

EXHIBIT A
(Standard Agreement)

SCOPE OF WORK

A) Purpose and Description of Services

1. PURPOSE

The Contractor agrees to conduct a financial statement audit and compliance audit of the Clean Water State Revolving Fund (SRF) program at the State Water Resources Control Board (SWRCB) for fiscal years ending June 30, 2007 and June 30, 2008.

2. BACKGROUND

In 2001, the United State Environmental Protection Agency (USEPA) conducted an audit of the SWRCB's SRF program. The USEPA found that the State's accounting system was inadequate to properly account for a complex revolving loan fund in conformity to Generally Accepted Accounting Principles (GAAP). USEPA requested that SWRCB immediately begin the process of building a new accounting system. USEPA also determined that the SRF program had grown to become a major federal program and required a yearly independent audit.

On August 2, 2002, the SWRCB sold \$300 million in SRF revenue bonds through the California Infrastructure and Economic Development Bank. The provisions of the sale ("Continuing Disclosure Agreement" Section 101.(2)) required audited financial statements for the 2002 series revenue bonds. Under both the USEPA requirements and the bond sale, the audit must comply with Governmental Accounting Standards Board (GASB) Statement No. 34 and, as such, the fund must be reported as an enterprise.

In 2004, the SWRCB implemented the Loans and Grants Tracking System (LGTS) to track and account for SRF program financial activity. Additionally, the SWRCB plans to further leverage the fund by selling additional revenue bonds in the near future.

The SRF program is at a mature state of development with substantial principal, interest and loan fee payments (i.e., loan receivables or repayments) entering the fund. The tracking, management, and reporting of these payments are critical to the revolving nature of this program. The growth of the fund coupled with the additional complexity of leveraging requires the State to have an effective means of ensuring the fiscal integrity of the SRF. This can be accomplished through independent financial statement audits, which are an effective means of ensuring the long-term integrity of the program's multi-billion dollar investments.

3. MINIMUM REQUIREMENTS

The Contractor shall meet the following standards:

- Licensed Certified Public Accountant who follows Governmental Auditing Standards as required by CFR 40 Part 35.3165;
- Comply with the proposed or required time of delivery; and
- A satisfactory record of performance.

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4. The Project Representatives during the term of this Agreement will be:

State Water Resources Control Board	Contractor
Division of Administrative Services, Accounting Office	
Attention: Darlene McCoy, Contract Manager	
Address: 1001 I Street, 18 th Floor	
City/State/Zip: Sacramento, CA 95814	
Telephone: (916) 341-5007	
Fax: (916) 341-5040	
E-mail: dmccoy@waterboards.ca.gov	

The parties may change their Project Representatives upon providing ten (10) days written notice to the other party.

5. Detailed description of work to be performed and duties are described as follows:

WORK TO BE PERFORMED

- a. The Contractor shall conduct an audit of the SWRCB's Clean Water SRF Program financial statements for the fiscal years ending June 30, 2007 and June 30, 2008, and express an opinion on the fairness of presentation of the financial statements in conformity with Generally Accepted Auditing Standards (GAAS); Government Auditing Standards issued by the Comptroller General of the United States; Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations; and OMB Circular A-133 Compliance Supplement.
- b. The audit shall include tests of the SWRCB's accounting records and other procedures the Contractor considers necessary to enable the Contractor to express an opinion on the financial statements, the Schedule of Expenditures of Federal Awards and SWRCB's compliance with laws and regulations, its internal controls required by *Government Auditing Standards* and as required for a Single Audit. The report shall describe the scope of testing of internal control over financial reporting and compliance and the results of the testing, and not provide an opinion on the internal control over financial reporting or on compliance.
- c. The audit to be performed shall include an examination and report of the SWRCB's system of internal controls, including:
 - Internal controls over revenues/receipts and purchases/disbursements;
 - Compliance with laws and regulations, contracts, and grants; and
 - Compliance requirements applicable to the federal award programs.
- d. The report shall include weaknesses noted during such examination, and any suggestions by the Contractor for possible improvements. The Contractor shall also submit any observations or ideas that it believes will help the SWRCB achieve its objective of improving efficiency in operations

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Task 1 – Audit Work Plan, Outline and Schedule for Audit

The Contractor shall meet with the appropriate SWRCB staff to review the work plan and budget and revise the plan, if necessary. The work plan will be jointly reviewed and approved by the SWRCB Contract Manager and Accounting Manager. The Contractor and SWRCB staff shall meet to discuss general issues and overall requirements and objectives of the assignment. Meetings shall be held to discuss the proposed approach and methodology for conducting the audit. The Contractor shall prepare a draft outline and schedule for conducting and performing the financial and compliance audits for review and discussion during the meetings. Appropriate changes to the proposed approach and methodology and the draft outline shall be made, if necessary, with the approval of the SWRCB Contract Manager and Accounting Manager.

Deliverable: Audit work plan, outline and schedule for audit.

Task 2 – Accounting Services to Prepare for Audit

The Contractor shall provide a listing of the various schedules needed for timely completion of audit procedures. These schedules should include the following:

- USEPA funds appropriation and draws;
- State match, including borrowing, amount and date;
- State match Federal Accounting Standards Board (FASB) amortization;
- Loans made during the audit period;
- Reconciliation of cash receipts to loan repayment schedules and allocation of principal and interest;
- Loan disbursements;
- Governmental Accounting Standards Board (GASB) Statement No. 34 disclosure work papers and summary of cash and investment reconciliation;
- Investment income;
- Estimated administrative costs;
- Adjusting journal entries.

The Contractor shall become familiar with existing software programs used by the State (i.e. California State Accounting and Reporting System (CALSTARS), LGTS, internal spreadsheets, cash flow models, etc.). The Contractor shall also identify data elements or items that the existing software does and does not address.

Deliverable: Schedules and reports required for audit.

Task 3 - On-site Collection of Information and Review of Prior Year Audit Procedures

The Contractor shall provide qualified staff to complete data collection and review prior year audit procedures. The audit procedure review shall include:

- Testing account balances;
- Reviewing and testing internal controls over transactions and office procedures as it relates to financial data;
- Testing compliance with federal grant awards and applicable federal laws;
- Detailed review of audit work.

The Contractor shall also inform the SWRCB of any non-reportable conditions or other matters involving the internal control, if any, as required by OMB Circular A-133.

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Deliverable: Testing of internal controls, financial data, and compliance with federal laws and federal grant awards, and review of prior audit procedures.

Task 4 - Preparation of Reports Related to the Financial Statements

The Contractor shall prepare and submit related opinions on the financial statements and relevant compliance issues by October 1, 2007 and October 1, 2008. An on-site meeting with the auditors, Contract Manager, Accounting Manager, Division Deputy Director, and other applicable staff shall be scheduled to discuss the preliminary opinions, findings, and compliance issues. The Contractor shall provide an electronic version and fifteen (15) hard copies of the audit reports to the SWRCB.

The California Department of Finance reserves the right to review the Contractor's audit reports, management letters, and working papers related to the audit.

Deliverable: Auditor opinions on the audited financial statements and relevant compliance issues, and one (1) electronic copy and fifteen (15) printed copies of audit reports.

Task 5 - Meetings

The Contractor shall discuss the progress of work under this assignment with the Contract Manager every two (2) weeks or more frequent, if needed.

Deliverable: Audit update meetings.

SCHEDULE OF DELIVERABLES

TASK	DESCRIPTION	DUE DATE
1	Audit Work Plan, Outline and Schedule for Audit	April 2007 and April 2008
2	Schedules and Reports Required for Audit	July 2007 and July 2008
3	Testing of Internal Controls, Financial Data, and Compliance with Federal Laws and Federal Grant Awards, and Review of Prior Audit Procedures	September 2007 and September 2008
4	Auditor Opinions on the Audited Financial Statements and Relevant Compliance Issues	October 1 2007 and October 1, 2008
5	Audit Update Meetings	Bi-weekly or more frequently, if needed

EXHIBIT B
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BUDGET DETAIL AND PAYMENT PROVISIONS

1. Invoicing and Payment

- A. For services satisfactorily rendered, and upon receipt and approval of the invoices, the State agrees to compensate the Contractor for actual expenditures incurred in accordance with the rates specified herein, which is attached hereto and made a part of this Agreement.
- B. Invoices shall include the Agreement number and shall be submitted in triplicate not more frequently than monthly in arrears to:

Darlene McCoy, Contract Manager
State Water Resources Control Board
Division of Administrative Services, Accounting Office
1001 I Street, 18th Floor
Sacramento, CA 95814

- C. The original and one (1) approved copy of the invoice or payment request will be forwarded to the State Water Board's Accounting Operations Section by the Contract Manager. Payment of any invoice will be made only after receipt of a complete, adequately supported, properly documented and accurately addressed invoice or payment request. Failure to use the address exactly as provided above may result in return of the invoice or payment request to the Contractor. Payment shall be deemed complete upon deposit of the payment, properly addressed, postage prepaid, in the United States mail. All invoices must be approved by the Contract Manager.
- D. Payments prior to satisfactory completion of all work required by the Agreement shall not exceed, in the aggregate, ninety percent (90%) of the total earned with the balance to be paid upon satisfactory completion of the Agreement.
- E. The invoice shall contain the following information:
 - 1. The word "INVOICE" should appear in a prominent location at the top of the page(s);
 - 2. Printed name of the Contractor;
 - 3. Business address of the Contractor, including P.O. Box, City, State, and Zip Code;
 - 4. Name of State Water Board AND the Regional Water Board being billed;
 - 5. The date of the invoice;
 - 6. The number of the Agreement upon which the claim is based; and
 - 7. An itemized account of the services for which the State Water Board is being billed;
 - (a) The time period covered by the invoice, i.e., the term "from" and "to";
 - (b) A brief description of the services performed;
 - (c) The method of computing the amount due. The invoice shall detail the percentage of each task completed during the invoice period multiplied by the agreed upon cost to perform each task, as specified in the Budget less the ten percent (10%) withhold, if any;
 - (d) The total amount due. This should be in a prominent location in the lower right-hand portion of the last page and clearly distinguished from other figures or computations appearing on the invoice. The total amount due shall include all costs incurred by the Contractor under the terms of this Agreement; and
 - (e) Original signature of Contractor (not required of established firms or entities using preprinted letterhead invoices).

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F. Remittance Address:

The address in which the check warrant will be mailed to is:

CONTRACTOR NAME
ATTN:
STREET ADDRESS OR PO BOX
CITY/STATE/ZIP CODE

2. Timely Submission of Final Invoice

- A. A final undisputed invoice shall be submitted for payment no more than ninety (90) calendar days following the expiration or termination date of this Agreement, unless a later or alternate deadline is agreed to in writing by the Contract Manager. Said invoice should be clearly marked "Final Invoice", thus indicating that all payment obligations of the State Water Board under this Agreement have ceased and that no further payments are due or outstanding.
- B. The State Water Board may, at its discretion, choose not to honor any delinquent final invoice if the Contractor fails to obtain prior written State Water Board approval of an alternate final invoice submission deadline. Written State Water Board approval shall be sought from the Contract Manager prior to the expiration or termination date of this Agreement.

3. Budget Contingency Clause

A. Limitation of State Liability:

The maximum amount payable under this Agreement shall not exceed two hundred fifty-five thousand dollars and no cents (\$255,000.00).

The maximum amount to be encumbered under this Agreement for the 2006-07 fiscal year ending June 30, 2007 shall not exceed five thousand dollars and no cents (\$5,000.00).

If funds become available from future appropriations by the Legislature for purposes of this Agreement, the maximum amount to be encumbered for this Agreement in the 2007-08 fiscal year ending June 30, 2008 shall not exceed one hundred twenty thousand dollars and no cents (\$120,000.00).

If funds become available from future appropriations by the Legislature for purposes of this Agreement, the maximum amount to be encumbered for this Agreement in the 2008-09 fiscal year ending June 30, 2009 shall not exceed one hundred thirty thousand dollars and no cents (\$130,000.00).

- B. An amendment(s) increasing the value of the Agreement will require prior approval by the Department of General Services.
- C. It is mutually agreed that if the Budget Act of the current year and/or any subsequent years covered under this Agreement does not appropriate sufficient funds for the program, this Agreement shall be of no further force and effect. In this event, the State shall have no liability to pay any funds whatsoever to Contractor or to furnish any other considerations under this Agreement and Contractor shall not be obligated to perform any provisions of this Agreement.

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- D. If funding for any fiscal year is reduced or deleted by the Budget Act for purposes of this program, the State shall have the option to either cancel this Agreement with no liability occurring to the State, or offer an Agreement amendment to Contractor to reflect the reduced amount.

4. Prompt Payment Clause

Payment will be made in accordance with, and within the time specified in, Government Code Chapter 4.5, commencing with Section 927.

5. Budget

EXHIBIT C
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GENERAL TERMS AND CONDITIONS

PLEASE NOTE: This page will not be included with the final Agreement. The General Terms and Conditions will be included in the Agreement by reference to Internet site <http://www.documents.dgs.ca.gov/ols/GTC-306.doc>.

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SPECIAL TERMS AND CONDITIONS

1. **DISPUTES:** Notwithstanding the provisions of the Department of General Services Terms and Conditions (GTC), any dispute arising under or relating to the terms of this Agreement, or related to performance hereunder, which is not disposed of by Agreement shall be decided by the SWRCB Contract Manager, who shall reduce such decision to writing and mail or otherwise furnish a copy thereof to the Contractor. The decision of the SWRCB Contract Manager shall be final and conclusive unless, within fifteen (15) calendar days from the date of receipt of such copy, the Contractor mails or otherwise delivers a written appeal to the SWRCB Executive Director. The decision of the SWRCB Executive Director, or authorized representative, on such appeal shall be final and conclusive unless determined by a court of competent jurisdiction to have been fraudulent, or capricious, or arbitrary, or so grossly erroneous as necessarily to imply bad faith, or not supported by any substantial evidence. In connection with any appeal under this Section, the Contractor shall be afforded an opportunity to be heard and to offer evidence and argument in support of the appeal. Pending final decision on any dispute hereunder, the Contractor shall proceed diligently with the performance of the Agreement work as directed by the SWRCB Contract Manager unless the Contractor has received notice of termination. Decisions on any disputes hereunder may include decisions of both fact and law; provided, however, that nothing herein shall be construed as making final any decision on a question of fact or law in the event of any subsequent legal proceeding before a court of competent jurisdiction.

Authority to terminate performance under the terms of this Agreement is not subject to appeal under this Section. All other issues including, but not limited to, the amount of any equitable adjustment, and the amount of any compensation or reimbursement which should be paid to the Contractor shall be subject to the disputes process under this Section. (PCC 10240.5, 10381, 22200 et seq, 40 CFR 31.70)

2. **RIGHTS IN DATA:** The Contractor agrees that all data, plans, drawings, specifications, reports, computer programs, operating manuals, notes, and other written or graphic work produced in the performance of this Agreement are subject to the rights of the State as set forth in this section. The State shall have the right to reproduce, publish, and use all such work, or any part thereof, in any manner and for any purpose whatsoever. If any such work is copyrightable, the Contractor may copyright the same, except that, as to any work which is copyrighted by the Contractor, the State reserves a royalty-free, nonexclusive, and irrevocable license to reproduce, publish, and use such work, or any part thereof. (40 CFR 31.34, 31.36)
3. **INCOME RESTRICTIONS:** The Contractor agrees that any refunds, rebates, credits, or other amounts (including any interest thereon) accruing to or received by the Contractor under this Agreement shall be paid by the Contractor to the State, to the extent that they are properly allocable to costs for which the Contractor has been reimbursed by the State under this Agreement.
4. **UTILIZATION OF DISABLED VETERAN BUSINESS ENTERPRISE (DVBE) PARTICIPATION REQUIREMENTS:** In accordance with Public Contract Code Section 10115 et seq., the Contractor must meet or exceed the participation goals of not less than 3 percent for disabled veteran business enterprises (DVBE) or make a good faith effort to meet these goals.

The Contractor agrees to use the DVBE subcontractors or suppliers originally identified by the Contractor unless the Contractor requests substitution in writing beforehand to the SWRCB Project Representative and the SWRCB Project Representative has approved such substitution. At a minimum, the request must include:

- a. A written explanation of the reason for the substitution; and
- b. The identity of the person or firm substituted.

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The request and the SWRCB Project Representative's approval is not to be construed as an excuse for noncompliance with any other provision of law, including but not limited to the subletting and subcontracting Fair Practices Act or any other Agreement requirements relating to substitution of subcontractors.

Failure to adhere to at least the level of participation for DVBE proposed by the Contractor may be cause for Agreement termination and recovery of damages under the rights and remedies due the State.

5. EVALUATION OF CONTRACTOR: Within sixty (60) days after the completion of this Agreement, the SWRCB Contract Manager shall complete a written evaluation of the Contractor's performance under this Agreement. If the Contractor did not satisfactorily perform the work, a copy of the evaluation will be sent to the State Department of General Services, Office of Legal Services, within five (5) working days of completion of the evaluation. (SCM 3.2 et seq, PCC 10369)
6. DISCLOSURE REQUIREMENTS: Any document or written report prepared in whole or in part pursuant to this Agreement shall contain a disclosure statement indicating that the document or written report was prepared through Agreement with the SWRCB. The disclosure statement shall include the Agreement number and dollar amount of all Agreements and subcontracts relating to the preparation of such documents or written reports. The disclosure statement shall be contained in a separate section of the document or written report.

If the Contractor or subcontractor(s) are required to prepare multiple documents or written reports, the disclosure statement may also contain a statement indicating that the total Agreement amount represents compensation for multiple documents or written reports.

The Contractor shall include in each of its subcontracts for work under this Agreement a provision, which incorporates the requirements stated within this Section. (Gov. Code 7550, 40 CFR 31.20)

7. PERMITS, SUBCONTRACTING, WAIVER, REMEDIES AND DEBARMENT: The Contractor shall procure all permits and licenses necessary to accomplish the work contemplated in this Agreement, pay all charges and fees, and give all notices necessary and incidental to the due and lawful prosecution of the work.

Any subcontractors, outside associates, or consultants required by the Contractor in connection with the services covered by this Agreement shall be limited to such individuals or firms as were specifically identified and agreed to during negotiations for this Agreement, or as are specifically authorized by the SWRCB Contract Manager during the performance of this Agreement. Any substitutions in, or additions to, such subcontractors, associates, or consultants, shall be subject to the prior written approval of the SWRCB Contract Manager.

Any waiver of rights with respect to a default or other matter arising under the Agreement at any time by either party shall not be considered a waiver of rights with respect to any other default or matter.

Any rights and remedies of the SWRCB provided for in this Agreement are in addition to any other rights and remedies provided by law.

Contractor shall not subcontract with any party who is debarred or suspended or otherwise excluded from or ineligible for participation in federal assistance programs under Executive Order 12549, "Debarment and Suspension". Contractor shall not subcontract with any individual or organization on USEPA's List of Violating Facilities. (40 CFR, Part 31.35, Gov. Code 4477)

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8. TRAVEL AND PER DIEM: Any reimbursement for necessary travel and per diem shall be at rates not to exceed those amounts paid to the State's represented employees under collective bargaining Agreements currently in effect. No travel outside the State of California shall be reimbursed unless prior written authorization is obtained from the State.
9. NOVATION: If the Contractor proposes any novation Agreement, the State shall act upon the proposal within 60 days after receipt of the written proposal. The State may review and consider the proposal, consult and negotiate with the Contractor, and accept or reject all or part of the proposal. Acceptance or rejection may be made orally within the 60-day period, and confirmed in writing within five days. No novation shall become operative or otherwise binding on the State pursuant to this paragraph in the absence of a formal Agreement amendment which has been approved in accordance with all applicable State policy, laws and procedures.
10. PRIORITY HIRING CONSIDERATIONS: In the event this agreement is in excess of \$200,000 or any amendment thereto causing the original agreement to exceed \$200,000 the Contractor shall give priority consideration in filling vacancies in positions funded by this Agreement to qualified recipients of aid under Chapter 2 (commencing with Section 11200) of Part 3 of Division 9 of the California Welfare and Institutions Code in accordance with Article 3.9 (commencing with Section 11349) of Chapter 2 of Part 3 of Division 9 of the Welfare and Institution Code. (PCC 10353 W&I 11200, 11349, 2CCR, 1896.30 SCM 5.3)
12. CONTRACT MODIFICATIONS: The SWBCB may, at any time, without notice to any sureties, by written order designated or indicated to be a "contract modification", make any change in the work to be performed under this Agreement so long as the modified work is within the general scope of work called for by this Agreement, including but not limited to changes in the specifications or in the method, manner, or time of performance of work. In no event can the contract modification have any impact on the budget specified in Exhibit B. If the Contractor intends to dispute the change, the Contractor must, within ten (10) days after receipt of a written "contract modification", submit to the SWRCB a written statement setting forth the disagreement with the change.
13. TERMINATION: Notwithstanding the provisions of the Department of General Services General Terms and Conditions (GTC), the SWRCB may terminate performance of work under this Agreement upon 30 days written notice.

Any termination shall be effected by written notice to the Contractor, either hand-delivered to the Contractor or sent certified mail, return receipt requested. The notice of termination shall specify the effective date of termination.

Upon receipt of notice of termination, and except as otherwise directed in the notice, the Contractor shall:

- (a) Stop work on the date specified in the notice;
- (b) Place no further orders or enter into any further subcontracts for materials, services or facilities, except as necessary to complete work under the Agreement up to effective date of termination;
- (c) Terminate all orders and subcontracts;
- (d) Promptly take all other reasonable and feasible steps to minimize any additional cost, loss, or expenditure associated with work terminated, including, but not limited to reasonable settlement of all outstanding liability and claims arising out of termination of orders and subcontracts;
- (e) Deliver or make available to the SWRCB all data, drawings, specifications, reports, estimates, summaries, and such other information and material as may have been accumulated by the Contractor under this Agreement, whether completed, partially completed, or in progress.

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In the event of termination, an equitable adjustment in the price provided for in this Agreement shall be made. Such adjustment shall include reasonable compensation for all services rendered, materials supplied, and expenses incurred pursuant to this Agreement prior to the effective date of termination. (PCC 10253, G.C. 11010.5, 40 CFR 31.36)

13. **BUDGET FLEXIBILITY:** Subject to the prior review and approval of the SWRCB Project Representative, line items shifts of up to \$25,000 or ten percent of the annual contract total, whichever is less, may be made up to a cumulative maximum of \$50,000 per fiscal year. Line item shifts may be proposed/requested by either the SWRCB or the Contractor in writing and must not increase or decrease the total contract amount allocated per fiscal year.
14. **COMPUTER SOFTWARE:** Contractor certifies that it has appropriate systems and controls in place to ensure that SWRCB funds will not be used in the performance of this contract for the acquisition, operation or maintenance of computer software in violation of copyright laws.

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RESUMES