



**Washington State Auditor
Brian Sonntag**

STATE OF WASHINGTON

K-12 Health Benefits Audit

Request for Proposals (RFP)

RFP NUMBER 0610-RFP-K198

**Proposal Due 2:00 p.m., Local Time
in Olympia, Washington, on July 21, 2010**

**Solicitation Coordinator Kevin Greene
Ph: (360)725-9730
E-mail: contractmanager@sao.wa.gov**

**State Auditor's Office
Town Square
621 – 8th Avenue Southeast, Suite 201
Mail Stop 40022
Olympia, WA 98504-0022**

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CHAPTER 1 - INTRODUCTION & DEFINITIONS

1. PURPOSE

The Washington State Auditor's Office, herein called "SAO," is conducting a performance audit of Washington State school districts' and Educational Service Districts' employee health benefits programs. This audit will determine total cost of current health benefits coverage for K-12 employees and whether costs could be reduced through other coverage models. SAO's report will include a description of how benefits are provided, such as the role of the bargaining process and how eligibility and cost-sharing are determined.

We are seeking the assistance of a consultant with subject matter expertise in the field of health benefits and actuarial consulting to provide an analysis of opportunities to reduce current costs or contain future costs. The SAO will rely on the consultant's professional judgments and actuarial analysis to support its findings and conclusions. The consultant will provide a written detailed report.

A. BACKGROUND INFORMATION

The state's 295 school districts and nine educational service districts employ more than 102,000 teachers and staff. Health benefit costs for those employees and their dependents comprise a significant portion of education spending. During 2008-2009, school districts spent more than \$1 billion of state, local levy and federal money on employee health benefits.

Since 1969 the Legislature has appropriated funds to public schools to provide health benefits for school employees. In 1990 the Legislature said health care funding is intended to:

- Provide access to basic coverage for school employees and their dependents while minimizing employees' out-of-pocket premium costs.
- Eliminate major differences in out-of-pocket premium expenses for employees who do and do not need coverage for dependents by pooling funds at the school district level.
- Encourage plans that promote appropriate use of health benefits without creating major barriers to receiving care.

Three major studies of K-12 employee health benefits have occurred since 1989. These studies are outlined in [Exhibit F](#) with links to the reports. With the exception of a 1991 study performed by the Washington State Health Care Authority, the other two studies had difficulty obtaining data. See [Exhibit F](#) for additional information.

B. PROJECT SCOPE OF WORK

A portion of this audit will include an analysis of current coverage and an estimate of the cost. An actuary may be needed to establish the actuarial value of benefits and estimate projected premiums/costs of changes in models. The analysis shall address the following objectives:

1. What is the current cost of providing K-12 employee and retiree health benefits coverage, and what benefits do the plans provide? This objective should address the following:
 - a) What are the current plan design options and plan types?
 - b) What are the plan designs by region¹?
 - c) What are the employer cost and employee cost per region by plan design?
 - d) What are the anticipated premium increases for the next year?
2. Are there opportunities to reduce current or contain future costs through other models of health care coverage? If so:
 - a) How might these opportunities be realized?
 - b) Could K-12 employee groups be consolidated into larger benefit/risk pools?
 - c) What would be the effect on current plans and coverage?
 - d) What challenges would exist, and what approaches could overcome those challenges?

Under the direction of the SAO Audit Manager, the contractor is expected to perform specific tasks. Including, but not limited to:

- Identify data necessary to perform a financial analysis in order to determine if cost-savings opportunities exist.
- Work with the SAO audit team to develop a data collection instrument (form, content and data collection plan) for school districts and Educational Service Districts to provide data necessary to perform the analysis required. The data collection instrument shall include instructions for completion and definitions where necessary to describe information in order to collect consistent data.
- Determine a methodology to select school districts and Educational Service Districts for the survey. The selection should provide a sufficient basis to assess impacts on the population.
- Perform an analysis to address the objectives. The analysis shall include but not be limited to benefit coverage, employer and employee cost.
- Prepare a plan design benefit matrix showing the benefits, copays, and out-of-pocket expenses.
- Prepare a written report to the SAO conveying professional conclusions. The final report must be delivered to SAO no later than November 30, 2010 and shall include:
 - a) Results of data survey process including costs (administrative, premiums, broker fees/commissions) of providing health benefits, eligibility requirements, pooling arrangements, plan benefits, employer contribution, employee contribution, and other pertinent information resulting from the survey.
 - b) Analysis of type of plan and costs of plan by region.
 - c) Analysis of cost and coverage by region.

¹ Region may be defined as rural versus urban or another logical method of segmenting the districts.

- d) Analysis of current cost and coverage and comparison to other models (employer contributions, effects on employee costs, coverage and providers) with assumptions used.
 - e) Opportunities to reduce costs, including but not limited to distinction between administrative costs and cost of insurance.
 - f) Barriers to implementation and changes necessary to mitigate.
 - g) Conclusions summarizing potential financial impact.
 - h) Tables, charts or graphs to facilitate a quick understanding of data/comparisons or other information better communicated visually.
- Provide consulting services related to the identification and potential assistance in costing implementation of alternative models. *(Bidders are to provide a not-to-exceed hourly rate inclusive of travel and expenses for this service in their price proposal. This service will be negotiated on an as-needed basis. Only show an hourly rate for the service in your cost proposal.)*

At the discretion of the SAO, other related work may be added by contract amendment throughout the life of the contract.

2. MINIMUM QUALIFICATIONS

The minimum qualifications herein are to ensure the proposer has adequate experience and appropriate expertise to perform actuarial services related to health benefits design and costing. The minimum qualifications must be met by the proposer.

The proposer shall submit qualification information to show that both the firm and individuals performing the work and issuing an actuarial report have at least three (3) years demonstrated experience with services listed under Project Scope of Work. Additionally, the firm, and individuals performing the work must have at least three (3) years demonstrated experience with:

- Large and small employer groups offering health insurance benefits through both insured and self-insured products.
- Survey development and data collection.
- Financial cost benefit analysis.
- Extensive knowledge of health care programs and plans.
- Generally accepted actuarial principles and actuarial standards of practice as defined by the Actuarial Standards Board.

Proposer must be able to demonstrate ability to:

- Conduct a rigorous analysis that results in accurate conclusions and communicate the logic and assumptions underlying the analysis clearly and concisely.
- Develop and execute an effective communication and data collection plan for engaging the school districts.
- Write reports that are clear, concise and compelling using plain language (i.e. not industry jargon).
- Employ excellent project management skills, including communicating clearly with team members, prioritizing tasks and managing tight timelines.

In addition, the firm/individual, if awarded the contract, will obtain all necessary licenses to do business in the state of Washington.

The proposer and staff proposed to perform the services must grant permission to SAO to contact references and others who may have pertinent information regarding prior experience and ability to perform the services contemplated in this solicitation.

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

3. PERIOD OF PERFORMANCE

The period of performance of any contract resulting from this RFP is tentatively scheduled to begin on or about August 27, 2010 or date of execution, whichever is later, through March 31, 2011, with the final report due by November 30, 2010.

Amendments extending the period of performance, if any, shall be at the sole discretion of State Auditor's Office. State Auditor's Office reserves the right at its discretion, to extend the contract for up to three additional one-year periods.

4. STANDARD DEFINITIONS

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

A. AUDITED PROGRAM

The audited program is the health benefits coverage provided to school district and Educational Service District employees.

B. AUDIT MANAGER

The audit manager is a State Auditor Office employee with the title of Local Government Audit Coordinator or his delegate who has been assigned to review the audit and coordinate with the contractor.

C. CONTRACT

Refers to the legally enforceable agreement between the State Auditor's Office and contractor.

D. CONTRACTOR

The firm, provider, organization, individual or other entity, including subcontractors, performing service(s) under this contract, and shall 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 (GAGAS) or the 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. PROPOSAL

A written offer submitted in response to this solicitation.

I. PROPOSER

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

J. RCW

The Revised Code of Washington (laws of Washington State).

K. REQUEST FOR PROPOSAL (RFP)

Formal procurement document in which a service or need is identified but no specific method to achieve it has been chosen. The purpose of an RFP is to permit the consultant community to suggest various approaches to meet the need.

L. SOLICITATION COORDINATOR

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

M. STATE AUDITOR'S OFFICE

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.

N. SUBCONTRACTOR

"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 subcontractors(s) in any tier.

O. WASHINGTON'S ELECTRONIC BUSINESS SOLUTION (WEBS)

An Internet vendor registration and bid notification system. The system offers one online site where vendors should register to receive State Auditor's Office and other governmental bid notifications.

CHAPTER 2 - STANDARD INSTRUCTIONS TO PROPOSERS

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

1. SOLICITATION COORDINATOR

The Solicitation Coordinator is the sole point of contact at State Auditor's Office for this procurement. All communication between the proposer and State Auditor's Office shall be with the Solicitation Coordinator, as follows:

Kevin Greene
Washington State Auditor's Office
K12 Healthcare Benefits Audit, RFP Response
Town Square
621 – 8th Ave S.E., Suite 201
PO Box 40022
Olympia WA 98504-0022

Physical Address for Hand Delivery or Courier Service:
Washington State Auditor's Office
Town Square
621 – 8th Ave S.E., Suite 201
Olympia WA 98504-0022

Telephone Number: (360) 725-9730

Fax Number: (360) 586-0008

E-mail Address; contractmanager@sao.wa.gov

Any other communication shall be considered unofficial and non-binding on State Auditor's Office. 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 preproposal teleconference on July 8, 2010 (see schedule below), must call (360) 407-3780 prior to 2:00 p.m. local time in Olympia, Washington. The PIN code is 805956#.**

3. SCHEDULE OF PROCUREMENT ACTIVITIES

Event	Local Time in Olympia, WA	Date
• Issue Request for Proposals	5:00pm	June 24, 2010
• Preproposal Teleconference	2:00pm	July 8, 2010
• Last date for questions regarding Solicitation	2:00pm	July 12, 2010
• Issue Addendum/amendment to RFP (if applicable)	2:00pm	July 14, 2010
• Proposals due	2:00pm	July 21, 2010
• Evaluate proposals	TBD	Begin July 22, 2010
• Announce "Apparent Successful Contractor" Send notification via fax or e-mail to unsuccessful proposers	TBD	On or about August 4, 2010
• Hold debriefing conferences (if requested)	TBD	On or about August 5, 2010
• File contract with OFM	TBD	On or about August 12, 2010
• Begin contract work	TBD	On or after August 27, 2010. (Work shall not begin any sooner than 10 days after filing the contract with OFM)

STATE AUDITOR'S OFFICE 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**".

All questions and answers will be compiled and presented in written form as an Addendum to the solicitation

5. AMENDMENT TO THE SOLICITATION

In the event that it becomes necessary to revise any part of this solicitation, an amendment shall be issued via the WEBS to all vendors who have registered in WEBS as required by Chapter 2 subsection 7 and downloaded the bid and any prior amendments through WEBS.

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

State Auditor's Office 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 shall be provided as an addendum to the solicitation.

State Auditor's Office 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 submitted a Letter of Intent to Propose.

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

6. 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 shall be required as a condition for receiving an award and proposals will not be rejected or considered non-responsive 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 is ten percent and for women business enterprises is four 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

7. WASHINGTON ELECTRONIC BUSINESS SOLUTION REGISTRATION

This solicitation will be issued via 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 code:

- 9850 – Financial Management 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. Therefore, it is also the proposer's responsibility to check WEBS for addenda, or modifications prior to submitting their proposal. The State and State Auditor's Office accepts 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 at 360-902-7400 or by email at webcustomerservice@ga.wa.gov with any questions.

8. ACTUARY'S CODE OF PROFESSIONAL CONDUCT AND ACTUARIAL STANDARDS OF PRACTICE

The actuary must comply with Actuary's Code of Professional Conduct, Actuarial Standards of Practice and generally accepted actuarial principles and practices.

An Actuary who is not financially and organizationally independent concerning any matter related to the performance of Actuarial Services shall disclose to the Principal (SAO) any pertinent relationship that is not apparent.

As part of their response to this solicitation, proposers will be required to identify actuarial services performed within the last four years on behalf of all in-scope audited programs subject to this 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 actuarial services performed on behalf of the audited program as specified in this section will be deemed nonresponsive and their bids will be rejected. If the State Auditor's Office learns of such actuarial services subsequent to awarding the contract, and those actuarial services were not disclosed to the State Auditor's Office by the proposer, the State Auditor's Office may choose not to pay the proposer for work performed under the contract. As part of its evaluation process, the State Auditor's Office will evaluate and determine if a proposer meets this requirement.

9. PROPRIETARY INFORMATION - PUBLIC DISCLOSURE

Materials submitted in response to this solicitation will become the property of State Auditor's Office.

All proposals received will remain confidential until the contract, if any, resulting from this RFP, is signed by the State Auditor's Office and the apparent successful contractor. Thereafter, the proposals may be

subject to disclosure pursuant to RCW 42.56, the Public Records Act. For further information on Washington State public records laws, see the following:

- **RCW 42.56, Public records:** <http://apps.leg.wa.gov/rcw/default.aspx?Cite=42>
- **Executive Order 00-03, April 25, 2000, Public Records Privacy Protections**
- **Governor Gregoire Directive, February 7, 2006, Washington Public Disclosure Act**
http://www.governor.wa.gov/directives/dir_06_02_07.pdf

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.

The State Auditor's Office will consider a proposer's request for exemption from disclosure; however, the decision will be predicated upon RCW 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, the State Auditor's Office'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 the proposer has marked as "Proprietary Data" are the subject of a public disclosure request, the State Auditor's Office'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 the State Auditor's Office's notice with its intent to seek a court injunction against the requested disclosure. If the State Auditor's Office receives no response from the proposer within the timeframe specified in this section, the materials and information may be released consistent with the State Auditor's Office 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.

10. 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 of this RFP. 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. The State Auditor's Office 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 conform to the format specified by the State Auditor's Office. Unless otherwise authorized, proposals must be filled out in ink or with an electronic printer or other similar office equipment and properly signed by an authorized representative of the proposer. Electronic signatures will be accepted. 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.

Consultants may submit proposals via email. The proposal, whether emailed, mailed or hand delivered, must be received by the State Auditor's Office 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 State Auditor’s Office’s sole point of contact for this procurement.

The electronic version of the proposal must be submitted in Word, Excel or PDF format. No proposals will be accepted via fax. Zipped files cannot be received by the State Auditor’s Office and cannot be used for submission of proposals.

Proposal must be organized in seven sections (See Chapter 3 for subheadings and explanations for each section):

1. Letter of Submittal (Pass/Fail)
2. Project Management
3. Technical Proposal
4. Cost Breakdown Fixed-Priced Cost Proposal
5. Customer References (Pass/Fail)
6. Résumés (Pass/Fail)
7. Signed Certification and Assurances ([Exhibit A](#)) (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 Résumés, Signed Certification and Assurances (Appendix A).

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

Proposer’s Return Address Solicitation Number: 0610-RFP-K198 Solicitation Coordinator Name: Kevin Greene Email: contractmanager@sao.wa.gov	State Auditor’s Office 621 - 8 th Ave S.E., Suite 201 Mail Stop 40022 Olympia, WA 98504-0022
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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 non-responsive. All proposals and any accompanying documentation become the property of the State Auditor’s Office and will not be returned.

11. 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 State Auditor’s Office." State Auditor’s Office will review requested exceptions and accept or reject the same at its sole discretion.

12. COSTS TO PROPOSE

State Auditor’s Office 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.

13. ERRORS AND OMISSIONS IN PROPOSAL

The State Auditor's Office 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.

14. NO OBLIGATION TO CONTRACT

This RFP does not obligate the state of Washington or State Auditor's Office to contract for services specified herein.

15. 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.

16. 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 non-responsive.

State Auditor's Office also reserves the right, however, at its sole discretion to waive minor irregularities.

17. PROPOSAL REJECTION

Solely, the State Auditor's Office will make determination of clarity and completeness in the responses to any of the provisions in this Solicitation. State Auditor's Office 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 non-responsive.

State Auditor's Office 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.

18. FAILURE TO COMPLY

THE PROPOSER MUST PROVIDE A RESPONSE TO ALL SECTIONS SPECIFIED AS MR (MANDATORY REQUIREMENT). FAILURE TO COMPLY WITH ANY PART OF STATE AUDITOR'S OFFICE'S REQUEST FOR PROPOSAL MAY RESULT IN THE FIRM'S PROPOSAL BEING DISQUALIFIED (AND NOT SCORED) FOR BEING NON-RESPONSIVE TO STATE AUDITOR'S OFFICE'S REQUEST.

19. ACCEPTANCE PERIOD

Proposals shall provide 60 days for acceptance by State Auditor's Office from the due date for receipt of proposals.

20. 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, and upon successful review and/or filing with the Office of Financial Management. All proposals submitted become the property of the State and the State Auditor's Office and shall remain confidential until the contract, if any, resulting from this RFP is signed by the State Auditor's Office and the apparent successful contractor; thereafter, the proposals shall be deemed public records as defined in RCW 42.56.

21. MOST FAVORABLE TERMS

State Auditor's Office 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. State Auditor's Office 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, State Auditor's Office 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.

22. AWARD

Upon award, notification shall be sent by the Solicitation Coordinator in writing via email 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.

23. 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 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 submit to the State Auditor's Office, within 15 days of the contract effective date, a certificate of insurance which outlines the coverage and limits defined in the Insurance section. The 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:

Commercial General Liability (CGL) 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.

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.

Professional Liability: Coverages with limits of not less than \$1,000,000 for any one occurrence.

Workers' Compensation Coverage: Workers' compensation coverage with Washington statutory limits and employer's liability coverage of not less than \$500,000 for employer's 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 its employees for services performed under the terms of the contract.

Employer's Liability ("Stop Gap") Insurance: In addition, the contractor will buy employer's 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. Employer's Liability ("Stop Gap") Insurance is intended to cover gaps between Workers' Compensation and CGL insurance.

Additional Provisions:

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.

Cancellation: The 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. The contractor will instruct

the insurers to give the State Auditor's Office 30 calendar days' advance notice of any insurance cancellation or nonrenewal action.

Identification: Policy must reference the State's contract number and the State Auditor's Office.

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 State Auditor's Office's Risk 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 RCW 48.15 and WAC 284-15.

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.

24. 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.

1. SECTION I - LETTER OF SUBMITTAL – MANDATORY REQUIRED (MR) / (PASS/FAIL)

A. 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.

B. Business Identification (MR)

Proposers must provide an overview of their organization, including, but not limited to the following:

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

C. 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.)

D. 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.

E. 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.

F. 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, the contract number and describe the work and/or provide other information available to identify the contract.

G. Former Employee Status (MR)

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

H. 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 shall submit full details of the terms for default. Proposers shall identify the other party, its name, address, and phone number, and present the proposer's position on the matter. State Auditor's Office 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.

I. Tax Information (MR)

Provide your proposer's Federal Employer Tax Identification number and the Washington Uniform Business Identification (UBI) number issued by the State of Washington Department of Revenue.

J. Sub-Contractor Qualifications (MR)

For each subcontractor, the proposer must address the submittal questions set forth in A – C and E – I above.

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

K. 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 (Performance Statement of Work).

L. 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 State Auditor's Office within 15 days of the contract effective date, a certificate of insurance, which outlines the coverage and limits as defined in the Insurance section.

2. SECTION II - PROJECT MANAGEMENT (MR)

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 work during their period of participation and that reporting lines are clear. The proposer must designate a lead individual who the State Auditor's Office 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 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 who will be assigned to work directly with the State Auditor's Office management.

B. Project Management (MR)

Project Team Structure/Internal Controls - Provide a description of the proposed project team structure and internal controls to be used during the course of the project, including any subcontractors. Provide an organizational chart of your firm indicating lines of authority for personnel involved in performance of this potential contract and relationships of this staff to other programs or functions of the firm. This chart must also show lines of authority to the next senior level of management. Include who within the firm will have prime responsibility and final authority for the work.

Project Manager's Assignment - As a requirement of contract performance, the State Auditor's Office 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 résumé 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 key 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 the State Auditor's Office in advance of the performance of any work.

Staff Qualifications/Experience – Identify key staff, including subcontractors, who will be assigned to the potential contract, indicating the responsibilities and qualifications of such personnel, and include the amount of time each will be assigned to the project. Provide résumés (in Section VI) for the named staff, which include information on the individual's particular skills related to this project, education, experience, significant accomplishments and any other pertinent information. The Consultant must commit that key staff identified in its proposal will actually perform the assigned work. Any staff substitution must have the prior approval of the State Auditor's Office.

C. Proposer's Recent Relevant Experience (MR)

The minimum qualifications specified in Chapter 1.2 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 shall demonstrate and provide:

- Samples of final reports or other work conducted within the last five years that demonstrates your firm's capability to successfully perform these services.
- A brief statement of recent and relevant experience (past five years) in conducting actuarial assessments of health benefit programs or other related audit experience that will assist in the performance of this audit.
- Proposer shall provide information which clearly identifies how the individuals assigned to the project will collectively meet the experience and expertise requirements outlined above and in Chapter 1.2 "Minimum Qualifications".

FAILURE TO DEMONSTRATE TO STATE AUDITOR'S OFFICE'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).

3. SECTION III - TECHNICAL PROPOSAL (MR)

A. OVERVIEW

The Technical Proposal will propose an approach and methodology to achieve the objectives stated under Project Scope of Work. The proposer's methodology shall include identification of data necessary to address the objectives. The proposal must address all work and all audit objectives and sub-objectives contained in Chapter 1.1.B.

The Proposers shall review the Background Information in Chapter 1 Section 1.A and [Exhibit F](#) as they complete the Statement of Work to show how they will address the audit objectives.

B. OBJECTIVES

Conduct an actuarial analysis and issue an actuarial report to include:

- Identification of the current cost of health care insurance and plan benefits for K-12 employees.
- An assessment of whether there are opportunities to reduce current or contain future costs through alternative health care coverage. If so:
 - How might these opportunities be realized?
 - Could K-12 employee groups be consolidated into larger benefit/risk pools?
 - What would be the effect on current plans and coverage?
 - What challenges would exist, and what approaches could overcome those challenges?

The Technical Proposal must contain a comprehensive description of services including the following elements:

- **Project Approach/Methodology (MR)** – Include a complete description of the proposed approach and methodology for gathering data, selecting participants for the survey, performing the analysis and preparing the actuarial report.
- **Work Plan (MR)** – Include all project requirements and the proposed tasks, services, activities, etc. necessary to accomplish the scope of the project defined in this RFP. This section of the technical proposal must contain sufficient detail to convey to members of the evaluation team the proposer’s knowledge of the subjects and skills necessary to successfully complete the project. Include any required involvement of State Auditor’s Office staff.
- **Project Schedule (MR)** – Include a project schedule indicating when the elements of the work will be completed and when deliverables, if any, will be provided.
- **Deliverables (MR)** – Fully describe content and format of deliverables to be submitted under the proposed contract.

4. SECTION IV – FIXED-PRICE COST PROPOSAL (MR) (SCORED)

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)

Proposer must itemize their Fixed-Price Cost Proposal per deliverable identified in Section III - Technical Proposal (*Performance Statement of Work*) in the format demonstrated below:

Audit Objective	Deliverable Date	Ongoing Outcomes and Results	Final Outcomes – Contributions to Success	Cost proposal																			
				<i>Source:</i> Your Proposal (for example)																			
				<table border="1"> <thead> <tr> <th><i>Item</i></th> <th><i>Rate</i></th> <th><i>Hours</i></th> <th><i>Total</i></th> </tr> </thead> <tbody> <tr> <td>Staff hours</td> <td>\$'s per hour</td> <td>Hours</td> <td>\$'s</td> </tr> <tr> <td>Subcontractor (shown separately)</td> <td>\$'s per hour</td> <td>Hours</td> <td>\$'s</td> </tr> <tr> <td>Total for deliverable</td> <td></td> <td></td> <td>\$'s</td> </tr> </tbody> </table>				<i>Item</i>	<i>Rate</i>	<i>Hours</i>	<i>Total</i>	Staff hours	\$'s per hour	Hours	\$'s	Subcontractor (shown separately)	\$'s per hour	Hours	\$'s	Total for deliverable			\$'s
<i>Item</i>	<i>Rate</i>	<i>Hours</i>	<i>Total</i>																				
Staff hours	\$'s per hour	Hours	\$'s																				
Subcontractor (shown separately)	\$'s per hour	Hours	\$'s																				
Total for deliverable			\$'s																				
				<p>Note: Hourly rates include all expenses and are offered by proposers as a not-to-exceed hourly rate.</p>																			

Ten percent (10%) of the fee for each deliverable will be retained (withheld) pending completion of the Contract. The proposer shall clearly identify the cost for each deliverable in the Performance Statement of Work (described in Section III). Following acceptance of all the deliverables and final project acceptance, the SAO Audit Manager shall authorize payment in full of all retainage.

B. Computation

The score for the cost proposal will be computed by dividing the lowest cost bid received by the proposer's total cost. Then the resultant number will be multiplied by the maximum possible points for the cost section.

C. 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.

D. State Sales Tax

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

E. Fixed-Price Cost Certification Form (MR)

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

5. SECTION V - 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. 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. By signing [Exhibit A](#), **Certifications and Assurances**, the proposer grants State Auditor's Office 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 may be asked about the approach proposers used to deliver services and the quality of services delivered.

State Auditor's Office will not accept any other terms for contacting references other than those stated above.

6. SECTION VI – RESUMES' (MR) (PASS/FAIL)

The proposer must provide résumés for the named key staff, and subcontractor employees performing work for the proposer of this contract. Each résumé must include information on the individual's specific skills related to this project, education, experience, significant accomplishments, and responsibilities assumed on other similar projects as well as any other pertinent information. Subcontractor résumés must display the word "SUBCONTRACTOR" in bold letters clearly printed across the top of the first page.

7. SECTION VII – CERTIFICATIONS AND ASSURANCES (MR) (PASS/FAIL)

Section VII must include a signed Certifications and Assurances form, see: [Exhibit A](#)

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 non-responsive. State Auditor's Office 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 State Auditor's Office, which will determine the ranking of proposals.

During proposal evaluation, the State Auditor's Office 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 non-responsive.

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 evaluation for the Letter of Submittal, the Customer References, or the Résumé 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:

Title	Points
Letter of Submittal	Pass/Fail
Customer References	Pass/Fail
Resumes	Pass/Fail
Certifications and Assurances	Pass/Fail
Qualifications and Experience of the Firm and Staff	40 percent
Approach/Methodology	30 percent
Availability	10 percent
Collective Professional Competence	10 percent
Price Proposal	10 percent
Total	100 percent

5. ORAL PRESENTATIONS MAY BE REQUIRED

Written proposals and oral presentations, if necessary, will be used in selecting the winning proposal. State Auditor's Office, at its sole discretion, may elect to select the top-scoring finalists from the written evaluation for an oral presentation. Should the State Auditor's Office elect to hold oral interviews, the State Auditor's Office 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 apparently 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 shall 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 shall be held within three (3) business days of the request.

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 shall follow the procedures described below. Protests that do not follow these procedures shall 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 shall be addressed to the Solicitation Coordinator.

Only protests stipulating an issue of fact concerning the following subjects shall 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) State Auditor's Office's assessment of its own and/or other agencies needs or requirements.

Upon receipt of a protest, a protest review will be held by State Auditor's Office. State Auditor's Office 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 shall:

- Find the protest lacking in merit and uphold State Auditor's Office's action; or
- Find only technical or harmless errors in State Auditor's Office's acquisition process and determine State Auditor's Office to be in substantial compliance and reject the protest; or find merit in the protest and provide State Auditor's Office 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 State Auditor's Office determines that the protest is without merit, State Auditor's Office 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 actuarial services have not been performed on behalf of audited entities (identified as in-scope for this solicitation) at any time during the previous **four years** by our firm or by any individual or firm we will employ as a subcontractor relative to this proposal.

Or

I/we are disclosing the following actuarial services have been performed during the previous **four years** by our firm or by an individual or firm that will be employed by us as a subcontractor 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 consultant and actuarial services provided and certify that I/we meet Actuarial Standards for Independence.

Date	Audited program	Describe Consulting/Actuarial services provided	Entity contact

3. The contractor warrants that all persons performing work under this contract and any subcontracts are free from personal and external impairments to independence.
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 the State Auditor’s Office 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 the State Auditor’s Office.
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 the State Auditor’s Office will not reimburse me/us for any costs incurred in the preparation of this proposal. All proposals become the property of the State Auditor’s Office, 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.

10. I/we agree that submission of the attached proposal constitutes acceptance of the solicitation contents and Attachment B, General Terms and Conditions. If there are any necessary exceptions to these terms, I/we have described those exceptions in detail on a page attached to this document.
11. No attempt has been made or will be made by the proposer to induce any other person or firm to submit or not to submit a proposal for the purpose of restricting competition.
12. I/we grant the State Auditor's Office the right to contact references and others, who may have pertinent information regarding the proposer's prior experience and ability to perform the services contemplated in this procurement.
13. The proposer will identify if any firm principal is a participant in the Washington State 2008 Early Retirement Factor program: Yes No

On behalf of the firm submitting this proposal, my name below attests to the accuracy of the above statements.

Signature of Proposer	Title	Date
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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 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 an audit that addresses the 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 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 RFP is tentatively scheduled to begin on or after _____ or date of execution, whichever is later, and to end on or before _____. Amendments extending the period of performance, if any, will be at the sole discretion of the State Auditor's Office. The State Auditor's Office reserves the right, at its discretion, to extend the contract for up to three additional one-year periods.

4. OFM 10-DAY FILING REQUIREMENT

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 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 the contractor for satisfactory performance of the work under this contract will not exceed \$_____. The contractor's compensation for services rendered will be based on the schedule set forth in Attachment A. If the State Auditor's Office decides to modify the final Performance Statement of Work, including deleting tasks 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 the Actuarial independence standards during performance of the audit, the State Auditor's Office 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 the contractor upon State Auditor's Office 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 of each payment will be withheld pending completion of the Contract. Thirty days after the final report is published, the State Auditor's Office Contract Manager will authorize payment in full of all retainages. However, if the contractor violates the Government Auditing Standards independence standard during the conduct of the audit, the State Auditor's Office 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. No work may begin prior to contract execution by both parties.

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 the CONTRACTOR is:

Contract Manager Name
Contractor Name
Address
City, State Zip Code
Phone: () Fax: ()
E-mail address:

Contract Manager for the STATE AUDITOR'S OFFICE is:

State Auditor's Office Contract Coordinator
621 8th Ave. S.E., Suite 201
P.O Box 40022
Olympia, WA, 98504-0022
Phone: (360) _____ Fax: (360) _____
E-mail address: contractmanager@sao.wa.gov

10. CONTRACTOR'S PERSONNEL

- A. State Auditor's Office 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. State Auditor's Office may, in the exercise of its discretion and judgment, identify certain of the 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 the contractor.
- C. The contractor may not change or replace any of the key personnel assigned to this contract without prior approval of State Auditor's Office, which approval will not be unreasonably withheld.
- D. The 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. The 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.
- E. The 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. The contractor will avoid overstaffing the work or shuffling personnel assigned to said work.
- F. The contractor, subcontractor(s) and their employees agree not to recruit any personnel from the State Auditor's Office for a period of six (6) months after conclusion of the audit.

- G. 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.

11. COORDINATION AND COOPERATION

- A. The contractor will cooperate with the State Auditor's Office 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, the 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 the State Auditor's Office 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, the State Auditor's Office will be given prompt written notice specifying in detail the disagreement or dispute. In such cases, the State Auditor's Office will have the right to determine the proper method of coordinating the work, and the State Auditor's Office's decisions in this regard will be final, binding, and conclusive.
- D. Notwithstanding the existence of a dispute or disagreement between the State Auditor's Office 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. The contractor will accommodate the Audit Manager's monitoring and management of the contract by meeting biweekly 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. The contractor will assist the 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.

12. MEMO OF UNDERSTANDING

Any communications that the Contract Manager determines to address more than day-to-day concerns, but do not modify the terms of this Contract, shall be documented by a written, numbered Memo of Understanding.

13. 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 State Auditor's Office. The contractor will also notify State Auditor's Office of any other potential audit issues and topics that are discovered on a biweekly basis as part of the reporting process.

14. SUPERVISION AND COORDINATION

The contractor will:

- Provide sufficient guidance and direction to staff assigned to the project to address the objectives and follow applicable standards, while staying informed about significant problems encountered and reviewing the work performed. Review of work may vary depending on factors such as the size of the organization, significance of the work and experience of staff.
- Designate in its proposal to the State Auditor's Office, a representative(s) with the authority to legally commit the contractor's firm. All communications given or received from the contractor's representative will be binding on the contractor.
- Promote and offer to the State Auditor's Office only those services as stated herein and allowed for by contractual requirements. Violation of this condition will be grounds for contract termination.

15. 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.

16. ASSURANCES

The 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.

17. 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;
- The terms of the basic contract and all attachments incorporated herein including:
 - Special Terms and Conditions as contained in this basic contract instrument
 - Attachment B – General Terms and Conditions;
 - Attachment A – the Final Performance Statement of Work;
- Request for Proposals No. _____
- The contractor's proposal dated _____; and

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

18. 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.

19. 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 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

Title

Date

Date

APPROVED AS TO FORM:

Assistant Attorney General

Date

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 RFP.

\$ 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 RFP.

Signature

Name:

EXHIBIT D – REFERENCE WORKSHEET

REFERENCE

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

Note to Proposers: Update upon completion of proposal and prior to submittal.

Verify the entire proposal conforms to the requirements outlined in Chapter 3 and that it is organized into seven (7) distinct sections:

- 1) Letter of Submittal (Pass/Fail)
- 2) Management Proposal
- 3) Technical Proposal (Performance Statement of Work)
- 4) Cost Breakdown Fixed-Priced Cost Proposal
- 5) Customer References (Pass/Fail)
- 6) Resumes (Pass/Fail)
- 7) Signed Certification and Assurances ([Exhibit A](#)) (Pass/Fail)

Proposal Layout & Submission Checklist			
Section 1	Submittal Letter	(MR) / (Pass/Fail)	CHECK
	A.	Business Identification	
	B.	Company Officers	
	C.	Legal Status	
	D.	Previous State Contracts	
	E.	Former Employee Status	
	F.	Contract Termination	
	G.	Tax Information	
	H.	Compliance with Insurance Requirements	
	I.	Subcontractor Qualifications	
	J.	Statement of Acceptance of Technical Requirements	
Section 2	Management Proposal	(MR) (Scored)	CHECK
	A.	Project Management Team Structure and Internal Controls, Staff Qualifications and Experience	
	B.	Firms' Recent & Relevant Experience	
Section 3	Technical Proposal (Performance Statement of Work) Objectives	(MR) (Scored)	CHECK
		Approach & Methodologies	
		Work Plan	
		Schedule	
		Deliverables	
Section 4	Fixed-Price Cost Proposal	(MR) (Scored)	CHECK
Section 5	Customer References	(MR) / (Pass/Fail)	CHECK
Section 6	Resumes	(MR) / (Pass/Fail)	CHECK
Section 7	Signed Certifications and Assurances (Exhibit A)	(MR) / (Pass/Fail)	CHECK

ATTACHMENT A – PERFORMANCE STATEMENT OF WORK

*Intentionally left blank in this RFP
To be completed by proposer*

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" (SAO) 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 the State Auditor's Office.
- B. "Agent" shall mean the State Auditor's Office 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 the 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

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 or protected health information, 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 and any subcontractors agree to sign a non-disclosure statement with the State Auditor's Office and said non-disclosure agreements shall be binding on all Contractor and subcontracted personnel. The Contractor will be responsible to communicate the terms and requirements of the non-disclosure agreement to the entire team/all Contractor and subcontracted personnel working on the contract prior to releasing such information or material only to employees or subcontractors. Contractor agrees to implement physical, electronic, and managerial safeguards to prevent unauthorized access to 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.

Immediately upon expiration or termination of this contract, contractor will, at the State Auditor's Office's option: Certify to the State Auditor's Office that contractor has destroyed all Confidential Information not required to be retained by professional standards, and take whatever other steps State Auditor's Office requires of contractor to protect Confidential Information.

The contractor will not use or disclose any information concerning the State Auditor's Office, the audit 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 State Auditor's Office, or as may be required by law. Any breach of this provision may result in termination of the contract and the demand for return of all confidential 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 confidential information.

9. 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 State Auditor's Office 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.)

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 will maintain its ownership of its pre-existing materials, such as methodologies, including any improvements or enhancements the contractor makes to its pre-existing materials.

The State Auditor’s Office recognizes that: (A) valuable formulae, designs, drawings, and research data obtained by the State Auditor’s Office within five years of the request for disclosure are exempt from disclosure when disclosure would produce private gain and public loss (RCW 42.56.270(1)); and (B) intellectual property and proprietary information may also be covered by the Washington Trade Secrets Act, chapter 19.108 RCW.

Where a request for documents potentially protected under these laws is made, the State Auditor’s Office shall notify the contractor that the request has been made and provide the Contractor an opportunity to seek a court injunction against the requested disclosure. The Contractor will have five (5) business days to respond to the State Auditor’s Office’s notice with its intent to seek a court injunction against the requested disclosure. If the State Auditor’s Office receives no response from the Contractor within five (5) business days, the materials and information will be released consistent with the State Auditor’s Office policies and procedures under State law. Once notified of the contractor’s intent to seek a court injunction, the contractor shall have ten (10) business days to file such action. If no action is filed, the State Auditor’s Office may release the requested documents.

Contractor shall exert all reasonable effort to advise the State Auditor’s Office at the time of delivery of all known or potential copyright provisions or intellectual property or proprietary information protections applicable to any document or portion of any document produced in the performance of this contract. Contractor may mark any documents furnished to the State Auditor’s Office as follows:

NOTICE: The information herein has been prepared for the use of the State Auditor's Office and no others. The information contains data that is copyrighted by © _____, all rights reserved, or may be subject to intellectual property or proprietary information protections.

Nothing contained in this section affects or modifies the State Auditor’s Office obligation to disclose public records under Chapter 42.56 RCW or other applicable law.

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 State Auditor's Office Director of Audit, and one shall be a State Auditor's Office 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 the State Auditor's Office Contract Manager within 3 working days after the parties agree that they cannot resolve the dispute.

The Contract Manager shall send a written answer to the contractor's statement to 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.

The 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, the 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. The contractors' obligations to indemnify, defend, and hold harmless includes any claim by the contractors' agents, employees, representatives, or any subcontractor or its employees.

The contractor expressly agrees to indemnify, defend and hold harmless the State for any claim arising out of or incident to the contractor's or any subcontractor's performance or failure to perform the contract. The 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.

The 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, the 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. 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.

24. 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.

25. 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.

26. 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 of the work performed.

27. 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.

28. 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.

29. Site Security

While on the 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.

30. Subcontracting

All subcontractors must abide by all GAO Yellow Book standards.

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 State Auditor's Office 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.

The contractor is solely responsible and liable for ensuring that all of the terms, conditions, assurances and certifications 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. Contractor and its subcontractors agree not to release, divulge, publish, transfer, sell or otherwise make known to information obtained during performance of this contract without the express written consent of the State Auditor's Office or as provided by law.

31. 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.

32. 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.

33. 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.

34. 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:

- F. Stop work under the contract on the date, and to the extent specified, in the notice;
- G. 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;

- H. 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;
- I. 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;
- J. 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;
- K. Complete performance of such part of the work as shall not have been terminated by the agent; and
- L. 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.

35. Treatment of Assets

- M. 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.
- N. 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.
- O. 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.
- P. If any the State Auditor's Office's 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.
- Q. 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.
- R. All reference to the contractor under this clause shall also include contractor's employees, agents or subcontractors.

36. 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 F – BACKGROUND INFORMATION

Other Related Washington State Studies

1989 Coopers & Lybrand Study :

http://www.sao.wa.gov/EN/RFP/Documents/1989_Coopers_Lybrand_Study.pdf

Identified data limitations when attempting to obtain school district family size and composition of covered dependents. Other results:

- An analysis indicated the actuarial value of district sponsored plans were eight to 12 percent richer than the Uniform Plan.
- There was significant variation in equity of allocation between employee only and employees with eligible dependents.
- Limited savings to the State would be realized by consolidating K-12 under the State's program (PEBB).

1991 Health Care Authority Study :

http://www.sao.wa.gov/EN/RFP/Documents/1991_HCA_Study.pdf

This study was performed by the Health Care Authority to assemble and analyze demographic and other data about K-12 employees. The study found:

- K-12 employees eligible for benefits had no significant differences in demographic profiles when compared to state employees eligible for benefits.
- School districts offer richer medical plans than those offered to state employees.

2004 Office of Financial Management (OFM) Study :

http://www.sao.wa.gov/EN/RFP/Documents/2004_OFM_Study.pdf

OFM commissioned the study to evaluate strategies and opportunities for making the plans offered to state employees (PEBB plans) more attractive to K-12 school districts and Educational Service Districts and bargaining units. The study identified 15 challenges to consolidation and methods to mitigate challenges. The report did not attempt to address costs if consolidation occurred but recommended an actuarial study be conducted. The main challenges addressed are:

- PEBB is funded based on headcount whereas K-12 is funded based on FTE. Funding for K-12 could be allocated consistent with PEBB at an estimated cost of \$140 million.
- Degree of benefit choice and flexibility in selection is more limited in PEBB. PEBB could expand plan design options and allow a medical-only option.
- PEBB's provider network historically has not been as stable as Premera's. PEBB could work to reduce network instability and expand access to specific types of providers such as dental and optometric networks.
- Self-funded K-12 districts would lose their reserves. The state could allow districts to retain their current reserves if they join PEBB. In December of 2004 districts' reserves were about \$35 million.

- Two timing issues faced by K-12 are the open enrollment periods and possibility that employees would need to meet two deductibles during the transition year. To mitigate this either a one-time appropriation of about \$7 million (in 2004 dollars) or a separate open enrollment cycle for K-12 employees is necessary.
- Resistance from unions and labor organizations is strong. PEBB recommends refraining from interfering in the relationship and their collective bargaining units.

2009 Senate Bill 5491 and Related Fiscal Note

SB 5491 was presented during the 2009 legislative session. It required a study to identify requirements necessary to bring all K-12 employees into PEBB (state employee plan). Funding for the study was not included in the final state budget.

The related fiscal note indicates impact cannot be determined until all demographic information from school districts is available for analysis.

The fiscal note is available at:

<https://fortress.wa.gov/ofm/fnspublic/legsearch.asp?BillNumber=5491&SessionNumber=61>

Similar Studies/Legislation – Other States

1. Kansas 2010 : http://www.kslegislature.org/postaudit/audits_perform/09pa12a.pdf

The Kansas Legislative Post Audit Division conducted a performance audit to determine what opportunities exist for school districts to decrease health insurance costs by joining pools. School districts were surveyed and a statistical regression model was used to estimate coverage premiums. The results are:

- A. Concluded only one district would benefit from joining a state employee plan.
- B. Separate K-12 statewide pool was not found cost effective.
- C. No recommendations from the report.
- D. The study was conducted due to interest by several school superintendents for a potential way to save money on health care.
- E. An actuary was not used but the audit division worked closely with its state health procurement agency.

2. Michigan 2005 : http://council.legislature.mi.gov/files/full_report.pdf

Michigan contracted for a study to determine whether it would be practicable and cost effective to place its public school employees under a state-wide group health benefits system. A range in savings of an estimated \$146-\$281 was based on three options to have one self-funded system with variations in plans between the self-funded options. Estimated savings were in the areas of administration, purchasing and financing for the state's school districts and education service centers. The report did not directly state why Michigan did not implement.

3. Pennsylvania 2003 : <http://lbfc.legis.state.pa.us/reports/2004/161.pdf>

The Pennsylvania Legislative Budget and Finance Committee commissioned a study of the feasibility of obtaining public school health insurance through the state employee health purchasing system. The study concluded with an estimated savings in 2003 of \$585 million by moving K-12 employees to a statewide plan. Pennsylvania did not implement a recommendation to require all school districts to join the statewide plan.

4. Oregon 2007 legislation: <http://www.oregoned.org/site/pp.asp?c=9dKKKYMDH&b=307886>

In 2007, Oregon established the Oregon Educators Benefits Board as a branch of the Oregon Health Authority and required school districts to obtain health insurance for employees through the Board. An exemption was granted to districts that were previously self-insured or had a health insurance trust previously established. Oregon found minimal resistance from districts and an estimated administrative cost savings of approximately \$38 million per year. No study was performed.

Laws and Regulations

- RCW 28A.400.270(3) – Defines “basic benefits” determined through local bargaining as limited to medical dental, vision, group term life and group long-term disability insurance.
- RCW 28A.400.275(2) – Requires school districts to annually submit reports about health plans provided to employees and demographic information about employees and dependents in a format and schedule provided by the Health Care Authority.
- RCW 28A.400.275(3) – Requires insurers to make data requested by HCA available to school districts.
- RCW 28A.400.200 (Intent) – “The goal of this act is to provide access for school employees to basic coverage, including coverage for dependents, while minimizing employees’ out-of-pocket premium expense.....to encourage plans that promote appropriate utilization without creating major barriers to access to care.....intends that school districts pool state benefit allocations so as to eliminate major differences in out-of-pocket expenses for employees who do and do not need coverage for dependents.”
- RCW 41.05.050(4)(a) – HCA is authorized to collect from districts and ESDs an amount equal to that charged to state employees for groups of district employees enrolled in HCA plans. The amount may be collected based on district fiscal year rather than calendar year.
- RCW 41.05.050(5) – HCA recommends the amount of the employer contribution for state employees to the governor and the director of financial management for inclusion in the proposed budgets submitted to the legislature.
- RCW 41.05.065(4) – Allows health benefits eligibility to be set by bargaining unit including establishment of eligibility criteria.
- WAC 182-08-190 – State agencies and employer groups that participate in the PEBB program under contract with the HCA must pay premium contributions to the HCA for insurance coverage for all eligible employees and their dependents.
- WAC 182-12-111(2)(a) – If PEBB is selected by a bargaining unit all members in the bargaining unit must join PEBB.
- RCW 48.62.071 – Provides laws for self-insured health and welfare benefits programs.

Availability of Data

Though RCW 28A.400.275 requires that the HCA collect information about K-12 employee health benefits annually from school districts and employee benefits providers, the HCA has not established a format or a schedule for school districts and benefit providers to submit that information since 1991. There is no other central source or repository for descriptions of

benefits and types of plans, numbers of covered employees and dependents, demographic information, district contributions or employee out-of-pocket costs.

There are 295 school districts and nine Educational Service Districts, 260 of the combined 304 receive health benefit coverage from Premera through the Washington Education Association. This represents about half of the K-12 employees. Of the remaining districts, three are fully self-insured, 34 are partially self-insured and bargaining units in 44 districts have coverage through the Public Employees Benefits Board (where state employees' coverage is).

Funding Resource

In the 2008-09 school year school districts spent approximately \$1 billion of state, local levy and federal funding on employee health insurance. This amount does not include amounts provided by employees for their share of premiums.

In most years, the amount of funding provided to state employees on a head count basis is identical to the funding provided to K-12 employees on an FTE basis. In 2009, the legislature provided \$745 per month for both state and K-12 employees. In 2011 K-12 will receive \$768 per FTE while state agencies will receive \$850 per eligible employee.

During the bargaining process, unions and districts agree on health insurance coverage and the amount the district will contribute toward premiums. If the amount is higher than state funding the additional cost must come from local levy dollars or federal funding. Employee contributions make up the remainder of the premium amount paid to insurers.