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August 6, 2010

REQUEST FOR PROPOSAL

Notice to Prospective Proposers for Assessment of Investment Account Securities as part of the California Statewide Single Audit

For Fiscal Year 2009/10 and Option for 2010/11, 2011/12, and 2012/13

August 6, 2010

You are invited to review and respond to this Request for Proposal (RFP), titled Assessment of Investment Account Securities, RFP #10-01 for the fiscal year ending June 30, 2010, with an option for the fiscal years ending June 30, 2011, June 30, 2012, and June 30, 2013.

Prospective contractors interested in responding to this RFP are encouraged to submit a postcard or brief letter indicating their interest and providing the firm's name and address. This postcard/letter should be sent to the attention of Jim Sandberg-Larsen at the Bureau of State Audits by **August 13, 2010**. Submitting the postcard/letter will ensure that your firm/team receives supplemental or updated information that might be released subsequent to the State Auditor's formal issuance of the RFP.

Note that all agreements entered into with the State of California will include by reference General Terms and Conditions and Contractor Certification Clauses that may be viewed at www.ols.dgs.gov/standard+language/default.htm If you do not have Internet access, a hard copy can be provided by contacting the person listed below.

In the opinion of the Bureau of State Audits, this RFP is complete and without need of explanation. However, if you have questions, or should you need any clarifying information, the contact person for this RFP is:

Jim Sandberg-Larsen
Bureau of State Audits
916-445-0255
E-mail: JimS@bsa.ca.gov

Please note that no verbal information given will be binding upon the Bureau of State Audits unless such information is issued in writing as an official addendum.

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* Required

KEY DATES

Listed below are the important dates and times by which the actions must be taken or completed. If the State finds it necessary to change any of these dates, it will be accomplished by addendum.

Action	Time	Date
1. Release of RFP		August 6, 2010
2. Intent to Bid Postcard/Letter		August 13, 2010
3. Questions Due		August 17, 2010
3. Proposals Due	**9:00 a.m.**	**August 31, 2010**
4. Opening of Proposals	9:30 a.m.	August 31, 2010
5. Tentative Award of Contract		September 9, 2010
6. Contract Award and Execution		September 23, 2010

Section I

REQUEST FOR PROPOSAL—Assessment of Investment Account Securities

The State of California, through the Bureau of State Audits (State), requests proposals to be submitted for the following purpose and in accordance with each of the following terms and conditions:

1. PURPOSE

In this request for proposal (RFP) the State solicits qualified bidders who will be available to value transactions undertaken and securities held by the State Treasurer's Office for its Pooled Money Investment Account (pooled account), as part of the financial component of the California statewide single audit.

2. BACKGROUND AND SCOPE OF WORK

One of the primary audits conducted annually by the State is the comprehensive statewide Single Audit of California. The bureau's report opines on the fairness of the presentation of California's basic financial statements, and combined with the compliance audit work performed on federal programs, fulfills provisions of the Single Audit Act, as amended.

As of June 30, 2009, the State Treasurer's Office managed over $30.8 billion worth of securities in its pooled account. At that date, the weighted average maturity of the securities in the pooled account was approximately 214 days and the account primarily consisted of U.S. treasury bills and notes and U.S. agency bonds and discount notes. For further information on the composition of the account and authorized investments at June 30, 2009, See Attachment A for an excerpt of Footnote 3: Deposits and Investments from the State's Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2009.

3. RESPONSIBILITIES AND DELIVERABLES

Objective One: Determine the Reasonableness of Market Values at June 30.

For each of the next four fiscal year ends, starting with fiscal year 2009-10, the contractor will independently value a sample of securities held by the California State Treasurer's Office (STO) in its Pooled Money Investment Account (PMIA) at June 30. Using these values, the contractor will then evaluate the reasonableness of the market values for these securities as reported by the STO. The contractor will provide a detailed analysis comparing

values as determined by the contractor and the STO for each security in the sample. The contractor also will provide a narrative discussing significant variances in the values for individual securities, and will discuss variances by asset class and for the sample as a whole. Based on its analysis, the contractor will conclude on the reasonableness of the STO's market values. For this objective, the State will provide the contractor with a sample of up to 40 securities, as well as the market value of these securities as reported to the State by the STO. The state's listing will include a security description, CUSIP number, maturity date, purchase date, par value, and interest rate, if applicable, of each sampled security.

Objective Two: Determine the Reasonableness of Market Prices Paid and Received

For fiscal years 2010-11 and 2012-13, the contractor will independently determine market purchase and sale prices for a sample of securities acquired and disposed of by the STO for its PMIA in that year. Using these prices, the contractor will evaluate the reasonableness of the prices paid and received by the STO. The contractor will provide a detailed analysis comparing prices as determined by the contractor and reported by the STO for each security in the sample. The contractor also will provide a narrative discussing significant variances in the prices of individual securities, and will discuss variances by asset class and for the sample as a whole. Based on its analysis, the contractor will conclude on the reasonableness of the STO's market prices. For this objective, the State will provide the contractor with a sample of up to 25 acquisitions and 25 dispositions, as well as the prices paid or received for these securities as reported to the State by the STO. The bureau's listing will include a security description, CUSIP number, maturity date, purchase or disposal date, par value, premium or discount, accrued interest, and certificate of deposit interest rate, if applicable, for each sampled security.

Deliverables:

For analyses related to fiscal year 2009-10, the contractor will send its deliverables to the State no later than October 31, 2010. For subsequent fiscal years, the contractor will send deliverables to the State no later than September 15 following the end of each relevant fiscal year. Deliverables for both objectives will include the following:

- An executive summary providing an overview of the contractor's analysis.
- A valuation methodology explaining how the contractor determined market values or prices for various asset categories.
- An analysis discussing the results of the contractor's comparison of its market values and prices with those of the STO.
- A conclusion on the reasonableness of the STO's market values and market prices.
- Table comparing contractor and STO values or prices for each sampled security.
- Table comparing contractor and STO values or prices by asset category.

Section II

Proposal Requirements and Information

1. TIME SCHEDULE

All prospective contractors are hereby advised of the following schedule and will be expected to adhere to the required dates and times.

Event	Date
Proposal Posting on State Web site	August 6, 2010
Intent to Bid Postcard/Letter	August 13, 2010
Written Questions Submittal Deadline	August 17, 2010
Final Date for Proposal Submission	August 31, 2010 by 9 a.m.
Opening of Proposals	August 31, 2010
Evaluation Completed	September 8, 2010
RFP award notice posted at State Web site	September 9, 2010
Agreement Award	September 13, 2010
Contract approved and signed	September 23, 2010
Contract work starts	September 2010

2. DUE DATE

TIME IS OF THE ESSENCE. Proposals must be submitted and received not later than **9 A.M. on August 31, 2010**, and shall be delivered via Federal Express or other similar delivery service. Late proposals will not be accepted without exceptional cause and the express written permission of the State.

3. ADDRESS

Proposals shall be sent in a sealed envelope, clearly marked:
"**Response to RFP No. 10-01,"** and addressed to:

Bureau of State Audits
Attention: Jim Sandberg-Larsen
555 Capitol Mall, Suite 300
Sacramento, California 95814

4. QUESTIONS

Prospective contractors requiring clarification or further information on the intent or content of this RFP or on procedural matters regarding the competitive bid process may request clarification by submitting questions with a cover page clearly marked "**Questions Relating to RFP No. #10-01**" via fax to (916) 327-0019 or mail to:

Bureau of State Audits
Attention: Jim Sandberg-Larsen
Questions Relating to RFP No.# 10-01
555 Capitol Mall, Suite 300
Sacramento, CA 95814

To ensure response, questions must be received in writing by 5 p.m., **August 17, 2010**. Question and answer sets will be provided to all prospective contractors without identifying the submitters.

If disclosing questions regarding a proposal to other prospective contractors would compromise proprietary information, a prospective contractor may seek clarification or further information on the content of the RFP by marking the question packet "CONFIDENTIAL" and submitting questions as described above. The prospective contractor must explain why his/her questions are sensitive in nature. If the State concurs that disclosure of the question or answer would expose the proprietary nature of the proposal, the question will be answered and both the question and answer will be kept in confidence. If the State does not concur with the proprietary aspect of a question, the question will not be answered in this manner and the prospective contractor will be so notified.

5. COPIES

The prospective contractor should submit six (6) legible copies of its proposal. The original proposal must be marked "ORIGINAL COPY." All documents contained in the original proposal package must have original signatures and must be signed by a person who is authorized to legally bind the proposing firm. All additional proposal sets may contain photocopies of the original package.

6. FORMAT OF PROPOSALS

To facilitate the two-stage review of proposals as described in Paragraph 10 of Section II of this RFP, each proposal should be submitted in two separate parts and in sealed envelopes. Part I should contain all responsive materials except those relating to cost. Part II should contain only information relating to costs that will be charged by the contractor.

7. MINIMUM CONTENTS OF PROPOSAL

At the sole discretion of the State, a proposal may be eliminated from consideration if it fails to contain each of the following provisions or to provide a justification satisfactory to the State for its exclusion:

a. Identification of the prospective contractor, including the name of the firm submitting the proposal, its mailing address, telephone number, e-mail, and contact if further information is desired.

b. Management.

Identification by name of the lead personnel the contractor proposes to assign to the engagement. Contract terms will not permit substitution of lead personnel without prior written approval of the State.

c. Personnel.

For each individual that the prospective contractor proposes to assign to the engagement (excluding administrative support), the proposer must provide a summary of similar work or studies performed, a resume, and a statement indicating his/her planned responsibilities under the contract. Any limiting factors on the availability of these individuals should be identified. Individuals assigned to the engagement must have experience and expertise in valuing securities and analyzing the reasonableness of market values and prices. The proposal must also specifically note relevant certificates/licenses held by proposed staff and whether proposed staff or the firm has been the object of any disciplinary action by a licensing or regulatory authority during the past three years. Former employees of the State may not work on any State contract project within one year of termination. The State, in its sole discretion, reserves the right to reject any individual proposed to be assigned to the engagement.

d. Related experience.

Prospective contractors shall provide the State with a listing of engagements similar to the types of analyses described in this RFP. Specifically, the list must include three examples of engagements in which the contractor independently evaluated the reasonableness of the market value and/or the price paid or received for securities. The listing should include:

- Title of the project;
- Name of the entity;
- Brief description of the project; and
- Name and telephone number of the entity's contracting officer.

By furnishing this information, the prospective contractor gives permission to the State to contact these entities regarding the prospective contractor's past performance.

If the firm is newly organized, a listing of projects completed by lead personnel during previous employment may be acceptable. Moreover, if the contractor is a joint venture, the experience of the joint venturers may be combined.

e. Subcontracts.

The prospective contractor must list any prospective subcontractors it plans to use in performing the work, including a listing of the individuals the subcontractor proposes to assign to the engagement, in accordance with Subparagraph (b) and (c) of this paragraph. Prospective subcontractors must also be listed on the Bidder Declaration, Attachment J to this RFP. The State, in its sole discretion, reserves the right to reject subcontractors proposed by the contractor.

f. Methodology.

The proposal shall include a description of the prospective contractor's overall approach to providing the services described in Section I of this RFP. The proposal must include specific techniques to be used in the types of analyses described in this RFP.

g. Independence/Conflict-of-Interest Disclosure.

(i) The prospective contractor must disclose and shall have a continuing duty to disclose any financial, business, or other relationship of the contractor, subcontractor, or individual employees that may have an impact on the work to be performed (see Attachment K to this RFP).

(ii) In this disclosure, the prospective contractor must include information regarding situations that might create an appearance of a lack of independence, regardless of whether the prospective contractor believes that the situation creates an actual conflict of interest, and how the prospective contractor intends to manage such situations. If the contractor believes that there may be an appearance of a conflict of interest or lack of independence based on any previous or ongoing work the contractor has performed, the contractor shall specifically address how it plans to address and manage that appearance, including, but not limited to, how appropriate fire-walls would be established by the contractor to guard against that appearance.

(iii) If the contractor believes that no conflict of interest or appearance of lack of independence as described above exists, then a statement to that effect must be made in the contractor's proposal.

(iv) The State shall have the right to disqualify or terminate a contractor if it believes that the best interests of the State require that the contractor be disqualified or terminated because the contractor has a conflict of interest or because a situation exists that creates the appearance of a lack of independence and also to disqualify any proposed personnel on that basis.

(v) In accordance with State policy, any contractor selected to provide services to the State may be required to submit a Statement of Economic Interest (Form 700). See subparagraph (a) of paragraph 18 of Attachment C of this RFP.

h. Cost.

The proposal shall include a quotation of charges, including the classes of personnel to be used in the project, the total hourly rate charged for each class, the estimated number of hours that each class of personnel will charge, and any other costs for equipment, software, or supplies. **The proposal should include a separate cost component for each objective.** These cost components must project the total number of hours required to produce the deliverables and contain a cost quotation of charges for each class of personnel that would be used to produce the deliverables.

The charges must be provided as hourly rates and should be applicable throughout the contract period.

The proposal must detail any other charges (such as charges for clerical support, reproduction, and delivery) that would be charged to the State and include them. If the State requires travel, the rates for travel-related expenses shall not exceed the rates established for employees of the State of California.

The State will pay only for hours actually worked at the rates submitted and for actual expenses incurred.

The amount available for the costs of travel, if any, shall be negotiated with the selected contractors in conformity with Subparagraph (C) of Paragraph 4 of Attachment C of this RFP.

i. Preference for Small Business

The proposal shall indicate if the firm claims a small business preference and, if applicable, must certify their small business certification using Attachment I. Prospective small business subcontractors must be listed on the Bidder Declaration attached to this RFP (Attachment J) and certifications issued by the Department of General Services, Office of Small Business and DVBE Services must also be submitted with the proposal.

If a firm qualifies for this Small Business Preference, the State will reduce the firm's cost estimate by 5 percent when comparing it to the cost estimates included in the other proposals received.

j. Incentive for Disabled Veterans Business Enterprise Participation

The proposal shall indicate if the firm claims Disabled Veterans Business Enterprise participation (DVBE) and if applicable, must certify their DVBE participation using Attachment I. Prospective DVBE subcontractors must be listed on the Bidder Declaration attached to this RFP (Attachment J) and certifications issued by the Department of General Services, Office of Small Business and DVBE Services must also be submitted with the proposal.

If a firm qualifies for the DVBE incentive, the State will reduce the firms cost estimate when comparing it to the cost estimates included in other proposals received. Attachment H describes the percentage incentive for bidders who provide DVBE participation.

k. Darfur Contracting Act Certification

The proposal shall include an executed Darfur Contracting Act Certification. The Certification is Attachment G to this RFP.

8. OTHER CONTENTS OF PROPOSAL

The prospective contractor may include any relevant information and pertinent exhibits in the proposal. Proposals are to be prepared in such a way as to provide a straightforward, concise delineation of capabilities to satisfy the requirements of this solicitation letter. Emphasis should be on conformance to the instructions and responsiveness to the requirements described herein, and on completeness and clarity of content.

Proposals must be complete in all respects and submitted by dates and times shown in Section II, Item 1 of this RFP. A proposal may, in the sole discretion of the State, be rejected if it is conditional, incomplete, or it contains any alterations of form or other irregularities.

9. CONFIDENTIALITY

In accordance with the statutes governing the State, the contractors and each of their employees or agents assigned to the contract will be required to execute a confidentiality agreement (Cal. Gov. C. Sec. 8545.3).

10. REVIEW PROCESS AND CRITERIA

Subject to Paragraphs 7 and 12 of this Section II, the State will select the successful contractors on the basis of both merit and cost, with a preference of 5 percent on the cost of its proposal given to qualified small businesses and the applicable percentage preference for DVBE participation. An evaluation committee will only be given Part I of each proposal and will score the merit of each proposal using the following criteria:

Criteria for Evaluating Merit of Proposals	Maximum Points
Technical Aspects of Proposal:	
Quality of approach and methodology	30
Clarity and succinctness of proposal	10
Organizational Capabilities:	
Demonstrated ability to successfully perform analyses of the reasonableness of reported values and prices paid and received for securities.	25
Qualifications and experience of management and lead staff to be assigned to the project	20
Related organizational experience	15
TOTAL	**100**

Any proposal not receiving a merit score of 75 or more will be eliminated from further consideration. To determine the merit score, the State may apply a statistical averaging method to scores submitted by an evaluation committee.

Part II (Cost Proposal) of the proposal will be evaluated for each contractor scoring 75 or more merit points.

The overall evaluation will be in accordance with the following process:

During this phase, cost proposals will be opened. The cost proposal with the lowest price will be assigned a score of 100 points or 30 percent (after adjustments are made for any applicable preference programs). Other cost proposals will be assigned points on a proportional basis relative to the cost of the lowest bid (and adjustments are made

for any applicable preference programs). For example, if the second lowest bid is 20 percent higher than the lowest cost bid, it will be assigned a point score of 80 (or 24 percent), which is 20 percent lower than the point score or rate of the lowest cost bid.

Part I – Technical Merit – score will be weighted 65 percent and each cost score will be weighted 35 percent to create a combined overall score of 100 percent.

The firm with the highest scores at the end of Phase II will be awarded the contract agreement.

If no proposals are received containing bids offering a price, which in the opinion of the State is a reasonable price, State is not required to award an agreement.

During the evaluation and selection process, the State may request the presence of a prospective contractor's representative for answering specific questions, orally and/or in writing. If discrepancies between sections or other errors are found in a final proposal, the State may reject the proposal; however, the State may, in its sole discretion, retain the proposal and correct any arithmetic or transposition errors in price or quantity. The State will notify all prospective contractors of its decision to award the contract.

11. NOTICE OF INTENT TO AWARD

The State will notify all prospective contractors of its tentative decision to award the contract. Within five days after the notification is mailed by the State, any person or firm that has submitted a proposal can protest the tentative award of the contract to another party by submitting the grounds for the protest to the State. The State will make a final award of the contract if it determines that the grounds for the protest are invalid.

If the State determines that the grounds for the protest are valid, the State will notify all prospective contractors of the tentative change in the award of the contract. The procedure described in the previous paragraph will then again be followed.

12. RIGHT TO REJECT ANY OR ALL PROPOSALS

The policy of the State is to solicit proposals with a bona fide intention to award a contract. The State, in its sole discretion, may reject any and all bids submitted in response to this RFP, without regard to the cost or quality of the proposal, or other considerations upon determination that it is in the best interest of the State to do so.

13. MODIFICATION OR WITHDRAWAL OF PROPOSALS

Any proposal that the State receives before the date set for receipt of proposals may be withdrawn or modified by written request of the prospective contractor. However, to be considered, the modified proposal must be received by the deadline set for receipt of original proposals.

14. MODIFICATION OR AMENDMENT OF THIS REQUEST

This RFP may be modified at any time prior to the time set for receipt of proposals and thereafter as long as no proposal has been opened. Upon any such modification, all prospective contractors will be notified, and any person or firm who has expressly requested such notice in writing will also be notified. However, persons or firms who have been invited to propose, but who have not indicated their interest in writing, may not be notified of such changes at the discretion of the State.

15. INCORPORATION OF ATTACHMENTS

This RFP consists of 51 pages and contains the following attachments, which are hereby incorporated into this proposal by reference:

Attachment A	Footnote 3 Deposits and Investments from the State's Comprehensive Annual Financial Report for the Fiscal Year End June 30, 2009.
Attachment B	State of California Standard Agreement Form
Attachment C	General Terms and Conditions
Attachment D	Confidentiality/Nondisclosure Agreement
Attachment E	Encryption and Information Privacy Policy
Attachment F	Certification of Special Terms and Conditions
Attachment G	Darfur Contracting Act Certification
Attachment H	Disabled Veteran Business Enterprise Participation Incentive
Attachment I	Proposal/Proposer Certification Sheet
Attachment J	Bidder Declaration
Attachment K	Independence Questionnaire/Conflicts of Interest Disclosure
Attachment L	Attachment Checklist

16. ACCEPTANCE

Proposals to this request by prospective contractors constitute an express acceptance of all provisions of this RFP, including all attachments, exhibits, and schedules: however, the State, in its sole discretion, may negotiate with the contractor on specific provisions of the final agreement.

17. PUBLIC DISCLOSURE OF PROPOSAL

All proposals will become property of the State of California and will, along with the summaries of evaluations, be available to the public for review after the contract is awarded. Proprietary information in the proposals will remain confidential as permitted by law. To prevent its release to the public, the proposer must indicate what information in the proposal is proprietary, with citation to the relevant provisions of law exempting or precluding that information from public disclosure

Attachment A

Footnote 3: Deposits and Investments from the State's Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2009

NOTE 3: DEPOSITS AND INVESTMENTS

The State Treasurer administers a single pooled investment program comprising both an internal investment pool and an external investment pool (the Local Agency Investment Fund). A single portfolio of investments exists, with all participants having an undivided interest in the portfolio. Both pools are administered in the same manner, as described below.

As required by generally accepted accounting principles, certain risk disclosures are included in this note to the extent that the risks exist at the date of the statement of net assets. Disclosure of the following risks is included:

Interest Rate Risk is the risk that the value of fixed-income securities will decline because of changing interest rates. The prices of fixed-income securities with longer time to maturity tend to be more sensitive to changes in interest rates than those with shorter durations.

Credit Risk is the risk that a debt issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline.

Custodial Credit Risk is the risk that, in the event a financial institution or counterparty fails, the investor will not be able to recover the value of deposits, investments, or collateral.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of an investor's holdings in a single issuer.

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

A. Primary Government

The State's pooled investment program and certain funds of the primary government are allowed by state statutes, bond resolutions, and investment policy resolutions to invest in United States government securities, federal agency securities, negotiable certificates of deposit, bankers' acceptances, commercial paper, corporate bonds, bank notes, other debt securities, repurchase agreements, reverse repurchase agreements, and other investments.

Certain discretely presented component units participate in the State Treasurer's Office pooled investment program. As of June 30, 2009, the discretely presented component units accounted for approximately 4.9% of the State Treasurer's pooled investment portfolio. This program enables the State Treasurer's Office to combine available cash from all funds and to invest cash that exceeds current needs.

Both deposits and investments are included in the State's investment program. For certain banks, the State Treasurer's Office maintains cash deposits that cover uncleared checks deposited in the State's accounts and that earn income which compensates the banks for their services.

Demand and time deposits held by financial institutions as of June 30, 2009, totaling approximately $7.0 billion, were insured by federal depository insurance or by collateral held by the State Treasurer's Office or an agent of the State Treasurer's Office in the State's name. The California Government Code requires that collateral pledged for demand and time deposits be deposited with the State Treasurer. Additionally, $17.5 billion was on deposit with financial institutions in Negotiable Order of Withdrawal (NOW) accounts. These deposits were insured by federal depository insurance.

As of June 30, 2009, the State Treasurer's Office had on deposit with a fiscal agent amounts totaling $31 million related to principal and interest payments to bondholders. Additionally, $140 million was on deposit in a NOW account with a custodial agent to provide sufficient earnings to cover fees for custodial services. These deposits were also insured by federal depository insurance or by collateral held by an agent of the State Treasurer's Office in the State's name.

The State Treasurer's Office reports its investments at fair value. The fair value of securities in the State Treasurer's pooled investment program generally is based on quoted market prices. The State Treasurer's Office performs a quarterly fair market valuation of the pooled investment program portfolio. In addition, the State Treasurer's Office performs a monthly fair market valuation of all securities held against carrying cost. These valuations are posted to the State Treasurer's Office Web site at www.treasurer.ca.gov. As of June 30, 2009, the weighted average maturity of the securities in the pooled investment program administered by the State Treasurer's Office was approximately 214 days. Weighted average maturity is the average number of days, given a dollar-weighted value of individual investments, that the securities in the portfolio have remaining from evaluation date to stated maturity.

The Pooled Money Investment Board provides oversight of the State Treasurer's pooled investment program. The purpose of the board is to design an effective cash management and investment program, using all monies flowing through the State Treasurer's Office bank accounts and keeping all available funds invested in a manner consistent with the goals of safety, liquidity, and yield. The Pooled Money Investment Board is comprised of the State Treasurer as chair, the State Controller, and the Director of Finance. This board designates the amounts of money available for investment. The State Treasurer is charged with making the actual investment transactions for this program. This investment program is not registered with the Securities and Exchange Commission as an investment company.

The value of the deposits in the State Treasurer's pooled investment program, including the Local Agency Investment Fund, is equal to the dollars deposited in the program. The fair value of the position in the program may be greater or less than the value of the deposits, with the difference representing the unrealized gain or loss. As of June 30, 2009, this difference was immaterial to the valuation of the program. The pool is run with "dollar-in, dollar-out" participation. There are no share-value adjustments to reflect changes in fair value.

Certain funds have elected to participate in the pooled investment program even though they have the authority to make their own investments. Others may be required by legislation to participate in the program; as a result, the deposits of these funds or accounts may be considered involuntary. However, these funds or accounts are part of the State's reporting entity. The remaining participation in the pool, the Local Agency Investment Fund, is voluntary.

Certain funds that have deposits in the State Treasurer's pooled investment program do not receive the interest earnings on their deposits. Instead, by law, the earnings are to be assigned to the State's General Fund. Most of the $112 million in interest revenue received by the General Fund from the pooled investment program in the 2008-09 fiscal year was earned on balances in these funds.

The State Treasurer's pooled investment program values participants' shares on an amortized cost basis. Specifically, the program distributes income to participants quarterly, based on their relative participation during the quarter. This participation is calculated based on (1) realized investment gains and losses calculated on an amortized cost basis, (2) interest income based on stated rates (both paid and accrued), (3) amortization of discounts and premiums on a straight-line basis, and (4) investment and administrative expenses. This amortized cost method differs from the fair value method used to value investments in these financial statements; the amortized cost method is not designed to distribute to participants all unrealized gains and losses in the fair value of the pool's investments. Because the total difference between the fair value of the investments in the pool and the value distributed to pool participants using the amortized cost method described above is not material, no adjustment was made to the financial statements.

The State Treasurer's Office also reports participant fair value as a ratio of amortized cost on a quarterly basis. The State Treasurer's Office has not provided or obtained a legally binding guarantee to support the principal invested in the investment program.

As of June 30, 2009, structured notes and asset-backed securities comprised approximately 14.7% of the pooled investments. A significant portion of the structured notes consisted of federal agency floating-rate debentures. For the federal agency and corporate floating-rate securities held in the portfolio during the fiscal year, the interest received by the State Treasurer's pooled investment program rose or fell as the underlying index rate rose or fell. The portion representing the asset-backed securities consists of mortgage backed securities, Small Business Administration (SBA) pools, and asset-backed commercial paper. The mortgage-backed securities are called real estate mortgage investment conduits (REMICs), and are securities backed by pools of mortgages. The REMICs in the State's portfolio have a fixed principal payment schedule. A lesser portion of the asset-backed securities consisted of floating-rate SBA notes. For floating-rate SBA notes held in the portfolio during the fiscal year, the interest received by the State Treasurer's pooled investment program rose or fell as the underlying index rate rose or fell. The structure of the floating-rate notes in the State Treasurer's pooled investment program portfolio provided a hedge against the risk of increasing interest rates. A portion of the asset-backed portfolio holdings was short-term, asset-backed commercial paper (ABCP), which represented 1.5% of pooled investments.

Enterprise funds and special revenue funds also make separate investments, which are presented at fair value.

Table 1 identifies the investment types that are authorized by the California Government Code and the State Treasurer's Office investment policy for the pooled investment program.

Table 1

Authorized Investments

Authorized Investment Type	Maximum Maturity[1]	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Credit Rating
U.S. Treasury Securities	5 years	N/A	N/A	N/A
Federal Agency Securities	5 years	N/A	N/A	N/A
Certificates of Deposit	5 years	N/A	N/A	N/A
Bankers Acceptances	180 days	N/A	N/A	N/A
Commercial Paper	180 days	30%	10% of issuer's outstanding Commercial Paper	A-2/P-2/F-2[2]
Corporate Bonds/Notes	5 years	N/A	N/A	A-/A3/A-[3]
Repurchase Agreements	1 year	N/A	N/A	N/A
Reverse Repurchase Agreements	1 year	10%[1]	N/A	N/A

[1] Limitations are pursuant to the State Treasurer's Office Investment Policy for the Pooled Money Investment Account. The Government Code does not establish limits for investments of surplus monies in this investment type, except for commercial paper.

[2] The State Treasurer's Office Investment Policy for the Pooled Money Investment Account is more restrictive than the Government Code, which allows investments rated A-3/P-3/F-3.

[3] The Government Code requires that a security fall within the top three ratings of a nationally recognized rating service.

N/A Neither the Government Code nor the State Treasure's Office Investment Policy for the Pooled Money Investment Account sets limits for the investment of surplus monies in this investment type.

1. Interest Rate Risk

Table 2 presents the interest rate risk of the primary government's investments.

Table 2

Schedule of Investments – Primary Government – Interest Rate Risk
June 30, 2009
(amounts in thousands)

	Interest Rates[1]	Maturity	Fair Value at Year End	Weighted Average Maturity (in years)
Pooled investments				
U.S. Treasury bills and notes	0.16 - 2.17	2 days - 2.96 years	$ 13,445,606	0.73
U.S. agency bonds and discount notes	0.14 - 5.04	6 days - 1.84 years	8,545,832	0.44
Supranational debentures (IBRD)	1.32	2.82 years	301,325	2.82
Small Business Administration loans	0.55 - 1.38	0.25 year	538,418	0.25 [2]
Mortgage-backed securities [3]	3.92 - 14.25	16 days - 6.13 years	1,029,718	2.29
Certificates of deposit	0.24 - 1.15	1 day - 92 days	4,575,024	0.14
Commercial paper	0.27 - 0.75	1 day - 92 days	2,113,698	0.15
Corporate bonds and notes	0.88 - 5.22	42 days - 1.21 years	303,393	0.71
Total pooled investments			**30,853,014** [4]	
Other primary government investments				
U.S. Treasuries and agencies			2,528,834	3.29
Commercial paper			144,298	N/A [5]
Guaranteed investment contracts			254,338	13.70
Corporate debt securities			619,803	1.88
Other			592,502	2.34
Total other primary government investments [6]			**4,139,775**	
Funds outside primary government included in pooled investments				
Less: investment trust funds			25,251,903	
Less: other trust and agency funds			2,826,804	
Less: discretely presented component units			2,516,212	
Total primary government investments			**$ 4,397,870**	

1 These numbers represent high and low interest rates for each investment type.
2 In calculating SBA holdings' weighted average maturity, the State Treasurer's Office assumes stated maturity is the quarterly reset date.
3 These securities are issued by U.S. government agencies such as the Government National Mortgage Association.
4 Total pooled investments does not include certain assets of the State's pooled investment program. The other assets include $5.6 billion of time deposits and $14.4 billion of internal loans to State funds which are reported as cash in the respective funds.
5 These commercial paper holdings of the Golden State Tobacco Securitization Corporation mature in less than one year.
6 Total other primary government investments include approximately $17 million of cash equivalents that are included in cash and pooled investments.

Table 3 identifies the debt securities that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided previously).

Table 3

Schedule of Highly Sensitive Investments in Debt Securities – Primary Government – Interest Rate Risk
June 30, 2009
(amounts in thousands)

Pooled Investments	Fair Value at Year End	% of Total Pooled Investments
Mortgage-backed		
Federal National Mortgage Association Collateralized Mortgage Obligations	$ 1,029,578	3.337 %
Government National Mortgage Association Pools	140	0.000

These mortgage-backed securities entitle the purchaser to receive a share of the cash flows, such as principal and interest payments, from a pool of mortgages. Mortgage securities are sensitive to interest rate changes because principal prepayments either increase (in a low interest rate environment) or decrease (in a high interest rate environment). A change, up or down, in the payment rate will result in a change in the security yield.

2. Credit Risk

Table 4 presents the credit risk of the primary government's debt securities.

Table 4

Schedule of Investments in Debt Securities – Primary Government – Credit Risk
June 30, 2009
(amounts in thousands)

Credit Rating as of Year End		
Short-term	**Long-term**	**Fair Value**
Pooled investments[1]		
A-1+/P-1/F-1+	AAA/Aaa/AAA	$ 12,560,872
A-1/P-1/F-1	AA/Aa/AA	2,969,488
A-2/P-2/F-2	A/A/A	308,912
Not rated		1,029,578
Not applicable		13,984,164
Total pooled investments		**$ 30,853,014** [2]
Other primary government investments		
A-1+/P-1/F-1+	AAA/Aaa/AAA	$ 1,682,675
A-1/P-1/F-1	AA/Aa/AA	267,597
A-2/P-2/F-2	A/A/A	606,216
A-3/P-3/F-3	BBB/Baa/BBB	32,360
B/NP/B	BB/Ba/BB	148
B/NP/B	B/B/B	157
Not rated		306,317
Not applicable		1,244,305
Total other primary government investments		**$ 4,139,775**

[1] The State Treasurer's Office uses Standard & Poor's, Moody's, and Fitch ratings services. Securities are classified by the lowest rating of the three agencies.

[2] Total pooled investments does not include certain assets of the State's pooled investment program. The other assets include time deposits of $5.6 billion, for which credit risk is mitigated by collateral that the State holds for them—as discussed earlier in this note—and loans to State funds of $14.4 billion, for which external credit risk is not applicable because they are internal loans.

3. Concentration of Credit Risk

The investment policy of the State Treasurer's Office contains no limitations on the amount that can be invested in any one issuer beyond those limitations stipulated in the California Government Code. Table 5 identifies debt securities in any one issuer (other than U.S. Treasury securities) that represent 5% or more of the State Treasurer's investments, or of the separate investments of other primary government funds.

Table 5

Schedule of Investments – Primary Government – Concentration of Credit Risk
June 30, 2009
(amounts in thousands)

POOLED INVESTMENTS

Issuer	Investment Type	Reported Amount	% of Total Pooled Investments
Federal Home Loan Bank	U.S. agency securities	$ 8,345,426	27.05 %

OTHER PRIMARY GOVERNMENT INVESTMENTS

Issuer	Investment Type	Reported Amount	% of Total Agency Investments
Golden State Tobacco Securitization Corporation			
Federal Home Loan Mortgage Corporation	U.S. agency securities	$ 171,984	36.74 %
Federal National Mortgage Association	U.S. agency securities	151,805	32.43
General Electric Company	Commercial paper	93,668	20.01
Metropolitan Life Insurance Company	Commercial paper	50,630	10.82
Department of Water Resources			
Federal Home Loan Mortgage Corporation	U.S. agency securities	$ 51,780	56.16 %
Federal National Mortgage Association	U.S. agency securities	23,697	25.70

4. Custodial Credit Risk

The State of California has a deposit policy for custodial credit risk that requires deposits held by financial institutions to be insured by federal depository insurance or secured by collateral. As of June 30, 2009, $6 million in deposits of the Electric Power Fund were uninsured and uncollateralized.

Attachment B

Standard Agreement Form

STATE OF CALIFORNIA

STANDARD AGREEMENT— APPROVED BY THE ATTORNEY GENERAL

STD. 2 (REV. 5-91)

CONTRACT NUMBER	AM. NO.
TAXPAYER'S FEDERAL EMPLOYER IDENTIFICATION NUMBER	

THIS AGREEMENT, made and entered into this _____ day of _____, 2001, 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 | AGENCY

_____, hereafter called the State, and

CONTRACTOR'S NAME

_____, 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.)*

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	CONTRACTOR *(If other than an individual, state whether a corporation, partnership, etc.)*
BY (AUTHORIZED SIGNATURE) ▷	BY (AUTHORIZED SIGNATURE) ▷
PRINTED NAME OF PERSON SIGNING	PRINTED NAME AND TITLE OF PERSON SIGNING
TITLE	ADDRESS

AMOUNT ENCUMBERED BY THIS DOCUMENT $	PROGRAM/CATEGORY (CODE AND TITLE)		FUND TITLE		***Department of General Services Use Only***
PRIOR AMOUNT ENCUMBERED FOR THIS CONTRACT $	(OPTIONAL USE)				
	ITEM	CHAPTER	STATUTE	FISCAL YEAR	
TOTAL AMOUNT ENCUMBERED TO DATE $	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		

☐ CONTRACTOR ☐ STATE AGENCY ☐ DEPT. OF GEN. SER. ☐ CONTROLLER ☐

Attachment C

General Terms and Conditions

1. **PURPOSE**_____ (See Section II of this RFP).

2. **TERM**_____ (See Section II of this RFP).

3. **DESCRIPTION OF SERVICES**_____ (See Section II of this RFP).

4. **AMOUNT PAYABLE**

The total amount payable under this Agreement may not exceed _____and is payable as follows:

(a) The State shall pay the Contractor for each hour of services actually performed under this Agreement in accordance with the hourly rate schedule attached hereto as ____ (as negotiated with selected Contractor).

(b) 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.

(c) 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 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.

(d) 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 10 cents 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

(e) 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.

(f) The State may withhold an amount equal to ten 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 and acceptance of the work project by the State, and a determination by the State that Contractor has complied with Paragraph 9 of these General Terms and Conditions.

(g) 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.

(h) 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 15 of these General Terms and Conditions.

(i) 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).

(j) It is mutually agreed that if the Budget Act of the current year and/or any subsequent years covered under this Agreement does not appropriate sufficient funds for the audit services contemplated by the Agreement, this Agreement shall be of no further force and effect. In this event, the State shall have no liability to pay any funds whatsoever to Contractor or to furnish any other considerations under this Agreement and Contractor shall not be obligated to perform any provisions of the Agreement.

(k) It is mutually understood between the parties that this is an option contract that may include services for multiple years and that the contract that 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 contract shall be amended to reflect any reduction in funds.

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

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

5. CONTRACTOR PERSONNEL

(a) The Contractor, and the agents, employees, and subcontractors of the Contractor, shall act in the performance of this Agreement, in an independent capacity and not as officers, employees, or agents of the State.

(b) Subject to Subparagraph (a) of this Paragraph 5, the Contractor shall ensure that its employees and agents, whenever performing services on the State's premises, observe all reasonable instructions and directions issued by the State.

(c) The individuals named in the Agreement as identified by the Contractor and approved by the State, are essential to the services to be performed by the Contractor pursuant to this Agreement. The Contractor shall provide the State with names and resumes of the staff performing the work prior to commencing the work for review and approval. Should any of those individuals no longer be employed by the Contractor, or no longer be assigned by the Contractor to the performance of those services during the term of this Agreement, for whatever reason, the Contractor shall notify the State immediately in writing and the State shall consult promptly on a replacement. If the State indicates in writing to the Contractor that the proposed replacement is not satisfactory, the State may

terminate this Agreement immediately by written notice and shall pay the Contractor for all work completed prior to the termination.

(d) Nothing contained in this Agreement or otherwise shall create any contractual relationship between the State and any subcontractors, and no subcontractor shall relieve the Contractor of its responsibilities and obligations hereunder. The Contractor agrees to be fully responsible to the State for the acts and omissions of its subcontractors and of persons either directly or indirectly employed by the Contractor. The Contractor's obligation to pay its subcontractors is an independent obligation from the State's obligation to make payments to the Contractor. As a result, the State shall have no obligation to pay or to enforce the payment of any moneys to any subcontractor.

6. PROJECT COORDINATOR

_____is the designated Project Coordinator under this Agreement. The State may change the Project Coordinator at any time by submitting to the Contractor a notice of change signed by the State. _____is the designated Project Coordinator for the Contractor. _____, on behalf of the Contractor, shall be responsible for coordinating with the State as required, or necessary for performance of the services provided under this Agreement.

7. BUSINESS SERVICES COORDINATOR

_____is the designated Business Services Coordinator. Any questions regarding travel, reimbursements, billing, or other similar questions should be directed to _____ is the designated Business Services Coordinator for the Contractor.

8. CONFIDENTIALITY OF INFORMATION

(a) The audit reports and records, documents, or information used in support of the reports that are made available to the Contractor, or that are generated by the Contractor, during the course of the audit, including, but not limited to all financial, statistical, proprietary, market sensitive, highly sensitive, personal, technical, and other information used in support of or contained in those reports, are confidential and shall be protected by the Contractor from unauthorized use or disclosure, as described in this agreement. In providing that protection, the Contractor shall comply with this agreement and any other reasonable procedural requirements of the State that are provided in writing to the Contractor.

(b) Except as required by law or legal process, the Contractor shall not publicly disclose data or disseminate the contents of any draft audit report or any workpapers, records, documents, or information used in support of any draft audit report. Except as required by law or legal process, the Contractor shall not publicly disclose data or disseminate the contents of the final audit report or any records, documents, or other information used in support of the audit report without the written permission of the State. Permission to publicly disclose the contents of an audit report or workpapers on one occasion on behalf of the State or to give testimony at a public hearing held by a legislative

committee relating to the audit report shall not authorize the Contractor to further disclose information in the report or to disseminate this information on any other occasion on behalf of the State.

(c) With the exception of comments made about the audit to the State or other state agencies, the Contractor shall not make comments to any individual, including, but not limited to, any member of the media regarding the audit or audit workpapers, nor shall the Contractor comment on the State's actions regarding the audit, without the prior written consent of the State.

(d) The Contractor acknowledges and understands that it is a misdemeanor for the State or any employee or former employee of the State to divulge in any manner not permitted by law, the particulars of any record, document, or information the disclosure of which is restricted by law. This restriction includes, but is not limited to, records, documents, or information reviewed in connection with the audit that are not used in support of the final audit report. This prohibition also applies to any person or business entity and to the employees and former employees of this person or business entity that has assisted the State in the course of an audit or that has been furnished a draft copy of an audit report for comment and review (Government Code Section 8545.1).

(e) The Contractor has reviewed and understands and agrees to be bound by the provisions of the Confidentiality Agreement, which is attached as _____. Contractor agrees that each individual assigned by Contractor to perform services under this Agreement shall sign the Confidentiality/Nondisclosure Acknowledgement Form prior to performing those services, which is attached hereto as Attachment D.

9. RECORD RETENTION

(a) Any records obtained by Contractor during the course of the audit from any California public entity pursuant to the authority of the State are the exclusive property of the State and shall be returned to the State; however, the Contractor may retain copies of those records. All communications and workpaper records obtained, originated, or prepared by the Contractor pursuant to this Agreement, including papers, reports, charts, interview notes, and other documentation compiled by the Contractor pursuant to this Agreement, including the Contractor's administrative communications and records relating to this Agreement, shall be delivered to and shall become exclusive property of the State. The Contractor shall provide the State with copies of all such documents.

(b) During the course of the audit, at the request of the State, the Contractor shall promptly return all originals and copies of originals and copies of originals of writings, including, but not limited to, electronic copies, that were obtained by the Contractor from any California public entity pursuant to the authority of the State in connection with the audit. Not later than 14 days following the completion of consulting services by the Contractor under this Agreement, the Contractor shall return all such original writings to the State. Notwithstanding the foregoing, the Contractor may retain copies of any such writings for workpaper purposes.

(c) If Contractor is requested pursuant to subpoena or other legal process to produce its documents relating to this engagement for the State in judicial or administrative proceedings to which Contractor is not a party, the State shall reimburse Contractor at its standard billing rates for its professional time and expenses, including reasonable attorney's fees, incurred in responding to such requests.

10. RIGHTS IN DATA

The ideas, concepts, know-how, or techniques relating to the subject matter of each individual project, developed during the course of this Agreement by the Contractor or jointly by the Contractor and the State can be used by either party in any way it may deem appropriate.

All inventions, discoveries or improvements of the techniques or programs or materials developed pursuant to this Agreement shall be the property of the State. The State agrees to grant a nonexclusive royalty-free license for any such invention, discovery, or improvement to the Contractor or any other such person and further agrees that the Contractor or any other such person may sublicense additional persons on the same royalty-free basis.

This Agreement shall not preclude the Contractor from developing materials outside this agreement, which are competitive, irrespective of their similarity to materials which might be delivered to the State pursuant to this agreement. Pursuant to this Agreement, all preexisting intellectual property, copyrights, trademarks and products held by the Contractor shall be the sole property of the Contractor.

11. STATE PERSONNEL

The Contractor will not be permitted to use State personnel for performing services that are the responsibility of the Contractor unless that use is previously agreed to in writing by the Project Coordinator, and any appropriate adjustment in price is made. No charge will be made to the Contractor for the services of state employees while performing, coordinating, or monitoring functions.

12. DATA PROTECTION PROTOCOLS

The Contractor agrees to adhere to the State's data protection protocols, which are attached hereto as Attachment E and hereby incorporated by reference. The Contractor shall ensure that all assigned personnel are aware of these protocols and they sign and return to the State the attached acknowledgement form.

13. ASSIGNMENT

The Contractor may not transfer by assignment, subcontract, or novation the performance of this Agreement or any part thereof except with the prior written approval of the State as to each such assignment, subcontract, or novation.

14. AMENDMENT OF AGREEMENT

This Agreement may be amended by mutual consent of the State and the Contractor. An alteration of or variation from the terms of this Agreement is not valid unless made in writing and signed by the parties of this Agreement.

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 in subparagraphs (c) and (d) of this Paragraph 15. 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:

Bureau of State Audits
555 Capitol Mall, Suite 300
Sacramento, California 95814

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

_____
_____
_____

16. TERMINATION

(a) The State may terminate this Agreement if it becomes necessary to end the project prior to its conclusion, upon giving a 3-day advance notice in writing to the Contractor, as appropriate, in the manner herein specified. In that event, the Contractor agrees to use all reasonable efforts to mitigate any expenses or obligations hereunder.

(b) In the event of termination, the State shall, subject to the appropriation and the availability of funds for that purpose, pay the Contractor for all satisfactory services

rendered prior to notice of termination and for all expenses incurred by the Contractor prior to termination that are not included in charges for service rendered prior to termination and that could not have been avoided by reasonable efforts of the Contractor.

(c) The State may terminate this Agreement and be relieved of any payments should the Contractor fail to perform the requirements of this Agreement 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. All costs to the State shall be deducted from any sum due the Contractor under this Agreement and the balance, if any, shall be paid to the Contractor in accordance with Subparagraph (b) of this Paragraph 16.

17. COVENANT AGAINST GRATUITIES

The Contractor warrants by signing hereon that no gratuities (in the form of entertainment, gifts, or otherwise) were offered or given by the Contractor, or by any agent or representative of the Contractor, to any officer or employee of the State with a view toward securing this Agreement or securing favorable treatment with respect to any determinations concerning the performance of this Agreement. For breach or violation of this warranty, the State may terminate this Agreement immediately, either in whole or in part, and any loss or damage sustained by the State in procuring on the open market any items that the Contractor agreed to supply shall be borne and paid for by the Contractor. The rights and remedies of the State provided in this Paragraph 17 are not exclusive and are in addition to any other rights and remedies provided by law or under this Agreement.

18. CONFLICT OF INTEREST/INDEPENDENCE DISCLOSURE REQUIREMENTS

(a) Pursuant to the Conflict of Interest Code for the State formulated under the Political Reform Act of 1974, California Government Code Sections 81000 et seq., the State includes certain contractors to the State within the list of designated employees required to complete a Statement of Economic Interest (Form 700), unless upon a determination by the State that the range of duties that the consultant is required to perform are limited in scope and, thus, not required to fully comply with the disclosure requirements. Pursuant to this policy, the State may require any individual performing auditing services under this Agreement to complete Form 700 and submit it to the State not less than 30 days from the date of this Agreement, or the request of the State, whichever is later. Initially, each individual designated in this agreement as serving on the project lead team shall submit Form 700, and, as assigned, other individuals providing consulting service may be required to complete Form 700, depending on their duties. In addition, if during the course of the audit and after the Form 700 is submitted, any such individual becomes aware of any additional information that Form 700 would ordinarily require that individual to disclose, he or she must immediately notify the State of that information. The Contractor shall make each individual assigned to perform services under this Agreement aware of this Paragraph 18 and shall require each individual designated by the State to prepare and submit Form 700.

(b) This Paragraph 18 shall not be read to express any views or opinions of the State Auditor as to whether any individual providing auditing services under this Agreement is subject to the Political Reform Act of 1974. Any questions about the applicability of that Act to any such individual should be directed to the California Fair Political Practices Commission.

(c) In all work performed under this contract, the Contractor shall agree to be free both in fact and appearance from personal, external, and organizational impairments to independence, as required by the general standards relating to independence contained in the Government Auditing Standards (GAO 03-673G). In this regard, the Contractor shall complete, and have each individual assigned to the engagement complete, the Independence Questionnaire, which is attached hereto as Attachment K, and hereby incorporated by reference into this Agreement. If any individual who is not listed in this agreement is assigned to perform the services under this Agreement, Contractor shall provide an additional letter, conforming to Attachment K, regarding that individual or individuals.

19. WAIVER

No waiver of any breach of this Agreement shall be held to be a waiver of any other or subsequent breach. All remedies afforded in this Agreement shall be taken and construed as cumulative; that is, in addition to every other remedy provided therein or by law. The failure of the State to enforce at any time any of the provisions of this Agreement or to require at any time performance by the Contractor of any of the provisions, shall in no way be construed to be a waiver of such provisions nor in any way to affect the validity of this Agreement or any part thereof or the right of the State thereafter to enforce each and every such provision.

20. DISPUTES

(a) Any dispute between the parties arising under or relating to the performance of this Agreement, which is not disposed of by agreement, shall be decided by the State and that decision shall be reduced to writing and mailed or otherwise furnished to the Contractor.

(b) If the Contractor does not agree with the State's decision, either party may assert its other rights and remedies within this Agreement or within a court of competent jurisdiction.

21. LIMITATION OF LIABILITY

(a) The State's liability for this Agreement should not exceed the total amount payable under the Agreement.

(b) In no event will the State be liable for consequential, incidental, indirect, special or punitive damages, even if notification has been given as to the possibility of such damages.

22. CONTRACTOR'S LIABILITY FOR INJURY TO PERSONS OR DAMAGE TO PROPERTY

The Contractor shall be liable for damages arising out of injury to the person and/or damage to the property of the State, employees of the State, persons designated by the State for training, or any other person(s) other than agents or employees of the Contractor, designated by the State for any purpose, prior to, during, or subsequent to delivery, installation, acceptance, and use of the Deliverables either at the Contractor's site or at the bureau's place of business, provided that the injury or damage was caused by the fault or negligence of the Contractor.

23. INDEMNIFICATION

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, suppliers, laborers and any other person, firm or corporation furnishing or supplying work services, materials, or supplies in connection with the performance of this Agreement, 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 Agreement.

24. LAW GOVERNING

This Agreement, and any amendments to this Agreement, shall be governed by the laws of the State of California both as to interpretation and performance regardless of the specific location of any performance.

25. AGREEMENT IS COMPLETE

This Agreement represents the complete and exclusive statement of the agreements between the State and the Contractor with respect to the subject matter of this Agreement, and supersedes all prior agreements, proposals, representations, and other communications, written or oral, between the State and the Contractor regarding this subject matter. The State and the Contractor agree that there are no oral or written covenants, conditions, or agreements with respect to the subject matter of this Agreement except as set forth in this Agreement.

26. PREVAILING CLAUSES

In the event of a conflict between the provisions of any Rider or other Attachment to this Agreement and the provisions of the General Terms and Conditions of this Agreement, the provisions of these General Terms and Conditions shall govern.

27. CAPTIONS

The paragraph headings appearing in this Agreement have been inserted for convenience and for ready reference. They do not purport to and shall not be deemed to define, limit, or extend the scope or intent to the paragraphs to which they pertain.

28. 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:

Bureau of State Audits
Attention: Accounting Office
555 Capitol Mall, Suite 300
Sacramento, CA 95814

29. MATERIALS DELIVERY

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

Bureau of State Audits
Attention: _____
555 Capitol Mall, Suite 300
Sacramento, CA 95814

30. FORCE MAJEURE

Except for defaults of subcontractors, the Contractor and the State are not responsible for delays or failures to perform resulting from acts beyond the control of the nonperforming party. Those acts include, but are not limited to, acts of god, strikes, lockouts, riots, acts of war, epidemics, earthquakes, other disasters, governmental statutes or regulations imposed after the fact, and ancillary functions or utilities that are provided by a person or entity not a party to this Agreement. If a delay or failure in performance by the Contractor arises out of a default of its subcontractor, and the default arises out of causes beyond the control of either the Contractor or the subcontractor, without the fault or negligence of either of them, the Contractor is not liable for damages for that delay or failure, unless the supplies or services to be furnished by the subcontractor were available from other sources in sufficient time to permit the Contractor to meet the required performance schedule.

31. NONDISCRIMINATION

During the performance of this Agreement, Contractor and its subcontractor shall not unlawfully discriminate, harass, or allow harassment against any employee or applicant for employment because of sex, race, color, ancestry, religious creed, national origin, physical disability (including HIV and AIDS), mental disability, medical condition (cancer), age (over

40), marital status, and denial of family care leave. Contractor and subcontractors shall insure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment. Contractor and subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Government Code Section 12990 (a-f) et seq.) and applicable regulations promulgated thereunder (California Code of Regulations, Title 2, Section 7285 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code Section 12990 (a-f), set forth in Chapter 5 of Division 4 of Title 2 of California Code of Regulations, are incorporated into this Agreement by reference and made a part hereof as if set forth in full. Contractor and its subcontractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other Agreement.

32. TIME OF PERFORMANCE

Time is of the essence for purposes of this Agreement including the performance of services under any schedule established under this Agreement.

33. WITHHOLDING ON PAYMENTS TO CALIFORNIA NONRESIDENTS

Payments made to California nonresidents, including corporations, limited liability companies, and partnerships that do not have a permanent place of business in this state are subject to seven percent (7%) state income tax withholding (California Revenue and Taxation Code Section 18662).

Types of income subject to withholding include, but are not limited to, payments for services performed in California and payments of leases, rents and royalties for property (real or personal) located in California. No withholding is required on payments for goods.

The Franchise Tax Board may reduce the withholding if the seven percent (7%) will result in substantial overwithholding or waive the withholding if the payee has a current history of filing California returns and/or making estimated payments when due. For more information, or to request a waiver or reduced withholding rate, contact:

Nonresident Withholding Waiver Requests
Nonresident Withholding Section MS F-265
Franchise Tax Board
PO Box 651
Sacramento, CA 95812-0651
Telephone: (916) 845-4900; Fax: (916) 845-4831

34. AGENCY LIABILITY

The Contractor warrants by execution of this Agreement, that no person or selling agency has been employed or retained to solicit or secure this Agreement upon agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies maintained by the Contractor for the purpose of securing business. For breach or violation of this warranty, the

State shall, in addition to other remedies provided by law, have the right to annul this Agreement without liability, paying only for the value of the work actually performed, or otherwise recover the full amount of such commission, percentage, brokerage, or contingent fee.

35. INSURANCE REQUIREMENTS

(a) Insurance companies must be acceptable to the State. If self-insured, review of financial information may be required. Coverage for both general negligence and professional liability must be in-force for the complete term of contract. If insurance coverage expires during the term of the contract, a new certificate must be received by the State at least ten (10) days prior to the expiration of this contract. Insurance policies shall contain a provision that states the coverage will not be cancelled without 30 days prior written notice to the State. The Contractor is responsible for any deductible or self-insured retention contained within the insurance program.

(b) If the Contractor fails to keep in effect at all times the specified insurance coverage, the State may, in addition to any other remedies it may have, terminate this contract upon the occurrence of such even, subject to the provisions of this Contract.

(c) Any insurance required to be carried shall be primary, and not excess, to any other insurance carried by the State.

(d) The Contractor shall maintain general liability insurance with limits of not less than $1,000,000 per occurrence for bodily injury and property damage liability combined. The policy must include the State of California, its officers, agents, employees and servants as additional insured, but only insofar as the operations under the contract are concerned. The policy shall include coverage for liabilities arising out of premises, operations, independent contractors, products, completed operations, personal and advertising injury, and liability assumed under an insured contact. This insurance shall apply separately to each insured against whom claim is made or suit is brought subject to the Contractor's limit of liability. Contractor shall provide proof of Professional Errors and Omissions Insurance covering any damages caused by an error, omission or any negligent acts.

NOTE: ADDITIONAL TERMS AND CONDITIONS MAY APPLY DEPENDING ON THE PROPOSAL AND/OR THE PROPOSER.

Attachment D

Bureau of State Audits, Confidentiality/Nondisclosure Agreement

The undersigned acknowledges and agrees, on behalf of ("the Contractor") that any records, documents, and information, or any draft or final audit report that the undersigned reviews or produces in connection with providing auditing services to the Bureau of State Audits (State) relating to Statewide Single Audit of California audit work provided pursuant to State contract number _____ shall be subject to the terms of this Confidentiality/Nondisclosure Agreement (agreement). The undersigned acknowledges and agrees to all of the following:

(a) The audit reports and records, documents, or information used in support of the reports that are made available to the Contractor, or that are generated by the Contractor, during the course of the audit, including, but not limited to all financial, statistical, proprietary, market sensitive, highly sensitive, personal, technical, and other information used in support of or contained in those reports, are confidential and shall be protected by the Contractor from unauthorized use or disclosure, as described in this agreement. In providing that protection, Contractor shall comply with this agreement and any other reasonable procedural requirements of the State that are provided in writing to the Contractor.

(b) Except as required by law or legal process, the Contractor shall not publicly disclose data or disseminate the contents of any draft audit report or any records, documents, or information used in support of any draft audit report. Except as required by law or legal process, the Contractor shall not publicly disclose data or disseminate the contents of the final audit report or any records, documents, or other information used in support of the audit report without the written permission of the State. Permission to disclose the contents of an audit report on one occasion on behalf of the State or to give testimony at a public hearing held by a legislative committee relating to the audit report shall not authorize the Contractor to further disclose information in the report or to disseminate this information on any other occasion on behalf of the State.

(c) With the exception of comments made about the audit to the State, the Contractor shall not make comments to any individual, including, but not limited to, any member of the media regarding the audit, nor shall the Contractor comment on the bureau's actions regarding the audit, without the prior written consent of the State.

(d) The Contractor acknowledges and understands that it is a misdemeanor for the State or any employee or former employee of the State to divulge in any manner not permitted by law, the particulars of any record, document, or information the disclosure of which is restricted by law. This restriction includes, but is not limited to, records, documents, or information reviewed in connection with the audit that are not used in support of the final audit report. This prohibition also applies to any person or business entity and to the employees and former employees of this person or business entity that has assisted the State in the course of an audit or that has been furnished a draft copy of an audit report for comment and review (Government Code Section 8545.1).

_____
Company/Firm Name

_____
Print Name

_____ _____
Signature Date

Attachment E

Encryption and Information Privacy Policy

BACKGROUND

Theft of portable computing devices, such as laptop computers, is a problem in the state and in private industry. Theft and other loss of portable computing equipment can lead to the compromise of confidential, sensitive, or personal data, which in turn can lead to privacy issues and costly follow-up activities.

The state continues to experience situations in which confidential, sensitive, or personal data is compromised when an unencrypted electronic device is lost or stolen. Budget Letter 05-32 issued by the Department of Finance requires encryption of state data that is confidential, sensitive, and personal when it is stored on portable computing devices (including, but not limited to, laptops and notebook computers) and/or portable electronic storage media (including, but not limited to, optical discs and flash memory storage devices).

Government Code Section 8545.2, grants the Bureau of State Audits a very broad right of access to the records of state agencies and other public entities it is directed to audit. Additionally, the State may receive information from the private sector and agree to keep that information confidential. Since the State has "stand in their shoes authority" over auditee information and at times receives sensitive information from the private sector, the State must be vigilant in protecting personal, sensitive or confidential information from inappropriate or unauthorized access, use or disclosure, regardless of media type. In addition, the State is the owner of sensitive information, such as personnel records, and must also be vigilant in protecting those records.

This policy is not intended to limit the bureau's right to access the records of public entities. Rather, it is intended to establish protocols to minimize the risk that those records are inadvertently disclosed.

POLICY

Whether the State is the custodian or the owner of the confidential information, all employees must ensure the security and integrity of that information. Individuals of non-government entities with whom the State has contracted are also included under

this mandate (Civil Code Section 1798.19). This policy pertains to all information assets, including, but not limited to electronic assets and paper assets.

All State employees and contractors are responsible for providing encryption, or equally effective measures, for all personal, sensitive, or confidential information that is stored on any portable electronic storage media (including, but not limited to, optical discs and flash memory storage devices) and on portable computing devices (including, but not limited to, laptop, handheld, and notebook computers).

This policy applies to all portable electronic storage media or portable computing devices that contain state data, including media owned by employees, vendors, contractors, or researchers. Where state-owned confidential, sensitive, and/or personal information exists, it must not be allowed on any portable equipment or media that is not protected.

Personal, sensitive, or confidential information stored on shared drives on a local area network (LAN) is not subject to this policy because information stored on these drives is not considered portable. In addition, this policy does not apply to mainframe and server tapes at this time.

RULES OF CONDUCT

The following is an overview of the rules of conduct the State follows to protect that data:

Responsibilities of all staff:

- All electronic transmittals of personal, sensitive, or confidential information between State staff and auditees or contractors must be encrypted.
- Staff must limit the gathering of data to only what is relevant and necessary, and redact extraneous information whenever possible.
- Staff may work only with secure servers while away from the office.
- Each team leader is responsible for developing and maintaining a written list of staff (including signatures), who are authorized to access any sensitive data on any audit.
- Staff must ensure that all hard drives and other storage devices, including flash drives, are encrypted.
- Staff must follow the bureau's protocols for password protection, which requires 8 plus characters, including numbers and symbols, and new passwords every 42 days. Staff should employ "strong" passwords. A strong password conforms to the following parameters:

i. Is never shared with anyone else
ii. Is over 8 characters in length
iii. Uses at least 1 character from each of the following character types:
    1. Lower case letter (e.g. a)
    2. Upper case letter (e.g. B)
    3. Number (e.g. 3)
    4. Punctuation mark or symbol (e.g. $)
iv. Is easy to remember, but not be easily guessable or related to staff (such as SSN's, addresses, or phone numbers)

- Staff assigned to audits that will involve gathering particularly sensitive information, such as HIPPA protected data, must meet with the Information Security Officer and the Information Privacy Officer prior to gathering the data.
- All staff with access to particularly sensitive information, such as HIPPA protected data, must certify in writing, prior to accessing such data, that they are aware of the nature of the data, and have reviewed, understand, and agreed to adhere to the Rules of Conduct as specified in this section. This will occur at the meeting with the Information Security Officer and the Information Privacy Officer.
- Staff must use secure methods to transport data (i.e. carry-on luggage when traveling, or other secure transmittal methods).
- Staff may only use State computer equipment to receive, store, and transmit electronic information.
- Staff must preserve the "chain of custody" over data, whether electronic or hard copy.
- Staff must transfer records gathered from state agencies and stored on laptops to the bureau's network drives as soon as practicable.
- Staff must secure all workpapers and other confidential materials when away from their desks.
- Any breach of security must be promptly reported to the bureau's Information Security Officer and Information Privacy Officer,
- Staff must shred all backup, hard-copy, confidential material when they are no longer needed.
- Staff must ensure that sensitive data on discs be overwritten before being disposed.
- Staff (assisted by the Information Technology Unit) are responsible for ensuring that the reclaimed space on their hard drives is overwritten at the end of the audit.
- Staff (assisted by the Information Technology Unit) are responsible for ensuring that the bureau's electronic information security systems limit access

to personal, sensitive, or confidential information to those who need access or those who have a right of access, as appropriate.

DEFINITIONS

For the purposes of this policy:

Personal information is information that identifies or describes an individual as defined in, but not limited by, the statutes listed below. This information must be protected from inappropriate access, use, or disclosure and must be made accessible to data subjects upon request:

- Notice-triggering personal information – specific items or personal information (name plus Social Security Number, driver's license/California identification card number, or financial account number) that may trigger a requirement to notify individuals if an unauthorized person acquires it (See Civil Code Sections 1798.29 and 1798.3);

- Protected Health Information – individually identifiable information created, received, or maintained by such organizations as health care payers, health care providers, health plans, and contractors to these entities, in electronic or physical form. State law requires special precautions to protect such data from unauthorized use, access or disclosure (See Confidentiality of Medical Information Act, Civil Code Section 56 et seq. and the Patients' Access to Health Records Act, Health and Safety Code Sections 123100-123149.5); and

- Electronic Health Information – individually identifiable health information transmitted by electronic media or maintained in electronic media. Federal regulations require state entities that are health plans, health care clearinghouses, or health care providers that conduct electronic transactions ensure the privacy and security of electronic protected health information from unauthorized use, access, or disclosure (See Health Insurance Portability and Accountability Act, 45 C.F.R. parts 160 and 164).

Sensitive information is information maintained by state agencies that requires special precautions to protect it from unauthorized use, access, disclosure, modification, loss, or deletion. Sensitive information may be either public or confidential. It is information that requires a higher than normal assurance of accuracy and completeness. Thus the key factor for sensitive information is that of integrity. Typically, sensitive information includes records of agency financial transactions and regulatory actions.

Confidential information is information maintained by state agencies that is exempt from disclosure under the provisions of the California Public Records Act (Government Code Sections 6250-6265) or other applicable state or federal laws.

****

The Contractor shall comply with the State of State Audits' (State) policy on data encryption and information privacy (see attached policy). Please sign the certification below. If you have any questions or concerns regarding this policy, please contact Karl Okamoto, Information Security Officer, or Stephanie Ramirez-Ridgeway, Information Privacy Officer.

Attachment F

Certification of Special Terms and Conditions

1. STATEMENT OF COMPLIANCE: The Contractor's signature affixed hereon and dated shall constitute a certification under the penalty of perjury under the laws of the State of California that the Contractor has, unless exempted, complied with the nondiscrimination program requirements of Government Code, Section 12990 (a-f) and Title 2, California Code of Regulations, Section 8103.

2. DRUG-FREE WORKPLACE CERTIFICATION: By signing this contract, the Contractor or grantee hereby certifies under penalty of perjury under the laws of the State of California that the Contractor or grantee will comply with the requirements of the Drug-Free Act of 1990 (Government Code Section 8350 et seq.) and will provide a drug-free workplace by taking the following actions:

   a. Publish a statement notifying employees that unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited and specifying actions to be taken against employees for violations, as required by Government Code, Section 8355 (a).

   b. Establish a Drug-Free Awareness Program as required by Government Code, Section 8355 (b) to inform employees about all of the following:

      1) The dangers of drug abuse in the workplace;

      2) The person's or organization policy of maintaining a drug-free work workplace;

      3) Any available counseling, rehabilitation and employee assistance program; and

      4) Penalties that may be imposed upon employees for drug abuse violations.

   c. Provide, as required by Government Code, Section 8355 (C), that every employee who works on the proposed contract:

      1) Will receive a copy of the company's drug-free policy statement; and

      2) Will agree to abide by the terms of the company's statement as a condition of employment on the contract.

Failure to comply with these requirements may result in suspension of payments under the contract or termination of the contract or both and the Contractor or grantee may be ineligible for award or any future state contracts if the State determines that any of the following has occurred: (1) the Contractor or grantee has made false certification or (2) violates the certification by failing to carry out the requirements as noted above.

3. NATIONAL LABOR RELATIONS BOARD CERTIFICATION: By signing hereon the Contractor swears under penalty of perjury that no more than one final, unappealable finding of contempt of court by a federal court has been issued against the Contractor within the immediately preceding two-year period because of the Contractor's failure to comply with an order of a federal court which orders the Contractor to comply with an order of the federal court which orders the Contractor to comply with an order of the National Labor Relations Board. This provision is required by, and shall be construed in accordance with Public Contract Code, Section 10296.

4. EXPATRIATE CORPORATIONS: Contractor hereby declares that it is not an expatriate corporation or subsidiary of an expatriate corporation within the meaning of Public Contract Code Section 10286 and 10286.1, and is eligible to contract with the State of California.

5. DOMESTIC PARTNERS: For contracts over $100,000 executed or amended after January 1, 2007, the contractor certifies that contractor is in compliance with Public Contract Code section 10295.3.

DOING BUSINESS WITH THE STATE OF CALIFORNIA

1. LABOR CODE/WORKERS' COMPENSATION: Contractor needs to be aware of the provisions which require every employer to be insured against liability for Workers' Compensation or to undertake self-insurance in accordance with the provisions, and Contractor affirms to comply with such provisions before commencing the performance of the work of this Agreement (Labor Code, Section 3700).

2. AMERICANS WITH DISABILITIES ACT: Contractor assures the State that it complies with the Americans with Disabilities Act (ADA) of 1990, which prohibits discrimination on the basis of disability, as well as all applicable regulations and guidelines issued pursuant to the ADA (42 U.S.C. 12101 et seq.)

3. CONTRACTOR NAME CHANGE: An amendment is required to change the Contractor's name as listed on this Agreement. Upon receipt of legal documentation of the name change, the State will process the amendment. Payment of invoices presented with a new name cannot be paid prior to approval of said amendment.

4. CHILD AND FAMILY SUPPORT COMPLIANCE CERTIFICATION: The Contractor acknowledges the policy of the State of California, as set forth in Section 7110 of the California Public Contract Code, to require compliance with state and federal laws

relating to child and family support enforcement. By signing this Agreement, the Contractor certifies that, to the best of the Contractor's knowledge, the Contractor is in full compliance with all earnings assignment orders for child support or family support affecting the Contractor's employees.

5. CORPORATE QUALIFICATION TO DO BUSINESS IN CALIFORNIA:

   When agreements are to be performed in the State by corporations, the contracting agencies will verify that the contractor is currently qualified to do business in California in order to ensure that all obligations due to the state are fulfilled.

   "Doing Business" is defined in R&TC Section 23101 as actively engaging in any transaction for the purpose of financial or pecuniary gain or profit. Although there are some statutory exceptions to taxation, rarely will an incorporated contractor performing within the state not be subject to the franchise tax.

   Both domestic and foreign corporations (those incorporated outside of California) must be in good standing in order to be qualified to do business in California. Agencies will determine whether a corporation is in good standing by calling the Office of the Secretary of State.

6. AIR OR WATER POLLUTION VIOLATION: Under the State laws, the Contractor shall not be: (1) in violation of any order or resolution not subject to review promulgated by the State Air Resources Board of an air pollution control district; (2) subject to cease and desist order not subject to review issued pursuant to Section 13301 of the Water Code for violation of waste discharge requirements or discharge prohibitions; or (3) finally determined to be in violation of provisions of federal laws relating to air or water pollution.

7. PAYEE DATA RECORD FORM STD. 204: This form must be completed by all contractors that are not another state agency or other governmental entity.

_____
Company/Firm Name

_____
Print Name

_____ _____
Signature Date

Attachment G

Darfur Contracting Act Certification

Pursuant to Public Contract Code section 10478, if a bidder or proposer currently or within the previous three years has had business activities or other operations outside of the United States, it must certify that it is not a "scrutinized" company as defined in Public Contract Code section 10476. Therefore, to be eligible to submit a bid or proposal, please insert your company name and Federal ID Number and complete only **one** of the following three paragraphs (via initials for Paragraph # 1 or Paragraph # 2, or via initials and certification for Paragraph # 3):

Company/Vendor Name (Printed)	*Federal ID Number*
Printed Name and Title of Person Initialing (for Options 1 or 2)	

1. _____ Initials — We do not currently have, and have not had within the previous three years, business activities or other operations outside of the United States.

OR

2. _____ Initials — We are a scrutinized company as defined in Public Contract Code section 10476, but we have received written permission from the Department of General Services (DGS) to submit a bid or proposal pursuant to Public Contract Code section 10477(b). A copy of the written permission from DGS is included with our bid or proposal.

OR

3. _____ Initials + certification below — We currently have, or we have had within the previous three years, business activities or other operations outside of the United States, but we certify below that we are not a scrutinized company as defined in Public Contract Code section 10476.

CERTIFICATION For # 3.

I, the official named below, CERTIFY UNDER PENALTY OF PERJURY that I am duly authorized to legally bind the prospective proposer/bidder to the clause listed above in # 3. This certification is made under the laws of the State of California.

By (Authorized Signature)	
Printed Name and Title of Person Signing	
Date Executed	*Executed in the County and State of*

Attachment H

Small Business and Disabled Veteran Business Incentive

DVBE INCENTIVE OPTION WITHOUT DVBE PROGRAM REQUIRMENT

In accordance with section 999.5(a) of the Military and Veterans Code, an incentive will be given to bidders who provide DVBE participation. For evaluation purposes only, the State shall apply an incentive to bids that propose California certified DVBE participation as identified on the Bidder Declaration GSPD-05-105 (Attachment J) and confirmed by the State. The incentive amount for awards based on low price will vary in conjunction with the percentage of DVBE participation. The following percentages will apply for awards based on low price.

Confirmed DVBE Participation of:	DVBE Incentive
5% or Over	5%
4% to 4.99%	Inclusive 4%
3% to 3.99%	Inclusive 3%
2% to 2.99%	Inclusive 2%
1% to 1.99%	Inclusive 1%

Attachment I

PROPOSAL/PROPOSER CERTIFICATION SHEET

This Proposal/Proposer Certification Sheet must be signed and returned along with all the "required attachments" as an entire package with original signatures. The proposal must be transmitted in a sealed envelope in accordance with RFP instructions.

An Unsigned Proposal/Proposer Certification Sheet
May Be Cause For Rejection

1. Company Name	2. Telephone Number ( )	2a. Fax Number ( )
3. Address		
Indicate your organization type: 4. ☐ Sole Proprietorship	5. ☐ Partnership	6. ☐ Corporation
Indicate the applicable employee and/or corporation number: 7. Federal Employee ID No. (FEIN)	8. California Corporation No.	
9. Indicate applicable license and/or certification information:		
10. Proposer's Name (Print)	11. Title	
12. **Signature**	13. Date	
14. Are you certified with the Department of General Services, Office of Small Business Certification and Resources (OSBCR) as: a. California Small Business Enterprise Yes ☐ No ☐ If yes, enter certification number: _____	b. Disabled Veteran Business Enterprise Yes ☐ No ☐ If yes, enter your service code below: _____	
NOTE: A copy of your Certification is required to be included if either of the above items is checked **"Yes"**. Date application was submitted to OSBCR, if an application is pending:		

Attachment J

Bidder Declaration

State of California—Department of General Services, Procurement Division
GSPD–05–105 (EST 8/05)

Solicitation Number_____

BIDDER DECLARATION

1. Prime bidder information **(Review attached Bidder Declaration Instructions prior to completion of this form)**:

a. Identify current California certification(s) **(MB, SB, SB/NVSA, DVBE):** _____ **or None** ____ (If "None", go to Item #2)

b. Will subcontractors be used for this contract? **Yes** ___ **No** ___ (If yes, indicate the distinct element of work your firm will perform in this contract e.g., list the proposed products produced by your firm, state if your firm owns the transportation vehicles that will deliver the products to the State, identify which solicited services your firm will perform, etc.). Use additional sheets, as necessary.

_____

_____

c. If you are a California certified DVBE: (1) Are you a broker or agent? **Yes** ___ **No** ___
(2) If the contract includes equipment rental, does your company own at least 51% of the equipment provided in this contract (quantity and value)? **Yes** ___ **No** ___ **N/A** ___

2. If no subcontractors will be used, skip to certification below. Otherwise, list all subcontractors for this contract. (Attach additional pages if necessary):

Subcontractor Name, Contact Person, Phone Number & Fax Number	Subcontractor Address & Email Address	CA Certification (MB, SB, DVBE or None)	Work performed or goods provided for this contract	Corresponding % of bid price	Good Standing?	51% Rental?

CERTIFICATION: By signing the bid response, I certify under penalty of perjury that the information provided is true and correct.

Page____ of ____

BIDDER DECLARATION Instructions

All prime bidders (the firm submitting the bid) must complete the Bidder Declaration.

1.a. Identify all current certifications issued by the State of California. If the prime bidder has no California certification(s), check the line labeled "None" and proceed to Item #2. If the prime bidder possesses one or more of the following certifications, enter the applicable certification(s) on the line:

- Microbusiness (MB)
- Small Business (SB)
- Small Business Nonprofit Veteran Service Agency (SB/NVSA)
- Disabled Veteran Business Enterprise (DVBE)

1.b. Mark either "Yes" or "No" to identify whether subcontractors will be used for the contract. If the response is "No", proceed to Item #1.c. If "Yes", enter on the line the distinct element of work contained in the contract to be performed or the goods to be provided by the prime bidder. Do not include goods or services to be provided by subcontractors.

Bidders certified as MB, SB, SB/NVSA, and/or DVBE must provide a commercially useful function as defined in Military and Veterans Code Section 999(e)(2)(A) for DVBEs and Government Code Section 14837(d)(4)(A) for small/microbusinesses. For questions regarding commercially useful function determinations made in conjunction with certification approval, contact the Department of General Services, Procurement Division, Office of Small Business and DVBE Certification (OSDC), OSDC Certification and Compliance Unit via email at: osdchelp@dgs.ca.gov

Bids must propose that certified bidders provide a commercially useful function for the resulting contract or the bid will be deemed non-responsive and rejected by the State. For questions regarding the solicitation, contact the procurement official identified in the solicitation.

Note: A subcontractor is any person, firm, corporation, or organization contracting to perform part of the prime's contract.

1.c. This item is only to be completed by businesses certified by California as a DVBE.

(1) Declare whether the prime bidder is a broker or agent by marking either "Yes" or "No". The Military and Veterans Code Section 999.2 (b) defines "broker" or "agent" as a certified DVBE contractor or subcontractor that does not have title, possession, control, and risk of loss of materials, supplies, services, or equipment provided to an awarding department, unless one or more of the disabled veteran owners has at least 51-percent ownership of the quantity and value of the materials, supplies, services, and of each piece of equipment provided under the contract.

(2) If bidding rental equipment, mark either "Yes" or "No" to identify if the prime bidder owns at least 51% of the equipment provided (quantity and value). If **not** bidding rental equipment, mark "N/A" for "not applicable."

2. If no subcontractors are proposed, do not complete the table. Read the certification at the bottom of the form and complete "Page ____ of ____" on the form.

If subcontractors will be used, complete the table listing all subcontractors. If necessary, attach additional pages and complete the "Page ____ of ____" accordingly.

2. *(continued)* **Column Labels**

Subcontractor Name, Contact Person, Phone Number & Fax Number—List each element for all subcontractors.

Subcontractor Address & Email Address—Enter the address and if available, an Email address.

CA Certification (MB, SB, DVBE or None)—If the subcontractor possesses a current State of California certification(s), verify on the OSDC website (www.pd.dgs.ca.gov/smbus) that it is still valid and list all current certifications here. Otherwise, enter "None". [Note: A SB/NVSA should not be participating as a subcontractor]

Work performed or goods provided for this contract—Identify the distinct element of work contained in the contract to be performed or the goods to be provided by each subcontractor. Certified subcontractors must provide a commercially useful function for the contract. (See paragraph 1.b above for code citations regarding the definition of commercially useful function.) If a certified subcontractor is further subcontracting a greater portion of the work or goods provided for the resulting contract than would be expected by normal industry practices, attach a separate sheet of paper explaining the situation.

Corresponding % of bid price—Enter the corresponding percentage of the total bid price for the goods and/or services to be provided by each subcontractor. Do not enter a dollar amount.

Good Standing?—Provide a response for each subcontractor listed. Enter either "Yes" or "No" to indicate that the prime bidder has verified that the subcontractor(s) is in good standing for all of the following:

- Possesses valid license(s) for any license(s) or permits required by the solicitation or by law
- If a corporation, the company is qualified to do business in California and designated by the State of California Secretary of State to be in good standing
- Possesses valid State of California certification(s) if claiming MB, SB, and/or DVBE status
- Is **not** listed on the OSDC website as ineligible to transact business with the State

51% Rental?—This pertains to the applicability of rental equipment. Based on the following parameters, enter either "N/A" (not applicable), "Yes" or "No" for each subcontractor listed.

Enter "**N/A**" if the:

- Subcontractor is NOT a DVBE (regardless of whether or not rental equipment is provided by the subcontractor) or
- Subcontractor is NOT providing rental equipment (regardless of whether or not subcontractor is a DVBE)

Enter "**Yes**" if the subcontractor is a California certified DVBE providing rental equipment and the subcontractor owns at least 51% of the rental equipment (quantity and value) it will be providing for the contract.

Enter "**No**" if the subcontractor is a California certified DVBE providing rental equipment but the subcontractor does NOT own at least 51% of the rental equipment (quantity and value) it will be providing.

Read the certification at the bottom of the page and complete the "Page ____ of ____" accordingly.

Attachment K

Independence Questionnaire/Conflicts of Interest Disclosure

Independence Questionnaire for _____
(type or write consultant's name)

Government Auditing Standards (GAO 03-673G) require that auditors be free both in fact and appearance from personal and external impairments to independence. To ensure that the independence standard is met, each consultant must disclose any impairment related to the entities or programs he/she will be auditing, which are listed below.

*Audited Entities:*_____

Do you have any of the following personal impairments:

- A family member who is a director, officer, or employee, and is in a position to exert direct and significant control over of the audited entity or program?
- A financial interest that is direct, or is significant/material, though indirect, in the audited entity?
- A decision-making role that could affect the entity's operations?
- Biases about policies or preconceived notions about the programs?
- Seeking employment with the audited entity?

If you responded yes to any of the above, please describe the impairment.

_____

_____

_____

_____

Do you have any external impairments that would restrict your work or interfere with your ability to form independent and objective conclusions. External impairments are external pressures, actual or perceived, from management or employees of the audited entity that would deter the auditor from acting objectively and exercising professional skepticism?

If you responded yes, please describe the impairment.

Signed Date

Attachment L

Required Attachment Checklist

A complete proposal or proposal package will consist of the items identified below.

Complete this checklist to confirm the items in your proposal. Place a check mark or "X" next to each item that you are submitting to the State. For your proposal to be responsive, all required attachments must be returned. This checklist should be returned with your proposal package.

	Attachment	**Attachment Name/Description**
_____	Attachment 1	Required Attachment Checklist
_____	Attachment 2	Six Copies of Proposal (in a sealed envelope)
_____	Attachment 3	Six Copies of Cost Proposal (separate from Proposal and in a sealed envelope)
_____	Attachment 4	Independence Questionnaire /Conflicts of Interest Disclosure (see Attachment K)
_____	Attachment 5	Confidentiality Statement/Nondisclosure Agreement (see Attachment D)
_____	Attachment 6	Bidders Declaration (Attachment J)
_____	Attachment 7	Certification of Special Terms and Conditions (Attachment F)
_____	Attachment 8	Proposal/Proposer Certification Sheet (Attachment I)
_____	Attachment 9	Darfur Contracting Certification (Attachment G)