



**Washington State Auditor  
Brian Sonntag**

**STATE OF WASHINGTON**

**Yellow Book Performance Audit of City of Seattle's  
Seattle City Light**

**RFP NUMBER 0608-RFP-K50**

**Per-Proposal Teleconference June 24, 2008 at 1:30 p.m. Local Time  
In Olympia, Washington**

**Proposal Due 2:00 p.m., Local Time in Olympia, Washington, on July 31, 2008**

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# CHAPTER 1 - INTRODUCTION & DEFINITIONS

## 1. INTRODUCTION

### A. OUR AUDIT AUTHORITY

In November 2005, voters approved Initiative 900 (<http://www.sao.wa.gov/PerformanceAudit/PDFDocuments/i900.pdf>), giving the Washington State Auditor's Office the authority to conduct independent, comprehensive performance audits of government agencies on behalf of citizens. The purpose of these audits is to ensure accountability and guarantee that tax dollars are spent as cost-effectively as possible. Each performance audit will examine the economy, efficiency and effectiveness of the policies, management, fiscal affairs and operations of state and local governments.

### B. SCOPE AND OBJECTIVES

The Washington State Auditor's Office, hereafter called "SAO," is initiating this Request for Proposal (RFP) from firms interested in conducting a comprehensive, independent Yellow Book performance audit of the City of Seattle's Seattle City Light. The audit will be conducted in accordance with government auditing standards.

#### **Performance Audit Scope**

The scope of the audit shall include the following operations.

- The City of Seattle's Seattle City Light.

#### **Performance Audit Objectives:**

(1) Do Seattle City Light's operations as currently structured provide opportunities in the following areas?

- Cost savings.
- Services that can be reduced or eliminated.
- Programs or services that can be transferred to the private sector.
- Gaps or overlaps in programs or services and recommendations to correct them.
- Feasibility of pooling the entity's information technology systems.
- Analysis of the roles and functions of the entity and recommendations to change or eliminate roles or functions.
- Recommendations for statutory or regulatory changes that may be necessary for the entity to properly carry out its functions.
- Analysis of the entity's performance data, performance measures and self-assessment systems.
- Best practices.

If opportunities exist, what are the impacts on past and future costs, services, and rates charged to service users (including other municipalities) and what are the step-by-step recommendations to address these impacts? For all findings and recommendations, estimate the five-year impact on past and future costs and clearly describe the benefits of using best practices.

(2) Does Seattle City Light's performance:

At the time of the audit:

- Achieve the most cost-effective balance of resources used versus services provided.
- Limit administrative expenses, such as administrative salaries, charged against the light utility and limiting administrative staffing levels to those necessary for the legal, reliable and safe operation of the utility?

Over the past three years:

- Limit overhead allocations and other expenditures charged against the utility to those that are allowed by state law and municipal code, and are reasonable and necessary? This includes, but is not limited to, central service allocations and charges from other City departments.
- Fully recover the cost of light utility services provided to other City departments?

If opportunities exist, what are the impacts on past and future costs, services, and rates charged to service users (including other municipalities) and what are the step-by-step recommendations to address these impacts? For all findings and recommendations, estimate the five-year impact on past and future costs and clearly describe the benefits of using best practices.

\*These objectives are focused on operations and do not extend to the City's construction management practices.

Under the approval of the State Auditor's Office, the Proposer, using their professional judgment, may include additional areas as part of this audit. **If additional areas are proposed they must be clearly and separately identified in the proposal and proposed cost breakdown.**

Proposers will use this information to help prepare their proposals and are not limited in gathering additional information or asking questions they deem useful and pertinent. Bidders will review the proposal contents section of the accompanying RFP to understand and respond to all elements of the RFP.

The proposer will provide costs and an envisioned methodology for all parts of the proposed audit, assuming the planned audit scope and objective will be affirmed through the survey process as described in the technical proposal and as part of the first deliverable.

We have provided information in Exhibit F to be used in developing proposals.

### C. MINIMUM QUALIFICATIONS

The following minimum qualifications are intended to ensure the proposer is independent and has adequate experience and expertise to conduct a Yellow Book performance audit of Seattle City Light.

1. The proposer, if awarded the contract, must have or will obtain all necessary licenses to do business in the State of Washington. Refer to this link for guidance:  
<http://www.dol.wa.gov/business/licensing.html>
2. The proposer must have a minimum of four (4) years of demonstrated experience in conducting audits of governmental organizations, programs or activities, in compliance with publications GAO-07-731G, Government Auditing Standards.
3. The proposer must have an internal quality control system in place and participate in an external peer review of their performance auditing engagement practices at least once every three years. The peer review must be conducted by reviewers independent of the proposer.
4. The proposer must demonstrate that all matters relating to the audit work, the audit organization and the individual auditors are free both in fact and appearance from personal, external and organizational impairments to independence. The proposer will certify its ability to meet the independence standard.
5. The proposer must demonstrate that the staff scheduled to perform the audit collectively possess:

- a. Knowledge of Generally Accepted Government Auditing Standards applicable to this audit and the education, skills and experience to apply such knowledge to the audit being performed
  - b. Skills to communicate clearly and effectively both orally and in writing
  - c. The ability to assess the efficiency and economy of utility operations and the knowledge to identify all relevant and significant costs associated with government entities with utility enterprise activities
  - d. Three years of recent experience auditing, consulting or managing electric utilities. Experience with both government and private utilities are a plus. The electric utility industry is dynamic and rapidly changing. The energy crisis, 9/11 (security and safety), salmon recovery and environmental / natural resource concerns have significantly influenced electric utilities. The successful candidate will have kept pace with this rapidly changing environment
  - e. The successful candidate will have knowledge or the ability to gain the knowledge in the following areas:
    - Regulatory setting including Federal Energy Regulation Commission (FERC), North American Electric Reliability Corporation (NERC), Western Electricity Coordinating Council (WECC), and State of Washington regulations.
    - Western energy grid and its Regional Transmission Organizations (RTO's) / Columbia Grid.
    - Electricity generation facilities, with particular knowledge of hydroelectric and wind power
    - Generation engineering, maintenance and operation
    - Energy market design, historical trends and forecasting
    - Capital investment planning and cost recovery
    - Cost of service and rate design methodologies
    - Integrated resource plans; development of power supply portfolios and resource integration
    - Power and transmission scheduling, purchasing, and sales
    - Various financial instruments including derivatives and hedging programs
    - Risk management strategies and best practices
    - Relicensing of generation facilities - hydroelectric dams
    - Distribution system engineering, maintenance and operation
    - Reliability standards and strategies
    - Ratepayer/Customer meter reading, billing, and receipting systems
    - Environmental issues and concerns that influence electric utilities today and into the future
    - Conservation programs and strategies
    - Bonneville Power Administration (BPA) power supply and contracts
6. The Proposer must follow the American Institute of Certified Public Accountants' (AICPA) code of professional conduct and the code of professional conduct of the Washington State Board of Accountancy.

7. The proposer must be aware of and comply with the Washington State Ethics in Public Service laws and rules. Refer to Chapter 42.52 Revised Code of Washington and Chapter 292 Washington Administrative Code, <http://apps.leg.wa.gov/rcw/default.aspx?Cite=42>
8. The proposer will provide three relevant client references from past engagements.
  - a. These references will include the company's name, contact person's name, title, address, and phone number.
  - b. The Proposer's submission of reference information constitutes permission for SAO to contact the references indicated and others who may have pertinent information regarding prior experience and ability to perform the services contemplated in this solicitation.
9. The proposer must provide copies of three performance audit reports and one set of corresponding "sample" work papers that the proposer has performed within the past three years in accordance with Government Auditing Standards.

A proposer who does not meet these minimum qualifications will be deemed non-responsive and will not receive further considerations.

**D. PERIOD OF PERFORMANCE**

The period of performance of any contract resulting from this RFP is tentatively scheduled to begin on or about September 30, 2008 and contract deliverables are due by August 28, 2009. Firms submitting proposals that show they can complete the audit prior to the August 28, 2009 deadline may receive higher scores for that portion of the proposal. Amendments extending the period of performance, if any, will be at the sole discretion of SAO. SAO reserves the right at its discretion, to extend the contract for up to three additional one-year periods.

**2. STANDARD DEFINITIONS**

Additional definitions can be found in Revised Code of Washington Chapter 39.29.

**A. AUDITED ENTITY**

The audited entity is the City of Seattle's Seattle City Light.

**B. AUDIT MANAGER/PERFORMANCE AUDIT MANAGER**

The State Auditor Office (SAO) employee or his/her delegate assigned to review the audit and coordinate with the contractor is the Audit Manager.

**C. CONTRACT**

A legally enforceable agreement between two or more competent parties.

**D. CONTRACTOR**

"Contractor" means the firm, provider, organization, individual or other entity, including subcontractors, performing service(s) under this contract, and will include all personnel of the contractor.

**E. CONTRACTOR'S REPRESENTATIVE**

An individual designated by the proposer or Contractor to act on its behalf and with the authority to legally bind the proposer or Contractor concerning the terms and conditions set forth in the solicitation and contract documents.

**F. GAO**

United States Government Accountability Office.

**G. GOVERNMENT AUDITING STANDARDS**

Standards established for audits of government organizations, programs, activities, and functions, and of government assistance received by contractors, nonprofit organizations, and other nongovernmental organizations. These standards, often referred to as Government Auditing Standards or Yellow Book, are to be followed by auditors and audit organizations when required by law, regulation, agreement, contract, or policy. These standards pertain to auditors' professional qualifications, the quality of audit effort, and the characteristics of professional and meaningful audit reports.

Government Auditing Standards can be accessed at: <http://www.gao.gov/new.items/d07731g.pdf>.

**H. PERFORMANCE AUDIT**

Performance audit is defined in the Government Auditing Standards, Yellow Book, Chapter 1.25 through 1.32.

**I. PROPOSAL**

A written offer submitted in response to this solicitation.

**J. PROPOSER**

An individual or organization submitting a proposal in response to this solicitation.

**K. RCW**

The Revised Code of Washington (Washington State Law).

**L. SAMPLE WORK PAPERS**

Work Papers that have been sufficiently cleansed so as not to reveal proprietary data.

**M. SOLICITATION COORDINATOR**

An individual designated by the State Auditor's Office to act on behalf of the state to administer the solicitation process.

**N. STATE AUDITOR'S OFFICE (SAO)**

The Washington State Auditor's Office, any section, office, unit or other entity of the State Auditor's Office or any of the officers or other officials lawfully representing the State Auditor's Office.

**O. SUBCONTRACTOR**

“Subcontractor” will mean one not in the employment of the contractor, who is performing all or part of those services under this contract under a separate contract with the contractor. The terms “subcontractor” and “subcontractors” means subcontractors(s) in any tier.

**P. YELLOW BOOK**

Government Auditing Standards, July 2007 Revision, GAO-07-731G

## CHAPTER 2 - STANDARD INSTRUCTIONS TO PROPOSERS

This section contains instructions regarding the preparation and submission of proposals.

### 1. SOLICITATION COORDINATOR

The Solicitation Coordinator is the sole point of contact at SAO for this procurement. All communication between the proposer and SAO will be with the Solicitation Coordinator, as follows:

Kevin Greene  
 Washington State Auditor's Office  
 3200 Capitol Boulevard SW  
 P.O. Box 40031  
 Olympia WA 98504-0031

**Physical Address for Hand Delivery or Courier Service:**

Washington State Auditor's Office  
 3200 Capitol Boulevard S.W.  
 Olympia WA 98504-0031

Telephone Number: (360) 725-5588  
 Fax Number: (360) 664-0157  
 E-mail Address: contractmanager@sao.wa.gov

Any other communication will be considered unofficial and nonbinding on SAO. Proposers are to rely on written statements issued by the Solicitation Coordinator. Communication directed to parties other than Solicitation Coordinator may result in disqualification of the proposer.

### 2. PROPOSER'S RESPONSIBILITIES

- A. Read and understand the solicitation document, and all attachments.
- B. Seek clarifications if necessary.
- C. Become familiar with, and abide by applicable federal laws Washington State statutes and regulations.
- D. Proposers interested in participating in the June 24, 2008 Pre-proposal Teleconference see schedule below) must call (360) 407-3780 prior to 1:30 pm local time in Olympia, Washington. The PIN code is 505295#.

### 3. SCHEDULE OF PROCUREMENT ACTIVITIES

| Event                                                                                                    | Local Time in Olympia, Washington | Date          |
|----------------------------------------------------------------------------------------------------------|-----------------------------------|---------------|
| • Issue Request for Proposals                                                                            | 5:00 pm                           | June 10, 2008 |
| • Pre-proposal Teleconference (Highly recommended but not required).                                     | 1:30 pm                           | June 24, 2008 |
| • Letter of Intent to Submit a Proposal due to SAO (highly recommended but not required, may be e-mail). | 5:00 pm                           | June 27, 2008 |
| • Last date for questions regarding solicitation.                                                        | 3:00 pm                           | July 1, 2008  |
| • Issue addendum to RFP (if applicable)                                                                  | 5:00 pm                           | July 3, 2008  |

|                                                                                                                |         |                                                                                                       |
|----------------------------------------------------------------------------------------------------------------|---------|-------------------------------------------------------------------------------------------------------|
| • Proposals due                                                                                                | 2:00 pm | July 31, 2008                                                                                         |
| • Evaluate proposals                                                                                           | 5:00 pm | August 5, 2008                                                                                        |
| • Conduct oral interviews with finalists, if required.                                                         | TBD     | August 13/14, 2008                                                                                    |
| • Announce “Apparent Successful Contractor” and send notification via fax or e-mail to unsuccessful proposers. | TBD     | August 21, 2008                                                                                       |
| • Hold debriefing conferences (as required)                                                                    | TBD     | August 22, 2008                                                                                       |
| • File contract with OFM                                                                                       | TBD     | August 28, 2008                                                                                       |
| • Begin contract work                                                                                          | TBD     | September 30, 2008<br>Work will not begin any sooner than 10 days after filing the contract with OFM. |

**SAO RESERVES THE RIGHT TO REVISE THIS SCHEDULE**

#### **4. VENDOR QUESTIONS AND ANSWERS**

Specific questions concerning this solicitation must be submitted in writing (phone calls will not be accepted) to the Solicitation Coordinator at the address specified in Chapter 2.1 of this solicitation. E-mail submission of questions is acceptable. The Solicitation Coordinator must receive questions no later than the time and date specified in Chapter 2.3 titled “*Schedule of Procurement Activities.*”

#### **5. LETTER OF INTENT TO PROPOSE (HIGHLY RECOMMENDED, BUT NOT REQUIRED)**

Vendors intending to submit a proposal to this solicitation are encouraged to provide a written Letter of Intent to Propose. We request, but do not require that the letter will be received by the Solicitation Coordinator by the time and date specified in Chapter 2.3 titled “*Schedule of Procurement Activities.*”

The proposer will submit an official letter of intent to propose signed by the principal, partner or appropriate obligating authority. In order to more easily meet the deadline, the signed letter of intent can be sent by e-mail attachment (for example, a PDF file) with the official letter of intent following by mail.

The following information is requested in the *Letter of Intent to Propose:*

- A. Name of individual/organization
- B. Authorized Representative information for this solicitation including:
  1. Name and Title
  2. Address
  3. Telephone Number
  4. Fax Number
  5. E-mail Address
- C. Statement of Intent to Propose

#### **6. REQUIRED REGISTRATION (WEBS)**

This solicitation will be issued via Washington’s Electronic Business Solution (WEBS). Proposers are required to register in WEBS <http://www.ga.wa.gov/webs/>. In WEBS, the RFP can be located under the following commodity codes:

- 9850 – Audit and Financial Services

This ensures any communications and addenda issued in reference to this solicitation are received by proposers planning to respond with a proposal. Use of WEBS requires an e-mail account. WEBS also keeps track of which documents have been downloaded by registered proposers and only sends new notification to vendors who have downloaded the most recent published bid/amendments. Therefore, it is the proposer’s responsibility to check WEBS for addenda or modifications prior to submitting their proposal. The State and SAO accept no liability and will provide no accommodation to proposers who fail to check for addenda and submit inadequate or incorrect responses. Proposers should contact the Solicitation Coordinator or WEBS Customer Service (360) 902-7400 or ([webcustomerservice@ga.wa.gov](mailto:webcustomerservice@ga.wa.gov)) with any questions.

**7. AMENDMENT TO THE SOLICITATION**

In the event that it becomes necessary to revise any part of this solicitation, an amendment will be issued via the Washington Electronic Business Solutions (WEBS) to all vendors who have registered in WEBS as required by Chapter 2.6 and downloaded the bid and any prior amendments through WEBS.

Proposal evaluations will be based on the material contained in the solicitation and any addenda and/or amendments issued to the solicitation.

SAO reserves the right to revise the solicitation and/or to issue addenda or amendment(s) to the solicitation. For this purpose, the questions and answers that are submitted to the Solicitation Coordinator and other pertinent information will be provided as an addendum to the solicitation.

SAO also reserves the right to cancel or to reissue the solicitation in whole or in part, prior to execution of a contract. In the event it becomes necessary to revise any part of the solicitation, an amendment will be provided to all those who have registered in WEBS as required by Chapter 2.6 and downloaded the bid and any amendments through WEBS.

If a conflict exists between addenda, amendments, or between an amendment and the solicitation, the document issued last will take precedence.

**8. MINORITY & WOMEN-OWNED BUSINESS PARTICIPATION**

In accordance with the legislative findings and policies set forth in Chapter 39.19 RCW, the State of Washington encourages participation in all of its contracts by firms certified by the Office of Minority and Women’s Business Enterprises (OMWBE). Participation may be either on a direct basis in response to this solicitation or on a subcontractor basis. However, no preference will be included in the evaluation of proposals, no minimum level of minority and women business enterprises’ participation will be required as a condition for receiving an award and proposals will not be rejected or considered nonresponsive on that basis. Any affirmative action requirements set forth in federal regulations or statutes included or referenced in the contract documents will apply.

The established annual procurement participation goals for minority business enterprises are 10 percent and for women business enterprises is 4 percent for this type of project. These goals are voluntary. Proposers may contact OMWBE at (360) 753-9693 for more information. Information on OMWBE can also be accessed at: [www.omwbe.wa.gov](http://www.omwbe.wa.gov)

**9. GENERAL STANDARDS FOR INDEPENDENCE AND IMPAIRMENTS (REFERENCE GAO-07-731G)**

All properly submitted proposals will be screened for GAO Government Auditing Standards 2007 (<http://www.gao.gov/new.items/d07731g.pdf>), General Standards for Independence. GAO Government Auditing Standards chapter 3.02 defines independence as:

*“In all matters relating to the audit work, the audit organization and the individual auditor, whether government or public, must be free from personal, external, and organizational impairments to independence, and must avoid the appearance of such impairments of independence.”*

As part of their response to this solicitation, proposers will be required to identify nonaudit services (see <http://www.gao.gov/new.items/d07731g.pdf>) let and/or performed within the last four years on behalf of all in-scope audited entities (defined Chapter 1.3 page 23) subject to this performance audit. Proposers will include a list as part of **Exhibit A, Certifications and Assurances**. This includes any subcontractors that may be employed by the proposer in performance of the contract. If no such services were performed for the audit entity, proposers will so indicate in **Exhibit A, Certifications and Assurances**. Failure of proposers to so identify nonaudit services performed on behalf of the audited entity as specified in this section will be deemed nonresponsive and their bids will be rejected. If SAO learns of such nonaudit services subsequent to the contract, and those nonaudit services were not disclosed to SAO by the proposer, SAO may choose not to pay the Proposer for work performed under the contract. As part of its evaluation process SAO will evaluate and determine if a proposer meets this requirement.

## 10. PROPRIETARY INFORMATION - PUBLIC DISCLOSURE

Materials submitted in response to this solicitation will become the property of SAO.

All proposals received will remain confidential until the contract, if any, resulting from this RFP, is signed by the SAO and the apparent successful Contractor. Thereafter, the proposals may be subject to disclosure pursuant to RCW 42.56, the Public Records Act.

- A. Chapter 42.56 RCW, Public records: <http://apps.leg.wa.gov/rcw/default.aspx?Cite=42>
- B. Executive Order 00-03, April 25, 2000, Public Records Privacy Protections
- C. Governor Gregoire Directive, February 7, 2006, Washington Public Disclosure Act  
<http://www.governor.wa.gov/execorders/default.asp>

Any information in the proposal which the proposer desires to claim as proprietary and exempt from public disclosure under the provisions of RCW 42.56 must be clearly designated in its proposal. The proprietary information must be placed in a separate envelope marked with the RFP number, the proposer's name, and the words "Proprietary Data" along with a statement of the basis for such claim of exemption.

SAO will consider a proposer's request for exemption from disclosure; however, SAO will make the decision predicated upon Chapter 42.56. Marking the entire proposal exempt from disclosure will not be honored. The proposer must be reasonable in designating information as confidential. If any information is marked proprietary in the proposal, SAO's responsibility to notify will be limited to request(s) for disclosure made within a period of five years from the date of award.

If any information or materials that proposer has marked as "Proprietary Data" is the subject of a public disclosure request, SAO's only obligation will be to notify the proposer that the request has been made and provide the proposer an opportunity to seek a court injunction against the requested disclosure. The proposer will have five (5) business days to respond to SAO's notice with its intent to seek a court injunction against the requested disclosure. If SAO receives no response from the proposer within the timeframe specified in this section, the materials and information will be released consistent with SAO policies and procedures under State law.

A charge will be made for copying and shipping public records, as outlined in RCW 42.56.120. No fee will be charged for inspection of contract files, but 24 hours notice to the Solicitation Coordinator is required. All requests for information should be directed to the Solicitation Coordinator.

## 11. PREPARATION AND SUBMISSION OF PROPOSAL

- A. ***Due Date and Time:*** Original, signed, sealed proposal(s) must be received at the specified location on or before the specified date and time stated in Chapter 2.3. Late proposals will not be accepted and will be automatically disqualified from further consideration. Postmarks will not be accepted. Proposers who mail proposals should allow normal mail delivery time to ensure timely receipt of their proposals by the Solicitation Coordinator. Proposers who are hand delivering proposals should allow time for traffic congestion. Proposers assume all risk for the method of delivery chosen. SAO assumes no responsibility for delays caused by any delivery service. The proposals must respond to the procurement requirements. Do not respond by referring to material presented elsewhere. The proposal must be complete and must stand on its own merits.

**B. Format:** To receive consideration, proposals must be legible and will conform to the format specified by SAO. Unless otherwise authorized, proposals must be filled out in ink or with electronic printer or other similar office equipment and properly signed by an authorized representative of the proposer. The cover page will show the proposal number, title of the procurement and submission date. Each section will be clearly labeled and separated with tabs. All changes and/or erasures will be initialed in ink. Unsigned proposals will be rejected.

Proposers are required to submit their proposal in 5 hard copies and one electronic version (on CD). Only the electronic version will contain the work samples (audit reports and sample work papers). One hard copy must have original signatures and four copies can have photocopied signatures. The original must be clearly identified. The proposal, whether mailed or hand delivered, must be received by SAO no later than the date and time specified in the schedule of procurement activities (see Chapter 2.3). All times are considered local time for Olympia, Washington. The envelope should be clearly marked to the attention of the Solicitation Coordinator, who is the agency’s sole point of contact for this procurement.

The electronic version of the proposal must be submitted on a CD in Word, Excel or PDF format and must arrive at the same time the hard copies of the proposal are submitted. No proposals will be accepted via e-mail or fax. Zipped files cannot be received by SAO and cannot be used for submission of proposals.

Proposal must be organized in nine sections:

1. Letter of Submittal (Pass/Fail)
2. Project Management
  - a. Description of the proposer’s internal quality control system
  - b. Most recent independent peer review of their Yellow Book performance audits and comments from the review
3. Technical Proposal
4. Cost Breakdown Fixed Priced Cost Proposal
5. Signed Fixed Priced Cost Certification (Exhibit C) (Pass/Fail)
6. Customer References (Pass/Fail)
7. Resumes (Pass/Fail)
8. Signed Certification and Assurances (Exhibit A) (Pass/Fail)
9. Samples of Work (CD copy only) (Pass/Fail)

Proposals will be prepared as instructed and delivered in the order given above (see [Exhibit E](#), Requirements Checklist). Proposers will title and number each item in the same way it appears in each section of Chapter 3 of this RFP.

**The letter of submittal, project management, technical proposal and cost proposal sections will not exceed 25 combined total pages.**

**The following are not included in the 25-page limit: Signed Fixed Price Cost Certification, Customer References, Team Member Resumes, Signed Certification and Assurances (Appendix A) and Work Samples.**

**C. Identification:** Proposals must be submitted in a sealed envelope, addressed as shown below:

|                                                                                                               |                                                                                                                           |
|---------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| Proposer’s Return Address<br>Solicitation Number: 0608-RFP-K50<br>Solicitation Coordinator Name: Kevin Greene | State Auditor’s Office<br>3200 Capitol Boulevard SW<br>Olympia, WA 98504-0031<br>Mail Stop 40031<br>Olympia WA 98504-0031 |
|---------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|

Late proposals will not be accepted and will be automatically disqualified from further consideration. The proposals must respond to the procurement requirements. Failure to respond to any portion of the

procurement document may result in rejection of the proposal as nonresponsive. All proposals and any accompanying documentation become the property of the SAO and will not be returned.

Proposers are allowed to submit more than one proposal to the same RFP.

Proposers are encouraged to submit multiple proposals using different project teams in each when proposing to more than one request for proposal issued by the State Auditor's Office, where the periods of performance specified in each request for proposals overlap.

## **12. CONTRACT AND GENERAL TERMS & CONDITIONS**

The apparent successful proposer will be expected to enter into a contract that is substantially the same as [Exhibit B](#). In no event is a proposer to submit its own standard contract terms and conditions in response to this solicitation. Proposers may submit exceptions as allowed in [Exhibit A, Certifications and Assurances](#); however, exceptions must be limited to terms that would prevent the proposer from contracting with the SAO. SAO will review requested exceptions and accept or reject the same at its sole discretion.

## **13. COSTS TO PROPOSE**

SAO will not be liable for any costs incurred by the proposer in preparation of a proposal submitted in response to this Solicitation, in conducting a presentation, or any other activities related to responding to this Solicitation.

## **14. ERRORS AND OMISSIONS IN PROPOSAL**

The SAO will not be liable for any errors or omissions in proposals. Proposers will not be allowed to alter or supplement their proposal documents after the proposal due date.

## **15. NO OBLIGATION TO CONTRACT**

This RFP does not obligate the State of Washington or SAO to contract for services specified herein.

## **16. SIGNATURES**

The Letter of Submittal, the Certifications and Assurances Form (Exhibit A), and the Fixed Price Cost Certification Form (Exhibit C) must be signed and dated by a person authorized to legally bind the proposer contractually, e.g., the President or Chief Executive Officer if a corporation, the managing partner if a partnership, or the proprietor if a sole proprietorship.

## **17. RESPONSIVENESS**

All proposals will be reviewed by the Solicitation Coordinator to determine compliance with administrative requirements and instructions specified in this solicitation. Failure to comply with any part of the solicitation may result in rejection of the proposal as nonresponsive.

SAO also reserves the right, however, at its sole discretion to waive minor irregularities.

## **18. PROPOSAL REJECTION**

Solely, SAO will make determination of clarity and completeness in the responses to any of the provisions in this Solicitation. SAO reserves the right to require clarification, additional information, and materials in any form relative to any or all of the provisions or conditions of this Solicitation.

Proposers are specifically notified that failure to comply with any part of the Solicitation may result in rejection of the proposal as nonresponsive.

SAO reserves the right at its sole discretion to reject any and all proposals received without penalty and not to issue a contract as a result of this Solicitation.

## 19. FAILURE TO COMPLY

**THE PROPOSER MUST PROVIDE A RESPONSE TO ALL SECTIONS SPECIFIED AS MANDATORY REQUIREMENT (MR) OR PASS/FAIL. FAILURE TO COMPLY WITH ANY PART OF SAO'S REQUEST FOR PROPOSAL MAY RESULT IN THE FIRM'S PROPOSAL BEING DISQUALIFIED (AND NOT SCORED) FOR BEING NONRESPONSIVE TO SAO'S REQUEST.**

## 20. ACCEPTANCE PERIOD

Proposals will provide 60 days for acceptance by SAO from the due date for receipt of proposals.

## 21. CONTRACT FORMATION

A submitted proposal is an offer to contract with the State. A proposal becomes a contract when officially accepted in writing by the State. The contract becomes effective upon successful review and/or filing with the Office of Financial Management. All proposals submitted become the property of the State and SAO and shall remain confidential until the contract, if any, resulting from this RFP is signed by SAO and the apparent successful Contractor; thereafter, the proposals shall be deemed public records as defined in RCW 42.56.

## 22. MOST FAVORABLE TERMS

SAO reserves the right to make an award without further discussion of the proposal submitted. Therefore, the proposal should be submitted initially on the most favorable terms that can be proposed. There will be no best and final offer procedure. SAO does reserve the right to contact a proposer for clarification of its proposal during the evaluation process. In addition, if the proposer is selected as the apparent successful contractor, SAO reserves the right to enter into contract negotiations with the apparent successful proposer, which may include discussion regarding the terms of the proposal. Contract negotiations may result in incorporation of some, or all, of the proposal. The proposer should be prepared to accept this Solicitation for incorporation into a contract resulting from this Solicitation. It is also understood that the proposal will become part of the official procurement file.

## 23. AWARD

Upon award, notification will be sent by the Solicitation Coordinator in writing via e-mail to all participating proposers. Additional information may be obtained by reviewing the purchase/contract file after award. Award results will not be given over the phone.

## 24. INSURANCE COVERAGE

The successful proposer will provide insurance coverage as set out in this section. The intent of the required insurance is to protect the SAO should there be any claims, suits, actions, costs, damages or expenses arising from any negligent or intentional act or omission of the Contractor or subcontractor, or agents of either, while performing under the terms of this contract. Contractor will submit to the SAO within 15 days of the contract effective date, a certificate of insurance which outlines the coverage and limits defined in the Insurance section. Contractor will submit renewal certificates as appropriate during the term of the contract.

The Contractor will provide insurance coverage, which will be maintained in full force and effect during the term of this Contract, as follows:

- A. **Commercial General Liability Insurance Policy:** Provide a Commercial General Liability Insurance Policy, including contractual liability, in adequate quantity to protect against legal liability arising out of contract activity, but no less than \$1,000,000 per occurrence. Additionally, the Contractor is responsible for ensuring that any subcontractors provide adequate insurance coverage for the activities arising out of subcontracts.
- B. **Automobile Liability:** In the event that services delivered pursuant to this contract involve the use of vehicles, either owned or not owned by the Contractor, automobile liability insurance will be required.

The minimum limit for automobile liability is: \$1,000,000 per occurrence, using a Combined Single Limit for bodily injury and property damage.

- C. Professional Liability:** Coverages with limits of not less than \$1,000,000 for any one occurrence.
- D. Workers Compensation Coverage:** Workers compensation and employers' liability coverages with Washington statutory limits and limits of not less than \$500,000 for employers' liability. The Contractor will at all times comply with all applicable workers compensation, occupational disease, and occupational health and safety laws, statutes and regulations to the full extent applicable. The State will not be held responsible in any way for claims filed by the Contractor or their employees for services performed under the terms of the Contract.
- E. Employers' Liability ("Stop Gap") Insurance:** In addition, the Contractor will buy employers' liability insurance and, if necessary, commercial umbrella liability insurance with limits not less than \$1,000,000 each accident for bodily injury by accident or \$1,000,000 each employee for bodily injury by disease.
- F. Additional Provisions:**
1. **Additional Insured:** The insurance required will be issued by an insurance company/ies authorized to do business within the State of Washington, and will name the State of Washington, its agents and employees as additional insureds under the insurance policy/ies. All policies will be primary to any other valid and collectable insurance.
  2. **Cancellation:** State of Washington, State Auditor's Office, will be provided 30 calendar days written notice before cancellation or nonrenewal of any insurance referred to herein. Contractor will instruct the insurers to give SAO 30 calendar days advance notice of any insurance cancellation or nonrenewal action.
  3. **Identification:** Policy must reference the State's contract number and the Agency name.
  4. **Insurance Carrier Rating:** All insurance and bonds should be issued by companies admitted to do business within the State of Washington and have a rating of A-, Class VII or better in the most recently published edition of Best's Reports. Any exception will be reviewed and approved by the SAO's Risks Manager or the Risk Manager of the Office of Financial Management, before the contract is accepted or work may begin. If an insurer is not admitted, all insurance policies and procedures for issuing the insurance policies must comply with Chapter 48.15 RCW and 284-15 WAC.
  5. **Excess Coverage:** By requiring insurance herein, the State does not represent that coverage and limits will be adequate to protect the Contractor, and such coverages and limits will not limit Contractor's liability under the indemnities and reimbursements granted to the State in this contract.

## 25. CONTRACTOR PRE-AUDIT TRAINING

Contractors and subcontractors performing work under this contract may be required to participate in SAO's systems and processes training in Olympia, Washington.

## 26. COMMITMENT OF FUNDS

The State Auditor or his delegates are the only individuals who may legally commit to the expenditures of funds or approve payment terms for work delivered under a contract resulting from this solicitation.

## **CHAPTER 3 - PROPOSAL SECTIONS**

This chapter contains instructions regarding the preparation and submission of proposals. The proposer must provide all information requested in the exact order specified below. Exhibit E is provided for the proposer's convenience in providing the following information.

Proposers should anticipate that the Technical and Cost proposal sections of the winning proposal will be incorporated into a "Performance Statement of Work" and attached to any resulting contract.

### **SECTION I - LETTER OF SUBMITTAL – MANDATORY REQUIRED (MR) / (PASS/FAIL)**

#### **1. ORGANIZATION SUMMARY (MR)**

The proposer must provide a summary of the organization/firm's pertinent expertise, skills, client base and services that are available for this project.

#### **2. BUSINESS IDENTIFICATION (MR)**

The proposers must provide an overview of their Firm/Organization, including, but not limited to the following:

- A. Organization/Firm's name, address and main business location
- B. The location of the facility from which the proposer would operate, including the telephone, fax and e-mail address
- C. Organization/Firm's start-up date.

#### **3. COMPANY OFFICERS (MR)**

The proposer must provide the names, addresses, and telephone numbers of principal officers (President, Vice President, Treasurer, Chairperson of the Board of Directors, etc.).

#### **4. PRIMARY CONTACT (MR)**

The proposer must include who within the Firm/Organization will have prime responsibility and final authority for the work under the proposed contract. Include the following:

- A. Name
- B. Title or position
- C. Address
- D. E-mail address
- E. Telephone and fax numbers.

#### **5. LEGAL STATUS (MR)**

The proposer must specify the legal status of the Organization/Firm (sole proprietorship, partnership, corporation, etc.) and the year the entity was organized to do business as the entity now exists.

#### **6. PREVIOUS STATE CONTRACTS (MR)**

If the proposer's Organization/Firm or any subcontractor or any other party named previously contracted with the State of Washington during the past 48 months, indicate the name of the state agency, or other audited entity, the contract number and describe the work and/or provide other information available to identify the contract.

#### **7. FORMER EMPLOYEE STATUS (MR)**

If any employee of the proposer or subcontractor was an employee of the State of Washington, or audited entity, during the **past 24 months**, or is now an employee of the State of Washington, or audited entity, identify the individual by name, state agency previously or currently employed by, job title or position held and separation date.

**8. CONTRACT TERMINATIONS (MR)**

If the proposer has had a contract terminated for default in the past five years, describe such incident. Termination for default is defined as notice to stop performance due to the proposer’s non-performance or poor performance. Issue of performance may have been:

- A. Not litigated due to inaction on the part of the proposer, or
- B. Litigated and such litigation determined that the proposer was in default.

Proposers will submit full details of the terms for default. Proposers will identify the other party, its name, address, and phone number, and present the proposer’s position on the matter. SAO will evaluate the facts and may, at its sole discretion, reject the proposal on the grounds of the past experience.

If the proposer has experienced no such termination for default in the past five years, so indicate.

**9. TAX INFORMATION (MR)**

The proposer must provide their Federal Employer Tax Identification number and the Washington Uniform Business Identification (UBI) number issued by the State of Washington Department of Revenue.

**10. SUB-CONTRACTOR QUALIFICATIONS (MR)**

For each subcontractor, the proposer must address the questions set forth in 1 – 3 and 5 – 9 above.

The proposer must include a statement that if awarded the contract as the primary contractor, the proposer will accept full responsibility for successful performance of the entire scope of work.

**11. STATEMENT OF ACCEPTANCE OF TECHNICAL REQUIREMENTS (MR)**

The Letter of Submittal will include a statement that the proposer accepts all of the elements and requirements identified in Section III Technical Proposal and be signed by the principal, partner or appropriate obligating authority.

**12. COMPLIANCE WITH INSURANCE REQUIREMENTS (MR)**

Each proposer must indicate in the Letter of Submittal and, as a condition of contract award that it will submit to SAO within 15 days of the contract effective date, a certificate of insurance which outlines the coverage and limits as defined in the Insurance section.

**SECTION II - PROJECT MANAGEMENT (MR)**

**1. PROPOSER’S PROJECT ORGANIZATION (MR)**

Proposals will be evaluated with consideration given to a strong project organization. It will be essential that team members are committed to the audit during their period of participation and that reporting lines are clear. The proposer must designate a lead individual who SAO management can successfully work with to resolve any problems, issues, or concerns.

**A. Organization (MR)**

The proposer will provide a project organizational chart indicating lines of authority for all key personnel (including subcontractors) who will be involved in the performance of the potential contract. The organization must have appropriate internal controls and must meet the external peer review requirements of the Government Auditing Standards. Furthermore the organization is responsible to insure appropriate internal controls are maintained by any subcontractor(s). Indicate any other work responsibilities, beyond this contract, that would be required of the assigned key staff. The project organization chart will also show lines of authority to the next senior level of management. On the organization chart, proposers should clearly identify who the lead individual is that will be assigned to work directly with SAO management.

**B. Project Management Team Structure and Internal Controls (MR)**

The proposer will provide a description of the proposed audit team structure and internal quality control system to be used during the course of the project, including any subcontractors. The proposer should include who within the proposer’s organization will have prime responsibility and final authority for all work products.

**C. Project Manager’s Assignment (MR)**

As a requirement of contract performance, SAO requires the proposer to provide appropriate leadership, management skills, authority, and resources to guide this project. The assignment of a skilled project manager will play a large role in fulfilling the requirement.

The proposer must provide a resume for the project manager (to be included in Section VII ) and include information on the individual’s specific skills related to this project, education, experience, significant accomplishments and responsibilities assumed on other similar projects.

*Proposer agrees that the Project Manager, as with other staff and subcontractors identified in this proposal, will be assigned for the duration of the project. Substitutions of project personnel must be approved in writing by SAO in advance of the performance of any work.*

**D. Project Team’s Responsibilities and Qualifications (MR)**

The proposer will identify responsibilities and roles of the key staff, including any subcontractors, who will be assigned to the project. Include any anticipated involvement of SAO staff and describe their level of participation.

The proposer will also provide resumes for the named key staff, which must include information on the individual’s specific skills related to this project, education, experience, significant accomplishments, and responsibilities assumed on other projects as well as any other pertinent information. All resumes provided will be located in Section VII.

Subcontractor employees performing work for the proposer as part of this contract will also submit resumes. Subcontractor resumes will display the word "SUBCONTRACTOR" in bold letters clearly printed across the top of the first page.

**E. Proposers Recent and Relevant Experiences (MR)**

The minimum qualifications specified in Chapter 1.1.C. must be met by the proposer, however this can be achieved through the use of subcontractors. The minimum qualifications are applicable to the team in its entirety not to any individual within the team.

Proposers must demonstrate and provide:

1. Samples of final performance audit reports and short descriptions that attest to GAS standards and other work conducted within the last five years that demonstrates the proposer’s capability to successfully perform this performance audit and attest to GAS standards. Proposer will provide three performance audit reports and one set of sample working papers.
2. A brief statement of recent and relevant experience (past five years) in conducting audits of cities, government organizations, programs or activities or other audit experience that will assist in the performance of this audit.
3. Proposer must provide a matrix that clearly identifies how the individuals assigned to the project will collectively meet the experience and expertise requirements outlined above and in Chapter 1.1.C. “Minimum Qualifications”.

**F. Proposers Peer Review (MR)**

Proposer must provide their most recent peer review of their Yellow Book performance audit report and any letter of comment, and any subsequent peer review reports and letters of comment received. The

proposer must also provide a copy of any subsequent peer review reports and letters of comment received during the period of the contract within 30 days of completion of the peer review.

**FAILURE TO DEMONSTRATE TO SAO'S SATISFACTION THAT PROPOSER MEETS THE MINIMUM EXPERIENCE REQUIREMENTS STATED AND/OR FAILURE TO PROVIDE EXAMPLES REQUIRED ABOVE MAY RESULT IN THE FIRM'S PROPOSAL BEING DISQUALIFIED (AND NOT SCORED).**

### **SECTION III - TECHNICAL PROPOSAL (MR)**

#### **1. OVERVIEW**

The Technical Proposal will propose an audit plan, including identification of the audit criteria that will be used and expected sources for audit evidence; how the results of previous audits and studies including how audits and studies in other states will be considered. The proposal must address all work and all audit objectives contained in Chapter 1.1.B and must address all nine elements of I-900, including cost savings.

The Proposer will describe and organize deliverable by potential opportunity, strategy, recommendation or best practice area as detailed under the performance audit objective. For each deliverable, the Proposer must specify in their proposed methodology how they plan to address each of the nine I-900 elements, the expected date of completion, and how each element contributes to the successful completion of the performance audit [PASS/FAIL]. The proposer must specify in their proposed methodology what internal controls they believe are significant to the performance audit objectives and how they plan to obtain an understanding of those controls [PASS/FAIL]. Include the individual audit procedures that are anticipated along with the specific audit team members who will perform those individual audit procedures, and references for any sub-contractors used. A starting point for all performance audits is to determine how a government measures and reports on its own performance. The proposal shall include those audit procedures necessary to determine how the entity currently measures and reports their performance externally to citizens and internally to policy makers and managers.

The proposers will review the information provided in Exhibit F as they complete the Technical Proposal. The proposer may present creative approaches that are likely to improve the outcome of the audit. Each proposer's Technical Proposal will be in sufficient detail to convey to members of the evaluation team the proposer's knowledge of the subjects and skills necessary to accomplish the project within the deadline discussed at Chapter 1.1.D.

It is recognized that planning is a continuous process throughout the audit and that auditors should consider the need to make adjustments to the audit objectives, scope and methodology as work is being completed. The SAO will reserve the right to modify the Technical Proposal, including deleting tasks, after completion of the survey process and at critical points during the course of the contract. A deliverable is not considered complete until SAO determines that it fully supports the information and conclusions (in accordance with Governmental Auditing Standards) that will be included in the audit report.

The period of performance of any contract resulting from this RFP will begin and end in accordance with the timeline specified at Chapter 1.1.D.

As part of the "Kickoff Meeting" to assist in the success of the performance audit, the vendor may be required to participate in SAO training regarding work papers and report requirements. The training for working papers will be conducted by the audit manager or designee and the report training will be conducted by a member of the communications staff or designee. It will last a minimum of four hours.

The contractor will create a visual presentation (i.e. PowerPoint slideshow) to convey the results of the audit during the exit conference and subsequent legislative hearings. Contractor will provide the presentation to SAO within five business days of submitting the final report to the audited entity for its official response.

The successful firm will participate in the exit conference with the audited entity and SAO. Other interested parties may attend when appropriate.

Contractor will provide a minimum of five hard copies and one electronic copy of the final report and one electronic copy of the work papers to SAO to meet its own requirements. Contractor will provide one

additional hard copy of the report to each audited entity. The contractor will provide testimony and presentations at public hearings as required by the State Auditor.

## **2. DELIVERABLES (MR)**

### **A. Audit Plan (MR)**

The Proposer will also specify the audit survey and resulting audit plan. Information obtained during the audit survey process will provide sufficient evidence to allow SAO to make the determination whether to proceed with a full performance audit for each phase. That information will help formulate the contractor's overall audit plan and finalized audit methodology, subject to SAO approval. The survey will include a detailed understanding of the current condition relating to the applicable audit objectives. Contracts play a significant role in the operations of the light utility. The contractor shall recommend which contracts to be audited based on the contractor's analysis and risk assessment.

### **B. Field Work (MR)**

Deliverables include written preliminary findings, recommendations, ongoing audit work and bi-weekly activity reports to the audited entity and bi-weekly updates with the State Auditor's Office are required. The bi-weekly updates to SAO must include at a minimum a summary of the work completed and an outline of the work to be done in the upcoming two-weeks.

SAO operates under a "No Surprise" policy meaning no surprises to SAO or the Auditee. (Suspected Fraud findings are still handled in a confidential manner.)

### **C. Draft Report (MR)**

The draft audit report will contain actionable observations, conclusions, and recommendations for the audited entities. Significant findings with recommendations directing the City to perform a study or another audit may not be considered actionable. The draft audit report will be fully supported with sufficient and appropriate evidence as required by Government Auditing Standards. Draft work papers must accompany draft report to SAO for review process.

The contractor may be required to revise the draft performance audit report to incorporate comments and address issues or concerns communicated by SAO. If the draft performance audit report is revised, the Contractor will provide the revised draft performance audit report to SAO in an expedient, timely manner.

A template for draft audit reports will be provided by the State Auditor's Office.

#### **1. SAO Performance Audit Report Format**

The Contractor selected for contract award must utilize SAO's most current standard Performance Audit Report Format. The Draft and Final Reports must include links to the applicable supporting documents in the work papers. Although subject to change, SAO has provided links to the report outline and report template in their current form.

[http://www.sao.wa.gov/PerformanceAudit/RFP\\_and\\_Fact\\_Sheet/PA\\_report\\_outline\\_8-07.pdf](http://www.sao.wa.gov/PerformanceAudit/RFP_and_Fact_Sheet/PA_report_outline_8-07.pdf)

[http://www.sao.wa.gov/PerformanceAudit/RFP\\_and\\_Fact\\_Sheet/PA\\_Report\\_Template\\_for\\_contractors\\_8-07.doc](http://www.sao.wa.gov/PerformanceAudit/RFP_and_Fact_Sheet/PA_Report_Template_for_contractors_8-07.doc)

#### **2. Work Papers**

Work papers will include cross-references to recommendations and related I-900 element(s).

The work papers will specifically state the level of reliance placed on computerized systems and internal controls that are significant to each audit objective. If systems and/or controls are not relied on or tested, the reason must be stated. Work Papers will also contain Purpose, Source, Scope, Conclusion and Sign-off in accordance with SAO work paper Policy No. 3310 as follows:

## **REQUIREMENTS**

***Audit documentation will be prepared for and will support all findings and recommendations.***

*In documenting the nature, timing, and extent of audit procedures performed, the audit documentation should identify:*

- *Who performed the audit work and the actual date of such work.*
- *Who reviewed specific audit documentation and the actual date of the review.*

*The computer date and time properties will not be modified.*

***Audit documentation will clearly demonstrate that all applicable auditing standards and policies have been considered.***

***Audit documentation will contain:***

- a. *Evidence related to planning, conducting and reporting on the audit. It should be sufficient to enable an experienced auditor, who has had no previous connection with the audit, to ascertain that the information collected and the work performed support the auditors' significant judgments and conclusions. Audit documentation will include the following:*
  - *Abstracts or copies of significant contracts or agreements that were examined to evaluate the accounting for significant transactions.*
  - *Identification of items tested where those tests involve inspections of documents or confirmation.*
  - *Support for findings, conclusions and recommendations before reports are issued.*
  - *The objectives, scope and methodology, including any sampling or testing criteria used.*
- b. *The auditor's consideration that the planned audit procedures are designed to achieve audit objectives when evidential matter obtained is highly dependent on computerized information systems and is material to the objective of the audit and that the auditors are not relying on the effectiveness of internal control over those computerized systems that produced the information.*
- c. *The auditors' determination that certain standards do not apply or that an applicable standard was not followed, the reasons why and the known effect that not following the applicable standard had, or could have had, on the audit.*

***Audit documentation will be written professionally.***

- *Audit Report findings are supported by work papers that address all elements, conditions, case, criteria, effect and recommendations.*
- *Reports must be written according to "Plain Talk" standards, as described in Governor's Executive Order 05-03, dated March 24, 2005 (<http://www.accountability.wa.gov/plaintalk/default.asp>).*
- *SAO will review the report(s) to ensure that findings are supported by relevant, sufficient, and credible evidence, and recommendations are logically related to findings. The final report must incorporate all changes made necessary, as determined by SAO staff. It also must include the mandatory agencies' responses to the recommendations.*

### **D. Final Report (MR)**

A final audit report will be submitted to SAO and will include the finalized Work Papers. Contractor will provide a minimum of five hard copies and one electronic copy (on CD) of the final report to SAO and provide one additional hard copy to each audited entity. The Contractor is required to provide SAO with one electronic copy of the Work Papers. SAO will create its own executive summary of the full report.

**E. Presentation Support (MR)**

A PowerPoint presentation is required within five business days of delivery of final reports.

Testimony and presentations including but not limited to the public and various legislative committees are required at the call of the State Auditor’s Office (typically one - two presentations within 45 days of publishing the Final Report).

**3. SCHEDULE (MR)**

Proposers are to provide a detailed project schedule that identifies all deliverables to include:

- A. Survey**
- B. Audit Plan**
- C. Fieldwork**
- D. Draft Report**
- E. Final Report**

Proposers are encouraged to develop an efficient and effective schedule. The schedule submitted by the proposer must be structured in a manner to establish deadlines for each project phase.

The draft performance audit report is due to SAO no later than June 26, 2009.

**4. CONTRACTORS WORK**

The Contractor selected for contract award agrees to conduct all work in an acceptable electronic format and to provide bi-weekly updates of all work to SAO in the manner specified by SAO. Bi-weekly updates with the Audit Manager are required to provide regular updates on work progress and issues that may be unfolding.

**SECTION IV - COST PROPOSAL (MR)**

**1. FIXED PRICE COST PROPOSAL**

SAO is accepting **fixed-price cost proposals ONLY**. Fixed-price cost proposals must include all costs associated with the proposer accomplishing all of the work in their proposal. Costs include, but are not limited to; labor, travel, lodging, per diem, administrative, the cost of the sub-contractor(s) and any and all incidentals necessary to complete the performance of the proposed contract.

SAO will not be responsible for any costs incurred by the contractor not included in the **fixed-price cost proposal**.

**A. Identification of Costs by Deliverable (MR)**

The proposer will clearly identify the cost for each deliverable in the Technical Proposal (described in Section III). The proposer will provide costs, including the number of contractor and sub-contractor hours and hourly rate(s), and an envisioned methodology for all parts and deliverables associated with the proposed audit, assuming the planned audit scope and objective are confirmed after completion of the survey process described in Section III.

Ten percent (10%) of the fee for each deliverable will be retained (withheld) pending completion of the Contract. Thirty (30) days after the final report is published, the SAO Contract Manager will authorize payment in full of all retainages.

Proposer must itemize their Fixed Price Cost Proposal per deliverable identified in Section III - Technical Proposal in the format demonstrated below:

| Audit Objective | Deliverable Date | Ongoing Outcomes and Results | Final Outcomes – Contributions to Success | Cost proposal                |               |       |       |
|-----------------|------------------|------------------------------|-------------------------------------------|------------------------------|---------------|-------|-------|
|                 |                  |                              |                                           | Item                         | Rate          | Hours | Total |
|                 |                  |                              |                                           | Staff hours                  | \$'s per hour | Hours | \$'s  |
|                 |                  |                              |                                           | Subcontractor                | \$'s per hour | Hours | \$'s  |
|                 |                  |                              |                                           | <b>Total for deliverable</b> |               |       | \$'s  |

*Note:* Hourly rates include all expenses and are offered by proposers as a not to exceed hourly rate.

**B. Award Not Based on Price Alone**

The evaluation process is designed to award a contract not necessarily to the proposer with the lowest cost bid, but rather to the proposer whose proposal best meets the requirements of this RFP. Proposers are encouraged to submit proposals that are consistent with State government efforts to conserve state resources.

**C. State Sales Tax**

Proposers are required to collect and pay Washington State sales tax, if applicable.

**SECTION V - FIXED PRICE COST CERTIFICATION FORM (MR) (PASS/FAIL)**

The Fixed Price Cost Certification must include a signed copy of [Exhibit C, Fixed Price Cost Certification Form](#).

**SECTION VI - CUSTOMER REFERENCES (MR) (PASS/FAIL)**

**PROPOSER MUST PROVIDE CUSTOMER REFERENCES (MR)**

The proposer must supply names, addresses and telephone numbers of a minimum of three non-proposer owned customer references for which the proposer has recently completed work. Note, proposers are discouraged from listing current SAO employees as references. Please note what type of work was performed by the proposer for the reference, how it is relevant to the work proposed in this solicitation and provide a sample of the work if different from Work Samples provided by requirement. By signing [Exhibit A, Certifications and Assurances](#), the proposer grants SAO permission to independently contact references and others who may have pertinent information. [Exhibit D, Reference Worksheet](#) is provided for proposers to list their references.

Each reference will be asked about the approach proposers used to deliver services and the quality of services delivered.

SAO will not accept any other terms for contacting references other than those stated above.

**SECTION VII - RESUMES (MR)(PASS/FAIL)**

The proposer must provide a resume for the project manager and include information on the individual’s specific skills related to this project, education, experience, significant accomplishments and responsibilities assumed on other similar projects.

The proposer must also provide resumes for the named key staff, which must include information on the individual’s specific skills related to this project, education, experience, significant accomplishments, and responsibilities assumed on other projects as well as any other pertinent information.

Subcontractor employees performing work for the proposer as part of this contract must also submit resumes. Subcontractor resumes must display the word “SUBCONTRACTOR” in bold letters clearly printed across the top of the first page.

**SECTION VIII - CERTIFICATIONS AND ASSURANCES (MR)(PASS/FAIL)**

Section VIII must include a signed Certifications and Assurances form, See: [Exhibit A](#) (MR)

**SECTION IX - WORK SAMPLES (MR) (PASS/FAIL)**

Samples of Work (audit reports and sample work papers) to be supplied on CD only, one audit report must include sample work papers.

**Proposers must demonstrate and provide:**

Samples of final performance audit reports that attest to GAS standards and other work conducted within the last five years that demonstrates the proposer's capability to successfully perform this performance audit and attest to GAS standards. Proposer will provide three performance audit reports and one set of corresponding sample working papers.

## CHAPTER 4 - EVALUATION AND CONTRACT AWARD

### 1. EVALUATION PROCEDURE

**ALL MANDATORY REQUIREMENTS OF THE RFP MUST BE MET IN ORDER TO BE EVALUATED.**

The proposer is specifically notified that failure to comply with any part of the solicitation may result in rejection of the proposal as nonresponsive. SAO also reserves the right at its sole discretion to waive minor irregularities.

Responsive proposals will be evaluated strictly in accordance with the requirements stated in the RFP and any amendments/addenda issued. The evaluation of proposals will be accomplished by an evaluation team to be designated by SAO, which will determine the ranking of proposals.

During proposal evaluation, the SAO reserves the right to make reasonable inquiry to determine the responsibility of any proposer. Requests may include, but not be limited to, compliance to standards for independence, financial statements, credit ratings, references, record of past performance, on-site inspection of proposers, or proposer's subcontractor's facilities. Failure to respond to said request(s) will be sufficient reason to consider the proposal nonresponsive.

### 2. CLARIFICATION OF PROPOSAL

The Solicitation Coordinator may contact a proposer for clarification of any portion of the proposal.

### 3. PASS/FAIL EVALUATIONS

Proposers receiving a failing score for the Letter of Submittal, Customer References, Résumé or Samples of Work sections will be viewed as not meeting the mandatory requirements and will be eliminated from further consideration.

### 4. EVALUATION CRITERIA

The following weights will be assigned to the proposal for evaluation purposes:

| Section Title                      | Percentage of Points |
|------------------------------------|----------------------|
| Letter of Submittal                | Pass/Fail            |
| Fixed Price Cost Certification     | Pass/Fail            |
| Customer References                | Pass/Fail            |
| Resumes                            | Pass/Fail            |
| Signed Certifications & Assurances | Pass/Fail            |
| Samples of Work                    | Pass/Fail            |
| Project Management                 | 20 Percent           |
| Technical Proposal                 | 35 Percent           |
| Collective Professional Competence | 35 Percent           |
| Cost Proposal                      | 10 Percent           |
| <b>Total</b>                       | <b>100 Percent</b>   |

### 5. ORAL PRESENTATIONS MAY BE REQUIRED

Written proposals and oral presentations, if necessary, will be used in selecting the winning proposal. SAO, at its sole discretion, may elect to select the top-scoring finalists from the written evaluation for an oral presentation. Should SAO elect to hold oral interviews, SAO will contact the finalists to schedule a date, time, and location.

Commitments made by the proposer at the oral interview, if any, will be considered binding. The oral interview will determine the apparent successful proposer. The scoring committee makes a recommendation to the Director of Performance Audit, who names the apparent successful proposer.

## 6. NOTIFICATION TO UNSUCCESSFUL PROPOSERS

Proposers whose proposals have not been accepted for further negotiation or contract award will be notified via fax or by e-mail.

## 7. DEBRIEFING OF UNSUCCESSFUL PROPOSERS

Proposers who submitted a proposal and were not selected will be given the opportunity for a debriefing conference. The Solicitation Coordinator must receive a written request from the unsuccessful proposer for a debriefing conference within three (3) business days after the Notification of Unsuccessful Proposer letter is e-mailed or faxed. The request for a debriefing can be in hard copy or via e-mail. The debriefing will be held within three (3) business days of the request unless the State Auditor's Office schedules otherwise.

Discussion will be limited to a critique of the requesting proposer's proposal. Comparisons between proposals or evaluations of the other proposals will not be allowed. Debriefing conferences may be conducted in person or on the telephone and will be scheduled for a maximum of one hour.

## 8. PROTEST PROCEDURE AND FORMAT

This procedure is available to proposers who (1) submitted a response to this solicitation document and (2) have participated in a debriefing conference. Upon completing the debriefing conference, the proposer is allowed **three (3) business days** to file a protest of the acquisition with the Solicitation Coordinator. Protests may be submitted by facsimile or e-mail, but should be followed by the original document.

Proposers protesting this procurement will follow the procedures described below. Protests that do not follow these procedures will not be considered. This protest procedure constitutes the sole administrative remedy available to proposers under this procurement.

All protests must be in writing and signed by the protesting party or an authorized Agent. The protest must state the grounds for the protest with specific facts and complete statements of the action(s) being protested. A description of the relief or corrective action being requested should also be included. All protests will be addressed to the Solicitation Coordinator.

Only protests stipulating an issue of fact concerning the following subjects will be considered:

- A matter of bias, discrimination or conflict of interest on the part of the evaluator.
- Errors in computing the score.
- Non-compliance with procedures described in the procurement document.

Protests not based on procedural matters will not be considered. Protests will be rejected as without merit if they address issues such as: 1) an evaluator's professional judgment on the quality of a proposal, or 2) SAO's assessment of its own and/or other agencies needs or requirements.

Upon receipt of a protest, a protest review will be held by SAO. SAO will designate three individuals who were not involved in the procurement to consider the record and all available facts and issue a decision within five business days of receipt of the protest. If additional time is required, the protesting party will be notified of the delay.

In the event a protest may affect the interest of another proposer that submitted a proposal, such proposer will be given an opportunity to submit its views and any relevant information on the protest to the Solicitation Coordinator.

The final determination of the protest will:

- Find the protest lacking in merit and uphold SAO's action; or
- Find only technical or harmless errors in SAO's acquisition process and determine SAO to be in substantial compliance and reject the protest; or

- Find merit in the protest and provide SAO options which may include:
  - Correct the errors and re-evaluate all proposals, and/or
  - Reissue the solicitation document and begin a new process, or
  - Make other findings and determine other courses of action as appropriate.

If SAO determines that the protest is without merit, SAO will enter into a contract with the apparently successful contractor. If the protest is determined to have merit, one of the alternatives noted in the preceding paragraph will be taken.

## EXHIBIT A - CERTIFICATIONS AND ASSURANCES

I/we make the following certifications and assurances as a required element of the proposal to which it is attached, understanding that the truthfulness of the facts affirmed here and the continuing compliance with these requirements are conditions precedent to the award or continuation of the related contract(s):

1. I/we declare that all answers and statements made in the proposal are true and correct.
2. I/we certify that nonaudit services have not been performed on behalf of audited entities (see <http://www.gao.gov/new.items/d07731g.pdf>, Chapter 1, 1.3. page 23) [identified as in scope for this solicitation] at any time during the previous **four (4) years** by our firm or by any individual or firm we will employ as a sub-contractor relative to this proposal.

Or

I/we are disclosing the following nonaudit services have been performed during the previous **four (4) years** by our firm or by an individual or firm that will be employed by us as a sub-contractor on behalf of audited entities identified as in scope for this solicitation (list all in table below). I/we have examined the nature of the nonaudited services provided and certify meeting GAO’s Government Auditing Standards 2007 (<http://www.gao.gov/new.items/d07731g.pdf>), General Standards for Independence.

| Date | Audited Entity | Describe nonaudit services provided | Audited entity contact |
|------|----------------|-------------------------------------|------------------------|
|      |                |                                     |                        |

3. I/we are disclosing the most recent independent peer review of our Yellow Book performance audits report and any letter of comment and certify meeting GAO’s Government Auditing Standards 2007 (<http://www.gao.gov/new.items/d07731g.pdf>), Quality Control and Assurances. I/we also agree to provide a copy of any subsequent peer review reports and letters of comments received during the period of the contract within thirty days of completion of the peer review.
4. The prices and/or cost data have been determined independently, without consultation, communication, or agreement with others for the purpose of restricting competition. However, I/we may freely join with other persons or organizations for the purpose of presenting a single proposal.
5. The attached proposal is a firm offer for a period of 60 days following receipt, and it may be accepted by SAO without further negotiation (except where obviously required by lack of certainty in key terms) at any time within the 60-day period.
6. The project management, staff, and subcontractors identified in **Section II – Project Management** will be assigned for the duration of the project. We agree that no substitutions or deletions of project personnel will occur without first requesting and the receiving approval, in writing, from SAO.
7. In preparing this proposal, I/we have not been assisted by any current or former employee of the State of Washington whose duties relate (or did relate) to this proposal or prospective contract, and who was assisting in other than his or her official, public capacity. Neither does such a person nor any member of his or her immediate family have any financial interest in the outcome of this proposal. (Any exceptions to these assurances are described in full detail on a separate page and attached to this document.)
8. I/we understand that SAO will not reimburse me/us for any costs incurred in the preparation of this proposal. All proposals become the property of SAO, and I/we claim no proprietary right to the ideas, writings, items, or samples, unless so stated in this proposal.
9. Unless otherwise required by law, the prices and/or cost data which have been submitted have not been knowingly disclosed by the proposer and will not knowingly be disclosed by him/her prior to submission, directly or indirectly to any other proposer or to any competitor.



**EXHIBIT B - SAMPLE CONTRACT FOR PERSONAL SERVICES**

CONTRACT NO.

CONTRACT FOR PERSONAL SERVICES

BETWEEN

WASHINGTON STATE AUDITOR'S OFFICE

AND

This Contract is made and entered into by and between the Washington STATE AUDITOR'S OFFICE (SAO) and the below named CONTRACTOR.

Contractor Name:

Address:

City, State, Zip-Code:

Phone, Fax:

E-mail:

Washington State UBI Number:

Federal ID Number:

## 1. PURPOSE

The purpose of this contract is to conduct a Yellow Book performance audit that addresses the performance audit objective contained in Chapter 1.1.B of RFP No. \_\_\_\_\_ in the manner specified in the final Performance Statement of Work

## 2. SCOPE OF WORK

A. The CONTRACTOR will provide services and staff, and otherwise do all things necessary for or incidental to the performance of work, as set forth in the Performance Statement of Work, attached hereto and incorporated by reference. However, the STATE AUDITOR'S OFFICE reserves the right to modify the final Performance Statement of Work, including deleting tasks, after completing the survey process and at critical points during the course of the contract.

B. All written work of the Contractor will be expected to be of a professional quality acceptable to the STATE AUDITOR'S OFFICE. In written reports, the Contractor's findings and conclusions must be clearly documented as resulting from fieldwork and data analysis done for this audit. Recommendations must be logically related to the findings and conclusions and must recognize practical and fiscal constraints.

C. Attachment B, attached hereto and incorporated by reference, contains the General Terms and Conditions governing work to be performed under this contract, the nature of the working relationship between the STATE AUDITOR'S OFFICE and the CONTRACTOR, and specific obligations of both parties.

## 3. PERIOD OF PERFORMANCE

The period of performance of any contract resulting from this request is tentatively scheduled to begin on or after \_\_\_\_\_ or date of execution, whichever is later, and to end on or before \_\_\_\_\_. Completions of Draft & Final audit reports are due by \_\_\_\_\_ and \_\_\_\_\_. Amendments extending the period of performance, if any, will be at the sole discretion of SAO. SAO reserves the right at its discretion, to extend the contract for up to three additional one-year periods.

## 4. OFM FILING REQUIREMENT

### 10-Day Filing

Under the provisions of Chapter 39.29 RCW, this personal service contract is required to be filed with the Office of Financial Management (OFM). No contract required to be so filed is effective and no work will be commenced nor payment made until ten (10) working days following the date of filing, and if required, until approved by OFM. In the event OFM fails to approve the contract, the contract will be null and void.

## 5. COMPENSATION

Total compensation payable to CONTRACTOR for satisfactory performance of the work under this contract will not exceed (\$ ). CONTRACTOR'S compensation for services rendered will be based on the schedule set forth in Attachment A. If the State Auditor Office's decides to modify the final Performance Statement of Work, including deleting tasks, after completing the survey process and at critical points during the course of the contract, the parties will negotiate in good faith whether to make an adjustment to the compensation set forth in Attachment A.

However, if the contractor violates GAO independence standards during the conduct of the audit, SAO may chose not to compensate the contractor for work performed under this contract.

6. BILLING PROCEDURES AND PAYMENT

The STATE AUDITOR’S OFFICE will pay CONTRACTOR upon SAO acceptance of services provided and receipt of properly completed invoices, which will be submitted to the Contract Manager in accordance with the schedule in Attachment A.

The invoices will describe and document, to the STATE AUDITOR’S OFFICE’S satisfaction, an itemized description of the work performed and the progress of the audit by deliverable as compared to the final Performance Statement of Work, and fees. The invoice will include reference to Contract \_\_\_\_\_.

Payment will be considered timely if made by the STATE AUDITOR’S OFFICE within thirty (30) calendar days after receipt of properly completed invoices. However, payment for each billing will be made after the STATE AUDITOR’S OFFICE’s determination that it is satisfied with the overall progress of the Contractor and the quality of each deliverable. If the STATE AUDITOR’S OFFICE determines the Contractor has not made satisfactory progress in accordance with Attachment A, the STATE AUDITOR’S OFFICE may, in its sole discretion, withhold payments or terminate the contract.

7. RETAINAGE

Ten percent (10%) of each payment will be withheld pending completion of the Contract. Thirty (30) days after the final report is published, the SAO Contract Manager will authorize payment in full of all retainages. However, if the contractor violates Government Accountability Office independence standards during the conduct of the audit, SAO may chose not to compensate the contractor for any of the work performed under this contract.

8. NO ADVANCE PAYMENT

No payments in advance or in anticipation of services or supplies to be provided under this contract will be made by the STATE AUDITOR’S OFFICE.

9. CONTRACT MANAGEMENT

The Contract Manager for each of the parties will be the contact person for all communications and billings regarding the performance of this contract.

Contract Manager for CONTRACTOR is:

Contract Manager Name

Contractor Name

Address

City, State Zip Code

Phone: ( )

Fax: ( )

E-mail address:

Contract Mgr Name

Contract Manager for STATE AUDITOR’S OFFICE is:

State Auditor’s Office Contract Coordinator

3200 Capitol Boulevard SW

P.O Box 40031

Phone: (360) \_\_\_\_\_ Fax: (360) \_\_\_\_\_

E-mail address: contractmanager@sao.wa.gov

#### 10. CONFIDENTIALITY/SAFEGUARDING OF INFORMATION

CONTRACTOR acknowledges that some of the material and information that may come into its possession or knowledge in connection with this Contract or its performance may consist of information that is exempt from disclosure to the public or other unauthorized persons under either chapter 42.56 RCW or other state or federal statutes (“Confidential Information”). Confidential information may include, but is not limited to, employee information such as residential addresses, e-mail addresses, and telephone numbers, Social Security Numbers, financial profiles, credit card information, driver’s license numbers, medical data, law enforcement records, agency source code or object code, or agency security data. Contractor agrees to hold Confidential Information in strictest confidence and not to make use of Confidential Information for any purpose other than the performance of this Contract, to release it only to authorized employees or Subcontractors requiring such information for the purposes of carrying out this Contract, and not to release or disclose it to any other party. Contractor agrees to release such information or material only to employees or Subcontractors who have signed a nondisclosure agreement, the terms of which have been previously approved by the SAO. Contractor agrees to implement physical, electronic, and managerial safeguards to prevent unauthorized access to Confidential Information.

Immediately upon expiration or termination of this Contract, Contractor will, at SAO’s option: (i) certify to SAO that Contractor has destroyed all Confidential Information, or (ii) return all Confidential Information to SAO, or (iii) take whatever other steps SAO requires of Contractor to protect SAO’s Confidential Information.

Contractor will maintain a log documenting the following: the Confidential Information received in the performance of this Contract; why the Confidential Information was received; who received, maintained and used the Confidential Information; the purposes for which the Confidential Information was received; and the final disposition of the Confidential Information. Contractor’s records will be subject to inspection, review, or audit in accordance with the Records Maintenance paragraph in Exhibition B, General Terms and Conditions.

SAO may use any reasonable procedures, such as salting databases, to determine how Contractors and Subcontractors use Confidential Information obtained through performance of this Contract.

Violation of this section by Contractor or its Subcontractors may result in termination of this Contract, monetary damages, or penalties.

The Contractor will not use or disclose any information concerning the SAO, or information which may be classified as confidential, for any purpose not directly connected with the administration of this contract, except with prior written consent of the SAO, or as may be required by law.

After the audit process, the audited entity will be given the opportunity to review and comment on the extent of their agreement or disagreement with findings, conclusions, or recommendations, the rationale for any disagreement, and to discuss the audit report for possible clarification before final release. Confidentiality will be maintained throughout the audit process. When the final report is distributed, the working papers and report become public documents.

## 11. CONFLICT OF INTEREST

The State Auditor's Office may, in its sole discretion, by written notice to the Contractor terminate this contract if it is found after due notice and examination by the SAO that there is a violation of GAO's Government Auditing Standards 2007, General Standards for Independence (RCW 43.09.470 requires that performance audits will be conducted in accordance with the United States General Accounting Office's Government Auditing Standards.)

In the event this contract is terminated as provided above, the State Auditor's Office will be entitled to pursue the same remedies against the Contractor as it could pursue in the event of a breach of the contract by the Contractor. The rights and remedies of the State Auditor's Office provided for in this clause will not be exclusive and are in addition to any other rights and remedies provided by law. The existence of facts upon which the SAO makes any determination under this clause will be an issue that may be reviewed as provided in the "Disputes" clause of this contract.

## 12. CONTRACTOR'S PERSONNEL

- A. SAO reserves the right to reject any of the Contractor's employees, suppliers, or subcontractors. Any and all costs or expenses associated with replacement of any person or entity will be borne by the Contractor.
- B. Contractor warrants that all persons performing work under this Contract and any subcontracts are free from personal and external impairments to independence.
- C. SAO may, in the exercise of its discretion and judgment, identify certain of Contractor's employees as key personnel, and if so, the Contractor will take all necessary steps to assure that said Contractor's employees are available and assigned to the Work as long as said employees are employed by Contractor.
- D. The Contractor may not change or replace any of the staff assigned to this Contract without prior approval of SAO, which approval will not be unreasonably withheld.
- E. Contractor warrants that it is available to perform the work within the time specified and that all work will be performed on a priority basis. Contractor will begin work promptly and will perform the work in a continuous and diligent manner, and Contractor will not interrupt the work except as may be provided under this Contract.
- F. Contractor will be responsible to ensure that all its employees and subcontractor's employees are properly trained, certified, or licensed as appropriate and are properly qualified by education and experience to perform the work. Contractor will avoid overstaffing the work or shuffling personnel assigned to said work.
- G. Contractor, subcontractor(s) and their employees agree not to recruit any personnel from the State Auditor's Office or from the audited entity for a period of six (6) months after conclusion of the performance audit.
- H. Upon referral from the State Auditor, parties performing, or offering to perform, professional services under this contract who are CPAs or CPA firms licensed in this or other states and/or jurisdictions may become subject to the authority of the Washington State Board of Accountancy, RCW 18.04 and WAC 4-25.

Accordingly, parties to this contract who are licensed individual CPAs and/or licensed CPA firms:

Consent to the jurisdiction of the Washington State Board of Accountancy for matters referred by the State Auditor provided such matters are within the Board's authority, and

In such cases, if the firm, or representatives of the firm are not licensed in this state, appoint the Secretary of State for the State of Washington as agent for service of process in any action or proceeding against said individual CPAs, CPA firm, or representatives of the CPA firm arising from any transaction or operation connected with or incidental to professional services under this contract.

## 13. COORDINATION AND COOPERATION

- A. Contractor will cooperate with SAO and other firms, if any, to ensure that the work is properly performed on schedule. Contractor will collaborate with any other firms and coordinate its work with the work of such other firm(s), if any, which could affect the work and contractor will proceed in such manner as not to interfere or delay the progress of the work as a whole.

B. If any part of the contractor's work depends for proper execution or results upon the work of any other contractor(s), the contractor will inspect and promptly report in writing to SAO any defects in the work of such other contractor that renders it unsuitable for such proper execution or results. Failure of the contractor to do so will constitute its acceptance of the other firm's work as fit and proper for the reception of contractor's work, except as to defects that may develop in the other firms' work after the execution of the contractor's work.

C. In cases of disagreement or disputes between the contractor and other firm(s) which could delay or interfere with the work due to the failure to collaborate and cooperate or which cannot be resolved between contractor and the others involved, SAO will be given prompt written notice specifying in detail the disagreement or dispute. In such cases, SAO will have the right to determine the proper method of coordinating the work, and SAO's decisions in this regard will be final, binding, and conclusive.

D. Notwithstanding the existence of a dispute or disagreement between SAO and the contractor, the Contractor will diligently and without interruption proceed with the work at such rates of progress as will ensure full completion of the work on time.

E. Contractor will accommodate the Performance Audit Manager's monitoring and management of the contract by meeting weekly to discuss work progress and products as measured against the approved and final Performance Statement of Work. In these meetings the contractor will communicate to the Audit Manager any issues or opportunities identified.

F Contractor will assist the Performance Audit Manager in his or her communication with the audited agency. The contractor will accompany the Audit Manager as needed to meet with agency personnel to discuss the status of the audit, pending request for assistance, understanding of audit matters, and to communicate any potential issues.

#### 14. FRAUD, IRREGULARITIES, OR OTHER AUDIT ISSUES

If irregularities, fraud, or other significant audit issues, which may impact the audit, are suspected, the contractor must immediately notify the SAO. The Contractor will also notify SAO of any other potential audit issues and topics that are discovered on a weekly basis as part of the weekly reporting process.

#### 15. SUBCONTRACTING

All subcontractors must abide by all GAO Yellow Book standards.

The contractor is solely responsible and liable for ensuring that all of the terms and conditions set forth in this contract are incorporated into any partnering or subcontracting relationships with other entities for work related to this contract. Liability includes management responsibility and quality assurance for work performed and financial responsibility for payments to and by partner organizations or subcontractor to others.

#### 16. SUPERVISION AND COORDINATION

Contractor will:

- Comply with GAO Yellow Book requirements associated with the supervision of all employees and subcontractors in implementing and completing all audit requirements specified herein.
- Designate in its proposal to the SAO, a representative(s) with the authority to legally commit Contractor's firm. All communications given or received from the Contractor's representative will be binding on the Contractor.
- Promote and offer to SAO only those services as stated herein and allowed for by contractual requirements. Violation of this condition will be grounds for contract termination.

#### 17. WORK PAPERS

Work Papers will contain Purpose, Source, Scope, Conclusion & Sign-off

Reference SAO work paper Policy 3310

## REQUIREMENTS

1. Audit documentation will be prepared for and will support all findings and recommendations.

In documenting the nature, timing, and extent of audit procedures performed, the audit documentation should identify:

Who performed the audit work and the actual date of such work.

Who reviewed specific audit documentation and the actual date of the review.

The computer date and time properties will not be modified.

2. Audit documentation will clearly demonstrate that all applicable auditing standards and policies have been considered.

3. Audit documentation will contain:

a. Evidence related to planning, conducting and reporting on the audit. It should be sufficient to enable an experienced auditor, who has had no previous connection with the audit, to ascertain that the information collected and the work performed support the auditors' significant judgments and conclusions. Audit documentation will include the following:

Abstracts or copies of significant contracts or agreements that were examined to evaluate the accounting for significant transactions.

Identification of items tested where those tests involve inspections of documents or confirmation.

Support for findings, conclusions and recommendations before reports are issued.

The objectives, scope and methodology, including any sampling or testing criteria used.

b. The auditor's consideration that the planned audit procedures are designed to achieve audit objectives when evidential matter obtained is highly dependent on computerized information systems and is material to the objective of the audit and that the auditors are not relying on the effectiveness of internal control over those computerized systems that produced the information.

c. The auditors' determination that certain standards do not apply or that an applicable standard was not followed, the reasons why and the known effect that not following the applicable standard had, or could have had, on the audit.

d. Evidence of supervisory reviews, before the audit report is issued.

4. Audit documentation will be written professionally.

Contractor agrees that working papers prepared in connection with this performance audit engagement will conform to the State Auditor's Office standards, are considered public documents, and are the property of the State Auditor's Office. Conformance to the State Auditor's standards includes, but is not limited to, the use of electronic audit documentation and management system. The Contractor agrees all work will be performed in an acceptable electronic format. If the contractor is unable to provide documents in an acceptable format the contractor will be required to maintain work papers in TeamMate Public requests for copies or viewing of work papers must be made through the State Auditor's Office. All work, including all work in process, will be performed in electronic format, and that work will be provided to SAO in electronic format upon request at any moment, interval or frequency so determined by SAO.

It is understood the SAO is the principal auditing entity. The Contractor's work will be incorporated into the report that will be prepared by SAO staff. The Contractor's report to SAO may be incorporated as a Technical Appendix to the SAO staff report.

## 18. INSURANCE

The CONTRACTOR will provide insurance coverage as set forth in the Request for Proposals No.

\_\_\_\_\_. The intent of the required insurance is to protect the state should there be any claims,

suits, actions, costs, damages or expenses arising from any negligent or intentional act or omission of the CONTRACTOR or subcontractor, or agents of either, while performing under the terms of this contract. The CONTRACTOR will provide insurance coverage, which will be maintained in full force and effect during the term of this contract.

19. ASSURANCES

STATE AUDITOR'S OFFICE and the CONTRACTOR agree that all activity pursuant to this contract will be in accordance with all the applicable current federal and state laws, rules, and regulations.

20. ORDER OF PRECEDENCE

Each of the documents listed below is by this reference hereby incorporated into this contract. In the event of an inconsistency in this contract, the inconsistency will be resolved by giving precedence in the following order:

Applicable Federal and State of Washington statutes and regulations;

Special Terms and Conditions as contained in this basic contract instrument, including Attachment A – the Final Performance Statement of Work;

Attachment B – General Terms and Conditions;

Request for Proposals No. \_\_\_\_\_

The Contractor's Proposal dated \_\_\_\_\_; and

Any other provision, term or material incorporated herein by reference or otherwise incorporated.

21. ENTIRE AGREEMENT

This contract, including referenced attachments and other documents, represents all the terms and conditions agreed upon by the parties. No other statements or representations, written or oral, will be deemed a part hereof.

If any provision of this contract violates any statute or rule of law of the State of Washington, it is considered modified to conform to that statute or rule of law.

22. APPROVAL

This contract will be subject to the written approval of the STATE AUDITOR'S OFFICE'S authorized representative and will not be binding until so approved. The contract may be altered, amended, or waived only by a written amendment executed by both parties.

THIS CONTRACT, consisting of    pages and    attachment(s), is executed by the persons signing below, who warrant they have the authority to execute the contract.

[CONTRACTOR'S NAME]

[STATE AUDITOR'S OFFICE NAME]

Signature

Signature

Title    Date

Title    Date

APPROVED AS TO FORM:

Assistant Attorney General

Date

**ATTACHMENT A**

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## **ATTACHMENT B - GENERAL TERMS AND CONDITIONS**

### **1. Definitions**

As used throughout this contract, the following terms shall have the meaning set forth below:

- A. "STATE AUDITOR'S OFFICE" shall mean any division, section, office, unit or other entity of the STATE AUDITOR'S OFFICE, or any of the officers or other officials lawfully representing that STATE AUDITOR'S OFFICE.
- B. "AGENT" shall mean the SAO Contract Manager, and/or the delegate authorized in writing to act on the Manager's behalf.
- C. "CONTRACTOR" shall mean that firm, provider, organization, individual or other entity performing service(s) under this contract, and shall include all employees of the CONTRACTOR.
- D. "SUBCONTRACTOR" shall mean one not in the employment of the CONTRACTOR, who is performing all or part of those services under this contract under a separate contract with the CONTRACTOR. The terms "SUBCONTRACTOR" and "SUBCONTRACTORS" means SUBCONTRACTOR(s) in any tier.

### **2. Access to Data**

In compliance with RCW 39.29.080, the CONTRACTOR shall provide access to data generated under this contract to STATE AUDITOR'S OFFICE, the Joint Legislative Audit and Review Committee, and the State Auditor at no additional cost. This includes access to all information that supports the findings, conclusions and recommendations of the CONTRACTOR'S reports, including computer models and methodology for those models.

### **3. Advance Payments Prohibited**

No payments in advance of or in anticipation of goods or services to be provided under this contract shall be made by the STATE AUDITOR'S OFFICE.

### **4. Amendments**

This contract may be amended by mutual agreement of the parties. Such amendments shall not be binding unless they are in writing and signed by personnel authorized to bind each of the parties.

### **5. Americans with Disabilities Act (ADA) of 1990, Public Law 101-336, 28 CFR Part 35**

The CONTRACTOR must comply with the ADA, which provides comprehensive civil rights protection to individuals with disabilities in the areas of employment, public accommodations, state and local government services, and telecommunications.

### **6. Assignment**

Neither this contract, nor any claim arising under this contract, shall be transferred or assigned by the CONTRACTOR without prior written consent of the STATE AUDITOR'S OFFICE.

### **7. Attorneys' Fees**

In the event of litigation or other action brought to enforce contract terms, each party agrees to bear its own attorney fees and costs.

### **8. Confidentiality/Safeguarding of Information**

The CONTRACTOR shall not use or disclose any information concerning the STATE AUDITOR'S OFFICE, or information that may be classified as confidential, for any purpose not directly connected with the administration of this contract, except with prior written consent of the STATE AUDITOR'S OFFICE, or as may be required by law.

### **9. Conflict of Interest**

Notwithstanding any determination by the Executive Ethics Board or other tribunal, the STATE AUDITOR'S OFFICE may, in its sole discretion, by written notice to the CONTRACTOR terminate this contract if it is found

after due notice and examination by the AGENT that there is a violation of the Ethics in Public Service Act, Chapter 42.52 RCW; or any similar statute involving the CONTRACTOR in the procurement of, or performance under this contract.

In the event this contract is terminated as provided above, the STATE AUDITOR'S OFFICE shall be entitled to pursue the same remedies against the CONTRACTOR as it could pursue in the event of a breach of the contract by the CONTRACTOR. The rights and remedies of the STATE AUDITOR'S OFFICE provided for in this clause shall not be exclusive and are in addition to any other rights and remedies provided by law. The existence of facts upon which the AGENT makes any determination under this clause shall be an issue and may be reviewed as provided in the "Disputes" clause of this contract.

## **10. Copyright Provisions**

Unless otherwise provided, all materials produced under this contract shall be considered "works for hire" as defined by the U.S. Copyright Act and shall be owned by the STATE AUDITOR'S OFFICE. The STATE AUDITOR'S OFFICE shall be considered the author of such materials. In the event the materials are not considered "works for hire" under the U.S. Copyright laws, CONTRACTOR hereby irrevocably assigns all right, title, and interest in materials, including all intellectual property rights, to the STATE AUDITOR'S OFFICE effective from the moment of creation of such materials.

Materials means all items in any format and includes, but is not limited to, data, reports, documents, pamphlets, advertisements, books, magazines, surveys, studies, computer programs, films, tapes, and/or sound reproductions. Ownership includes the right to copyright, patent, register and the ability to transfer these rights.

For materials that are delivered under the contract, but that incorporate pre-existing materials not produced under the contract, CONTRACTOR hereby grants to the STATE AUDITOR'S OFFICE a nonexclusive, royalty-free, irrevocable license (with rights to sublicense others) in such materials to translate, reproduce, distribute, prepare derivative works, publicly perform, and publicly display. The CONTRACTOR warrants and represents that CONTRACTOR has all rights and permissions, including intellectual property rights, moral rights and rights of publicity, necessary to grant such a license to the STATE AUDITOR'S OFFICE.

The CONTRACTOR shall exert all reasonable effort to advise the STATE AUDITOR'S OFFICE, at the time of delivery of materials furnished under this contract, of all known or potential invasions of privacy contained therein and of any portion of such document that was not produced in the performance of this contract.

The STATE AUDITOR'S OFFICE shall receive prompt written notice of each notice or claim of infringement received by the CONTRACTOR with respect to any data delivered under this contract. The STATE AUDITOR'S OFFICE shall have the right to modify or remove any restrictive markings placed upon the data by the CONTRACTOR.

## **11. Covenant Against Contingent Fees**

The CONTRACTOR warrants that no person or selling agent has been employed or retained to solicit or secure this contract upon an agreement or understanding for a commission, percentage, brokerage or contingent fee, excepting bona fide employees or bona fide established agents maintained by the CONTRACTOR for securing business.

The STATE AUDITOR'S OFFICE shall have the right, in the event of breach of this clause by the CONTRACTOR, to annul this contract without liability or, in its discretion, to deduct from the contract price or consideration or recover by other means the full amount of such commission, percentage, brokerage or contingent fee.

## **12. Disallowed Costs**

The Contractor is responsible for any audit exceptions or disallowed costs incurred by its own organization or that of its Subcontractors.

## **13. Disputes**

Except as otherwise provided in this contract, when a dispute arises between the parties and it cannot be resolved, either party may request a dispute hearing with a team of three (which shall be comprised of one independent individual selected by the Contractor, one independent individual selected by the SAO Director of Performance

Audit, and one shall be a SAO Director not responsible for the contract.) Disputes shall be resolved as quickly as possible.

The request for a dispute hearing must:

- A. Be in writing;
- B. State the disputed issue(s);
- C. State the relative positions of the parties;
- D. State the Contractor's name, address, and contract number; and
- E. Be mailed or sent electronically to both the SAO Contracts Officer and the Performance Audit or Contract Manager within 3 working days after the parties agree that they cannot resolve the dispute.

The Performance Audit or Contract Manager shall send a written answer to the Contractor's statement to both the SAO Contracts Officer and the Contractor within 5 working days.

The panel shall review the written statements and reply in writing to both parties within 10 working days. The panel may extend this period if necessary by notifying the parties.

The parties agree that this dispute process shall precede any action in a judicial or quasi-judicial tribunal.

STATE AUDITOR'S OFFICE and Contractor agree that, the existence of a dispute notwithstanding, they will continue without delay to carry out all their respective responsibilities under this contract, which are not affected by the dispute. Both parties agree to exercise good faith in the dispute resolution and to settle disputes prior to using the dispute resolution panel whenever possible.

#### **14. Duplicate Payment**

The STATE AUDITOR'S OFFICE shall not pay the CONTRACTOR, if the CONTRACTOR has charged or will charge the State of Washington or any other party under any other contract or agreement, for the same services or expenses.

#### **15. Governing Law**

This contract shall be construed and interpreted in accordance with the laws of the State of Washington, and the venue of any action brought hereunder shall be in the Superior Court for Thurston County.

#### **16. Indemnification**

To the fullest extent permitted by law, CONTRACTOR shall indemnify, defend, and hold harmless state, agencies of state and all officials, agents and employees of state, from and against all claims for injuries or death arising out of or resulting from the performance of the contract.

"Claim," as used in this contract, means any financial loss, claim, suit, action, damage, or expense, including but not limited to attorney's fees, attributable for bodily injury, sickness, disease, or death, or injury to or destruction of tangible property including loss of use resulting there from. CONTRACTOR'S obligations to indemnify, defend, and hold harmless includes any claim by CONTRACTORS' agents, employees, representatives, or any subcontractor or its employees.

CONTRACTOR expressly agrees to indemnify, defend and hold harmless the State for any claim arising out of or incident to CONTRACTOR'S or any subcontractor's performance or failure to perform the contract. CONTRACTOR'S obligation to indemnify, defend, and hold harmless the state shall not be eliminated or reduced by any actual or alleged concurrent negligence of the State or its agents, agencies, employees and officials.

CONTRACTOR waives its immunity under Title 51 RCW to the extent it is required to indemnify, defend and hold harmless the state and its agencies, officials, agents or employees.

#### **17. Independent Capacity of the Contractor**

The parties intend that an independent contractor relationship will be created by this contract. The CONTRACTOR and his or her employees or agents performing under this contract are not employees or agents of the STATE

AUDITOR'S OFFICE. The CONTRACTOR will not hold himself/herself out as or claim to be an officer or employee of the STATE AUDITOR'S OFFICE or of the State of Washington by reason hereof, nor will the CONTRACTOR make any claim of right, privilege or benefit that would accrue to such employee under law. Conduct and control of the work will be solely with the CONTRACTOR.

**18. Industrial Insurance Coverage**

The CONTRACTOR shall comply with the provisions of Title 51 RCW, Industrial Insurance. If the CONTRACTOR fails to provide industrial insurance coverage or fails to pay premiums or penalties on behalf of its employees, as may be required by law, STATE AUDITOR'S OFFICE may collect from the CONTRACTOR the full amount payable to the Industrial Insurance accident fund. The STATE AUDITOR'S OFFICE may deduct the amount owed by the CONTRACTOR to the accident fund from the amount payable to the CONTRACTOR by the STATE AUDITOR'S OFFICE under this contract, and transmit the deducted amount to the Department of Labor and Industries, (L&I) Division of Insurance Services. This provision does not waive any of L&I's right to collect from the CONTRACTOR.

**19. Licensing, Accreditation and Registration**

The CONTRACTOR shall comply with all applicable local, state and federal licensing, accreditation and registration requirements/standards, necessary for the performance of this contract.

**20. Limitation of Authority**

Only the AGENT or AGENT'S delegate by writing (delegation to be made prior to action) shall have the express, implied, or apparent authority to alter, amend, modify, or waive any clause or condition of this contract. Furthermore, any alteration, amendment, modification, or waiver or any clause or condition of this contract is not effective or binding unless made in writing and signed by the AGENT.

**21. Noncompliance with Nondiscrimination Laws**

In the event of the CONTRACTOR'S non-compliance or refusal to comply with any nondiscrimination law, regulation or policy, this contract may be rescinded, canceled or terminated in whole or in part, and the CONTRACTOR may be declared ineligible for further contracts with the STATE AUDITOR'S OFFICE. The CONTRACTOR shall, however, be given a reasonable time in which to cure this noncompliance. Any dispute may be resolved in accordance with the "Disputes" procedure set forth herein.

**22. Nondiscrimination**

During the performance of this contract, the CONTRACTOR shall comply with all federal and state nondiscrimination laws, regulations and policies.

**23. Privacy**

Personal information including, but not limited to, "Protected Health Information", collected, used, or acquired in connection with this contract shall be protected against unauthorized use, disclosure, modification or loss. CONTRACTOR shall ensure its directors, officers, employees, subcontractors or agents use personal information solely for the purposes of accomplishing the services set forth herein. CONTRACTOR and its subcontractors agree not to release, divulge, publish, transfer, sell or otherwise make known to unauthorized persons personal information without the express written consent of the STATE AUDITOR'S OFFICE or as otherwise required by law.

Any breach of this provision may result in termination of the contract and the demand for return of all personal information. The CONTRACTOR agrees to indemnify and hold harmless the STATE AUDITOR'S OFFICE for any damages related to the CONTRACTOR'S unauthorized use of personal information.

**24. Publicity**

The CONTRACTOR agrees to submit to the STATE AUDITOR'S OFFICE all advertising and publicity matters relating to this contract wherein the STATE AUDITOR'S OFFICE'S name is mentioned or language used from which the connection of the STATE AUDITOR'S OFFICE'S name may, in the STATE AUDITOR'S OFFICE'S

judgment, be inferred or implied. The CONTRACTOR agrees not to publish or use such advertising and publicity matters without the prior written consent of the STATE AUDITOR'S OFFICE.

## **25. Records Maintenance**

The CONTRACTOR shall maintain books, records, documents, data and other evidence relating to this contract and performance of the services described herein, including but not limited to accounting procedures and practices that sufficiently and properly reflect all direct and indirect costs of any nature expended in the performance of this contract.

CONTRACTOR shall retain such records for a period of six years following the date of final payment. At no additional cost, these records, including materials generated under the contract, shall be subject at all reasonable times to inspection, review or audit by the STATE AUDITOR'S OFFICE, personnel duly authorized by the STATE AUDITOR'S OFFICE, and federal and state officials so authorized by law, regulation or agreement. If any litigation, claim or audit is started before the expiration of the six (6) year period, the records shall be retained until all litigation, claims or audit findings involving the records have been resolved.

## **26. Registration with Department of Revenue**

The CONTRACTOR shall complete registration with the Washington State Department of Revenue and be responsible for payment of all taxes due on payments made under this contract.

## **27. Right of Inspection**

The CONTRACTOR shall provide right of access to its facilities to the STATE AUDITOR'S OFFICE, or any of its officers, or to any other authorized agent or official of the State of Washington or the federal government, at all reasonable times, in order to monitor and evaluate performance, compliance, and/or quality assurance under this contract.

## **28. Savings**

In the event funding from state, federal, or other sources is withdrawn, reduced, or limited in any way after the effective date of this contract and prior to normal completion, the STATE AUDITOR'S OFFICE may terminate the contract under the "Termination for Convenience" clause, without the ten day notice requirement, subject to renegotiation at the STATE AUDITOR'S OFFICE'S discretion under those new funding limitations and conditions.

## **29. Severability**

The provisions of this contract are intended to be severable. If any term or provision is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of the contract.

## **30. Site Security**

While on STATE AUDITOR'S OFFICE premises, CONTRACTOR, its agents, employees or subcontractors shall conform in all respects with physical, fire or other security policies or regulations.

## **31. Subcontracting**

Neither the CONTRACTOR nor any SUBCONTRACTOR shall enter into subcontracts for any of the work contemplated under this contract without obtaining prior written approval of the STATE AUDITOR'S OFFICE. In no event shall the existence of the subcontract operate to release or reduce the liability of the contractor to the Department for any breach in the performance of the contractor's duties. This clause does not include contracts of employment between the contractor and personnel assigned to work under this contract.

Additionally, the CONTRACTOR is responsible for ensuring that all terms, conditions, assurances and certifications set forth in this agreement are carried forward to any subcontracts. CONTRACTOR and its subcontractors agree not to release, divulge, publish, transfer, sell or otherwise make known to unauthorized persons personal information without the express written consent of the STATE AUDITOR'S OFFICE or as provided by law.

### **32. Taxes**

All payments accrued because of payroll taxes, unemployment contributions, any other taxes, insurance or other expenses for the CONTRACTOR or its staff shall be the sole responsibility of the CONTRACTOR.

### **33. Termination for Cause**

In the event the STATE AUDITOR'S OFFICE determines the CONTRACTOR has failed to comply with the conditions of this contract in a timely manner, the STATE AUDITOR'S OFFICE has the right to suspend or terminate this contract. Before suspending or terminating the contract, the STATE AUDITOR'S OFFICE shall notify the CONTRACTOR in writing of the need to take corrective action. If corrective action is not taken within 30 calendar days, the contract may be terminated or suspended.

In the event of termination or suspension, the CONTRACTOR shall be liable for damages as authorized by law including, but not limited to, any cost difference between the original contract and the replacement or cover contract and all administrative costs directly related to the replacement contract, e.g., cost of the competitive bidding, mailing, advertising and staff time.

The STATE AUDITOR'S OFFICE reserves the right to suspend all or part of the contract, withhold further payments, or prohibit the CONTRACTOR from incurring additional obligations of funds during investigation of the alleged compliance breach and pending corrective action by the CONTRACTOR or a decision by the STATE AUDITOR'S OFFICE to terminate the contract. A termination shall be deemed a "Termination for Convenience" if it is determined that the CONTRACTOR: (1) was not in default; or (2) failure to perform was outside of his or her control, fault or negligence. The rights and remedies of the STATE AUDITOR'S OFFICE provided in this contract are not exclusive and are, in addition to any other rights and remedies, provided by law.

### **34. Termination for Convenience**

Except as otherwise provided in this contract, the STATE AUDITOR'S OFFICE may, by 10 calendar days written notice, beginning on the second day after the mailing, terminate this contract, in whole or in part. If this contract is so terminated, the STATE AUDITOR'S OFFICE shall be liable only for payment required under the terms of this contract for services rendered or goods delivered prior to the effective date of termination.

### **35. Termination Procedures**

Upon termination of this contract, the STATE AUDITOR'S OFFICE, in addition to any other rights provided in this contract, may require the CONTRACTOR to deliver to the STATE AUDITOR'S OFFICE any property specifically produced or acquired for the performance of such part of this contract as has been terminated. The provisions of the "Treatment of Assets" clause shall apply in such property transfer.

The STATE AUDITOR'S OFFICE shall pay to the CONTRACTOR the agreed upon price, if separately stated, for completed work and services accepted by the STATE AUDITOR'S OFFICE, and the amount agreed upon by the CONTRACTOR and the STATE AUDITOR'S OFFICE for (i) completed work and services for which no separate price is stated, (ii) partially completed work and services, (iii) other property or services that are accepted by the STATE AUDITOR'S OFFICE, and (iv) the protection and preservation of property, unless the termination is for default, in which case the AGENT shall determine the extent of the liability of the STATE AUDITOR'S OFFICE. Failure to agree with such determination shall be a dispute within the meaning of the "Disputes" clause of this contract.

The STATE AUDITOR'S OFFICE may withhold from any amounts due the CONTRACTOR such sum as the AGENT determines to be necessary to protect the STATE AUDITOR'S OFFICE against potential loss or liability. The rights and remedies of the STATE AUDITOR'S OFFICE provided in this section shall not be exclusive and are in addition to any other rights and remedies provided by law or under this contract.

After receipt of a notice of termination, and except as otherwise directed by the AGENT, the CONTRACTOR shall:

- A. Stop work under the contract on the date, and to the extent specified, in the notice;
- B. Place no further orders or subcontracts for materials, services, or facilities except as may be necessary for completion of such portion of the work under the contract that is not terminated;

- C. Assign to the STATE AUDITOR'S OFFICE, in the manner, at the times, and to the extent directed by the AGENT, all of the rights, title, and interest of the CONTRACTOR under the orders and subcontracts so terminated, in which case the STATE AUDITOR'S OFFICE has the right, at its discretion, to settle or pay any or all claims arising out of the termination of such orders and subcontracts;
- D. Settle all outstanding liabilities and all claims arising out of such termination of orders and subcontracts, with the approval or ratification of the AGENT to the extent AGENT may require, which approval or ratification shall be final for all the purposes of this clause;
- E. Transfer title to the STATE AUDITOR'S OFFICE and deliver in the manner, at the times, and to the extent directed by the AGENT any property which, if the contract had been completed, would have been required to be furnished to the STATE AUDITOR'S OFFICE;
- F. Complete performance of such part of the work as shall not have been terminated by the AGENT; and
- G. Take such action as may be necessary, or as the AGENT may direct, for the protection and preservation of the property related to this contract, which is in the possession of the CONTRACTOR and in which the STATE AUDITOR'S OFFICE has or may acquire an interest.

### **36. Treatment of Assets**

- A. Title to all property furnished by the STATE AUDITOR'S OFFICE shall remain in the STATE AUDITOR'S OFFICE. Title to all property furnished by the CONTRACTOR, for the cost of which the CONTRACTOR is entitled to be reimbursed as a direct item of cost under this contract, shall pass to and vest in the STATE AUDITOR'S OFFICE upon delivery of such property by the CONTRACTOR. Title to other property, the cost of which is reimbursable to the CONTRACTOR under this contract, shall pass to and vest in the STATE AUDITOR'S OFFICE upon (i) issuance for use of such property in the performance of this contract, or (ii) commencement of use of such property in the performance of this contract, or (iii) reimbursement of the cost thereof by the STATE AUDITOR'S OFFICE in whole or in part, whichever first occurs.
- B. Any property of the STATE AUDITOR'S OFFICE furnished to the CONTRACTOR shall, unless otherwise provided herein or approved by the STATE AUDITOR'S OFFICE, be used only for the performance of this contract.
- C. The CONTRACTOR shall be responsible for any loss or damage to property of the STATE AUDITOR'S OFFICE that results from the negligence of the CONTRACTOR or that results from the failure on the part of the CONTRACTOR to maintain and administer that property in accordance with sound management practices.
- D. If any STATE AUDITOR'S OFFICE property is lost, destroyed or damaged, the CONTRACTOR shall immediately notify the STATE AUDITOR'S OFFICE and shall take all reasonable steps to protect the property from further damage.
- E. The CONTRACTOR shall surrender to the STATE AUDITOR'S OFFICE all property of the STATE AUDITOR'S OFFICE prior to settlement upon completion, termination or cancellation of this contract.
- F. All reference to the CONTRACTOR under this clause shall also include CONTRACTOR'S employees, agents or SUBCONTRACTORS.

### **37. Waiver**

Waiver of any default or breach shall not be deemed a waiver of any subsequent default or breach. Any waiver shall not be construed to be a modification of the terms of this contract unless stated to be such in writing and signed by authorized representative of the STATE AUDITOR'S OFFICE.

**EXHIBIT C - FIXED PRICE COST CERTIFICATION**

State your Firm's total fixed price cost, including services, travel and per diem, and all other associated costs as specified in Section IV, Fixed-Price Cost Proposal for the tasks as defined in Section III of this proposal.

\$        fixed-price cost proposal

I hereby certify and acknowledge that this is a fixed price cost proposal for delivery of \_\_\_\_\_ and that this fixed cost proposal includes all Costs for performing the tasks as defined in Section III of this proposal.

Signature

Name:

**EXHIBIT D - REFERENCE WORKSHEET**  
***REFERENCE WORKSHEET***

**REFERENCE**

Type of Services Performed

Firm/Organization: \_\_\_\_\_

Reference Name: \_\_\_\_\_

Contact Person 1: \_\_\_\_\_

Contact 1 Phone #: \_\_\_\_\_ Fax #: \_\_\_\_\_

E-mail address: \_\_\_\_\_

Contact Person 2: \_\_\_\_\_

Contact 2 Phone #: \_\_\_\_\_ Fax #: \_\_\_\_\_

E-mail Address: \_\_\_\_\_

Type of Business: \_\_\_\_\_

Number of Employees at  
Reference Business: \_\_\_\_\_

Number of different business  
locations supported: \_\_\_\_\_

## EXHIBIT E - REQUIREMENTS CHECK LIST

Upon completion of the proposal verify the entire proposal conforms to the requirements outlined in Chapter 3 and that it is organized into nine (9) sections:

- 1) Letter of Submittal (Pass/Fail)
- 2) Project Management
  - Description of the proposer’s internal quality control system
  - Most recent independent peer review of their Yellow Book performance audits and comments from the review
- 3) Technical Proposal
- 4) Cost Breakdown Fixed Priced Cost Proposal
- 5) Signed Fixed Priced Cost Certification (Exhibit C) (Pass/Fail)
- 6) Customer References (Pass/Fail)
- 7) Resumes (Pass/Fail)
- 8) Signed Certification and Assurances (Exhibit A) (Pass/Fail)
- 9) Samples of Work (CD copy only)

| <b>Standard Instructions to Proposers</b>                                               |              |
|-----------------------------------------------------------------------------------------|--------------|
| <b>Section I. Submittal Letter (MR)</b>                                                 | <b>CHECK</b> |
| A. Organization Summary (MR)                                                            |              |
| B. Business Identification (MR)                                                         |              |
| C. Company Officers (MR)                                                                |              |
| D. Primary Contact (MR)                                                                 |              |
| E. Legal Status (MR)                                                                    |              |
| F. Previous State Contracts (MR)                                                        |              |
| G. Former Employee Status (MR)                                                          |              |
| H. Contract Termination (MR)                                                            |              |
| I. Tax Information (MR)                                                                 |              |
| J. Subcontractor Qualifications (MR)                                                    |              |
| K. Statement of Acceptance of Technical Requirements (MR)                               |              |
| L. Compliance with Insurance Requirements (MR)                                          |              |
| <b>Section II. Project Management (MR)</b>                                              | <b>CHECK</b> |
| A. Organization (MR)                                                                    |              |
| B. Project Management Team Structure and <b>Internal Controls</b> (MR)                  |              |
| C. Project Managers Assignment (MR)                                                     |              |
| D. Project Team’s Responsibilities and Qualifications (MR)                              |              |
| E. Proposers’ Recent and Relevant Experience (MR)                                       |              |
| F. Most recent <b>Peer Review</b> (MR)                                                  |              |
| <b>Section III. Technical Proposal (MR)</b>                                             | <b>CHECK</b> |
| A. Deliverables (MR)                                                                    |              |
| B. Schedule (MR)                                                                        |              |
| <b>Section IV. Itemized Fixed Price Cost Proposal (MR) (Pass/Fail)</b>                  | <b>CHECK</b> |
| <b>Section V. Signed Fixed Price Cost Certification form (MR) (Pass/Fail)</b>           | <b>CHECK</b> |
| <b>Section VI. Customer References (MR) (Pass/Fail)</b>                                 | <b>CHECK</b> |
| <b>Section VII. Resumes (MR) (Pass/Fail)</b>                                            | <b>CHECK</b> |
| <b>Section VIII. Signed Certifications and Assurances (Exhibit A), (MR) (Pass/Fail)</b> | <b>CHECK</b> |
| <b>Section IX. Samples of Work (MR), Softcopy only (CD), (Pass/Fail)</b>                | <b>CHECK</b> |

**Exhibit F –Background information for the Yellow Book Performance on the City of Seattle’s Seattle City Light**



**Washington State Auditor  
BRIAN SONNTAG, CGFM**

**General background and considerations for contractors submitting proposals:**

The background material below is for Proposers to use when responding to the Request for Proposal 0608-RFP-K50 (hereinafter referenced as RFP) for a performance audit of the City of Seattle’s Seattle City Light (SCL).

Proposers will use this information to help prepare their proposals and are not limited in gathering additional information or asking questions they deem useful and pertinent. Bidders will review the proposal contents section of the accompanying RFP to understand and respond to all elements of the RFP.

The City of Seattle has two utility divisions: Seattle City Light and Seattle Public Utilities, (SPU) which includes Water, Drainage & Wastewater and Solid Waste. The scope of this audit is limited to Seattle City Light.

**City Seattle Org Chart:**

<http://www.seattle.gov/directory/cityOrgChart.pdf>

**Seattle City Light**

**Contact Information:**

**Seattle City Light Administrative Office**

Seattle Municipal Tower  
700 Fifth Avenue, Suite 3200  
Seattle WA 98104-5031  
(5th Avenue between Columbia and Cherry streets)  
206.684.3200

**Mailing address:**

P.O. Box 34023  
Seattle, WA 98124-4023

**Main Phone:**

206.684.3000

**North Service Center**

1300 N. 97th Street  
Seattle WA 98103

**South Service Center**

3613 4th Ave S  
Seattle WA 98134

**Background Information Contact**

Any information request in regard to 0608-RFP-K50 must be directed to:

Connie Griffith (Accounting Manager)  
Phone 206-684-0905  
Email: [connie.griffith@seattle.gov](mailto:connie.griffith@seattle.gov)

**Web Site:**

[www.seattle.gov/light/](http://www.seattle.gov/light/)

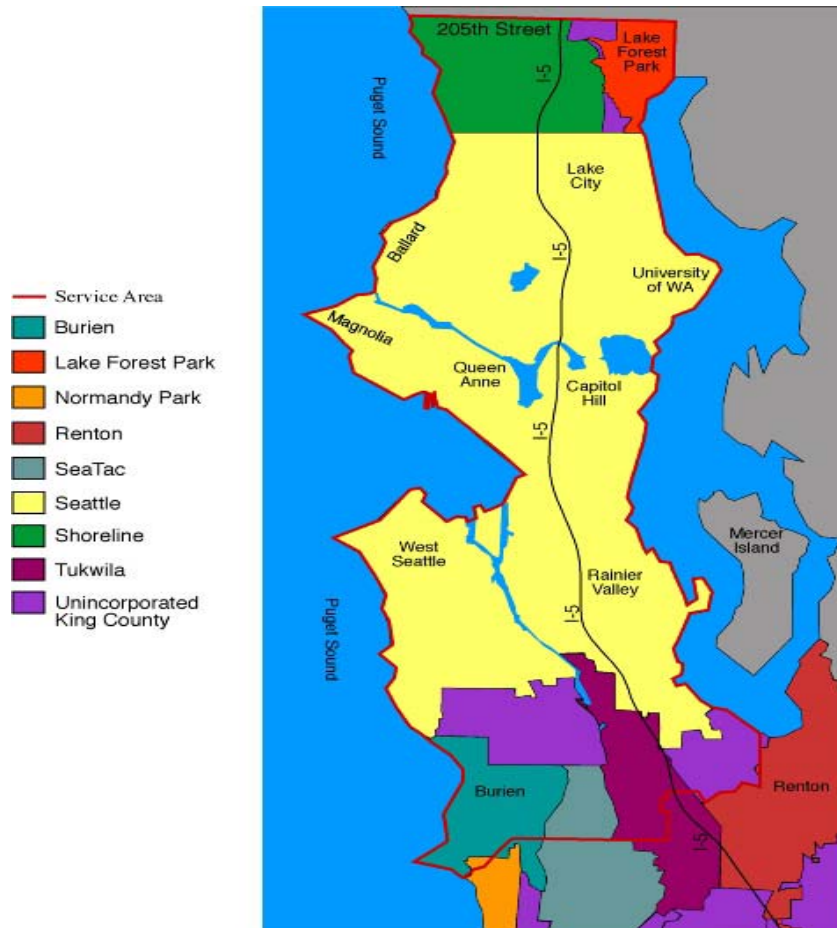
**Customers and Service Area:**

Seattle City Light is the seventh-largest municipal electric utility in the nation. It provides electricity to more than 376,000 residential, business and industrial customers. It provides service to 131.3 square miles, including the City of Seattle, parts of the City of Shoreline and parts of Lake Forest Park, areas of unincorporated King County, and areas south of Seattle including the cities of Burien, Tukwila and SeaTac.

**Operational Capacity:**

Seattle City Light owns about 2,000 megawatts of hydroelectric generation capacity. In an average year, Seattle City Light generates about 50 percent to 60 percent of its electricity through hydroelectric generation and obtains the remainder primarily through Bonneville Power Administration.

**Service Territory**  
**FY ending December 31, 2005**



|                                       |              |
|---------------------------------------|--------------|
| Service area population               | 738,400      |
| Service area size                     | 131.31 sq mi |
| Major substations                     | 15           |
| Unit substations                      | 5            |
| Commercial and Industrial substations | 51           |
| Transmission circuit (miles)          | 657          |
| Distribution circuit (miles)          | 2,470        |
| Meters                                | 381,466      |

2007 Quick facts on SCL can be viewed at:

<http://www.ci.seattle.wa.us/light/aboutus/customerguide/>

**Agency Organization & Strategic Plans:**

**City light Business Units:**

Customer Service & Energy Delivery organizational chart

[http://www.seattle.gov/light/news/issues/transform/Docs/Cust\\_Service\\_Org\\_Chart.pdf](http://www.seattle.gov/light/news/issues/transform/Docs/Cust_Service_Org_Chart.pdf)

Financial Services organizational chart

[http://www.seattle.gov/light/news/issues/transform/Docs/Finance\\_Org\\_Chart.pdf](http://www.seattle.gov/light/news/issues/transform/Docs/Finance_Org_Chart.pdf)

Human Resources organizational chart

[http://www.seattle.gov/light/news/issues/transform/Docs/Human\\_Resources\\_Org\\_Chart.pdf](http://www.seattle.gov/light/news/issues/transform/Docs/Human_Resources_Org_Chart.pdf)

Power Supply & Environmental Affairs organizational chart

[http://www.seattle.gov/light/news/issues/transform/Docs/Power\\_Supply\\_Org\\_Chart.pdf](http://www.seattle.gov/light/news/issues/transform/Docs/Power_Supply_Org_Chart.pdf)

Office of the Superintendent organizational chart

[http://www.seattle.gov/light/news/issues/transform/Docs/Office\\_of\\_Supt\\_Org\\_Chart.pdf](http://www.seattle.gov/light/news/issues/transform/Docs/Office_of_Supt_Org_Chart.pdf)

In 2006, Seattle City Light developed their 2008 Integrated Resource Plan (IRP), a long-term plan that outlines how they will meet anticipated customer needs over the next 20 years.

<http://www.seattle.gov/light/news/issues/irp/>

**Rate Studies, Projections and Trends:**

The Light Utility publishes a customer news letter called the “Rate Review”. One of the links within a 2006 publication is to the 2007-2008 Proposed Rate Proposal:

<http://www.seattle.gov/light/news/issues/rateproc/>

Rate Adjustments and Change Details

[http://www.cityofseattle.net/light/accounts/rates/ac5\\_rt2k1.htm#intro](http://www.cityofseattle.net/light/accounts/rates/ac5_rt2k1.htm#intro)

Rates listed by area, with detailed rate process and summary of changes

<http://www.seattle.gov/light/accounts/rates/>

**Financial Information:**

The following graph shows revenues, expenses, and net income for years ending 2004 through 2006:

**Condensed Revenues and Expenses**

|                       | <b>Year Ended December 31</b> |                      |                      |
|-----------------------|-------------------------------|----------------------|----------------------|
|                       | <b>2006</b>                   | <b>2005</b>          | <b>2004</b>          |
| Operating revenues    | \$ 831,810,233                | \$ 748,552,561       | \$ 777,918,589       |
| Nonoperating revenues | 11,947,367                    | 5,417,494            | 4,286,396            |
| <b>Total revenues</b> | <b>843,757,600</b>            | <b>753,970,055</b>   | <b>782,204,985</b>   |
| Operating expenses    | 642,041,903                   | 624,592,061          | 710,002,913          |
| Nonoperating expenses | 71,780,961                    | 73,646,463           | 76,304,899           |
| <b>Total expenses</b> | <b>713,822,864</b>            | <b>698,238,524</b>   | <b>786,307,812</b>   |
| Capital contributions | 21,538,722                    | 18,944,222           | 10,580,789           |
| Grants                | 10,289,467                    | 7,234,823            | 7,282,976            |
| <b>Net income</b>     | <b>\$ 161,762,925</b>         | <b>\$ 81,910,576</b> | <b>\$ 13,760,938</b> |

**Approximate breakdown of Operating Services:**

|                 |     |
|-----------------|-----|
| Retail Power    | 75% |
| Wholesale Power | 21% |
| Other           | 4%  |

**Approximate Operating Expenses:**

|                            |     |
|----------------------------|-----|
| Long Term Purchasing Power | 32% |
|----------------------------|-----|

City Light paid approximately \$32.9 million and \$34.4 million, respectively, in 2006 and 2005 for central services including; treasury services, risk financing, purchasing, data processing systems, building rentals, vehicle maintenance, personnel, payroll, legal, administrative, and the lease of Seattle administrative offices.

City Light charged \$12.8 million and \$13.1 million for electrical energy and \$2.2 million and \$2.1 million for non-energy services provided to other City departments in 2006 and 2005, respectively. The Web site with links to current year and historical annual reports can be found at:

<http://www.cityofseattle.net/light/aboutus/AnnualReport/>

Their current and projected operational cash flows (2005-2016) can be found at:

[http://www.seattle.gov/light/news/issues/RateProc/Docs/2007rate\\_try29\\_flow\\_of\\_funds.pdf](http://www.seattle.gov/light/news/issues/RateProc/Docs/2007rate_try29_flow_of_funds.pdf)

In the 2006 Annual Report, and Independent Audit Report was conducted by Virchow, Krause & Company, LLP. The Audit found the following (see pg 23-66):

**Charges to other City Departments**

City Light charged \$12.8 million and \$13.1 million for electrical energy and \$2.2 million and \$2.1 million for non-energy services provided to other City departments in 2006 and 2005, respectively.

**Charges from other City Departments**

The Department paid approximately \$32.9 million and \$34.4 million, respectively, in 2006 and 2005 for central services including; treasury services, risk financing, purchasing, data processing systems, building rentals, vehicle maintenance, personnel, payroll, legal, administrative, and the lease of Seattle administrative offices.

<http://www.cityofseattle.net/light/AboutUs/AnnualReport/2006/2006AnnualReport.pdf>

**Centralized Operations:**

Seattle City Light and Seattle Public Utility agreed to internally consolidate certain services in July 1998. They consolidated their databases, call centers, billings systems and outreach efforts.

**Laws, Court Cases, and Audits:**

1. Washington State Supreme Court Decision:

*Okeson v. City of Seattle*

In November 1999, Seattle adopted a new ordinance which had the effect of shifting street lighting cost from the General Fund to City Light and its ratepayers. On November 13, 2003, the Washington Supreme Court held that providing public street lighting is a governmental function and that shifting the costs of street lighting from Seattle’s General Fund to the City Light ratepayers constituted imposition of an unlawful tax on City Light ratepayers.

In May 2004, trial court proceedings resulted in a ruling that the Utility be required to refund the amount collected from the ratepayers since December 1999 attributable to streetlight costs. The ruling also provided that the City of Seattle General Fund will have to repay the Utility for the streetlight costs that would have been billed over the same period.

<http://www.mrsc.org/GovDocs/K5citylight.PDF>

2. Washington State Supreme Court Decision:

In January 2007, The Washington Supreme Court ruled in *Okeson v. City of Seattle*, No. 77888-4 (Jan. 18, 2007), that Seattle City Light lacked the authority to use ratepayer money for greenhouse gases to offset contracts because the contracts were neither proprietary in nature nor sufficiently related to the purpose of supplying electricity. In reaching its conclusion, the court first concluded that Seattle City Light did not have the express statutory authority to pay other entities to reduce their greenhouse gases emissions. Second, it concluded that Seattle City Light did not act within its implied or incidental powers because Seattle City Light’s offset contracts are: (1) not proprietary in nature; and (2) no within the object and purpose of the utility’s enabling statute.



Adobe Acrobat  
Document

On May 7<sup>th</sup>, Washington Governor signed a new law that effectively reversed the January 2007 Washington Supreme Court decision (HB 1929).

<http://apps.leg.wa.gov/documents/billdocs/2007-08/Pdf/Bills/House%20Passed%20Legislature/1929-S.PL.pdf>

Audit Review of Seattle City Light by Vantage Consulting, Inc. (2002)

This report by Vantage Consulting, Inc. was in response to the Request for Proposal from the City of Seattle, Office of City Auditor, for a review of Seattle City Light. The audit covered three areas- (1) an assessment of City Light’s debt/financial situation; (2) City Light’s risk management practices; and (3) a summary of other governance models available for public utility.

[http://www.seattle.gov/audit/report\\_files/2002-14\\_SCL\\_Review.pdf](http://www.seattle.gov/audit/report_files/2002-14_SCL_Review.pdf)

**Information Applicable across the City’s Utility Departments:**

City of Seattle proposed 2008 budget:

With the proposed budget, a revenue overview of Utility Business Tax for Public Utilities, refer to page 42. For proposed Seattle Public Utilities policy and program changes, including budget and total FTE equivalents, refer to pages 429-494

<http://www.seattle.gov/financedepartment/08proposedbudget/default.htm>

Cost Allocations for 2007-2008:

Information on indirect costs allocated to City Light and the City’s other utility funds can be found as follows (see page 691).

[http://www.seattle.gov/financedepartment/08proposedbudget/2008\\_Proposed\\_Cost%20Allocation.pdf](http://www.seattle.gov/financedepartment/08proposedbudget/2008_Proposed_Cost%20Allocation.pdf)

The following link provides some financial information for private utility providers. Vendors may consider whether comparisons to city utilities are possible.

<http://www.wutc.wa.gov/energy>

Reference to City Taxes on Utility Bills by the Washington Utilities and Transportations Commission:

<http://www.wutc.wa.gov/webdocs.nsf/b8da29aede8fdd67882571430005a9c1/0d4ce674924c52658825650f0064b67f!OpenDocument>

List of the 2006 City of Seattle employees and their job title, salaries and the department they work for. Note - this information is compiled by a private citizen and is not audited. There are indications that the information is not complete.

<http://lbloom.net/xsea06.html>

**City Background Information: (Need to be clear about which category they fall under)**

Cities are classified through statute by population at the time of incorporation (first class cities – 10,000 and over; second class cities – 1,500 to 10,000; towns – 1,500 and under) ([Chapter 35.01 RCW](#)). Cities may operate under the optional municipal code as either a non-charter code city or as a charter code city ([Chapter 35A.01 RCW](#)). All code cities are governed by [Title 35A RCW](#), while towns and all other cities are governed by [Title 35 RCW](#).

**Inappropriate Use of Restricted Funds**

[RCW 43.09.210](#) prohibits one fund from benefiting another. Restricted revenue sources are typically found in proprietary funds, special revenue funds, and capital project funds. The concern is that management may attempt to shift the cost of general fund responsibilities to other funds. There may be an allocation of centralized administrative costs that over allocates costs to restricted funds and/or inappropriately allocates costs that are a fundamental general governmental function (i.e., allocating a portion of the mayor's salary to the utilities).

**A Revenue Guide for Washington Cities and Towns:**

See Utility Business and Occupation Taxes (page 20) for information on tax rate limits and what is needed to change the utility rate.

<http://www.mrsc.org/Publications/revguide.pdf>

**Interested parties to the operations of SCL:**

Suburban Cities Association

<http://www.suburbancities.org/publish/board.shtml>

**Applicable State Laws:**

<http://apps.leg.wa.gov/rcw/default.aspx?Cite=42>

Chapter 42.30 RCW      Open public meetings act