

PROFESSIONAL SERVICES AGREEMENT  
FOR  
ANNUAL REPORT AND FINANCIAL SYSTEMS AUDIT OF THE SBWMA'S  
COLLECTION SERVICES CONTRACTOR AND FACILITY OPERATIONS  
CONTRACTOR

This Agreement is made and entered into as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_ by and between the SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY hereinafter called "AUTHORITY" and \_\_\_\_\_ hereinafter called "CONSULTANT".

RECITALS

This Agreement is entered into with reference to the following facts and circumstances:

- A. That AUTHORITY desires to engage CONSULTANT to provide professional services;
- B. That CONSULTANT is qualified to provide such services to the AUTHORITY and;
- C. That the AUTHORITY has elected to engage the services of CONSULTANT upon the terms and conditions as hereinafter set forth.

1. Services. The services to be performed by CONSULTANT under this Agreement shall include those services set forth in Exhibit A, attached hereto and, by this reference, made a part hereof ("Services").

Performance of the Services specified in Exhibit A is hereby made an obligation of CONSULTANT under this Agreement, subject to any changes that may be made subsequently hereto upon the mutual written agreement of the parties.

Where in conflict, the terms of this Agreement supersede and prevail over any terms set forth in Exhibit A.

2. Term. The term of this Agreement shall commence upon the date hereinabove written **through the date enumerated in Exhibit A**, unless terminated earlier pursuant to Section 10 of this Agreement.

3. Schedule. 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 A. 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. AUTHORITY'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.

4. Compensation; Expenses; Payment. AUTHORITY shall compensate CONSULTANT for all Services performed by CONSULTANT hereunder in an amount based upon CONSULTANT's hourly rates during the time of the performance of the Services. A copy of CONSULTANT's hourly rates for which Services hereunder shall be performed are set forth in CONSULTANT's fee schedule included in Exhibit A, attached hereto and by this reference incorporated herein.

Notwithstanding the foregoing, the combined total of compensation and reimbursement of costs payable hereunder shall not exceed the sum **written NTE Amount (\$NTE Amount)** unless the performance of Services and/or reimbursement of costs and expenses in excess of said amounts have been approved in advance of performing such Services or incurring such costs and expenses by AUTHORITY's Executive Director (for contracts less than \$50,000) or AUTHORITY Board (for contracts \$50,000 or more) evidenced by motion duly made and carried.

Compensation and reimbursement of costs and expenses hereunder shall be payable upon monthly billing therefor by CONSULTANT to AUTHORITY, which billing shall include an itemized statement, briefly describing by task and labor category or cost/expense items billed as, as more particularly described in Exhibit B, attached hereto and by this reference made a part hereof.

5. Additional Services. In the event AUTHORITY desires the performance of additional services not otherwise included within the Services described in Exhibit A, such services shall be authorized in advance of the performance thereof by AUTHORITY's Executive Director (for contracts less than \$50,000) or AUTHORITY Board (for contracts \$50,000 or more) by motion duly made and carried. Such amendment to this Agreement shall include a description of the services to be performed thereunder, the maximum compensation and reimbursement of costs and expenses payable therefor, the time of performance thereof, and such other matters as the parties deem appropriate for the accomplishment of such services. Except to the extent modified by written amendment, all other terms and conditions of this Agreement shall be deemed incorporated in each such amendment.
6. Records. CONSULTANT shall keep and maintain accurate records of all time expended and costs and expenses incurred relating to Services to be performed by CONSULTANT hereunder. Said records shall be available to AUTHORITY for review and copying during regular business hours at CONSULTANT's place of business or as otherwise agreed upon by the parties.
7. Reliance on Professional Skill of CONSULTANT. CONSULTANT represents that it has the necessary professional skills to perform the Services required and the AUTHORITY shall rely on such skills of the

CONSULTANT to do and perform the work. In performing Services hereunder CONSULTANT shall adhere to the standards generally prevailing for the performance of expert consulting services similar to those to be performed by CONSULTANT hereunder.

8. Documents. All documents, plans, drawings, renderings, and other papers, or copies thereof, as finally rendered, prepared by CONSULTANT pursuant to the terms of this Agreement, shall, upon preparation and delivery to AUTHORITY, become the property of AUTHORITY.
9. Relationship of Parties. It is understood that the relationship of CONSULTANT to the AUTHORITY is that of an independent contractor and all persons working for or under the direction of CONSULTANT are its agents or employees and not agents or employees of the AUTHORITY.
10. Termination or Suspension of Agreement or Services.
  - (a) The AUTHORITY 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.
  - (b) CONSULTANT may terminate this Agreement or suspend its performance of the Services by giving thirty (30) days prior written notice thereof to AUTHORITY, but only in the event of a substantial failure of performance by AUTHORITY.
  - (c) Upon such suspension or termination, CONSULTANT shall deliver to the AUTHORITY 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 AUTHORITY.
  - (d) Upon such suspension or termination by AUTHORITY, CONSULTANT will be paid for the Services rendered or materials delivered to AUTHORITY 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, AUTHORITY will be obligated to compensate CONSULTANT only for that portion of CONSULTANT's services which are of direct and immediate benefit to AUTHORITY as such determination may be made by the Executive Director acting in the reasonable exercise of his/her discretion. The following Sections will survive any expiration or termination of this Agreement: 11, 12, 13, 10(d), and 15.
  - (e) No payment, partial payment, acceptance, or partial acceptance by AUTHORITY will operate as a waiver on the part of AUTHORITY of any of its rights under this Agreement.

11. Indemnity. To the fullest extent allowed by law, CONSULTANT hereby agrees to defend, indemnify, and save harmless AUTHORITY, its boards, officers, employees and agents, from and against any and all claims, suits, actions liability, loss, damage, expense, cost (including, without limitation, costs and fees of litigation) of every nature, kind or description, which may be brought against, or suffered or sustained by, AUTHORITY, its boards, officers, employees, and agents caused by, or alleged to have been caused by, the negligence, intentional tortuous act or omission, or willful misconduct of CONSULTANT, its officers, employees, subcontractors or agents in the performance of any services or work pursuant to this Agreement.

The duty of CONSULTANT to indemnify and save harmless, as set forth herein, shall include the duty to defend as set forth in Section 2778 of the California Civil Code.

CONSULTANT's responsibility for such defense and indemnity obligations shall survive the termination or completion of this Agreement for the full period of time allowed by law.

The defense and indemnification obligations of this agreement are undertaken in addition to, and shall not in any way be limited by, the insurance obligations contained within this Agreement.

12. Insurance. CONSULTANT shall acquire and maintain Workers' Compensation, employer's liability, commercial general liability, owned and non-owned and hired automobile liability, professional liability and cyber liability insurance coverage relating to CONSULTANT's services to be performed hereunder covering AUTHORITY's risks in form subject to the approval of the AUTHORITY Attorney and/or AUTHORITY's Risk Manager. The minimum amounts of coverage corresponding to the aforesaid categories of insurance per insurable event, shall be as follows:

<u>Insurance Category</u>	<u>Minimum Limits</u>
Workers' Compensation	statutory minimum
Employer's Liability	\$1,000,000 per accident for bodily injury or disease
Commercial General Liability	\$1,000,000 per occurrence and \$2,000,000 aggregate for bodily injury, personal injury and property damage
Automobile Liability	\$1,000,000 per accident for bodily injury and property damage (coverage required to the extent applicable to CONSULTANT's vehicle usage in performing services hereunder)

<sup>1</sup> Professional Liability	\$1,000,000 per claim and aggregate
Cyber Liability	\$1,000,000 per claim and annual aggregate with a carrier with an A.M. Best rating of A VI (also titled Network Security/Cyber/Privacy liability)

The requirements for coverage and limits shall be the greater of either (1) the minimum coverage and limits specified in this Agreement or (2) the broader coverage and maximum limits of coverage of any insurance policy or proceeds available to the named Insured.

CONSULTANT agrees to include with all subcontractors in their subcontracts the same requirements and provisions of this agreement including the indemnity and insurance requirements to the extent they apply to the scope of the subcontractor’s work. Subcontractors hired by CONSULTANT shall agree to be bound to CONSULTANT and AUTHORITY in the same manner and to the same extent as CONSULTANT is bound to AUTHORITY under this Agreement and its accompanying documents. Subcontractors shall further agree to include these same provisions with any sub-subcontractors. A copy of the indemnity and insurance provisions of this Agreement will be furnished to the Subcontractor upon request. CONSULTANT shall require all subcontractors to provide a valid certificate of insurance and the required endorsements included in the subcontract agreement and will provide proof of compliance to the AUTHORITY prior to commencement of any work by the subcontractor.

Applicable to Workers Compensation, Employers Liability, Commercial General Liability, and Automobile Liability policies, concurrently with the execution of this Agreement, CONSULTANT shall, on the Insurance Coverage form provided in Exhibit C, or equivalent, furnish AUTHORITY with certificates and copies of information or declaration pages of the insurance required hereunder and, with respect to evidence of commercial general liability and automobile liability insurance coverage, original endorsements:

- (a) Precluding cancellation or reduction in per occurrence limits before the expiration of thirty (30) days (10 days for nonpayment) after AUTHORITY shall have received written notification of cancellation in coverage or reduction in per occurrence limits by first class mail;

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<sup>1</sup> Note: Professional liability insurance coverage is not required if the CONSULTANT is not providing a service regulated by the state. (Examples of service providers regulated by the state are insurance agents, professional engineers, doctors, certified public accountants, lawyers, etc.) Please check and initial the following if professional liability is **NOT** required for this agreement.  Recommended \_\_\_\_\_ [Project Manager]  Approved \_\_\_\_\_ [Risk Manager]

- (b) Naming the South Bayside Waste Management Authority, its officers, boards, employees, and agents, as additional insureds; and
- (c) Providing that CONSULTANT's insurance coverage shall be primary insurance with respect to South Bayside Waste Management Authority, its officers, boards, employees, and agents, and any insurance or self-insurance maintained by AUTHORITY for itself, its officers, boards, employees, and agents shall be in excess of CONSULTANT's insurance and not contributory with it. CONSULTANT and its insurer may not seek contribution from AUTHORITY's insurance or self-insurance.

The limits of insurance required in this agreement may be satisfied by a combination of primary and umbrella or excess insurance. Any umbrella or excess insurance shall contain or be endorsed to contain a provision that such coverage shall also apply on a primary and non-contributory basis for the benefit of AUTHORITY, to the extent required by this Agreement, before the AUTHORITY's insurance or self-insurance may be called upon to protect AUTHORITY as a named Insured.

All self-insured retentions (SIR) must be disclosed to AUTHORITY for approval and shall not reduce the limits of liability coverage. Policies containing and SIR provision shall provide or be endorsed to provide that the SIR may be satisfied by either the named CONSULTANT/Named Insured or AUTHORITY.

AUTHORITY reserves the right to obtain a full certified copy of any insurance policy and endorsements. Failure to exercise this right shall not constitute a waiver of right to exercise later.

Any and all Subcontractors shall agree to be bound to CONSULTANT and AUTHORITY in the same manner and to the same extent as CONSULTANT is bound to AUTHORITY under this Agreement. Subcontractors shall further agree to include the same requirements and provisions of this Agreement, including the indemnity and insurance requirements, in any agreement with sub-subcontractors to the extent that they apply to the scope of the sub-subcontractor's work. A copy of the indemnity and insurance provisions of this Agreement shall be furnished to any subcontractor upon request.

CONSULTANT shall maintain insurance as required by this Agreement to the fullest amount allowed by law and shall maintain insurance for a minimum of five (5) years following completion of Services. In the event CONSULTANT fails to obtain or maintain completed operations coverage as required by this Agreement, the AUTHORITY at its sole discretion may purchase the coverage required and the cost will be paid by CONSULTANT.

- 13. WORKERS' COMPENSATION. CONSULTANT certifies that he is aware of the provisions of the Labor Code of the State of California which require every employer to be insured against liability for workers' compensation or

to undertake self-insurance in accordance with the provisions of that Code, and CONSULTANT certifies that he will comply with such provisions before commencing the performance of the work of this agreement.

- 14. NON-DISCRIMINATION. The CONSULTANT will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. The CONSULTANT will take affirmative action to ensure that applicants are employed and the employees are treated during employment without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to the following: employment, advancement, demotion, transfer, recruitment, or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. The CONSULTANT shall at all times be in compliance with the requirements of the Federal Americans With Disabilities Act (Public Law 101-336) which prohibits discrimination on the basis of disability by public entities. The CONSULTANT agrees to post in conspicuous places available to employees and applicants for employment any notices provided by the AUTHORITY setting forth the provisions of this non-discrimination clause.
- 15. Notice. All notices required by this Agreement shall be given to the AUTHORITY and CONSULTANT in writing, by first class mail, postage prepaid, addressed as follows:

AUTHORITY: Rethink Waste  
 610 Elm Street, Suite 202  
 San Carlos, CA 94070  
 Attention: **Program Manager Name and Title**

CONSULTANT: **Contractor**  
**Contact**  
**Address**  
**Phone:**  
**Email:**

- 16. Non-Assignment. This Agreement is not assignable either in whole or in part.
- 17. Amendments. This Agreement may be amended or modified only by written agreement signed by both parties.
- 18. Validity. The invalidity in whole or in part of any provision of this Agreement shall not void or affect the validity of any other provision of this Agreement.
- 19. Governing Law. This Agreement shall be governed by the laws of the State of California and any suit or action initiated by either party shall be brought in the County of San Mateo, California. In the event of litigation between



the parties hereto to enforce any provision of the Agreement, the unsuccessful party will pay the reasonable attorney's fees and expenses of litigation of the successful party.

- 20. Mediation. Should any dispute arise out of this Agreement, the parties shall meet in mediation and attempt to reach a resolution with the assistance of a mutually acceptable mediator. Neither party shall be permitted to file legal action without first meeting in mediation and making a good faith attempt to reach a mediated resolution. The costs of the mediator, if any, shall be paid equally by the parties. If a mediated settlement is reached neither party shall be deemed the prevailing party for purposes of the settlement and each party shall bear its own legal costs.
- 21. Conflict of Interest. CONSULTANT may serve other clients, but none that would place CONSULTANT in a "conflict of interest" as that term is defined in State law.
- 22. Entire Agreement. This Agreement, including Exhibits A, B, and C, comprises the entire Agreement.
- 23. Authorization. This Agreement becomes effective when endorsed by both parties in the space provided below. 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.
- 24. Counterparts. This Agreement may be signed in multiple counterparts, which shall, when executed by all the parties, constitute a single binding agreement.

IN WITNESS WHEREOF, the parties hereto, by their duly authorized representatives, have caused this Agreement to be executed on the date first written above.

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

Dated: \_\_\_\_\_

\_\_\_\_\_  
Joe LaMariana, Executive Director  
(for contracts less than \$50,000)  
[REMOVE signature line if \$50,000 or more]

Dated: \_\_\_\_\_

\_\_\_\_\_  
Alicia Aguirre, Board President  
(for contracts \$50,000 or more)  
[REMOVE signature line if less than \$50,000]



ATTEST:

Dated: \_\_\_\_\_

\_\_\_\_\_  
Cyndi Urman, Board Secretary

APPROVED AS TO FORM

Dated: \_\_\_\_\_

\_\_\_\_\_  
Jean Savaree, Legal Counsel

CONSULTANT

Dated: \_\_\_\_\_

\_\_\_\_\_  
Type Name & Title of CONSULTANT  
Authorized to Sign

## EXHIBIT A

### SCOPE OF WORK AND SCHEDULE FOR ANNUAL REPORT AND FINANCIAL SYSTEM AUDIT OF THE SBWMA'S COLLECTION SERVICES CONTRACTOR AN FACILITY OPERATIONS CONTRACTOR

#### INTRODUCTION

VENDOR shall provide annual report and financial system audit of the SBWMA's collection services contractor and facility operations contractor. For the Operations Audit, the Consultant shall review, test and verify the accuracy of the information contained in Recology's Annual Report as well as SBR's annual tonnage and commodity revenue report, and provide any recommendations for improvement. For the Financial Systems Audit, the Consultant shall verify the mathematical accuracy, consistency in reporting, and back-up documentation for information contained in Recology's annual Revenue Reconciliation, and the accuracy of SBR's financial systems for tracking, calculating, and reporting payments due to or from SBWMA. The work shall constitute a review of Recology's and SBR's financial systems and the accuracy of the financial reports Recology and SBR provide to SBWMA. It will not audit financial statements, nor will it represent a complete review of finance and accounting systems. The audit does not need to assess conformance with standard accounting practices (including generally accepted accounting principles, GAAP), but it does need to independently verify the mathematical accuracy of financial information provided by Recology and SBR in keeping with solid waste industry operational standards, and general compliance with agreements SBWMA has with both entities.

#### Annual Report Audit

##### Task 1 Annual Report Audit Data Request

Task 1 will include the Contractor:

- Prior to the kick-off call(s), preparing and sending separate requests for information to the contractors (Recology and SBR) to provide background on topics to be discussed:
  - Requesting a narrative of Recology and SBR's step-by-step procedures for allocating tons and identifying variances from the prior year;
  - Preparing an agenda and scheduling calls with RethinkWaste and the contractors to discuss the goals and objectives of the audit and to reach agreement on the roles and responsibilities of RethinkWaste, the contractors and consultant; and

- Discussing the content of the final report and reaching an agreement on a project timeline, including deliverable due dates for information needed from the contractors.

## Task 2      Verify Completeness and Mathematical Accuracy of Quarterly and Annual Reports

The Contractor shall verify that Recology’s and SBR’s quarterly/annual reports for the calendar year are complete, mathematically accurate, and logically consistent. Reporting requirements are specified in Article 9 (Record Keeping and Reporting) of Recology’s franchise agreements and Article 9 (Contractor Records/Reports) of SBR’s operating agreement.

Task 2 will include:

- Confirming quarterly and annual reports submitted by the contractors contain complete information (broken down by month) for each of the reporting categories required in accordance with Article 9.06 of the Recology Franchise Agreement(s) and Article 9.5 of the SBR Operating Agreement; and
- Verifying the mathematical accuracy of the calculations contained in the reports:
  - Requesting missing information from the appropriate contractor.

## Task 3      Interview Contractors to Determine Sources of Reported Data

The Contractor shall interview SBR and Recology staff to determine the sources of reported data and the process for inputting and handling data. This will include all reported tonnage data, customer service data, and liquidated damage, incentive, and disincentive occurrences.

Task 3 will include:

- Communicating with contractors to discuss the source documents used to populate each section of their quarterly reports;
- Tracing at least one data point of each section to verify the documents stated to be the source do in fact tie to the data point:
  - If data does not tie, the Contractor shall request clarification until the ultimate source documents have been accurately determined and obtained.

## Task 4      Verify Accuracy of Tonnage Data Reported Quarterly by Recology

The Contractor shall verify the accuracy of quarterly tonnage data reported by Recology for 2021. Recology’s quarterly tonnage data is based on Monthly Tonnage Reports that allocate franchised tonnages among each of the member agencies for the following categories:

- |                                |                 |
|--------------------------------|-----------------|
| ▪ Commercial;                  | ▪ Roll-Off; and |
| ▪ Multi-Family Dwelling (MFD); | ▪ Residential.  |

As part of this task, the Contractor shall gather supporting documentation to test the calculation and application of Recology’s tonnage allocation methodology in each category of the tonnage report spreadsheets.

Task 4 will include:

- Testing one (1) month of data for each Member Agency of the tons reported and verifying the amounts tie to the supporting documents;
- Testing the accuracy of supporting documentation:
  - Testing the accuracy of Recology’s tonnage allocation methodology. Documents may include tonnage reports, customer account data, list of vehicles assigned to which routes, etc.; and
  - Reviewing the reasonableness of the tonnage allocation methodology.
- Verifying accuracy of tonnage allocation for each Member Agency – monthly, quarterly and annual totals.
  - Determining if tons reported by Recology consistently tie to SBR scale system records and requesting explanations for variances.

## Task 5      Verify Accuracy of Customer Service Data Reported

The Contractor shall verify the accuracy of customer service data reported by Recology for 2021. In Section D of their quarterly and annual reports, Recology reports customer service data (i.e., “Inquiry, Service Request and Complaint Data”) in the following categories:

- Single Family Initial Missed Pick-Up;
- Complaints;
- Single-Family Missed Pick-Up;
- Collection Events\*;
- Excessive Noise\*;
- Discourteous Behavior\*;
- Property Damage\*;
- Spills\*;
- On-Call Bulky Item Collection;
- Extra/Overage Requests;
- Recycling Tote-Bag Requests;
- Information Requests; and
- Billing Concerns.

\* *Categories marked above with an asterisk have associated Liquidated Damages and/or Performance Incentives and Disincentives. As such, the accuracy of these reporting items will also be reviewed as part of Contractor's review of Recology Liquidated Damages/Performance Incentive and Disincentive Payments.*

For all items above, the Contractor shall test two (2) months of data for each Member Agency to verify that the reported number of "occurrences" ties to the supporting documents.

Task 5 will include:

- Testing two (2) months for each Member Agency of customer service data reported and verifying that data ties to the supporting documents;
- Testing that Recology customer service representatives (CSR) statistics reported annually tie to the supporting call center reports;
- Testing the accuracy of CSR's coding calls:
  - The Contractor shall take a statistically valid sampling (minimum of 380 for each month) of CSR transactions (for specific call types) from two (2) different months and verify that each transaction has been properly coded. This will entail reading the CSR's comments and verifying they match the coding used to generate the statistics reported quarterly.
- Extrapolating all identified customer service data discrepancies to the entire RethinkWaste service area for 2021 in order to project the actual correct customer service data totals, and associated Liquidated Damages and/or Performance Incentives and Disincentives.

## Task 6 Verify Accuracy of Liquidated Damages, Incentive, and Disincentive Payments

The Contractor shall verify the accuracy of Recology's calculated liquidated damages, incentive and disincentive payments. Provisions for liquidated damages and performance incentives/disincentives are provided in Attachment J and Attachment I of Recology's franchise agreements, respectively. Calculations of each liquidated damage and performance incentive/disincentive item are provided by Recology as part of their quarterly and annual reports, with the exception of the incentive/disincentive for diversion, which is only calculated as part of the annual report.

Task 6 will include:

- Verifying that liquidated damages, incentive, and disincentive payments have been properly calculated and tie to the events reported:
  - Requesting explanations for any discrepancies.
- Verifying and explaining Recology's procedures to identify and report events which would trigger liquidated damages and performance incentives/disincentives.

## Task 7 Verify Accuracy of In-Bound Tonnage Data Reported

The Contractor shall verify the accuracy of in-bound tonnage quantities reported by SBR. Currently all incoming franchised vehicles (Recology) and Member Agency Vehicles, as well as self-haul C&D/Inert loads, are weighed on SBR's scales when those loads enter the facility. All other self-haul loads are not weighed and are charged based on estimated volume and material type.

Task 7 will include:

- Verifying SBR's reported data (from franchised services) is consistent with Recology's reports;
- Verifying all other SBR tonnage is also accurate:
  - Sampling various tons reported for each Member Agency and verify the amounts tie to the supporting documents.
- Verifying liquidated damages payments have been properly calculated in accordance with the Operating Agreement and tie to the reported events:
  - Requesting explanations for any discrepancies.
- Verifying and explaining SBR's procedures to identify and report events which would trigger liquidated damages.

## Task 8 Draft and Final Report

Based on the results of Tasks 1 through 7 above, the Contractor shall prepare a draft report that includes preliminary audit findings and recommendations for review with RethinkWaste and the contractors. Budget for one (1) conference call to review the draft report's findings and recommendations. Based on comments and any additional information provided by RethinkWaste and the contractors, the Contractor shall prepare and issue a final report. Following the issuance of the final report, Contractor staff shall be available to attend one (1) meeting of the RethinkWaste Board to present the audit's findings and recommendations, upon request.

Task 8 will include:

- Preparing a draft report of preliminary findings and recommendations:
  - Providing an explanation of the auditing process and data analyzed;
  - Providing a detailed analysis supporting findings and recommendations;
  - Including recommendations for revised reporting and tracking documents and additional written procedures for administering and enforcing the Franchise Agreement(s) and Operating Agreement; and
  - Including the monetary impact of the preliminary findings and recommendations. For example, if the call center coding is determined to be done inaccurately, then the monetary results of extrapolating the error rate will be quantified.
- Including the results of any third-party or RethinkWaste customer service call center monitoring work in the report:
  - Details will be included as an appendix with the highlights captured in the body of the report. The scope of the information to include in the report will be provided by RethinkWaste.
- Conducting a conference call with RethinkWaste and contractors to review the preliminary findings:
  - Conducting additional analysis per feedback from RethinkWaste.
- Reviewing and discussing the contractors' comments and any additional information requested:
  - Based on comments and/or additional information provided, the Contractor shall perform additional analyses and adjust the preliminary findings (if warranted) to ensure that all matters have been satisfactorily reviewed.
- Preparing and distributing a final report documenting the findings and recommendations;

- Providing the report for review by RethinkWaste and contractors. The report will include:
  - A matrix summarizing pertinent sections of the Franchise Agreement(s) and Operating Agreement regarding record keeping, data management, and reporting; how the contractor(s) performed in regard to each section (providing qualitative and quantitative support); and, any recommendations for revised procedures.
  - A narrative of findings and recommendations regarding the reasonableness and accuracy of the Member Agency tonnage allocations by SBR and Recology.
  - A similar narrative regarding Recology CSR call coding.
- Reviewing comments and facilitating follow-up discussion with RethinkWaste and potentially the contractors; and
- Attending one (1) meeting of the RethinkWaste Board to present the findings, upon request.

## Financial Systems Audit

### Task 9 Financial Systems Audit Data Requests

The Contractor shall schedule one kick-off call with RethinkWaste. The kick-off call will allow the Contractor project team and RethinkWaste staff to discuss the Financial Audit, project goals and objectives, deliverable due dates, and review the findings and recommendations from last year's audit. For the kick-off call, the Contractor shall provide a call agenda, as well as requests for information to be issued to each of the contractors.

In addition to the kick-off call, Contractor project team members will be available to provide status updates via conference call throughout the duration of the project.

### Task 10 Audit of Collection Service Contractor (Recology)

For this Task, the Contractor project team will conduct an audit of Recology's annual Revenue Reconciliation for 2021, submitted in accordance with Section 11.03 and Attachment K of Recology's Franchise Agreement for Collection Services with San Mateo County. This audit will include:

- Determining if Recology has accurately calculated each Member Agency's revenue surplus/shortfall for its franchised services;
- Confirming that Recology's billings are consistent with the approved rate schedules and that reported revenues tie to accounting records;
- Verifying net revenue calculations and adjustments; and
- Verifying that Contractor's Compensation ties to each Member Agency's approved compensation.

The Contractor shall also confirm that Recology retained the correct amounts for Attachment Q "unscheduled services," review how additional cart fees are reported, and verify that backyard services revenue is passed through to each Member Agency unless an excess of 20% of customers request such services.

For each subtask below, the Contractor will request and verify Recology data for all RethinkWaste Member Agencies. All Task 10 subtasks will involve working closely with Recology to determine the source documentation and reporting process for each data category, and then verifying the mathematical accuracy and logical consistency of the company's reported values.

## **Task 10.1 Annual Revenue Reconciliation for 2021**

Task 10.1.1 – The Contractor shall confirm that the residential and commercial revenue amounts reported as billed (by Member Agency) for calendar year 2021 ties to the accounting records, including unbilled and deferred revenue adjustments.

Task 10.1.2 – The Contractor shall verify the following annual amounts and data reported in the Revenue Reconciliation, and will verify that the calculations used to derive the amounts and data are properly reported for each Member Agency:

1. Billed Revenue;
2. Collection Expense;
3. Member Agency Fees (will also confirm that fees are properly calculated and paid for each Member Agency); and
4. Disposal expense and tonnage data.

Task 10.1.3 – The Contractor shall verify the calculation of net revenue retained by Recology (i.e., gross revenue billed, as adjusted, less agency fees paid and less disposal expense paid equals net revenue) in total and by Member Agency.

Task 10.1.4 – The Contractor shall review and validate all adjustments in the Revenue Reconciliation.

Task 10.1.5 – The Contractor shall verify that the net surplus or shortfall balance owed to/from Recology by Member Agency is accurate.

Task 10.1.6 – The Contractor shall verify the Contractor’s Compensation ties to their approved compensation by Member Agency.

Task 10.1.7 – The Contractor shall require explanation from contractor for all unusual adjustments in the Revenue Reconciliation.

## **Task 10.2 Revenue Reconciliation: Revenue Billed to Customers for Attachment Q – Unscheduled Services**

Task 10.2.1 – The Contractor shall confirm that the amount of Attachment Q revenue reported as billed by Member Agency ties to the records for each different type of charge.

Task 10.2.2 – The Contractor shall explain how the additional cart fees charged by some Member Agencies (Hillsborough, and County) are reported in the revenue and excluded from Recology’s compensation, accruing to the benefit of these Member Agencies.

Task 10.2.3 – The Contractor shall verify that the credit for the first 20% of residential backyard service customers is accurately reported. (Resolution No. 6178 amended the Recology Franchise Agreement to state that: “Each Agency shall retain the revenue for the first twenty (20) percent of Backyard Service Customers that subscribe to this service.”)

Task 10.2.4 – The Contractor shall report any issues or concerns on how Attachment Q services are calculated and reported by Recology for both the revenue calculation and the cost calculation, and explain how each is separately reported.

## **Task 11 Audit of Facility Operations Contractor (SBR)**

For this Task, the Contractor project team shall conduct a financial audit of South Bay Recycling (SBR), RethinkWaste’s Facility Operations Contractor. Subtasks will involve coordinating with SBR to determine the source documentation and data tracking process for each reporting category. This will include determining how 2021 public revenues, commodity revenues, and weight ticket information (including route number and material types) are recorded using SBR’s “PC Scales” tracking system, and then verifying the mathematical accuracy and logical

consistency of the company’s reported values. In addition, the Contractor shall conduct an in-depth review of scale house procedures as compared to the SBR Facility Procedure Manual, and test weight tickets to verify that SBR’s procedures are effective and accurate.

**Task 11.1 Verify Public Self-Haul Revenue**

The Contractor shall verify that the 2021 public revenue transferred monthly to RethinkWaste ties to the accounting records.

**Task 11.2 Verify Commodity Revenue**

The Contractor shall verify that the gross 2021 commodity revenue as reported on their December monthly report ties to the accounting records. The Contractor shall not verify the allocated amount attributed to RethinkWaste as this is done by RethinkWaste.

**Task 11.3 Verify Scale House Operations**

The Contractor shall test public material scale house operations to verify proper operation as it relates to revenue collected on behalf of RethinkWaste.

**Task 12 Draft and Final Reports**

**Task 12.1 Draft Report**

Based on the results of the Financial Audit Tasks above, the Contractor shall prepare a draft report of preliminary findings and recommendations. As part of the draft report, the Contractor shall:

- Provide explanation of the auditing process and data analyzed;
- Provide charts to summarize findings (with particular attention paid to Recology);
- Provide detailed support of findings and recommendations;
- Include the monetary impact of all findings and recommendations; and
- Obtain feedback from the contractors as to their agreement or disagreement with the findings, and their explanation of specific findings if warranted.

**Task 12.2 Final Report and Board Meeting**

Based on the feedback received from the contractors and/or RethinkWaste staff, the Contractor shall prepare a Final Report. The Contractor shall also attend one (1) RethinkWaste Board meeting to be available to answer any questions from RethinkWaste staff and/or Board members.

**PROJECT SCHEDULE**

Key Task	Start Date	Due Date
<b>Annual Report Audit</b> Tasks 1 through Task 8	March 1, 2022	Draft Report May 23, 2022 Final Report May 30, 2022
<b>Financial Systems Audit</b> Task 9 through Task 12	April 1, 2022	Draft Report May 27, 2022 Final Report June 3, 2022
<b>SBWMA Board Meeting</b>		June 23, 2022

**TERM**

Three-year term for the report calendar years of 2021, 2022 and 2023 with two additional one year mutually agreed extensions.

EXHIBIT B

**SAMPLE INVOICE**

INVOICE

Your Company Name  
Address  
City State Zip  
Phone Number

Date:  
Project Number:  
Invoice Number:

RethinkWaste  
Attn: **Project Manager**  
610 Elm Street, Suite 202  
San Carlos, CA 94070

SBWMA Project: **Project Title**  
Invoice for Professional Services from 1/1/21 to 1/31/21

TASK 1 TITLE/Description

Professional Personnel:	Hours:	Rate:	Amount:
John Doe	1.5	\$200.00	\$300.00
Jane Smith	1.0	\$100.00	\$100.00
<b>TOTALS:</b>	<b>2.0</b>		<b>\$400.00</b>

TOTAL THIS TASK: \$400

TASK 2 TITLE/Description

Professional Personnel:	Hours:	Rate:	Amount:
John Doe	3.0	\$200.00	\$600.00
<b>TOTALS:</b>	<b>3.0</b>		<b>\$600.00</b>

TOTAL THIS TASK: \$600.00

**TOTAL THIS INVOICE \$1,000.00**

**BILLING LIMITS:**

Total Contract Amount		\$10,000.00
Prior Invoices	0%	\$0.00
Current Contract Balance	100%	\$10,000.00
<b>This Invoice</b>	<b>10%</b>	<b>\$1,000.00</b>
<b>Contract Balance</b>	<b>90%</b>	<b>\$9,000.00</b>

## EXHIBIT C

### INSURANCE FORMS

CONSULTANT shall provide, in addition to the Certificates of Insurance, original Endorsement affecting the coverages specified in Section 12 - INSURANCE of the Agreement on the attached form. No substitute form will be accepted.

#### **ATTACHED**

1. Insurance Coverage Form

**This INSURANCE COVERAGE FORM modifies or documents insurance provided under the following:**

Named Insured: \_\_\_\_\_ Effective Work Date(s): \_\_\_\_\_

Description of Work/Locations/Vehicles: \_\_\_\_\_

**ADDITIONAL INSURED:** **South Bayside Waste Management Authority (SBWMA)**  
**610 Elm Street Suite 202, San Carlos, CA 94070**  
**Attention:** \_\_\_\_\_

**Contract Administrator**

<b>Endorsement and Certificates of Insurance Required</b> The Additional Insured, its elected or appointed officers, officials, employees and volunteers are included as insureds with regard to damages and defense of claims arising from: (Check all that apply)	<b>Insurer</b>	<b>Policy #</b>
<input type="checkbox"/> <b>General Liability:</b> (a) activities performed by or on behalf of the Named Insured, (b) products and completed operations of the Named Insured, (c) premises owned, leased occupied or used by the Named Insured, and/or (d) permits issued for operations performed by the Named Insured. {Note: MEETS OR EXCEEDS ISO Form # CG 20 10 11 85}		
<input type="checkbox"/> <b>Auto Liability:</b> the ownership, operation, maintenance, use, loading or unloading of any auto owned, leased, hired or borrowed by the Named Insured, regardless of whether liability is attributable to the Named Insured or a combination of the Named Insured and the Additional Insured, its elected or appointed officers, officials, employees or volunteers.		
<input type="checkbox"/> <b>Other:</b>		
<b>Certificates of Insurance Required (no endorsement needed) (Check all that apply)</b>	<b>Insurer</b>	<b>Policy #</b>
<input type="checkbox"/> <b>Workers Compensation:</b> work performed by employees of the Named Insured while those employees are engaged in work under the simultaneous directions and control of the Named Insured and the Additional Insured.		
<input type="checkbox"/> <b>Professional Liability:</b>		
<input type="checkbox"/> <b>Cyber Liability:</b>		

**PRIMARY/NON-CONTRIBUTORY:** This insurance is primary and is not additional to or contributing with any other insurance carried by or for the benefit of Additional Insureds.

**SEVERABILITY OF INTEREST:** The insurance afforded by this policy applies separately to each insured who is seeking coverage or against whom a claim is made or a suit is brought, except with respect to the insurer's limit of liability.

**PROVISIONS REGARDING THE INSURED'S DUTIES AFTER ACCIDENT OR LOSS:** Any failure to comply with reporting provisions of the policy shall not affect coverage provided to the Additional Insured, its elected or appointed officers, officials, employees, or volunteers.

**CANCELLATION NOTICE:** The insurance afforded by this policy shall not be suspended, voided, canceled, reduced in coverage or in limits except after thirty (30) days' prior written notice (ten (10) days if canceled due to non-payment) by regular mail return receipt requested has been given to the Additional Insured. Such notice shall be addressed as shown above.

**WAIVER OF SUBROGATION:** The insurer(s) named above agree to waive all rights of subrogation against the AUTHORITY, its elected or appointed officers, officials, agents, volunteers and employees for losses paid under the terms of this policy which arise from work performed by the Named Insured for the AUTHORITY.

**Nothing herein contained shall vary, alter or extend any provision or condition of the Policy other than as above stated.**  
**SIGNATURE OF INSURER OR AUTHORIZED REPRESENTATIVE OF THE INSURER**

I, \_\_\_\_\_ (print/type name), warrant that I have authority to bind the above-named insurance company and by my signature hereon do so bind this company.

\_\_\_\_\_  
**SIGNATURE OF AUTHORIZED REPRESENTATIVE (original signature required)**

**ORGANIZATION:** \_\_\_\_\_ **TITLE:** \_\_\_\_\_

**ADDRESS:** \_\_\_\_\_

**TELEPHONE:** ( ) \_\_\_\_\_ **DATE ISSUED:** \_\_\_\_\_