

California State Auditor
RFP No. 14-01
Response to Questions
May 21, 2014

Question Number	Question	Response
1	How many years has the prior successful bidder performed the work described in the RFP 14-01 and are they allowed to bid again?	The prior year successful bidder performed the audit for fiscal years 2011-12 and 2012-13 and will be performing the audit for fiscal year 2013-14. The firm is allowed to bid again.
2	What was the previous contract amount and what has been budgeted for the current year services under this RFP? Is there a rate per hour that is used in the contract and if so what are the hours and the rate per hour of the existing contract for the year ended June 30, 2014?	We have attached the standard contract agreement, which contains the contract amount for all three years. We have not developed a budget for the current year services under this RFP. The rate per hour is also included in the attachment. Regarding the number of hours, please see the response to question 19.
3	Our firm currently provides consulting services to a number of State of California agencies and departments that receive federal funding. Would this be considered an independence issue and a conflict?	It may be considered an independence issue and a conflict depending on the department and program for which you are providing consulting services.
4	In the RFP (page 5 of 65) you indicate that additional information about the amount of travel historically required to perform the requested services will be made available, if requested. Can you please provide this information?	Historically, travel has not been a major planning consideration for the audit. However, the winning bidder will need to use its own professional judgment to assess the amount of travel required. All state departments and agencies administering major programs have their headquarters and accounting offices in Sacramento. Historically, travel has been less than 15 nights out of town each year and has been primarily associated with the Medicaid cluster and the Adoption Assistance program.

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5	<p>On page 13 of 65 of the RFP under section h. Cost, the last sentence indicates the proposal should also include a cost component for expert testimony that may be required after the report is issued. Can you clarify if these services have been requested and delivered in the past and if you can provide an example as to what these services may entail. Without knowing the extent of services in this area, Is a rate per hour for those services adequate?</p>	<p>The State Auditor intends to include a contingent amount in the RFP that would be billed upon the prior written approval of the State Auditor, in the unlikely event that expert testimony to the California Legislature or one of its committees or subcommittees is required from the Contractor relating to the Federal Compliance work performed by the contractor. In addition, the contractor should state its rates for providing testimony to the Federal Government about the work it performs. The services have not been requested in prior fiscal years.</p>
6	<p>Within Attachment D – Encryption and Information Privacy Policy, there are rules of conduct for staff including the use only of bureau computer equipment and storage of data on the bureau’s network drives. We utilize our own encrypted computers and network, will this be an acceptable modification to that policy?</p>	<p>The proposal should specify the encryption method used by the firm.</p>
7	<p>Attachment E – indicates that we will deliver copies of all working papers to the State Auditor. In accordance with professional standards our workpapers are considered the property of the Firm and we maintain them for the prescribed retention period. Is it acceptable to provide the State Auditor access to our electronic work papers and copies of selected work papers upon request?</p>	<p>No. The State Auditor will require the contractor to provide copies of all working papers (such as to demonstrate how the audit was planned, the fieldwork performed, and the quality of evidence obtained.) The State Auditor will review a sample of these copied working papers and may periodically ask the contractor technical questions. However, since the contractor will be the principal auditor and ultimately responsible for the compliance opinions on major programs, the State Auditor does not anticipate asking many questions. To maintain awareness of the audit findings developed by the contractor, the State Auditor will require the contractor to provide copies of all draft findings sent to state departments or agencies for</p>

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		their response and corrective action plan.
8	What was the fieldwork timeline and the size of the team that effectively completed the single audit for the 2013 year?	The fieldwork timeline for the fiscal year 2012-13 audit was approximately April 2013 through March 2014. The size of the team was approximately 25 individuals.
9	We understand that under the current requirements 30-40 major programs and cluster of programs are tested annually and that it is the auditor's responsibility to determine the actual number of major programs to be tested. However, for comparability purposes during the evaluation of the Cost Proposals, will BSA determine the number of major programs that our proposed costs should be based for fiscal year ending 6/30/2015?	The fiscal year 2012-13 audit has not been issued. As a result, this information is confidential. However, there are approximately 30 to 40 major programs and clusters of programs each year. For additional information, you can search our Web site (www.auditor.ca.gov) and review previously published federal compliance reports (such as audit #2011-002 and audit #2012-002). For example, page 13 of audit report #2012-002 lists the major programs audited for fiscal year 2011-12.
10	In general, when are the departments administering the likely major programs ready for the audit?	Typically, state departments and agencies are ready for the auditor to perform interim work in early April. During late-June through late-August, accounting staff at state departments and agencies generally focus on closing the fiscal year, so involvement with accounting staff may be more limited during this time period.
11	We recognize that most State departments use CALSTARS financial system. Are there plans for significant changes to CALSTARS or implementing new financial systems?	Currently, the State is working with a contractor to develop a new financial system—FI\$Cal—to replace CALSTARS.
12	If a successor auditor is awarded the contract, will they have access to prior year audit workpapers for all major programs tested during fiscal year ending 6/30/2014?	Yes
13	Are Federal desk and/or on-site reviews available to the auditor to assist in the risk assessment process?	If a department was subject to these types of reviews, the contractor would have access to them.

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14	What are the primary reasons for the delay in issuing the June 30, 2013 compliance audit?	The State's financial statements were late, which caused delays in issuing the internal control and state and federal compliance audit reports.
15	What were the total fees and expense reimbursements paid to the auditor for the fiscal years ending 6/30/2012 & 2013?	Total fees for fiscal year 2011-12 were \$1,908,225 and expenses were \$1,579. We do not have final numbers for the audit work performed for fiscal year 2012-13. However, please see the response to question 2 above for budgeted amounts.
16	Is our understanding correct that the completion of the Data Collection Form is a shared responsibility between the State Department of Finance and the Auditor?	Yes.
17	Possible question on auditor responsibility for SEFA?	Not enough information to respond. However, question 21 below describes the auditor's responsibility for the SEFA.
18	On Page 18 of 65 under the Review Process and Criteria there are 15 maximum points designated for "Related Organizational Experience", is this criteria of the evaluation/review process directly related to the information being requested pursuant to Section II.7.d?	Yes
19	What was the approximate number of hours incurred by the predecessor auditor associated with performing the A-133 compliance audit reporting as described in Section 3 "Audit Responsibilities and Deliverables", subsection "Monitoring and Deliverables" of the Request for Proposal?	The number of hours incurred totaled 15,547 for the fiscal year 2011-12 audit. We do not have the final hours for the fiscal year 2012-13 audit at this time.
20	Please provide information concerning the amount of travel that has been historically required to perform the requested services?	See response to question number 4 above.
21	As the principal auditor for the State of California's basic financial statements, is BSA the responsible party for rendering an in-relation-to opinion on the SEFA?	We do not issue an in-relation-to opinion. Instead, the contract auditor will be responsible for ensuring the accuracy of the SEFA and, as indicated on page 8 of the RFP, issues the "Independent Auditor's Report on the Schedule of Expenditures of Federal Awards."

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22	How is the State preparing to comply with the Uniform Guidance requirements?	We have not performed any research as to how state departments are preparing to comply with the OMB Uniform Guidance so we are unable to respond to this question.
23	Regarding Preference Programs (Section II. i.), is there a maximum number of programs a contractor can qualify as part of the evaluation process?	No.
24	What was the prior year audit cost?	See response to question 2 and 15 above.
25	May we have the prior year audit report?	The prior year audit report has not been issued. Please see our Web site (www.auditor.ca.gov) for updates. Also, please see our response to question 9 above for additional information about past reports.

STANDARD AGREEMENT APPROVED BY THE
ATTORNEY GENERAL

STD. 2 (REV. 5-91)

CONTRACT NUMBER BSA-C-047-2012	AM. NO. 2
TAXPAYER'S FEDERAL EMPLOYER IDENTIFICATION NUMBER	

THIS AGREEMENT, made and entered into this 1st day of April, 2014,
in the State of California, by and between State of California, through its duly elected or appointed, qualified and acting

TITLE OF OFFICER ACTING FOR STATE STATE AUDITOR	AGENCY CALIFORNIA STATE AUDITOR'S OFFICE
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, hereafter called the State, and

CONTRACTOR'S NAME
KPMG LLP

, hereafter called the Contractor.

WITNESSETH: That the Contractor for and in consideration of the covenants, conditions, agreements, and stipulations of the State hereinafter expressed, does hereby agree to furnish to the State services and materials as follows: *(Set forth service to be rendered by Contractor, amount to be paid Contractor, time for performance or completion, and attach plans and specifications, if any.)*

The State and the Contractor, KPMG LLP, hereby agree to amend the Agreement between the State and Contractor dated April 16, 2012, and amended April 30, 2013, to exercise the second of the State's two one-year options to extend the term and increase the maximum amount payable, as set forth in the State's Request for Proposal (RFP #12-01), subparagraph (b) of Paragraph 2, subparagraph (c) of Paragraph 3, and subparagraph (1) of Paragraph 4 of the original Agreement.

Paragraph 2 of these General Terms and Conditions is amended to read as follows:**2. TERM**

- (a) The term of this Agreement is April 16, 2012, to June 30, 2015, inclusive, except that the provisions of paragraphs 8, 10, 20, 21, 22, and 23 of these General Terms and Conditions shall apply beyond any termination otherwise of this Agreement.

CONTINUED ON _____ SHEETS, EACH BEARING NAME OF CONTRACTOR AND CONTRACT NUMBER.

The provisions on the reverse side hereof constitute a part of this agreement.
IN WITNESS WHEREOF, this agreement has been executed by the parties hereto, upon the date first above written.

STATE OF CALIFORNIA		CONTRACTOR			
AGENCY CALIFORNIA STATE AUDITOR'S OFFICE		CONTRACTOR (If other than an individual, state whether a corporation, partnership, etc.) KPMG LLP			
BY (AUTHORIZED SIGNATURE) ▶ <i>Elaine M. Howle</i>		BY (AUTHORIZED SIGNATURE) ▶ <i>Brett Hanselman</i>			
PRINTED NAME OF PERSON SIGNING ELAINE M. HOWLE		PRINTED NAME AND TITLE OF PERSON SIGNING Brett Hanselman Partner			
TITLE STATE AUDITOR		ADDRESS 500 Capitol Mall, Suite 2100, Sacramento, CA 95814			
AMOUNT ENCUMBERED BY THIS DOCUMENT \$ 1,886,531	PROGRAM/CATEGORY (CODE AND TITLE) (OPTIONAL USE)	FUND TITLE State Audit Fund			
PRIOR AMOUNT ENCUMBERED FOR THIS CONTRACT \$ 3,760,766	ITEM 8855-501-0126	CHAPTER 12	STATUTE 1993	FISCAL YEAR 2013-14	
TOTAL AMOUNT ENCUMBERED TO DATE \$ 5,647,297	OBJECT OF EXPENDITURE (CODE AND TITLE)				
I hereby certify upon my own personal knowledge that budgeted funds are available for the period and purpose of the expenditure stated above.		T.B.A. NO.	B.R. NO.		
SIGNATURE OF ACCOUNTING OFFICER ▶		DATE			

Department of General Services
Use Only

CONTRACTOR STATE AGENCY DEPT. OF GEN. SER. CONTROLLER

STANDARD AGREEMENT

1. The Contractor agrees to indemnify, defend and save harmless the State, its officers, agents and employees from any and all claims and losses accruing or resulting to any and all contractors, subcontractors, materialmen, laborers and any other person, firm or corporation furnishing or supplying work services, materials or supplies in connection with the performance of this contract, and from any and all claims and losses accruing or resulting to any person, firm or corporation who may be injured or damaged by the Contractor in the performance of this contract.
2. The Contractor, and the agents and employees of Contractor, in the performance of the agreement, shall act in an independent capacity and not as officers or employees or agents of State of California.
3. The State may terminate this agreement and be relieved of the payment of any consideration to Contractor should Contractor fail to perform the covenants herein contained at the time and in the manner herein provided. In the event of such termination the State may proceed with the work in any manner deemed proper by the State. The cost to the State shall be deducted from any sum due the Contractor under this agreement, and the balance, if any, shall be paid the Contractor upon demand.
4. Without the written consent of the State, this agreement is not assignable by Contractor either in whole or in part.
5. Time is of the essence in this agreement.
6. No alteration or variation of the terms of this contract shall be valid unless made in writing and signed by the parties hereto, and no oral understanding or agreement not incorporated herein, shall be binding on any of the parties hereto.
7. The consideration to be paid Contractor, as provided herein, shall be in compensation for all of Contractor's expenses incurred in the performance hereof, including travel and per diem, unless otherwise expressly so provided.

- (b) In accordance with the State's Request for Proposal (RFP #12-01), the State may exercise two one-year options to renew this Agreement through and including June 30, 2015.
- (c) On January 28, 2013, the State notified the Contractor in writing that the State intended to exercise its first option to extend this Agreement for a second one-year term covering the period June 30, 2013, through June 30, 2014, and thereby extended the Agreement through June 30, 2014.
- (d) On January 31, 2014, the State notified the Contractor in writing that the State intended to exercise its second option to extend this Agreement for a third one-year term covering the period June 30, 2014, through June 30, 2015, and thereby extended the Agreement through June 30, 2015.

Paragraph 3 of these General Terms and Conditions is amended to read as follows:

3. DESCRIPTION OF SERVICES

- (a) The auditing services for the Statewide Federal Compliance Audit shall be provided as specified in **Rider B**. The State may request the Contractor to submit additional written proposals to perform additional selected programs for the fiscal year ending June 30, 2012. Upon receiving that request, Contractor shall submit a written proposal that meets the requirements set forth in the State's RFP #12-01. The State must approve the proposal for additional work in writing prior to Contractor commencing that additional work.
- (b) The State may request Contractor in writing to provide additional services to the State relating to the External Quality Control Review of the State to be conducted for the fiscal year ending June 30, 2012, questions about the audit services performed pursuant to this Agreement from the Legislature, executive branch, media, or public, or any other questions about audit services pursuant to this Agreement. Any such additional services must be approved by the State in writing prior to their performance and shall be paid in accordance with the hourly rate schedule attached hereto as **Riders C-1** and **C-2**, and hereby incorporated by reference into this Agreement.
- (c) Not later than January 30, 2013, the State shall notify the Contractor of its intention to exercise the option to renew this Agreement for the purposes of Contractor providing auditing services for the Statewide Federal Compliance Audit for the fiscal year ending June 30, 2013. Those additional audit services shall be provided as specified in a written proposal submitted by Contractor to the State not later than April 30, 2013, unless that date is otherwise extended in writing by the State. Contractor's proposal shall be based on that list and shall meet the requirements for proposals listed in the RFP #12-01 and shall conform to Contractor's February 20, 2012, proposal submitted in response to that RFP. Upon receipt and approval of that proposal, the State will amend this Agreement to provide for additional amounts for the services, if any, provided under this subparagraph. The State may request Contractor to submit additional written proposals to perform additional selected programs for the fiscal year ending June 30, 2013. Upon receiving that request, Contractor shall submit a written proposal that meets the requirements set forth in the RFP #12-01. The State must approve the proposal for additional work prior to Contractor commencing that additional work. Pursuant to this subparagraph (c) of this Paragraph 3 of the original Agreement, on January 28, 2013, the State timely exercised its first option to extend this Agreement for a second one-year term, obligating the Contractor to provide auditing services for the Statewide Federal Compliance Audit for the fiscal year ending June 30, 2013. The auditing services for the Statewide Federal Compliance Audit for the fiscal year ending June 30, 2013, shall be provided as specified in **Rider M**. The State may request the Contractor to submit additional written proposals to perform additional selected programs for the fiscal year ending June 30, 2013. Upon receiving the request, Contractor shall submit a written proposal that meets the requirements set forth in the RFP #12-01. The State must approve the proposal for additional work in writing prior to the Contractor performing that additional work.

- (d) Not later than January 30, 2014, the State shall notify Contractor of its intention to exercise the option to renew this Agreement for the purposes of Contractor providing auditing services for the Statewide Federal Compliance Audit for the fiscal year ending June 30, 2014. Not later than March 30, 2014, the State shall provide Contractor with the list of anticipated Selected Programs for the fiscal year ending June 30, 2014. Those additional audit services shall be provided as specified in a written proposal submitted by Contractor to the State not later than April 30, 2014, unless that date is otherwise extended in writing by the State. Contractor's proposal shall be based on that list and shall meet the requirements for proposals listed in the RFP #12-01 and shall conform to Contractor's February 20, 2012, proposal submitted in response to that RFP. Upon receipt and approval of that proposal, the State will amend this Agreement to provide for additional amounts for the services, if any, provided under this subparagraph. The State may request Contractor to submit additional written proposals to perform additional selected programs for the fiscal year ending June 30, 2014. Upon receiving that request, Contractor shall submit a written proposal that meets the requirements set forth in the RFP #12-01. The State must approve the proposal for additional work prior to Contractor commencing that additional work. Pursuant to this subparagraph (d) of this Paragraph 3 of the original Agreement, on January 31, 2014, the State timely exercised its second option to extend this Agreement for a third one-year term, obligating the Contractor to provide auditing services for the Statewide Federal Compliance Audit for the fiscal year ending June 30, 2014. The auditing services for the Statewide Federal Compliance Audit for the fiscal year ending June 30, 2014, shall be provided as specified in **Rider N**. The State may request the Contractor to submit additional written proposals to perform additional selected programs for the fiscal year ending June 30, 2014. Upon receiving the request, Contractor shall submit a written proposal that meets the requirements set forth in the RFP #12-01. The State must approve the proposal for additional work in writing prior to the Contractor performing that additional work.

Paragraph 4 of these General Terms and Conditions is amended to read as follows:

4. AMOUNT PAYABLE

The total amount payable under this Agreement may not exceed five million six hundred forty-seven thousand two hundred ninety-seven dollars (\$5,647,297) and is payable as follows:

- (a) The State shall pay the Contractor for each hour of services actually performed under this Agreement as follows:
- (i) For the auditing services for the Statewide Federal Compliance Audit for the fiscal year ending June 30, 2012, in accordance with the hourly rate schedules attached hereto as **Riders C-1** and **C-2** and hereby incorporated by reference into this Agreement, not to exceed one million eight hundred and fourteen thousand and twenty-five dollars (\$1,814,025).
 - (ii) For the auditing services for the Statewide Federal Compliance Audit for the fiscal year ending June 30, 2013, the State shall pay the Contractor in accordance with the hourly rate schedule attached hereto as **Rider M**, not to exceed one million eight hundred and forty-nine thousand five hundred and forty-one dollars (\$1,849,541).
 - (iii) For the auditing services for the Statewide Federal Compliance Audit for the fiscal year ending June 30, 2014, the State shall pay the Contractor in accordance with the hourly rate schedule attached hereto as **Rider N**, not to exceed one million eight hundred eight six thousand five hundred thirty one dollars (\$1,886,531).
- (b) If Contractor becomes aware of any deviations from the 35 major programs that are described in **Rider C-1**, Contractor shall contact the State to develop a strategy for addressing a modification, if any, to the scope of services provided under this Agreement, as described in **Riders B, C-1, and C-2**. Contractor shall notify the State in writing of any proposed modifications to scope and Contractor shall receive the prior written consent of the State prior to providing any additional services. If the State and Contractor agree that it is necessary to modify the number of major programs to include an additional major program, the total hours shall not exceed 300 and the total costs shall not exceed thirty nine thousand dollars (\$39,000.00), respectively.

- (c) The State agrees to reimburse the Contractor for services performed by the Contractor, upon the prior written approval of the State, in locations other than the premises of the State in Sacramento, California. The State shall pay the Contractor for these services in accordance with subdivision (a) of this paragraph.
- (d) In consultation with the Contractor, the State shall make arrangements for any travel required under this Agreement and shall pay the Contractor for travel and living expenses incurred by the Contractor, as documented by the Contractor in the manner prescribed by the State, in providing the auditing services that are the subject of this Agreement at locations other than the Contractor's usual place or places of business. Reimbursement shall be made as follows:
- (i) Airfare: commercial carrier coach fare rate, supported by a receipt.
 - (ii) Other transportation: actual, reasonable expense, supported by a receipt.
 - (iii) Living expense: actual expenses, not to exceed maximum state employee reimbursement rates for nonrepresented employees, to be claimed and computed in accordance with the Department of Personnel Administration regulations in effect when the expenses are incurred.

<i>Meals</i>	<i>Lodging</i>
Breakfast—actuals up to \$6	\$110 Los Angeles and San Diego counties
Lunch—actuals up to \$10	\$140 Alameda, San Francisco, San Mateo, and Santa Clara counties
Dinner—actuals up to \$18	\$84 for all other areas

- (e) The State shall reimburse Contractor for Contractor's actual out-of-pocket expenses. Contractor shall not charge the State any overhead or cost of advancing funds in connection with these expenses. All reimbursable expenses shall be supported by documentation at the time of billing, unless otherwise agreed to by the State prior to the expenditure. Reimbursable out-of-pocket expenses shall include, but not be limited to:
- (i) Postage.
 - (ii) Messenger and courier service.
 - (iii) In-house document reproduction at a rate not to exceed \$0.10 per page. The billing statement shall contain a general description of documents copied, purpose, and number of copies made.
 - (iv) Long-distance telephone charges as they appear on the Contractor's bill (i.e., without markup).
 - (v) Outgoing facsimile at a rate not to exceed 25 cents per page, inclusive of long-distance charges.
- (f) The consideration to be paid to the Contractor, as provided herein, is in compensation for all of the Contractor's expenses incurred in performance under this Agreement, including travel and living expenses.
- (g) The State may withhold an amount equal to 10 percent (10%) of the amount claimed on each invoice submitted by the Contractor. The amounts withheld shall be paid by the State upon successful completion of the last phase of the federal compliance audits, acceptance of the project by the State, and a determination by the State that Contractor has complied with Paragraph 9 of these General Terms and Conditions.

- (h) The State, in its sole discretion, may reduce the amount payable for a specific deliverable that the Contractor fails to deliver on the mutually agreed upon date by up to five percent (5%) of the amount payable for that deliverable.
- (i) The State shall make payment to the Contractor, as promptly as fiscal procedures permit, for services performed under this Agreement in accordance with applicable completion criteria and in accordance with the invoices submitted by the Contractor. The State's obligation to pay any amounts due under this Agreement is contingent upon the appropriation and approval of funds for that purpose. That payment is subject to Paragraph 9 of these General Terms and Conditions.
- (j) The Contractor, when billing the State for services under this Agreement, shall itemize the dates and hours, together with a description of the services performed, and shall identify specifically the individual performing those services and his or her title (for example, principal or associate consultant).
- (k) It is mutually understood between the parties that this is an option Agreement that may include services for multiple years and that the Agreement may have been written before ascertaining the availability of the legislative appropriation of funds for the period covered. It was written for the mutual benefit of both parties to avoid program and fiscal delays.

The parties mutually agree that if the State Legislature does not appropriate sufficient funds for the program, this Agreement shall be amended to reflect any reduction in funds.

This Agreement, so far as it relates to the State, is valid and enforceable only if sufficient funds are made available to the State by the State Legislature for the purpose of this program. In addition, this Agreement is subject to any special restrictions, limitations, conditions, and statute enacted by the State Legislature that may affect the provisions, terms, or funding of this Agreement in any manner. The State has a financial obligation under this Agreement or the related Addendum to determine if existing appropriations are available, sufficient in amount of pay for such purchases or such other financial obligations.

Each participant has the option to terminate its participation, or to amend its Agreement, to reflect any reduction in funds.

- (l) In accordance with RFP #12-01, the State may exercise two one-year options to extend this Agreement for the fiscal years ending June 30, 2013 and June 30, 2014. The parties agree to amend this Agreement to include additional amounts approved by the State if those options are exercised.
- (m) The State shall pay the Contractor for the additional audit services described in subparagraph (c) of Paragraph 1 of these General Terms and Conditions and in **Riders L and M** at a flat rate not to exceed one hundred thirty five dollars (\$135) per hour and not to exceed a total of ninety seven thousand two hundred dollars (\$97,200).

Paragraph 15 of these General Terms and Conditions is amended to read as follows:

15. NOTICE

- (a) Notice to either party may be given by certified mail properly addressed. Postage must be fully prepaid to the address beneath the name of each respective party. That notice shall be effective when received as indicated by post office records or, if deemed undeliverable by post office, that notice shall be effective nevertheless 15 days after mailing.

(b) Alternatively, notice may be given by personal delivery by any means whatsoever to the party at the address designated. That notice shall be deemed effective when delivered unless a legal holiday for state offices commences during said 24-hour period, in which case the effective time of the notice shall be postponed 24 hours for each intervening day.

(c) For the above purposes, the State's address is:

California State Auditor
621 Capitol Mall, Suite 1200
Sacramento, California 95814

(d) For the above purposes, the Contractor's address is:

KPMG LLP
500 Capitol Mall, Suite 2100
Sacramento, CA 95814

Paragraph 24 of these General Terms and Conditions is amended to read as follows:

24. PAYMENTS

The Contractor will submit invoices at least monthly. The billings will include a separate itemized accounting of all charges, including appropriate original receipts for travel expenses and other administrative expenses. Invoices will be submitted in duplicate and sent to:

California State Auditor
Attention: Accounting Office
621 Capitol Mall, Suite 1200
Sacramento, CA 95814

Paragraph 25 of these General Terms and Conditions is amended to read as follows:

25. MATERIALS DELIVERY

All report, materials, and communications, except as provided in Paragraph 28 to this Agreement, are to be delivered to the Project Coordinator:

California State Auditor
Attention: De Vose, Deputy State Auditor
621 Capitol Mall, Suite 1200
Sacramento, CA 95814

In addition, the original Agreement is amended to include **Rider N**, which is attached hereto and incorporated by reference.

All other General Terms and Conditions shall remain the same.

Attachment – Rider N

RIDER N—ADDITIONAL AUDIT SERVICES

KPMG LLP
500 Capitol Mall, Ste 2100
Sacramento, CA 95814-4754

Telephone +1 916 448 4700
Fax +1 916 554 1189
Internet www.us.kpmg.com

March 18, 2014

California State Auditor's Office
Attn: Ms. Elaine Howle
621 Capitol Mall, Suite 1200
Sacramento, CA 95814

Dear State Auditor:

Pursuant to RFP #12-01 and contract BSA-C-047-2012, on January 31, 2014, your staff notified this office that you were exercising the State's option to have KPMG LLP (KPMG) perform additional services for the fiscal year ending June 30, 2014. KPMG is pleased to provide the following written proposal, consistent with Paragraph 3(c) of the contract:

KPMG will audit between 30 and 34 major programs. Pursuant to the 2% escalation clause contained in our Proposal dated February 20, 2012, KPMG will charge the following rates:

Class of Professional	Rate
Partner	\$296
Manager	187
IT Manager	198
Senior Associate	130
IT Senior Associate	140
Associate	104

The total cost for performing this additional work shall not exceed \$1,886,531.

All other terms and conditions related to KPMG's work shall be governed by the terms and conditions in the RFP, which is incorporated into the existing contract.

Yours very truly,

KPMG LLP

Brett Hanselman
Partner