

STATE OF WASHINGTON

Department of Retirement Systems
Tumwater, Washington

REQUEST FOR PROPOSALS
RFP NO. 12-005-01

PROJECT TITLE:

CAFR Audit Services

PROPOSAL DUE DATE:

March 2, 2012, at 4:00 p.m. local time in Tumwater, Washington.

EXPECTED TIME PERIOD FOR CONTRACT:

April 23, 2012 to December 31, 2012. The Department of Retirement Systems reserves the right at its discretion, to extend the contract for up to four additional one-year periods.

PROPOSER ELIGIBILITY:

This procurement is open to those Proposers that satisfy the minimum qualifications stated herein and that are available for work in Washington State.

CONTENTS OF THE REQUEST FOR PROPOSALS:

1. Introduction
2. General Information for Proposers
3. Proposal Contents
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1. INTRODUCTION

1.1 PURPOSE AND BACKGROUND

The Washington State Department of Retirement Systems, hereafter called “Department,” is initiating this Request for Proposals (RFP) to solicit proposals for the audit of the Department’s comprehensive annual financial report (CAFR) for fiscal year ending June 30, 2012.

The Department was established by the Legislature in 1976 to administer state retirement systems. Currently, the Department administers eight statewide public employee retirement systems, including fifteen pension plans. Three of the pension plans are defined benefit plans with a defined contribution component, and the other twelve plans are defined benefit only. The Washington State Investment Board (WSIB) is the trustee of the pension funds and is responsible for the investment of the defined benefit monies. Defined contribution monies are self-directed by the retirement system members through a record keeper contracted by the Department.

The Department also administers a voluntary deferred compensation program (a 457 plan). The participants of the deferred compensation program elect to defer a portion of their salary for the future. Participants self-direct their investments through a second record keeper contracted by the Department. In addition, the Department is responsible for administering the Social Security and Medicare coverage program, also known as the Old Age and Survivors’ Insurance Program (OASI) for all state and local government employers throughout the state of Washington and serves as a facilitator and communication bridge between government employers, the Social Security Administration and the Internal Revenue Service.

In January 2012, the Department began collecting employer contributions to fund future supplemental benefits of Higher Education Retirement Plans, which the Department does not administer. The Legislature, at its sole discretion, may assign administration of additional trust funds or retirement systems to the Department at any time.

As required by statute, The Department may be audited annually as part of the state’s CAFR. The Department prepares a separate CAFR as well and also participates in the Government Finance Officers Association’s certification process. The Revised Code of Washington (RCW) 39.29 authorizes state agencies to enter into personal service contracts. Under this authority, the Department can contract with a Certified Public Accounting (CPA) firm to perform audit work.

The CAFR includes information provided by the Department, the Office of the State Actuary, the Office of the State Treasurer, and the WSIB.

1.2 OBJECTIVE

The Department wants to obtain an audit report expressing an opinion on the financial position of the Department’s funds and the results of operations for the year under the audit. The audit must be complete, with delivery of the final opinion, no later than

November 1, 2012. Delivery for fiscal year 2014 and subsequent years is to be no later than October 1 of each year.

1.3 MINIMUM QUALIFICATIONS

The Proposer selected must be a CPA firm registered with the State Board of Accountancy pursuant to Washington Administrative Code (WAC) 4-30-112 and have prior direct audit experience with governmental or pension entities.

1.4 PERIOD OF PERFORMANCE

The period of performance of any contract resulting from this RFP is tentatively scheduled to begin ten (10) working days following the date of filing the contract with the Department of Enterprise Services. A first draft of the CAFR is expected to be available to the auditor by October 1, 2012. The audit must be completed and the opinion delivered to the Department by November 1, 2012. Amendments extending the period of performance, if any, shall be at the sole discretion of the Department.

The Department reserves the right to extend the contract for up to four additional one-year periods.

1.5 DEFINITIONS

Definitions for the purpose of this RFP include:

Department – The Department of Retirement Systems (DRS) is the agency of the State of Washington that is issuing this RFP.

Proposer – The Firm submitting a proposal in order to attain a contract with the Department.

Contract Manager – The individual designated by the Department to direct work under the contract and act as the approval authority for all things related to this contract.

Contractor – Individual or company whose proposal has been accepted by the Department and is awarded a fully executed, written contract.

Proposal – A formal offer submitted in response to this solicitation.

Request for Proposals (RFP) – Formal procurement document in which a service or need is identified.

1.6 AMERICANS WITH DISABILITIES ACT

The Department complies with the Americans with Disabilities Act (ADA). Proposers may contact the RFP Coordinator to receive this Request for Proposals in Braille or on tape.

2. GENERAL INFORMATION FOR PROPOSERS

2.1 RFP COORDINATOR

The RFP Coordinator is the sole point of contact in the Department for this procurement. All communication between the Proposer and the Department upon receipt of this RFP shall be with the RFP Coordinator, as follows:

Name	Ken Goolsby
Mailing Address	P.O. Box 48380 Olympia, WA 98504-8380
Physical Address	6835 Capitol Blvd Tumwater, WA 98501
Phone Number	360-664-7291
Fax Number	360-753-5397
E-Mail Address	Ken.Goolsby@drs.wa.gov

Any other communication will be considered unofficial and non-binding on the Department. Proposers are to rely on written statements issued by the RFP Coordinator. Communications directed to parties other than the RFP Coordinator may result in disqualification of the Proposer.

2.2 SCOPE OF SERVICES

The information in this section pertains to tasks, deliverables and schedule of work through December 31, 2012. The tasks, deliverables and schedule of work for the remaining years of the contract will be substantively the same, except for the expedited dates referenced in section 1.2 relating to years 2014 and remaining subsequent contract years.

The CAFR includes five sections; introductory, financial, investment, actuarial, and statistical; however, the auditor's opinion is expected to cover the financial section only.

The scope of the audit will encompass accounting activity for the year ending June 30, 2012. The audit of the Department must be performed in accordance with generally accepted auditing standards and other applicable procedures for the audit of a government's financial statements prepared in accordance with generally accepted accounting principles. The audit should include sufficient fieldwork to express an opinion on the financial position of the individual funds of the Department and the results of operations of those funds for the year under audit. It is expected that the

auditor will make confirmations, perform tests of the accounting records, and apply other auditing procedures necessary to express an opinion. In the event that during the audit, circumstances arise that require work in excess of the original estimates, any additional costs will be negotiated prior to the commencement of the work. Approval by the Department's management is required for all amendments and signed by both parties prior to commencement of work.

TASKS, DELIVERABLES AND SCHEDULE

The Contractor's tasks will include, but are not limited to:

- A. Reviewing the most recent Comprehensive Annual Financial Report and meeting with Department staff to discuss the schedule and direction of the audit. Also to discuss changes in authoritative guidance that could or will impact the preparation of the CAFR or the conduct of the audit.
Deliverable: Approved document covering schedule and direction
Due date: *Schedule meeting within two weeks of contract signing*
- B. Meeting with Department Fiscal staff and providing a preliminary draft of the audit opinion.
Deliverable: Preliminary Audit Opinion
Due date: *October 5, 2012*
- C. Meeting with Department Management Team and providing a final draft of the audit opinion.
Deliverable: Draft of Final Audit Opinion
Due date: *October 17, 2012*
- D. Delivery of final audit opinion to the Department.
Deliverable: Final Audit Opinion
Due date: *By November 1, 2012*
- E. Reviewing and providing feedback on CAFR proof from the printer.
Deliverable: Suggested changes to the CAFR proof copy
Due date: *By November 15, 2012*
- F. Providing final review of the printed CAFR.
Deliverable: Approval to distribute CAFR
Due date: *By November 29, 2012*

2.3 PROJECT MANAGEMENT AND ORGANIZATION

The majority of work will be conducted in Tumwater, Washington. The contractor may perform required work off-site, using the contractor's equipment. However, the contractor is required to work on-site, use Department facilities, and interact with Department employees to the extent necessary to fulfill the contract requirements. The contractor is responsible for his or her own work schedule, although the Department can require the contractor's attendance at specified meetings.

The contractor must be available as a resource to Department employees when required and will have access to Department staff for technical expertise and current system knowledge. The contractor will not supervise Department staff.

The contractor may, during the course of the execution of the contract, provide services to other clients if those services: 1) Are not a conflict of interest with the Department work, as detailed under the general terms and conditions of the eventual contract; and 2) Do not interfere with the contractor's completion of the tasks and deliverables identified in this document in a timely manner.

The audit will be coordinated with management staff from the Department. The Department's Internal Auditor will act as contract manager for the Department. The contract manager is responsible for accepting the deliverables and approving billings submitted by the contractor.

All contracts and amendments resulting from this RFP are subject to a ten (10) working day filing and approval period with the Department of Enterprise Services. Initial planning and preliminary interviews with Department staff may begin following approval from the Department of Enterprise Services.

Data which originates from the Contract shall be "works for hire" as defined by the U.S. Copyright Act of 1976 and shall be owned by the Department. Data shall include, but not be limited to, reports, documents, letters, publications, brochures, notices, forms, pamphlets, advertisements, surveys, studies, and/or computer programs and shall be made available to the Department in a useable electronic format as requested. Ownership includes the right to obtain and transfer this data at the discretion of the Department. The original working papers, including electronic files, generated in connection with this engagement will be the property of the auditor. However, work papers will be available to the Department and the Washington State Auditor's Office upon request. Work paper retention will be in accordance with the state retention schedule. Any public records access will be coordinated through the Department.

2.4 ESTIMATED SCHEDULE OF PROCUREMENT ACTIVITIES

Issue Request for Proposal	February 1, 2012
Questions Due	February 14, 2012
Answers Posted	February 17, 2012
Proposals Due	March 2, 2012 – 4:00 PM, local time Tumwater, WA
Evaluate Proposals	March 5-14, 2012
Finalist Interviews (if necessary)	March 19-20, 2012
Apparent Successful Contractor Announcement & Notification of unsuccessful proposers	March 22, 2012
Last day to request Debriefing Conference	March 27, 2012
Debriefing Conferences (if requested)	March 27-29, 2012
Protest Period	March 27, 2012 – April 3, 2012
Negotiate Contract	April 4-5, 2012
File contract with DES	April 6, 2012
Begin contract work	April 23, 2012

The Department reserves the right to revise the above schedule.

2.5 QUESTIONS

Specific questions regarding this Request for Proposals must be submitted via e-mail to the Department's RFP Coordinator.

The response to any questions, which is given orally, is to be considered unofficial. The Department shall be bound only to written answers to questions. Answers to all submitted questions will be posted to the Department's public website on February 17, 2012.

2.6 SUBMISSION OF PROPOSALS

Proposers are required to submit four (4) paper copies of the proposal. One paper copy must have original signatures and the other three may have photocopied signatures. The proposal, whether mailed or hand delivered, must arrive at the Department no later than 4:00 p.m., local time, on March 2, 2012.

The proposal is to be sent to the RFP Coordinator at the address noted in section 2.1. The envelope should be clearly marked to the attention of the RFP Coordinator.

Proposers should allow normal mail delivery time to ensure timely receipt of their proposals by the RFP Coordinator. Proposers assume the risk for the method of delivery chosen. The Department assumes no responsibility for delays caused by any delivery service. Proposals may not be transmitted using electronic media such as facsimile transmission or e-mail.

Late proposals will not be accepted and will be automatically disqualified from further consideration. All proposals and any accompanying documentation become the property of the Department and will not be returned.

Failure to comply with any part of the RFP may result in rejection of the proposal as non-responsive. DRS also reserves the right, however, at its sole discretion to waive minor administrative irregularities.

In the selection process, the Department reserves the right to interview the top finalists at the Department's Tumwater, WA office. If interviews of finalists are necessary, they will be scheduled for March 19-20, 2012. Failure to make oneself available for a finalist interview may result in removal from further consideration.

2.7 PROPRIETARY INFORMATION – PUBLIC DISCLOSURE

Materials submitted in response to this competitive procurement shall become the property of the Department.

All proposals received shall remain confidential until the contract, if any, resulting from this RFP is signed by the Department and the apparent successful Contractor; thereafter, the proposals shall be deemed public records as defined in RCW 42.56, "Public Records Act."

Any information in the proposal that the Proposer desires to claim as proprietary and exempt from disclosure under the provisions of RCW 42.56 must be clearly designated. The page must be identified as well as the particular exemption from disclosure upon which the Proposer is making the claim. Each page claimed to be exempt from disclosure must be clearly identified by the word "Confidential" printed on the lower right hand corner of the page.

The Department will consider a Proposer's request for exemption from disclosure; however, the Department will make a decision predicated upon chapter 42.56 RCW. Making 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 as proprietary in the proposal, such information will not be made available until the affected proposer has been given an opportunity to seek a court injunction against the requested disclosure.

A charge will be made for copying and shipping, as outlined in RCW 42.56.120. No fee shall be charged for inspection of contract files, but twenty-four (24) hour notice to the RFP Coordinator is required. All requests for information should be directed to the RFP Coordinator.

2.8 REVISIONS TO THE RFP

In the event it becomes necessary to revise any part of this RFP, addenda will be published on the Department of Enterprise Services' website for Washington's Electronic Business Solution (WEBS).

The Department also reserves the right to cancel or to reissue the RFP in whole or in part, prior to execution of a contract.

2.9 MINORITY & WOMEN-OWNED BUSINESS PARTICIPATION

In accordance with the legislative findings and policies set forth in chapter 39.19 RCW, the Department 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 and no minimum level of MWBE participation shall be required as a condition for receiving an award. Proposals will not be rejected or considered non-responsive due to the level of MWBE participation. Any affirmative action requirements set forth in federal regulations or statutes included or referenced in the contract documents will apply.

2.10 ACCEPTANCE PERIOD

Proposals must provide sixty (60) days for acceptance by the Department from the due date for receipt of proposals.

2.11 RESPONSIVENESS

All proposals will be reviewed by the RFP Coordinator to determine compliance with administrative requirements and instructions specified in this RFP. The Proposer is specifically notified that failure to comply with any part of the RFP may result in rejection of the proposal as non-responsive.

The Department also reserves the right, however, at its sole discretion to waive minor administrative irregularities.

2.12 MOST FAVORABLE TERMS

The Department reserves the right to make an award without further discussion of the proposal submitted. Therefore, the proposal should be submitted on the most favorable terms the Proposer can propose. There will be no best and final offer procedure. The Department does reserve the right to contact a Proposer for clarification of its proposal.

The Proposer should be prepared to accept this RFP for incorporation into a contract resulting from this RFP. Contract negotiations may incorporate some or the Proposer's entire proposal. It is understood that the proposal will become a part of the official procurement file on this matter without obligation to the Department.

2.13 CONTRACT AND GENERAL TERMS AND CONDITIONS

The apparent successful contractor will be expected to enter into a contract that is substantially the same as the sample contract and its general terms and conditions attached as Exhibit 2. In no event is a Proposer to submit its own standard contract terms and conditions in response to this solicitation. The Proposer may submit exceptions as allowed in the Certifications and Assurances section, Attachment A, to this solicitation. The Department will review requested exceptions and accept or reject the same at its sole discretion.

2.14 COSTS TO PROPOSE

The Department will not be liable for any costs incurred by the Proposer in preparation of a proposal submitted in response to this RFP, in conduct of a presentation, or in any other activities related to responding to this RFP.

2.15 NO OBLIGATION TO CONTRACT

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

2.16 REJECTION OF PROPOSALS

The Department 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 RFP.

2.17 COMMITMENT OF FUNDS

The Director of the Department, or his delegate, is the only individual who may legally commit the Department to the expenditures of funds for a contract resulting from this RFP. No cost chargeable to the proposed contract may be incurred before receipt of a fully executed contract.

2.18 BILLINGS

The Contractor shall bill the Department at the end of the contract period for completed tasks and deliverables at the rate(s) agreed upon. The Department will pay the Contractor upon receipt of a properly completed invoice, which shall be submitted to the Contract Manager. Each invoice will clearly indicate the Department Contract Number.

Payment shall be considered timely if made by the Department within thirty (30) days after receipt of properly completed invoices. Payment shall be sent to the address designated by the Contractor.

The Department may, in its sole discretion, terminate the contract or withhold payments claimed by the Contractor for services rendered if the Contractor fails to satisfactorily comply with any terms or conditions of this contract.

No payments in advance or in anticipation of services or supplies to be provided under this contract shall be made by the Department.

2.19 INSURANCE COVERAGE

The Contractor is to furnish the Department with a certificate(s) of insurance executed by a duly authorized representative of each insurer, showing compliance with the insurance requirements set forth below.

The Contractor shall, at its own expense, obtain and keep in force insurance coverage, which shall be maintained in full force and effect during the term of the contract. The Contractor shall furnish evidence in the form of a Certificate of Insurance that insurance shall be provided, and a copy shall be forwarded to the Department within fifteen (15) days of the contract effective date.

Liability Insurance

- A. Commercial General Liability Insurance: The Contractor shall maintain general liability (CGL) insurance and, if necessary, commercial umbrella insurance, with a limit of not less than \$1,000,000 per each occurrence. If CGL insurance contains aggregate limits, the General Aggregate limit shall be at least twice the "each occurrence" limit. CGL insurance shall have a products-completed operations aggregate limit of at least two times the "each occurrence" limit. CGL insurance shall be written on ISO occurrence from CG 00 01 (or a substitute form providing equivalent coverage). All insurance shall cover liability assumed under an insured contract (including the tort liability of another assumed in a business contract), and contain a separation of insureds (cross liability) condition.

Additionally, the Contractor is responsible for ensuring that all subcontractors provide adequate insurance coverage for the activities arising out of subcontracts.

- B. Business Auto Policy: As applicable, the Contractor shall maintain business auto liability and, if necessary, commercial umbrella liability insurance with a limit not less than \$1,000,000 per accident. Such insurance shall cover liability arising out of "Any Auto." Business auto coverage shall be written on ISO form CA 00 01, 1990 or later edition, or substitute liability form providing equivalent coverage.

Employers' Liability ("Stop Gap") Insurance

In addition, the Contractor shall buy employers' liability insurance and, if necessary, commercial umbrella liability insurance with limits not less than \$1,000,000 each accident for bodily injury by accident and \$1,000,000 each employee for bodily injury by disease.

Additional Provisions

Above insurance policy shall include the following provisions:

1. Additional Insured. The State of Washington, Department of Retirement Systems, its elected and appointed officials, agents and employees shall be named as additional insureds on all general liability, excess, umbrella and property insurance policies. All insurance provided in compliance with this contract shall be primary as to any other insurance or self-insurance programs afforded to or maintained by the State.
2. Cancellation. The State of Washington and the Department of Retirement Systems shall be provided written notice before cancellation or non-renewal of any insurance referred to therein, in accord with the following specifications. Insurers subject to 48.18 RCW (Admitted and Regulation by the Insurance Commissioner): The insurer shall give the State advance notice of at least forty-five (45) days prior to cancellation or non-renewal. If cancellation is due to non-payment of premium, the State shall be given advance notice of at least ten (10) days prior to cancellation. Insurers subject to 48.15 RCW (Surplus lines): The State shall be given advance notice of at least twenty (20) days prior to cancellation. If cancellation is due to non-payment of premium, the

State shall be given advance notice of at least ten (10) days prior to cancellation.

3. Identification. The policy must reference the State's contract number and the agency name.
4. Insurance Carrier Rating. All insurance and bonds should be issued by companies admitted to do business within the State of Washington and have a rating of A-, Class VII or better in the most recently published edition of Best's Reports. Any exception shall be reviewed and approved by the Department of Retirement Systems' Risk Manager or the Risk Manager for the State of Washington before the contract is accepted or work may begin. If an insurer is not admitted, all insurance policies and procedures for issuing the insurance policies must comply with chapter 48.15 RCW and 284-15 WAC.
5. Excess Coverage. By requiring insurance herein, the State does not represent that coverage and limits will be adequate to protect the Contractor and such coverage and limits shall not limit the Contractor's liability under the indemnities and reimbursements granted to the State in this contract.

Workers' Compensation Coverage

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 this contract.

3. PROPOSAL CONTENTS

Proposals must be submitted on eight and one-half by eleven (8 1/2 x 11) inch paper with tabs separating the major sections of the proposal. The four major sections of the proposal are to be submitted in the order noted below:

- A. Certifications of Assurances (Attachment A)
- B. Proposer's Information (Attachment B)
- C. Cost Schedule (Attachment C)
- D. Approach to Engagement

The proposer shall provide a completed and signed copy of the Certifications of Assurances (Attachment A), Proposer's Information (Attachment B), Cost Schedule (Attachment C), and the Approach to Engagement section.

Proposals must provide information in the same order as presented in this document with the same headings. This will not only be helpful to the evaluators of the proposal, but should assist the Proposer in preparing a thorough response.

The Approach to Engagement section should be concise and contain the following information:

- A statement that the individual auditors who will be planning, directing, conducting and reporting on the engagement are free from personal and external impairments to independence.
- Assurances of the qualifications of the firm and the individual auditors assigned to perform the audit, including experience and proficiency in governmental audits or audits of pension plans.
- A brief description of the firm's prior experience including two business references. Include the following information: Business name, the business contact, address, phone number, company's primary business, and the audit services, dates and percent of audit work performed, and type of report provided.
- Assurances of the firm's ability to complete the audit and deliver the work product within required deadlines. **Please provide a proposed timeline for starting and completing the audit (deadline of November 1, 2012, to receive the final audit opinion for this fiscal period).**
- A statement that the firm is registered with the State Board of Accountancy pursuant to WAC 4-30-112, and that the firm participates, as applicable, in the AICPA practice-monitoring or an equivalent peer review program and has had a peer review during the last three years.
- A statement that the firm is willing to comply with the terms and conditions of the accompanying sample audit services contract. The contract will be amended to meet the terms of this proposal.
- A statement that the firm, upon selection, will provide to the Department a Proof of Insurance Certificate meeting the insurance requirements stipulated in the accompanying sample audit services contract under general terms and conditions.

An all-inclusive rate is defined as the total sum to complete each audit for a fiscal period. A specified fee to conduct the audit (for each audit period in proposal) is required. See Cost Schedule (Attachment C). The all-inclusive fee includes all costs: administrative expenses, travel, cost of doing business, telephone conferences, drafts of documents, and federal, state, and local taxes. The Contractor is responsible for calculating the additional time required for any revisions and corrections as part of the inclusive fee. No additional charges will be paid.

3.1 LETTER OF SUBMITTAL (MANDATORY)

The Letter of Submittal and the attached Certifications and Assurances form (Attachment A to this RFP) must be signed and dated by a person authorized to legally bind the Proposer to a contractual relationship, e.g., the president or executive director if a corporation, the managing partner if a partnership, or the proprietor if a sole proprietorship. Along with introductory remarks, the Letter of Submittal is to include the following information about the Proposer and any proposed subcontractors:

- A. Name, address, principal place of business, telephone number, and fax number/e-mail address of legal entity or individual with whom contract would be written.
- B. Name, address, and telephone number of each principal officer (President, Vice President, Treasurer, Chairperson of the Board of Directors, etc.).

- C. Legal status of the Proposer (sole proprietorship, partnership, corporation, etc.) and the year the entity was organized to do business as the entity now substantially exists.
- D. Federal Employer Tax Identification number or Social Security number and the Washington Uniform Business Identification (UBI) number issued by the State of Washington Department of Revenue.
- E. Location of the facility from which the Proposer would operate.
- F. Identification of any state employees or former state employees employed or on the firm's governing board as of the date of the proposal. Include their position and responsibilities within the Proposer's organization. If following a review of this information, it is determined by the Department that a conflict of interest exists, the Proposer may be disqualified from further consideration for the award of a contract.

3.2 TECHNICAL PROPOSAL (SCORED/MANDATORY)

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

- A. **Audit Approach/Methodology** – Include a complete description of the proposed approach and methodology for the audit. This section should convey that the Proposer understands the proposed audit.
- B. **Work Plan** – Include all project requirements and the proposed tasks, services, activities, etc. necessary to accomplish the scope of the audit 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 audit. Include any required involvement of Department staff.
- C. **Audit Schedule** – Include an audit schedule indicating when the elements of the work will be completed and when deliverables will be provided.
- D. **Deliverables** – Fully describe deliverables to be submitted under the proposed contract.
- E. **Outcomes and Performance Management** – Describe the impacts/outcomes to be achieved as a result of the delivery of these services, including how outcomes would be monitored, measured and reported to the Department.
- F. **Risks** – Address potential risks associated with this contract. Examples include:
 - Overall Risks – Define risks you identify as being significant to the success of the project. Include how you propose to effectively monitor and manage these risks, including reporting of risks to the Department's contract manager.

3.3 MANAGEMENT PROPOSAL

A. Project Management (SCORED/MANDATORY)

1. **Project Team Structure/Internal Controls** – Provide a description of the proposed audit 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.
2. **Staff Qualifications/Experience** – Identify staff who will be assigned to the potential contract, including the responsibilities and qualifications of such personnel. Resumes must be provided for the named staff including information about the individual's particular skills related to this project, education, experience, significant accomplishments and any other pertinent information.

B. Experience of the Proposer (SCORED/MANDATORY)

1. Indicate the experience the Proposer and any subcontractors have in the audit of Comprehensive Annual Financial Reports for governments.
2. Indicate other relevant experience that indicates the qualifications of the Proposer, and any subcontractors, for the performance of the potential contract.
3. Include a list of contracts the Proposer has had during the last five (5) years that relate to the Proposer's ability to perform the services needed under this RFP. List contract reference numbers, contract period of performance, contact persons, telephone numbers and e-mail addresses.

C. References (SCORED/MANDATORY)

List names, addresses, telephone numbers and e-mail addresses of three (3) business references for whom work has been accomplished and briefly describe the type of service provided. The Proposer must grant permission to the Department to contact the references. Do not include current Department staff as references.

D. Related Information (MANDATORY)

1. If the Proposer or any subcontractor contracted with the State of Washington during the past twenty-four (24) months, indicate the name of the agency, the contract number and project description and/or other information available to identify the contract.
2. If the Proposer's staff or subcontractor's staff was an employee of the State of Washington during the past twenty-four (24) months, or is currently a

Washington state employee, identify the individual by name, the agency previously or currently employed by, job title or position held and separation date.

3. If the Proposer has had a contract terminated for default in the last five (5) years, describe such incident. Termination for default is defined as notice to stop performance due to the Proposer's non-performance or poor performance and the issue of performance was either (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.
4. Submit full details of the terms for default including the other party's name, address, and telephone number. Present the Proposer's position on the matter. The Department 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 (5) years, so indicate.

E. OMWBE Certification (Optional)

Include proof of certification issued by the Washington State Office of Minority and Women-Owned Business if certified minority-owned firm and/or women-owned firm(s) will be participating on this project.

3.4 COST PROPOSAL (SCORED/MANDATORY)

It is the Department's desire to enter into a fixed price, deliverable-based contract with a Proposer to provide the services requested in this RFP. The proposed fee must be based on the total costs for developing each deliverable.

The evaluation process is designed to award this procurement not necessarily to the Proposer of least cost, but rather to the Proposer whose proposal best meets the requirements of this RFP. However, Proposers are encouraged to submit proposals that are consistent with state government efforts to conserve state resources.

4. EVALUATION AND CONTRACT AWARD

4.1 EVALUATION PROCEDURE

Responsive proposals will be evaluated strictly in accordance with the requirements stated in the solicitation and any addenda issued. An evaluation team, designated by the Department, will determine the ranking of the proposals.

4.2 CLARIFICATION OF PROPOSAL

The RFP Coordinator may contact the Proposer for clarification of any portion of the Proposer's proposal.

4.3 EVALUATION WEIGHTING AND SCORING

The following weighting will be used to score the proposals and select the finalists:

- Technical Proposal 30 percent
- Management Proposal
 - Project Management 20 percent
 - Experience of the Proposer 20 percent
 - References 10 percent
- Cost Proposal 20 percent

The Department, at its sole discretion, may elect to select the top scoring firms for an oral interview and final determination of contract award. Commitments made by the Proposer at the oral interview, if any, will be considered binding.

4.4 NOTIFICATION TO PROPOSERS

Firms whose proposals have not been selected for further negotiation or award will be notified by e-mail.

4.5 DEBRIEFING OF UNSUCCESSFUL PROPOSERS

Upon request, the Department will schedule and hold a debriefing conference with an unsuccessful Proposer. The request for a debriefing conference must be received by the RFP Coordinator within three (3) business days after the Notification of Apparent Successful Contractor. The debriefing will 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 (1) hour.

4.6 PROTEST PROCEDURE

The protest procedure is available to Proposers who submitted a response to this solicitation document and who 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 decision with the RFP Coordinator. Protests may be submitted by e-mail but should be followed by the original document with original signatures.

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 RFP Coordinator.

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

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

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) the Department's assessment of its own and/or other agencies' needs or requirements.

Upon receipt of a protest, a protest review will be held by the Department. The Department's Director, or an employee delegated by the Director, who was not involved in the procurement will consider the record and all available facts and issue a decision within five (5) 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 affects the interest of another Proposer who submitted a proposal, such Proposer will be given an opportunity to submit its views and any relevant information on the protest to the RFP Coordinator.

The final determination of the protest shall:

- A. Find the protest lacking in merit and uphold the Department's action; or
- B. Find only technical or harmless errors in the Department's acquisition process and determine the Department to be in substantial compliance and reject the protest; or
- C. Find merit in the protest and provide the Department options which may include:
 - 1. Correct the errors and re-evaluate all proposals, and/or
 - 2. Reissue the solicitation document and begin a new process, or
 - 3. Make other findings and determine other courses of action as appropriate.

If the Department determines that the protest is without merit, the Department 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.

5. RFP ATTACHMENTS AND EXHIBITS

5.1 RFP ATTACHMENTS

Attachment A	Certifications and Assurances Form
Attachment B	Proposer's Information
Attachment C	Cost Schedule

5.2 RFP EXHIBITS

Exhibit 1	2011 Comprehensive Annual Financial Report (CAFR)
Exhibit 2	Sample Personal Service Contract --Including General Terms and Conditions
Exhibit 3	Directions to DRS

Attachment A

CERTIFICATIONS AND ASSURANCES

I/we make the following certifications and assurances as a required element of the proposal to which they are 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. 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.
3. The attached proposal is a firm offer for a period of sixty (60) days following receipt, and it may be accepted by the Department without further negotiation (except where obviously required by lack of certainty in key terms) at any time within the sixty (60) day period.
4. 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. (Any exceptions to these assurances are described in full detail on a separate page and attached to this document.)
5. I/we understand that the Department will not reimburse me/us for any costs incurred in the preparation of this proposal. All proposals become the property of the Department, and I/we claim no proprietary right to the ideas, writing, items, or samples, unless so stated in this proposal.
6. 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 opening, directly or indirectly to any other Proposer or to any competitor.
7. I/we agree that submission of the attached proposal constitutes acceptance of the solicitation contents and the attached sample contract and general terms and conditions. If there are any exceptions to these terms, I/we have described those exceptions in detail on a page attached to this document.
8. 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.

Signature of Proposer

Title

Date

Attachment B

PROPOSER'S INFORMATION

Please provide the following required information:

1. Name and Address: Name, address, principal place of business, and telephone number of legal entity with whom contract is to be written.

Name: _____
Address: _____
City, State, Zip: _____
Telephone Number: () _____
Web Page: _____

2. Location Address (if different)

Address: _____
City, State, Zip: _____

3. Principal Officers: Name, address and business telephone number of the principal officers (e.g.: President, Vice President, Board Chairperson) of the organization.

Name/Title: _____
Name/Title: _____
Name/Title: _____
Name/Title: _____

4. Organization and Year: Legal status and business structure (corporation, partnership, sole proprietorship, etc.) of the Proposer and the year entity was established.

Status: _____

5. Employer Identification

Federal I.D.: _____
UBI (Revenue
Registration Number): _____
Firm's Minority
Business Enterprise
Certification Number (If
applicable): _____

6. RFP Contact: Name, title, address, e-mail, telephone and fax numbers for Proposer's RFP Contact.

Name: _____
Address: _____
City, State, Zip: _____
Telephone Number: () _____
Fax Number: () _____
E-Mail: _____

Attachment C

COST SCHEDULE

Fiscal Cycle	All-inclusive Fee
FY 2012 July 2011 – June 2012	
FY 2013 July 2012 – June 2013	
FY 2014 July 2013 – June 2014	
FY 2015 July 2014 – June 2015	
FY 2016 July 2015 – June 2016	

DEFINITION OF ALL-INCLUSIVE FEE:

The fee shall include all administrative expenses, travel, and cost of doing business, telephone conferences, and federal, state, and local taxes. Proposer is expected to be on-site and travel to the Department of Retirement System's place of business in Tumwater for meetings. The Proposer is responsible for calculating the additional time required for any revisions and corrections as part of the inclusive fee. No additional charges will be paid.

Name of CPA Firm

Exhibit 1

2011 Comprehensive Annual Financial Report (CAFR)

The Department's fiscal year 2011 CAFR is located on the public website:

<http://www.drs.wa.gov/administration/annual-report/cafr>

**Contract for Personal Services
Between the
State of Washington**

**Department of Retirement Systems
and
(Contractor)**

This Contract is made and entered into by and between the state of Washington, Department of Retirement Systems, hereinafter referred to as the “**DEPARTMENT**”, and the below named firm, hereinafter referred to as “**CONTRACTOR**.”

Contractor Name:
Address:
City, State, Zip:
Telephone:
Fax:
E-mail:
WA State UBI Number:
Federal ID Number:

PURPOSE

The purpose of this contract is to engage a CONTRACTOR who will express a written opinion on the financial position of the DEPARTMENT’S funds and results of operations for the fiscal year under the audit through the audit of the DEPARTMENT’S Comprehensive Annual Financial Report (CAFR). The audit must be performed in accordance with generally accepted auditing standards (GAAS).

SCOPE OF WORK

- A. Exhibit A, 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 DEPARTMENT and the CONTRACTOR, and specific obligations of both parties.
- B. The CONTRACTOR will provide services and staff, and otherwise do all things necessary for or incidental to the performance of work, as set forth below:
 - As included in the DEPARTMENT’S Request for Proposals No. XX-XXX-XX, attached as Exhibit B, and the CONTRACTOR’S proposal dated XXXXX, attached as Exhibit C.

C. The CONTRACTOR shall produce the following written reports or other written documents (deliverables) by the dates indicated below:

1. Deliverable: Schedule meeting to cover audit schedule and direction
Due date: *Within two weeks of contract signing*
2. Deliverable: Preliminary Audit Opinion
Due date: *October 5, 2012*
3. Deliverable: Draft of Final Audit Opinion
Due date: *October 17, 2012*
4. Deliverable: Final Audit Opinion
Due date: *By November 1, 2012*
5. Deliverable: Suggested changes to the CAFR proof copy
Due date: *By November 15, 2012*
6. Deliverable: Approval to distribute CAFR
Due date: *By November 29, 2012*

All written reports required under this contract must be delivered to the Contract Manager in accordance with the schedule above.

D. The CONTRACTOR agrees to have procedural steps in place to recover from unanticipated events that may cause a delay in the output of work product. Such events may include software application, revisions, equipment failure, or natural disaster outside of the control of either party. The CONTRACTOR shall notify the DEPARTMENT of actions taken to mitigate further delays.

PERIOD OF PERFORMANCE

The period of performance under this contract will be from April 23, 2012, or date of DEPARTMENT execution, whichever is later, through December 31, 2012, unless sooner terminated or extended as provided under Exhibit A, General Terms and Conditions, attached and herein included by reference.

WARRANTIES

1. The CONTRACTOR warrants that staff performing work under this contract possess the adequate professional proficiency for the tasks required, is current in continuing education accounting credits, and is in good professional standing.
2. The CONTRACTOR warrants that staff performing work under this contract is free from personal and external impairments to independence.
3. The CONTRACTOR warrants that it is registered to practice public accounting in the State of Washington in accordance with the Washington Administrative Code (WAC) 4-25-750 and has had a peer review during the last three years.

DES FILING REQUIREMENT

The provisions of Chapter 39.29 RCW require the DEPARTMENT to file this personal service contract with the Department of Enterprise Services (DES) for approval. No contract so filed is effective nor shall work commence under it before the tenth (10th) working day following the date of filing, subject to DES approval. In the event DES fails to approve the contract, the contract shall be null and void.

COMPENSATION

1. Total compensation payable to the CONTRACTOR for satisfactory performance of work under this contract will not exceed XXXXXX dollars and XX cents (\$XXXXXX). The CONTRACTOR agrees that this fee is all-inclusive. The DEPARTMENT will not reimburse the CONTRACTOR for any expenses incurred in the performance of this contract that are outside of the proposed cost schedule, as set forth in the "Cost Proposal" section of the CONTRACTOR'S Response to RFP XX-XXX-XX (Exhibit C). The DEPARTMENT is not responsible for providing transportation to and from the audit site, any travel costs, insurance costs, or other out-of-pocket costs.
2. Should, during the audit, the need for additional services arise that require work in excess of original cost estimates, the DEPARTMENT and the CONTRACTOR shall negotiate and agree to the terms and costs of such work prior to its commencement. An amendment must be approved by the DEPARTMENT management and filed with DES.

BILLING PROCEDURES AND PAYMENT

1. The DEPARTMENT will pay the CONTRACTOR upon completion of all services rendered under this contract for the audit. An invoice must be submitted to the DEPARTMENT'S Contract Manager and must describe and document, to the DEPARTMENT'S satisfaction, a description of the work performed and the fee associated with the work performed. The invoice must include reference to Contract No. XX-XXX-XX.
2. Payment will be considered timely if made by the DEPARTMENT within thirty (30) calendar days after receipt of a properly completed invoice. Payments will be sent to the address designed by the CONTRACTOR.
3. The DEPARTMENT may, in its sole discretion, terminate the contract or withhold payments claimed by the CONTRACTOR for services rendered if the CONTRACTOR fails to satisfactorily comply with any term or condition of this contract.
4. No payments in advance or in anticipation of services or supplies to be provided under this contract will be made by the DEPARTMENT.

CONTRACT MANAGEMENT

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

CONTRACTOR Contract Manager Information	DEPARTMENT Contract Manager Information
Contract Manager's Name Contractor Name: Address: Telephone: Fax: E-mail Address:	Contact: Agency Name: Department of Retirement Systems Address: P.O. Box 48380, Olympia, WA 98503-8380 Telephone: Fax: E-mail Address:

2. The DEPARTMENT has the authority to monitor the performance of the CONTRACTOR, approve actions by the CONTRACTOR, and accept or reject any work product provided by the CONTRACTOR. The CONTRACTOR'S staff performing work under this contract will communicate requests for financial statements and other documents to the CAFR Coordinator listed below:

DEPARTMENT'S CAFR Coordinator	CONTRACTOR'S On-site Auditor	CONTRACTOR'S Lead Auditor
Name, Title <i>Phone:</i> <i>Location:</i> Agency Tumwater Office	Name, Title <i>Phone:</i> <i>Location:</i> Agency Tumwater Office	Name, Title <i>Phone:</i> <i>Location:</i>

3. The auditors named above will be responsible for the audit throughout the duration of this contract. Any change in the CONTRACTOR'S personnel requires notification in the most expedient means available to the DEPARTMENT within forty-eight hours. Written notification must be submitted to the DEPARTMENT as well. Failure to notify may be cause for breach, resulting in liquidated damages paid to the DEPARTMENT per calendar day for failure to notify.
4. The DEPARTMENT'S CAFR Coordinator is the key contact for day-to-day communications during the audit; for requests for information; and, for providing any necessary documents to the CONTRACTOR'S on-site auditor(s).
5. The DEPARTMENT'S Contract Manager or designee will coordinate and monitor audit progress following the Scope of Work schedule of dates for deliverables. If irregularities, fraud, or other significant audit issues are suspected, the CONTRACTOR must immediately notify the DEPARTMENT'S Contract Manager.

INSURANCE

1. The CONTRACTOR must provide insurance coverage as set out in Exhibit A, General Terms and Conditions. The intent of the required insurance is to protect the State and the CONTRACTOR 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.
2. The CONTRACTOR will name the DEPARTMENT and the State as additional insureds under its commercial general liability and business auto policies with respect to (i) specific amounts of insurance (not minimum amounts), and (ii) their vicarious liability arising out of CONTRACTOR'S performance of service under this Contract.
3. The CONTRACTOR must furnish evidence in the form of a Certificate of Insurance that insurance will be provided, and a copy must be forwarded to the DEPARTMENT within fifteen (15) days of the contract's effective date.

ASSURANCES

The DEPARTMENT and the CONTRACTOR agree that all activity pursuant to this contract will be in accordance with all the applicable current federal, state and local laws, rules, and regulations.

LIQUIDATED DAMAGES

Unless clearly the fault of the DEPARTMENT, in the event the CONTRACTOR fails to deliver the work product by November 1, 2012, the CONTRACTOR shall pay liquidated damages to the DEPARTMENT in the amount of five hundred dollars and zero cents (\$500.00) per day.

WORK PAPERS

The CONTRACTOR agrees that work papers prepared in connection with this engagement are considered public documents. The CONTRACTOR will retain copies of the work papers, which must be maintained in accordance with established state retention schedules. Public requests for copies or viewing of work papers must be done through the DEPARTMENT'S legal department.

ORDER OF PRECEDENCE

Each of the exhibits 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:

1. Applicable Federal and state of Washington statutes and regulations
2. Special Terms and Conditions as contained in this basic contract instrument
3. Exhibit A – General Terms and Conditions
4. Exhibit B – Request for Proposals No. XX-XXX-XX

EXHIBIT A GENERAL TERMS AND CONDITIONS

DEFINITIONS

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

- A. DEPARTMENT – shall mean the Department of Retirement Systems of the State of Washington, any division, section, office, unit or other entity of the DEPARTMENT, or any of the officers or other officials lawfully representing that DEPARTMENT.
- B. AGENT – shall mean the Director, and/or the delegate authorized in writing to act on the Director'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.

ACCESS TO DATA

In compliance with RCW 39.29.080, the CONTRACTOR shall provide access to data generated under this contract to DEPARTMENT, 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.

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 DEPARTMENT.

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.

AMERICANS WITH DISABILITIES ACT (ADA) OF 1990, PUBLIC LAW 101-336, also referred to as the “ADA” 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.

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 DEPARTMENT.

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.

CONFIDENTIALITY/SAFEGUARDING OF INFORMATION

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

CONFLICT OF INTEREST

Notwithstanding any determination by the Executive Ethics Board or other tribunal, the DEPARTMENT may, in its sole discretion, by written notice to the CONTRACTOR terminate this contract if it is found after due notice and examination by the AGENT that there is a violation of the Ethics in Public Service Act, Chapter 42.52 RCW; or any similar statute involving the CONTRACTOR in the procurement of, or performance under this contract.

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

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 DEPARTMENT. The DEPARTMENT 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 DEPARTMENT 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 DEPARTMENT 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 DEPARTMENT.

The CONTRACTOR shall exert all reasonable effort to advise the DEPARTMENT, 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 DEPARTMENT 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 DEPARTMENT shall have the right to modify or remove any restrictive markings placed on the data by the CONTRACTOR.

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 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 DEPARTMENT 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.

DISALLOWED COSTS

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

DISPUTES

Except as otherwise provided in this contract, when a dispute arises between the parties and it cannot be resolved by direct negotiation, either party may request a dispute hearing with AGENT.

1. The request for a dispute hearing must:
 - Be in writing;
 - State the disputed issue(s);
 - State the relative positions of the parties;
 - State the CONTRACTOR'S name, address, and contract number; and
 - Be mailed to the AGENT and the other party's (respondent's) contract manager within three (3) working calendar days after the parties agree that they cannot resolve the dispute.
2. The respondent shall send a written answer to the requester's statement to both the AGENT and the requester within five (5) working calendar days.
3. The AGENT shall review the written statements and reply in writing to both parties within ten (10) working days. The AGENT may extend this period if necessary by notifying the parties.
4. The parties agree that this dispute process shall precede any action in a judicial or quasi-judicial tribunal.

Nothing in this contract shall be construed to limit the parties' choice of a mutually acceptable alternate dispute resolution method in addition to the dispute resolution procedure outlined above.

DUPLICATE PAYMENT

The DEPARTMENT 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.

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.

INDEMNIFICATION

To the fullest extent permitted by law, CONTRACTOR shall indemnify, defend, and hold harmless State, agencies of the 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 therefrom.

CONTRACTOR'S obligations to indemnify, defend, and hold harmless includes any claim by CONTRACTOR'S agents, employees, representatives, or any SUBCONTRACTOR or its employees.

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

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

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 DEPARTMENT. The CONTRACTOR will not hold himself/herself out as or claim to be an officer or employee of the DEPARTMENT 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.

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 DEPARTMENT may collect from the CONTRACTOR the full amount payable to the Industrial Insurance accident fund. The DEPARTMENT may deduct the amount owed by the CONTRACTOR to the accident fund from the amount payable to the CONTRACTOR by the DEPARTMENT 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 rights to collect from the CONTRACTOR.

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.

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.

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 DEPARTMENT. 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.

NONDISCRIMINATION

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

PRIVACY

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

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

PUBLICITY

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

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 (6) 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 DEPARTMENT, personnel duly authorized by the DEPARTMENT, the Office of the State Auditor, 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.

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.

RIGHT OF INSPECTION

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

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 DEPARTMENT may terminate the contract under the "Termination for Convenience" clause, without the ten (10) day notice requirement, subject to renegotiation at the DEPARTMENT'S discretion under those new funding limitations and conditions.

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.

SITE SECURITY

While on DEPARTMENT premises, CONTRACTOR, its agents, employees, or subcontractors shall conform in all respects with physical, fire or other security policies or regulations.

SUBCONTRACTING

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

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

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.

TERMINATION FOR CAUSE

In the event the DEPARTMENT determines the CONTRACTOR has failed to comply with the conditions of this contract in a timely manner, the DEPARTMENT has the right to suspend or terminate this contract. Before suspending or terminating the contract, the DEPARTMENT shall notify the CONTRACTOR in writing of the need to take corrective action. If corrective action is not taken within thirty (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 DEPARTMENT 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 DEPARTMENT 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) that his or her failure to perform was outside of his or her control, fault or negligence.

The rights and remedies of the DEPARTMENT provided in this contract are not exclusive and are, in addition to any other rights and remedies, provided by law.

TERMINATION FOR CONVENIENCE

Except as otherwise provided in this contract, the DEPARTMENT may, by ten (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 DEPARTMENT 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.

TERMINATION PROCEDURES

Upon termination of this contract, the DEPARTMENT, in addition to any other rights provided in this contract, may require the CONTRACTOR to deliver to the DEPARTMENT 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 DEPARTMENT shall pay to the CONTRACTOR the agreed upon price, if separately stated, for completed work and services accepted by the DEPARTMENT, and the amount agreed upon by the CONTRACTOR and the DEPARTMENT 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 DEPARTMENT, 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 DEPARTMENT. Failure to agree with such determination shall be a dispute within the meaning of the "Disputes" clause of this contract. The DEPARTMENT may withhold from any amounts due the CONTRACTOR such sum as the AGENT determines to be necessary to protect the DEPARTMENT against potential loss or liability.

The rights and remedies of the DEPARTMENT 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:

1. Stop work under the contract on the date, and to the extent specified, in the notice;
2. Accept 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;
3. Assign to the DEPARTMENT, in the manner, at all 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 DEPARTMENT has the right, at its discretion, to settle or pay any or all claims arising out of the termination of such orders and subcontracts;
4. 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;

5. Transfer title to the DEPARTMENT 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 DEPARTMENT;
6. Complete performance of such part of the work as shall not have been terminated by the AGENT; and
7. 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 DEPARTMENT has or may acquire an interest.

TREATMENT OF ASSETS

- A. Title to all property furnished by the DEPARTMENT shall remain in the DEPARTMENT. 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 DEPARTMENT 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 DEPARTMENT 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 DEPARTMENT in whole or in part, whichever first occurs.
- B. Any property of the DEPARTMENT furnished to the CONTRACTOR shall, unless otherwise provided herein or approved by the DEPARTMENT, be used only for the performance of this contract.
- C. The CONTRACTOR shall be responsible for any loss or damage to property of the DEPARTMENT that results from the negligence of the CONTRACTOR or which results from the failure on the part of the CONTRACTOR to maintain and administer that property in accordance with sound management practices.
- D. If any DEPARTMENT property is lost, destroyed or damaged, the CONTRACTOR shall immediately notify the DEPARTMENT and shall take all reasonable steps to protect the property from further damage.
- E. The CONTRACTOR shall surrender to the DEPARTMENT all property of the DEPARTMENT prior to settlement upon completion, termination or cancellation of this contract.
- F. All reference to the CONTRACTOR under this clause shall also include CONTRACTOR'S employees, agents or SUBCONTRACTORS.

U.S. DEPARTMENT OF TREASURY, OFFICE OF FOREIGN ASSETS CONTROL

The DEPARTMENT complies with U.S. Department of the Treasury, Office of Foreign Assets Control (OFAC) payment rules. OFAC prohibits financial transactions with individual or organizations, which have been placed on the OFAC Specially Designated Nationals (SDN) and Blocked Persons sanctions list located on the U.S. Department of Treasury's web site

(<http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>). Compliance with OFAC payment rules ensures that the DEPARTMENT does not conduct business with individuals or organizations that have been determined to be supporters of terrorism and international drug dealing or that pose other dangers to the United States.

Prior to making payment to individuals or organizations, the DEPARTMENT will download the current OFAC SDN file and compare it to DEPARTMENT and statewide vendor files. In the event of a positive match, the DEPARTMENT reserves the right to: (1) make a determination of "reasonability" before taking the positive match to a higher authority, (2) seek assistance from the Washington State Office of the State Treasurer (OST) for advanced assistance in resolving the positive match, (3) comply with an OFAC investigation, if required, and/or (4) if the positive match is substantiated, notify the contractor in writing and terminate the contract according to the Termination for Convenience provision without making payment. The DEPARTMENT will not be liable for any late payment fees or missed discounts that are the result of time required to address the issue of an OFAC match.

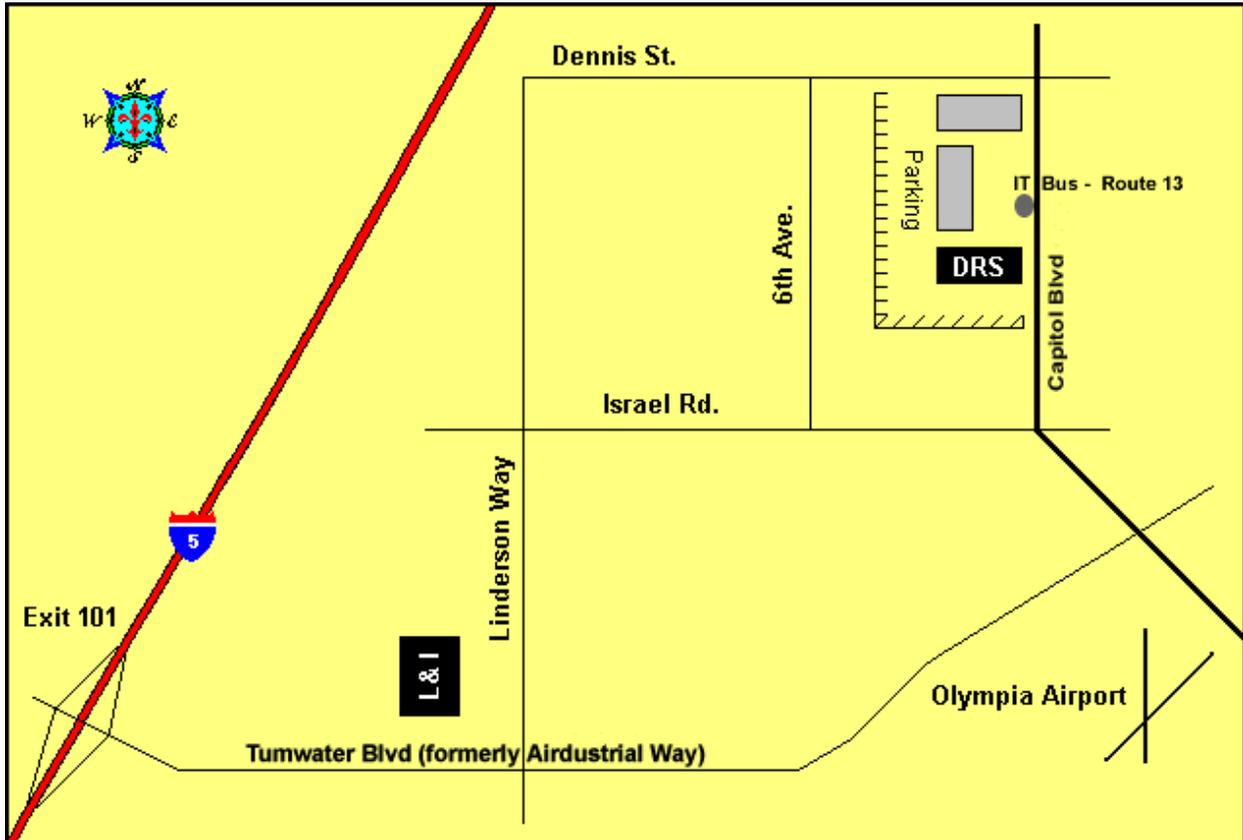
WAIVER

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 an authorized representative of the DEPARTMENT.

Exhibit 3

Map to Department of Retirement Systems

6835 Capitol Boulevard, Tumwater, Washington 98501



Driving Directions to DRS:

From the North

- Take I-5 South to Exit 101, "Tumwater Blvd."
- Turn left at the light onto Tumwater Blvd and go back over the freeway.
- Turn left on Capitol Blvd.
- Drive approximately 1/2 mile.
- The DRS building is located on the left hand side of Capitol Blvd.

From the South

- Take I-5 North to Exit 101, "Tumwater Blvd."
- Turn right onto Tumwater Blvd.
- Turn left on Capitol Blvd.
- Drive approximately 1/2 mile.
- The DRS building is located on the left hand side of Capitol Blvd.