial and/or compliance reports related to the following:

1. Federal Financial Assistance Single Audit
2. Redevelopment Agency of the City of Sunnyvale
3. Transaction Development Act, Article 3
4. Gann Appropriation Limit
5. Sunnyvale Financing Authority

Auditing Standards

The audit shall be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, the standards for financial audits set forth in the U. S. Government Accountability Office's *Government Auditing Standards* (July 1999 through July 2007 revision), the provisions of the federal Single Audit Act of 1984 (as amended in 1996), the provisions of the U. S. Office of Management and Budget OMB Circular A-133 *Audits of State and Local Governments and Non-Profit Organizations* and OMB Circular A-133 *Compliance Supplement*. Since the laws and regulations change periodically, the auditor should perform reasonable procedures to ensure that compliance requirements are current.

Reports

The auditor shall issue the following reports:

1. Comprehensive Annual Financial Report (CAFR)
 - a. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles.
 - b. A report on the internal control over financial reporting based on the auditors' understanding of the control structure and assessment of control risk.
 - c. A report on compliance with applicable laws and regulations.

2. Federal Financial Assistance Programs - Single Audit:
 - a. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles, including an opinion on the fair presentation of the supplementary schedule in relation to the audited financial statements.
 - b. A report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *GAO Government Auditing Standards*.
 - c. A report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133.
 - d. Completion and sign-off on Office of Management and Budget's (OMB) form SF-SAC, Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations.

3. Sunnyvale Redevelopment Agency
 - a. A report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*. This report shall constitute a compliance audit for the City's Redevelopment Agency as prescribed in *Guidelines for Compliance Audits of California Redevelopment Agencies*.
 - b. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles.

4. Transportation Development Act
 - a. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles.
 - b. A certification that the funds allocated to the City pursuant to Public Utilities Code Section 99245 were expended in compliance with applicable laws, rules and regulations related to the Transportation Development Act, Article 3 funds.

5. Gann Limit
 - a. A report on agreed-upon procedures applied to Appropriations Limit Worksheets.

6. Sunnyvale Financing Authority

- a. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles.

In the required report[s] on compliance and internal controls, the auditor shall communicate any significant deficiency or material weakness found during the audit. A significant deficiency shall be defined as a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. A material weakness shall be defined as a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. Significant deficiencies that are also material weaknesses shall be identified as such in the report. In addition, the following conditions shall be reported:

The auditors shall be required to prepare an immediate, written, report of all ***irregularities and illegal acts*** or indications of illegal acts of which they become aware to the following parties:

City Manager
Director of Finance

Control deficiencies discovered by the auditors that are significant deficiencies or material weaknesses shall be reported in a separate letter to management, which shall be referred to in the report[s] on compliance and internal controls. A control deficiency shall be deemed to have occurred whenever the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Additional Audits at the Option of the City

The selected firm may also serve as auditor for additional audits upon CITY's request. Separate contracts will be negotiated for any such additional services. Examples of such additional audits include Federal Asset Forfeiture Audit and Sunnyvale Materials Recovery and Transfer Station Audit.

Special Considerations

1. Awards

CITY will send its comprehensive annual financial report (CAFR) to the Government Finance Officers Association (GFOA) for review in their Certificate of Achievement for Excellence in Financial Reporting program. The City has been awarded this certificate of excellence for the past twenty-one years. The auditor shall review the City's CAFR to ensure compliance with the requirements of the GFOA award program.

2. Debt Issuance

CITY currently anticipates it will prepare one or more official statements in connection with the sale or refinancing of debt securities, which will contain the general-purpose financial statements and the relevant auditor's report. The auditor shall, if requested by the fiscal advisor and/or underwriter, issue a "consent and citation of expertise" and any necessary "comfort letters".

3. Cognizant Agency – Single Audit Act

The U. S. Department of Housing and Urban Development (HUD) functions as the City's cognizant agency in accordance with the provisions of the Single Audit Act Amendment of 1996 and U. S. Office of Management and Budget (OMB) Circular A-133, *Audits of State and Local Governments and Non-Profit Agencies*.

Working Paper Retention and Access to Working Papers

At AUDITOR's expense, all working papers and reports shall be retained for a minimum of seven (7) years from the end of the fiscal year to which they apply or for a different period of time if so notified in writing by CITY. AUDITOR shall make working papers available, upon request, to the following parties or their designees:

- CITY;
- U.S. Department of Housing and Urban Development (HUD);
- U.S. Government Accountability Office (GAO);
- Parties designated by the federal or state governments or by CITY as part of an audit quality review process;
- Auditors of entities of which CITY is a sub-recipient of grant funds;
- State of California Office of the State Controller.

In addition, AUDITOR shall respond to reasonable inquires of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

Time Requirements

Initial Planning Meeting (April each year) – AUDITOR shall meet with CITY management to discuss audit approach and identify CITY’s specific needs.

Interim Phase of Audit (Dates to be agreed upon by AUDITOR and CITY) - AUDITOR shall perform interim fieldwork and communicate potential audit issues that need to be addressed to CITY management. Detailed year-end audit plan shall be produced by late June.

Year-End Phase of Audit (November each year) – After year-end fieldwork but prior to issuing any audit reports or the management letter, AUDITOR shall participate in an exit conference with CITY management to discuss observations, findings, and recommendations. Subsequently AUDITOR shall issue the first draft of the required reports and the management letter for City management to respond. AUDITOR shall issue final reports to CITY’s Director of Finance within three working days after approval is granted by CITY.

Responsibilities

Finance Department Assistance – Finance staff and responsible management personnel will be available during the audit to assist the auditor by providing information, documentation and explanations, as needed. “Inquiry Only” access will be provided to the base financial system and through use of *Microsoft Access*. AUDITOR will need to discuss any computer-aided auditing tools with the Finance Manager or assigned staff to determine their compatibility with CITY’s hardware and software environment.

Work Area, Telephones, Photocopying and FAX Machines - CITY will provide AUDITOR with reasonable workspace, desks and chairs. AUDITOR will also be provided with reasonable access to one telephone line, photocopying facilities and a FAX machine.

Report Preparation – The preparation of the financial statements, including management’s discussion and analysis, notes, all required supplementary information and statistical data, shall be CITY’s responsibility. AUDITOR is independent of CITY’s internal control over financial reporting. AUDITOR shall provide all recommendations, revisions and suggestions for improvement to the Director of Finance within two weeks of receipt of the draft financial statements. Draft AUDITOR’s reports shall promptly follow.

Progress Payments – Progress payments shall be made on the percentage of work completed during the course of the engagement. Interim billing shall cover a period of no less than a calendar month.

No Fee Services

AUDITOR shall provide the following services at no cost to CITY:

- Year-round support and telephone consultation with partners on pertinent accounting and financial reporting issues.
- Periodic updates to City about recent developments in governmental accounting and reporting when needed.
- Varied quarterly cash auditing services as deemed appropriate by the Director of Finance.

EXHIBIT B

**Appendix A
Schedule of Professional Fees and Expenses**

	Hours	Total Cost 2008	Total Cost 2009	Total Cost 2010	Total Cost 2011	Total Cost 2012
General Purpose Financial Statement Audit						
Partners	72.00	\$20,125	\$20,870	\$21,642	\$22,443	\$23,273
Managers						
Supervisory Staff	161.00	16,100	16,696	17,313	17,954	18,618
Staff	392.00	31,170	32,323	33,519	34,759	36,046
Other (Administration)	2.00	130	135	140	145	150
Out-of-pocket Expenses						
Meals and Lodging						
Transportation						
Other (Specify)						
Subtotal	627.00	\$67,525	\$70,023	\$72,614	\$75,301	\$78,087
Redevelopment Agency Audit						
Partners	2.00	\$550	\$570	\$591	\$613	\$636
Managers						
Supervisory Staff	5.00	500	519	538	558	578
Staff	44.00	3,300	3,422	3,549	3,680	3,816
Other (Administration)	1.00	65	67	70	72	75
Out-of-pocket Expenses						
Meals and Lodging						
Transportation						
Other (Specify)						
Subtotal	52.00	\$4,415	\$4,578	\$4,748	\$4,923	\$5,106
Sunnyvale Financing Authority Audit						
Partners	1.00	\$275	285	296	307	318
Managers						
Supervisory Staff	4.00	400	415	430	446	463
Staff	24.00	1,800	1,867	1,936	2,007	2,082
Other (Administration)						
Out-of-pocket Expenses						
Meals and Lodging						
Transportation						
Other (Specify)						
Subtotal	29.00	\$2,475	\$2,567	\$2,662	\$2,760	\$2,862
Gann Appropriation Limit						
Partners	0.50	\$138	\$143	\$148	\$153	\$159
Managers						
Supervisory Staff	1.00	100	\$104	\$108	\$112	\$116
Staff	5.00	375	\$389	\$403	\$418	\$434
Other (Specify)						
Out-of-pocket Expenses						
Meals and Lodging						
Transportation						
Other (Specify)						
Subtotal	6.50	\$613	\$635	\$659	\$683	\$708

EXHIBIT B

Appendix A
Schedule of Professional Fees and Expenses (continued)

	Hours	Total Cost 2008	Total Cost 2009	Total Cost 2010	Total Cost 2011	Total Cost 2012
Transportation Development Act						
Partners	0.50	\$138	\$143	\$148	\$153	\$159
Managers						
Supervisory Staff	2.00	200	207	215	223	231
Staff	10.00	750	778	807	836	867
Other (Administration)	1.00	65	67	70	72	75
Out-of-pocket Expenses						
Meals and Lodging						
Transportation						
Other (Specify)						
Subtotal	13.50	\$1,153	\$1,195	\$1,239	\$1,285	\$1,333
Single Audit						
Partners	5.00	\$1,375	\$1,426	\$1,479	\$1,533	\$1,590
Managers						
Supervisory Staff	12.00	1,200	1,244	1,290	1,338	1,388
Staff	40.00	3,000	3,111	3,226	3,345	3,469
Other (Administration)	1.00	65	67	70	72	75
Out-of-pocket Expenses						
Meals and Lodging						
Transportation						
Other (Specify)						
Subtotal	58.00	\$5,640	\$5,849	\$6,065	\$6,289	\$6,522
TOTAL BASE AUDIT NOT TO EXCEED PRICE	786.00	\$81,820	\$84,847	\$87,987	\$91,242	\$94,618

EXHIBIT C

City OF SUNNYVALE INSURANCE REQUIREMENTS FOR AUDITORS

AUDITOR shall purchase and maintain at its own expense the insurance coverage detailed below, and must submit within 7 days of award of contract, the required certificates of Insurance and additional insured endorsements to:

City of Sunnyvale
Purchasing Division
650 West Olive Ave
PO Box 3707
Sunnyvale, CA 94088-3707
Fax (408) 730-7710

All insurance coverage must be provided by an insurance company having an A.M. Best rating of at least A- and/or licensed to do business in California. AUDITOR alone is responsible for paying all deductibles and retentions.

The certificate must state the relevant deductible or retention level.

Additional Insured Endorsements

Endorsements naming the City, its agents, officers, and employees additional insureds with respect to AUDITOR'S services must be provided within the time stated above for the following:

- Commercial General Liability Insurance
- Workers' Compensation Insurance

Providing Additional Insured status on the Certificate only will not be accepted.

Workers' Compensation Insurance

AUDITOR shall maintain during the life of the contract Workers' Compensation insurance coverage to statutory limits as required by California law.

Commercial General Liability Insurance

AUDITOR shall take out and maintain during the life of the contract such Commercial General Liability Insurance as shall protect AUDITOR, City, its officials, officers, directors, employees and agents from claims which may arise from services performed under the contract, whether such services are performed by AUDITOR, by City, its officials, officers, directors, employees or agents or by anyone directly or indirectly employed by either. The amount of insurance shall not be less than the following: Single Limit Coverage Applying to Bodily and Personal Injury Liability and Property Damage: \$1,000,000.

The liability insurance shall include, but shall not be limited to:

- Protection against claims arising from bodily and personal injury and damage to property, resulting from AUDITOR'S or City's operations and use of owned or non-owned vehicles.
- Coverage on an "occurrence" basis.
- Broad form property damage liability. Deductible shall not exceed \$5000 without prior written approval of City.
- Notice of cancellation to City's Purchasing Division at least thirty (30) days prior to the cancellation effective date.

Professional liability/Errors & Omissions

In order to cover AUDITOR damages caused by error, omission, or negligent acts related to the services provided under this Contract, AUDITOR shall maintain professional liability/errors & omissions insurance coverage. This policy must provide extended reporting period coverage for claims made within two years after this Contract is completed and have a combined single limit of not less than \$1,000,000 each claim, incident, or occurrence, with an annual aggregate limit of \$2,000,000.

A cross-liability clause or separation of insureds condition must be included in all commercial general liability policies required by this Contract. Contractor's coverage shall be primary in the event of loss.