

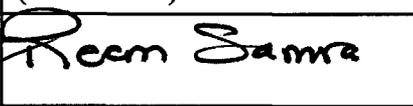
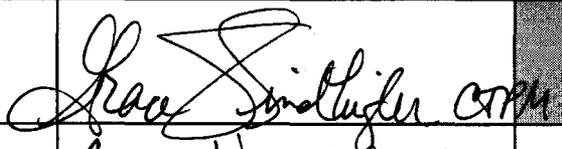
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

CONTRACT SIGNATURE PAGE

Contract Name	TERP Auditing Services
Contract Number	582-5-57265
Contract Period Amount	\$ 500,000 FY 2005: Effective Date through August 31, 2005: \$112,000 FY 2006 through April 30, 2006 only: \$388,000
Vender ID Number	1133891517300

Effective Date	The later of August 23, 2005 or the last date of the signatures on this Contract Signature Page
Expiration Date	April 30, 2006 unless renewed

This Contract is agreed to by the Texas Commission on Environmental Quality (TCEQ) and the party identified as the Contractor in consideration of their mutual promises here and in the Contract Documents. The Contract is binding only when signed by the Contractor and an authorized TCEQ official. Contractor acknowledges that in entering this Contract, TCEQ materially relied on the completeness and truthfulness of the Contractor's information and certifications.

Parties to the Contract	Texas Commission on Environmental Quality (TCEQ)	Deloitte & Touche LLP (Contractor)
By (Authorized Signature)		
Signor's Printed name	Mark R. Vickery, P.C.	REEM SAMRA
Signor's Title	Deputy Executive Director	FIRM Director
Date of Signature	8-31-05	August 25, 2005
TCEQ Procurement & Contracts Manager Signature		
Contract Manager Name	GRACE WINDBIBLER	
Contract Mgr. Contact Numbers		

Contract Manager Address for Notices		
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Contract Documents

The Contract Documents comprising the entire Contract between TCEQ and CONTRACTOR are the documents listed below which are marked with an "X." Where possible, the terms of the Contract Documents are to be interpreted in harmony. Unless otherwise specifically provided, in the event of a conflict of terms, the Contract Documents have precedence according to the order of the list that follows. Agreed written amendments to the Contract Documents are also Contract Documents with the amended term having the same order of precedence as the original document.

X	Contract Signature Page
X	General Conditions
X	Special Conditions
X	Scope of Work
	Federal Conditions
	Definitions Section
X	Work Order Section
	Bonds Section
X	Insurance Section
	Conflict of Interest Section
	Safety and Protection Section
	Information Technology Section
	Spill Response and Hazardous Waste Collection Section
	Contracts over \$100,000 Section
	Invoice Processing Procedures
X	Price Form (completed)
	Federal Forms (completed)
X	Insurance Certificate(s) (completed)
	General Certifications (completed)
	Special Certifications (completed)

X	HUB Subcontracting Plan (completed)
	Performance Bond (completed)
	Payment Bond (completed)
	Bid Bond (completed)
X	Documents created during the Contract: including (if Work Order Section is included) Work Orders, Approved Work Plans and Notices to Proceed
X	Addenda to TCEQ Solicitation
X	TCEQ Solicitation
X	Contractor Response in response to RFP (only those portions specifically incorporated in other Contract Documents)
X	All Contractor Best and Final Offers (only those portions specifically incorporated in other Contract Documents)
X	Other: Excerpt from TCEQ Compliance Evaluation & Audit Section's Policies and Procedures Manual; <i>Government Auditing Standards, 2003 Revision</i> ;

GENERAL TERMS AND CONDITIONS

Please read the following information carefully. These General Terms and Conditions govern any Contract issued as a result of this Solicitation. Any exceptions to these terms and conditions may be cause for a response to be disqualified. Additional terms and conditions are located in **Special Terms and Conditions Section**. Special Terms and Conditions supersede and take precedence over all other terms and conditions when they are in conflict.

1. DEFINITIONS

The following terms shall have the meanings ascribed below when capitalized in this document:

- 1.1 "Contract" means this Solicitation, the Response, and any additional documents attached hereto and executed by TCEQ and Responder. In the event of a conflict between the terms and conditions of this Solicitation and the terms and conditions of the Response, the terms and conditions of this Solicitation shall supercede and control for all purposes.
- 1.2 "Contract Period Amount" means the maximum payment obligation for which TCEQ may become liable hereunder; the "Contract Period Amount" may be set forth on the Contract signature page or the purchase order(s) issued by TCEQ hereunder.
- 1.3 "Fiscal Year" means the period of time from September 1 until the following August 31.
- 1.4 "Nonconformity" or "Defect" means a failure of a good, service, or the Work, to conform to the specifications, drawings, samples or other descriptions set forth in this Contract or otherwise furnished or adopted by TCEQ (including any product documentation provided by Contractor).
- 1.5 "Responder" means the person or entity submitting a response to this Solicitation; "Responder" may also be referred to as "you" or "Contractor".
- 1.6 "Response" means the document(s) filed by Responder in response to this Solicitation, including all addenda and Best and Final Offers; a Response is a firm offer.
- 1.7 "Solicitation" means the entire package of solicitation documents, including attachments and any addendums.
- 1.8 "Work" means the services and incorporated goods described in the Scope of Work. The term also includes the entire completed undertaking, or the various separately identifiable parts thereof, required to be furnished by Contractor under the Contract.

2. TERM OF CONTRACT

- 2.1 Contract Period. The Contract Period is set forth on the front page of the Solicitation, and begins to run on the later of: 1) the Effective Date shown on the Contract signature page, or 2) the latest date of the parties' signatures shown on the Contract signature page. In the event that there is no Contract signature page, the Contract Period shall begin on the effective date of the first purchase order issued by TCEQ hereunder. The Contract Period ends on the Expiration Date designated on the signature page or, if not stated, August 31 of the Fiscal Year in which the Work begins.
- 2.2 Renewals. Contractor and TCEQ may agree to renew the contract for a maximum of two (2) one-

year periods ("Renewal Period"). Any option to renew this contract for compliance audit services is subject to the approval of the State Auditor's Office. TCEQ, and Contractor may jointly extend the Contract for one hundred and eighty (180) days beyond any expiration of a Contract Period or Renewal Period. At renewal, the parties may agree to increase any price under this contract by a percentage equal to the Consumer Price Index for All Urban Consumers (CPI-U) in effect for the calendar year.

- 2.3 **Maximum TCEQ Obligation.** In the event that TCEQ selects Responder, TCEQ agrees to pay Responder the prices set forth on the agreed Price Form that becomes incorporated into the Contract. The maximum TCEQ obligation during the Contract Period will not exceed the Contract Period Amount. The maximum TCEQ obligation for any one Fiscal Year shall not exceed a stated Fiscal Year Amount for the designated Fiscal Year. There is no guaranteed minimum expenditure by TCEQ. The Contract Period Amount and the Fiscal Year Amount for a designated Fiscal Year may be amended in accordance with the terms and conditions of this Contract.
- 2.4 **Orders.** Orders for services that are dated during any Contract Period or Renewal Period must be honored even if received after the Contract expiration. Pricing shall be established by the date the order is placed.
- 2.5 **Service Adjustment / Contingency Requirement ("SACR").** Because of the nature of the services, TCEQ may need to make allowances for unforeseen circumstances or contingency requirements. TCEQ may in its sole discretion increase a maximum TCEQ obligation. TCEQ may increase a maximum TCEQ obligation by an amount not to exceed 100% of the original stated amount for any Fiscal Year in order to pay the Contractor to perform any service needed.
- 2.6 The Contract Period Amount and any Fiscal Year Amount may be amended in accordance with the following: (a) in the event audits or auditing tasks in addition to those planned for this contract become necessary due to requests of the state Legislature, a separate state or federal agency, or possible violations of grant applications by grantees not scheduled for audits, (b) the SACR provision in the General Terms and Conditions Section.

3. ACCEPTANCE OF THE WORK

TCEQ shall have the right to test and inspect services purchased hereunder to ensure conformance with the Contract specifications. No payment obligation shall accrue against TCEQ prior to TCEQ's acceptance of the services, which acceptance shall not be unreasonably withheld. Contractor must obtain TCEQ's acceptance of the Work in writing on a TCEQ acceptance form. The acceptance must describe the Work or the relevant portion of the Work, and must be signed by the TCEQ Project Manager and any other TCEQ officials designated on the acceptance form. No other act or omission constitutes acceptance of the Work. With the written consent of the TCEQ, prior to completion of the Work, the Contractor may submit for acceptance a portion of the Work designated by TCEQ. If the Work is accepted in portions, the Contractor shall submit the entire, completed Work as an integrated whole for final acceptance, and the final, written acceptance establishes the acceptance date for the complete Work. In no event shall Work be deemed "accepted" except in accordance with the express terms and conditions of the Contract. In no event shall payment by TCEQ be deemed an "acceptance" of the Work.

4. CONTRACTOR'S PERFORMANCE REQUIREMENTS

- 4.1 Compliance with Law. In addition to other statutory and regulatory references specifically identified in this Contract, Contractor shall comply with all applicable laws relating to purchasing in the State of Texas of services of the same nature as the work, in addition to all applicable laws, statutes, and other governmental provisions, regulations or standards, federal, state, and local, any of which may be modified during the term of the Contract. Contractor shall have sole responsibility for obtaining all licenses and permits necessary for the performance of the Work.
- 4.2 Observance of TCEQ Policies, Rules and Regulations. Contractor and Contractor's employees, agents and subcontractors shall at all times observe and comply with the attached excerpt of TCEQ Compliance, Evaluation and Audit Section Policies and Procedures Manual, in the course of performance under the Contract.
- 4.3 Claims. Contractor shall give written notice to TCEQ of any claim, demand, suit, or other action (a "Claim") asserted against Contractor which either arises under the Contract, or which could have an adverse material effect on Contractor's ability to perform thereunder. Contractor shall give written notice directly to the Manager of Procurements and Contracts, TCEQ within three (3) working days of Contractor's receipt of notice of the Claim. Such notice shall state the date of notification of the Claim, the names and addresses of the claimant(s), the basis of the Claim, and the name of each person or entity against whom the Claim is asserted.
- 4.4 Notice of Conflict of Interest. Contractor shall notify TCEQ in writing of any actual, apparent, or potential conflict of interest regarding Contractor or any related entity or individual performing or having access to information regarding any portion of the Work. Any entity with an organizational conflict of interest and any individual with a personal conflict of interest shall not take part in any way in the performance of, nor have access to any information regarding, any portion of the Work that creates the conflict of interest. TCEQ reserves the right to determine in its sole discretion whether a conflict exists and may at any time cancel all or part of the Contract on the grounds of actual, potential or apparent conflict of interest.
- 4.5 License Fees and Royalties. Contractor shall pay all license fees and royalties and assume all costs incident to the use in the performance of the Work or the incorporation in the Work (and subsequent use of the Work by TCEQ) of any invention, design, process, product or device which is the subject of patent rights, copyrights, or other intellectual property rights held by others.
- 4.6 TCEQ Decisions. It is understood and agreed that Contractor's services may include advice and recommendations, but all decisions in connection with the implementation of such advice and recommendations shall be the responsibility of, and made by, TCEQ.
- 4.7 The Contractor must maintain all licenses, certifications, registrations and authorizations required for both the firm and key personnel to perform accounting and auditing services and must be in good standing as a Certified Public Accountant. The Contractor must be in good standing as a Certified Public Accounting firm.

5. PAYMENT AND INVOICES

- 5.1 Invoice. Unless otherwise authorized in writing by TCEQ, Contractor shall submit an invoice upon completion and TCEQ's approval of Contract deliverables, in accordance with Contract requirements. Where TCEQ has accepted the Work in portions prior to completion of the entire body of Work, Contractor must obtain TCEQ's written consent prior to submitting an invoice. Contractor's invoice must conform to TCEQ's invoicing requirements. Invoices must show the following on the face of the invoice: Invoice number, Invoice date, TCEQ order number, Work Order Number (if any), Vendor Identification Number, Item Description (Quantity (e.g. Hours), Unit Price, Extended Price), and Period of Service. If applicable, Contractor must also include with each invoice a completed Progress Assessment Report (PAR) form, available from TCEQ, describing Contractor's subcontracting activity for the invoiced period. Failure to submit invoices in accordance with the foregoing may delay payment. Vendor shall submit an original and one copy of an itemized invoice to the following address: TCEQ, Attn: Invoices, MC 227, P.O. Box 13087, Austin, Texas 78711-3087.
- 5.2 Intergovernmental Payments. If Contractor is a Texas state agency or Texas state university, invoices must also include the RTI number for ITV payments. If the payment is to be deposited to a local account via warrant or direct deposit, the invoice must state this fact on the face of the invoice and include the agency number and the agency general ledger fund account (D23 fund account) into which the funds are to be deposited.
- 5.3 Conditional Payment. At its sole option, TCEQ may authorize partial payment(s) against the total contract amount in advance of TCEQ's acceptance of the Work ("Progress Payments"). If Progress Payments are authorized, Contractor may retain the payment only if the Work is completed and accepted by TCEQ in accordance with the Contract. A Progress Payment does not constitute acceptance or a waiver of the requirement for acceptance. Contractor agrees to return any Progress Payments within (90) days after TCEQ's written notice of rejection of the Work. In addition to other remedies in this Contract and under law, TCEQ may setoff the amount of any Progress Payment for Work subsequently rejected against other payments due.
- 5.4 Terms; Disputed Invoice. The TCEQ will incur no penalty for late payment if payment is made within thirty (30) or fewer days from receipt of services or an uncontested invoice, whichever is later. TCEQ's action in making a setoff against a payment constitutes a dispute under the Prompt Payment Act and tolls the accrual of interest on the payment until a court judgment is issued requiring payment. The TCEQ is tax exempt in accordance with Texas Tax Code, subsection 151.309.
- 5.5 Reimbursement for Authorized Costs. TCEQ will reimburse Contractor only for those reasonable, documented, and actual costs paid by Contractor in the proper performance of the Work that have been specifically quoted by Contractor in the Price Form incorporated into the Contract, unless the Price Form expressly exempts the specific cost from this requirement. All expenses for which reimbursement is requested must be approved by TCEQ prior to the Contractor's incurring the costs. Travel from Contractor's home to place of business will not be reimbursed. Reimbursement for other items will not exceed actual costs and in no case will they exceed the market price in the local area where the Work is performed. Whenever a cost is to be determined pursuant to reimbursement requirements, Contractor will establish and maintain

complete records and submit them upon request in a form acceptable to TCEQ an itemized price breakdown together with supporting documentation.

- 5.6 Retainage. TCEQ may withhold 5% or less of each payment as retainage. Release of retainage may be requested in the final invoice.
- 5.7 Final Payment and Waiver of Claims. After all Work has been accepted by TCEQ and all other Contractor obligations have been met, Contractor may submit the invoice for final payment, including any retainage. The final invoice shall be accompanied (except as previously delivered) by a release and waiver of claims form obtained from TCEQ.
- 5.8 Assignment of Claims. Contractor may assign its right to be paid amounts due or to become due as a result of the performance of this Contract to a bank, trust company, or other financing entity including any Federal lending agency. Any assignment shall cover all unpaid amounts payable under this Contract. An assignment hereunder does not relieve Contractor of any contractual obligation. All assignments must be approved in writing by the Manager, Procurement and Contracts, TCEQ. Notwithstanding any contrary provision in applicable law, TCEQ shall have no liability to Contractor or to any assignee on any claim arising from TCEQ's directing payment to Contractor instead of an assignee, or to an assignee instead of Contractor.
- 5.9 TCEQ May Refuse to Make Payment. Without prejudice to any other right or remedy available to TCEQ under this Contract or applicable law, TCEQ may refuse to approve for payment any amount invoiced by Contractor or, because of subsequently discovered evidence or the results of subsequent inspections or tests, TCEQ may nullify any prior approval for payment, if in TCEQ's reasonable judgment: I) the Work does not conform to the Contract; ii) Contractor owes a debt to the State of Texas; iii) there are other items, whether or not adjudicated, entitling TCEQ to a set-off against the amount invoiced; iv) the work product does not meet the quality assurance standards of the CEA policies and / or the Yellow Book.. If TCEQ refuses to approve the full amount invoiced pursuant to this paragraph, TCEQ must give Contractor written notice stating the reason for such action. This notice may be sent from TCEQ's payment processing section, and may be sent to Contractor's regular billing or Accounts Receivable address, and need not be delivered in conformity with the notice requirements of this Contract.
- 5.10 Claims for Overcharges. Contractor hereby assigns to TCEQ any and all claims for overcharges associated with this Contract arising under the antitrust laws of the United States 15 U.S.C.A. Section 1, et seq. (1973), and the antitrust laws of the State of Texas, Tex. Bus. & Comm. Code Ann. Sec. 15.01, et seq. (1967).

6. CONTRACTOR OVERSIGHT AND EVALUATION

- 6.1 Generally. TCEQ will monitor Contractor for programmatic and financial compliance. TCEQ shall designate a Contract Manager to monitor the provisions of this Contract. The TCEQ Contract Manager may routinely make scheduled or unscheduled visits to the location where the Work is being performed to observe performance. At the discretion of TCEQ, TCEQ may assign any responsibilities related to Contract monitoring to other TCEQ employees. Contractor agrees that in performing these acts, TCEQ is not supervising, directing, controlling or having authority over or responsibility for Contractor's performance or any failure of Contractor to comply with laws and regulations.

6.2 Contractor Performance Evaluations. TCEQ may perform evaluations of Contractor's performance, the results of which may be a factor in the selection criteria for future contracts. Contractor acknowledges that these evaluations are made on a subject in which TCEQ and its officers and employees have an interest or duty, and are made for the purpose of communicating with other persons having a corresponding interest or duty. TCEQ may provide this information to state agencies and upon request, to others. Contractor consents to the disclosure of an opinion contained in TCEQ's evaluations. The evaluations may be posted on TCEQ database and on the Texas Building and Procurement Commission's vendor performance database.

7. **CONTRACTOR'S BOOKS AND RECORDS**

7.1 Generally. During the Contract and for three (3) years thereafter, Contractor shall maintain such financial records in accordance with and subject to Contractor's business practices and policies. Contractor shall permit representatives and agents of TCEQ, or authorized state and federal agencies, to have monitored access to all records, data and facilities as necessary to review, inspect, and audit all financial activities and services associated with TCEQ funds. Contractor shall provide appropriate facilities for such access and inspection. If requested by TCEQ, Contractor shall submit weekly time sheets for each person providing services on behalf of Contractor (or Contractor's Subcontractors) under the Contract. The time sheets must at a minimum describe the general task(s) and number of hours applied to each task and be submitted to the TCEQ Contract Manager on a weekly basis by noon Central Time on Monday of the following week.

7.2 State Auditor's Office. Contractor understands that acceptance of funds under this Contract acts as acceptance of the authority of the State Auditor's Office, or any successor agency, to conduct an audit or investigation in connection with those funds. Contractor further agrees to cooperate fully with the State Auditor's Office or its successor in the conduct of the audit or investigation, including providing all records requested to the full extent required by applicable laws, regulations and this contract. Contractor will ensure that this clause concerning the authority to audit funds received indirectly by subcontractors through Contractor and the requirement to cooperate is included in any subcontract it awards under this Contract. Additionally, Contractor agrees that the State Auditor's Office shall at any time have access to and the rights to examine, audit, excerpt, and transcribe any pertinent books, documents, working papers, and records of the Contractor relating to this contract.

To the extent consistent with Tex. Gov't Code 2262 and other applicable law, and to the extent any of Contractor's billing records (other than billing records related to the work under this contract) constitute confidential and proprietary information, they may be redacted by contractor, to the extent necessary to: (i) satisfy Contractor's obligations of confidentiality with respect to any third party; (ii) protect the legally privileged nature of any information contained in the records; and (iii) to avoid any invasion of personal privacy.

8. **COMMUNICATIONS, NOTICES**

8.1 Contract Manager; Project Manager. Each party shall maintain a Contract Manager designated in writing at all times. All notices and communications required or allowed under this Contract will be delivered to a party's designated Contract Manager. Contractor shall also send a copy of any notice or communication to TCEQ, Attn: Manager, Procurements and Contracts, MC-182, P.O. 13087, Austin, Texas 78711-3087. TCEQ may also designate a Project Manager as a point of

contact for technical matters. Contractor shall designate a Project Manager as set forth under "Superintendence by Contractor." The Contract Manager may also serve as the Project Manager.

8.2 Notices. Unless otherwise specified in writing, all notices, requests, or other communications required or appropriate to this Contract shall be in writing and shall be deemed delivered three (3) working days after postmarked if sent by U.S. Postal Service Certified or Registered Mail, Return Receipt Requested. Notices delivered by other means shall be deemed delivered upon receipt by the addressee. Routine communications may be made by first class mail, facsimile, E-Mail, or other commercially accepted means. Notices to responder shall be sent to the address specified in the solicitation response, or at such other address as a party may notify the other in writing. Notices to TCEQ shall be addressed to the Manager, Procurement and Contracts, TCEQ.

8.3 Bankruptcy. If Contractor becomes the subject of a voluntary or involuntary bankruptcy proceeding, Contractor shall immediately notify TCEQ in writing and send a copy of such notification directly to TCEQ Bankruptcy Program MC-132, P. O. Box 13087, Austin, Tx 78711-3087. The Contractor's notice to the Bankruptcy Program must include the appropriate contract number(s).

9. SUPERINTENDENCE BY THE CONTRACTOR

9.1 Contractor's Responsibility for Subcontractors. All acts and omissions of subcontractors, suppliers and other persons and organizations performing or furnishing any of the Work under a direct or indirect contract with Contractor (collectively, "Subcontractors") shall be considered to be the acts and omissions of Contractor. Contractor shall be fully responsible for all such acts and omissions as if they were acts and omissions of Contractor. Nothing in the Contract shall create a contractual relationship between TCEQ and any Subcontractor except in regard to any warranties for services supplied by a third party manufacturer and delivered to TCEQ hereunder. Nothing in the Contract creates any obligation on the part of TCEQ relating to any monies due any Subcontractor except as may otherwise be required by law. Contractor is solely responsible for scheduling and coordinating the work of Subcontractors, and for all communications to Subcontractors.

9.2 Supervision of the Work. All Work is furnished and performed at Contractor's sole risk as to the means, methods, design, processes, procedures and conduct of the Work. Contractor is solely responsible for understanding the means, methods, design, processes, procedures and conduct of the Work, including control of associated hazards, to assure the safety of its performance and that of Subcontractors, and for the protection of all persons, property, premises of facilities involved in the performance, regardless of the owner of the property or premises.

9.3 Project Manager. Contractor shall designate and maintain a competent project manager, who shall not be replaced without written notice to TCEQ except under extraordinary circumstances. The project manager will be Contractor's representative and shall have authority to act on behalf of Contractor. All communications to or from the project manager shall be as binding as if given directly to or by Contractor. Contractor shall also maintain a superintendent capable of overseeing performance of the Work at any location where Work is performed.

10. SUBCONTRACTORS AND EMPLOYEES

10.1 Key Personnel and Subcontractors. The qualifications of the personnel and subcontractors named

in the Response are considered to be essential to performance of the Work. Contractor shall provide TCEQ timely information on proposed substitutions of such key personnel. Proposed substitutions shall have comparable qualifications to those of the personnel or subcontractors being replaced. Contractor shall not use any subcontractor, employee, supplier or other person or organization whether initially or as a substitute, against whom TCEQ has a reasonable objection.

- 10.2 Personnel. Contractor shall provide competent, suitably qualified personnel to perform the Work. Contractor shall at all times maintain good discipline and order at the site of the Work. Contractor shall require its employees to execute any confidentiality agreements, and any other required assignments, licenses or other instruments, and to provide information related to Intellectual Property, as may be necessary to effectuate the provisions of the Contract Documents. Contractor will, upon request of the TCEQ, obtain and provide background checks on personnel assigned to a TCEQ campus.
- 10.3 Employment Practices. Contractor will not discriminate against any employee or applicant because of race, religion, color, sex, age, or national origin and it will comply with Executive Order 11246, entitled "Equal Employment Opportunity", as amended by Executive Order 11375, and as supplemented in Department of Labor Regulations (41 CFR Part 60). Contractor will not exclude from, nor deny the benefit of, any program or activity funded hereunder (in whole or in part) to any person on the basis of race, creed, color, disability, national origin, sex, political affiliation or beliefs. Contractor shall comply with all applicable requirements of the Americans with Disabilities Act of 1990, 42 U.S.C. 12101 et seq, as amended. Contractor shall comply with all applicable regulations of the United States Occupational Safety and Health Administration (OSHA). Violation of any of these employment practices obligations is a material breach of this Contract.
- 10.4 The Contractor must enter into written contracts (Subcontracts) with all subcontractors performing work related to this Contract. The Subcontracts must contain provisions requiring subcontractors to take all actions necessary to accomplish compliance by the Contractor with this Contract. Specifically, Contractor will include in Subcontracts a requirement for access to the subcontractor's business records relating to this Contract by TCEQ, the Office of the State Auditor, the U.S. EPA and their representatives

11. WARRANTIES AND CERTIFICATIONS

- 11.1 In addition to all warranties established or implied by law, Contractor hereby warrants that:

I) all services provided hereunder shall conform to descriptions set forth in this Contract, and Work Orders, and shall be fit for the purpose detailed in the Work Order, and of the quality required by performance auditing standards contained in the *Government Auditing Standards, 2003 Revision* and excepts from the TCEQ Compliance, Evaluation and Audit Section Policies and Procedures Manual. TCEQ shall have the right of inspection and approval, and may, at Contractor's expense, require re-performance of services which are not in conformance with the requirements of the Contract or reject work entirely. Defects shall not be deemed waived by TCEQ's failure to notify Contractor upon completion of services or by payment of invoice.

The warranties set forth above are effective upon delivery to TCEQ and for twenty-four (24) months following TCEQ's acceptance (or final acceptance, as applicable) of the Work.

Contractor shall, at its expense, re-perform any services which are defective. If, after notice, Contractor fails to promptly correct the Defect, TCEQ may correct the Defect without further notice and Contractor shall reimburse the TCEQ for all costs, or if TCEQ does not choose to correct the Defect, Contractor shall promptly refund to TCEQ the full purchase price paid for the Work.

- 11.2 Capacity to Perform. Contractor has the authority, capability, experience and means to enter into this Contract and to provide the services and perform the Work contemplated hereunder. Contractor has sufficient ownership rights in the Work to perform its obligations under the Contract.

12. INTELLECTUAL PROPERTY

- 12.1 Third Party Intellectual Property. Contractor shall not incorporate any third party intellectual property into the Work without TCEQ's prior written approval. Contractor shall bear sole responsibility for obtaining all necessary licenses and paying all applicable license and/or royalty fees and all costs incident to Contractor's use or possession in the performance of the Work or the incorporation into the Work of any third party intellectual property.
- 12.2 Work Made for Hire. Unless expressly exempted from this section by written attachment to this Contract, all work performed pursuant to the Contract, developed or prepared for the TCEQ ("Work Product"), is the exclusive property of the TCEQ. All right, title and interest in such Work Product shall vest in the TCEQ upon creation and shall be deemed to be a work made for hire and made in the course of the services rendered pursuant to this Contract. To the extent that title to any such Work Product may not, by operation of law, vest in TCEQ, or such Work Product may not be considered a work made for hire, all rights, title and interest therein are hereby irrevocably assigned to TCEQ. TCEQ shall have the right to obtain and to hold in its name any and all copyrights, registrations or such other protection as may be appropriate to the subject matter, and any extensions and renewals thereof. Contractor shall execute any instruments as requested by TCEQ to effectuate the foregoing rights and protections. Contractor shall enter appropriate written agreements with its employees and subcontractors sufficient to effectuate this section.
- 12.3 License Grant. Excluding Contractor's propriety software, Contractor on behalf of itself and its affiliated parties, hereby grants to TCEQ a nonexclusive, perpetual, irrevocable, fully paid-up and worldwide license to use, reproduce, publish, modify, create derivative works, make, have made, sell, have sold, rent, lease, distribute, publicly perform and display, and license others to do the same, solely for TCEQ purposes, with respect to any Work Product that for any reason is not deemed a work made for hire or otherwise owned by TCEQ hereunder.
- 12.4 Ownership of Intellectual property.
- a) Contractor Technology. Contractor has created, acquired or otherwise has rights in, and may, in connection with the performance of services hereunder, employ, provide, modify, create, acquire or otherwise obtain rights in various concepts, ideas, methods, methodologies, procedures, processes, know-how, and techniques (including, without limitation, function, process, system and data models); templates, generalized features of the structure, sequence, and organization of software, user interfaces and screen designs; general purpose consulting and software tools,

utilities and routines; and logic, coherence, and methods of operation of systems (collectively, the "Contractor Technology").

b) Ownership of Deliverables. Except as provided below, upon payment of each Work Order to Contractor hereunder, the tangible items specified as deliverable or work product in the Work Order to which these terms are attached (the "Deliverable") shall become the property of TCEQ.

c) Ownership of Contractor Property. To the extent that Contractor utilizes any of its property (including, without limitation, the Contractor Technology or any hardware or software of Contractor) in connection with the performance of services hereunder, such property shall remain the property of Contractor and TCEQ shall acquire no right or interest in such property. Notwithstanding anything herein to the contrary, the parties acknowledge and agree that (a) Contractor shall own all right, title and interest, including, without limitation, all rights under all copyright, patent and other intellectual property laws, in and to the Contractor Technology and (b) Contractor may employ, modify, disclose, and otherwise exploit the Contractor Technology (including, without limitation, providing services or creating programming or materials for other clients). Contractor does not agree to any terms that may be construed to precluding or limiting in any way its right to (a) provide consulting or other services of any kind or nature whatsoever to any person or entity as Contractor in its sole discretion deems appropriate or (b) develop for itself, or for others, materials that are competitive with those produced as a result of the service provided hereunder, irrespective of their similarity to the Deliverables.

13. INDEMNIFICATION

13.1 Intellectual Property Claims. To the fullest extent permitted by law, Contractor shall indemnify, defend with counsel approved by TCEQ, and hold harmless TCEQ, and its officers, directors, employees and agents ("Indemnities"), from and against all fines, penalties, claims, damages, losses, demands, judgments, settlements, punitive damages, costs of suit, attorneys' fees and delays to other contractors (a "Demand"), whether arising in tort or otherwise, and whether the parties are individually or jointly responsible from any damages, that arise from infringement or alleged infringement of any copyright, or other proprietary interest arising by or out of Contractor's performance hereunder or the use by Contractor or by Indemnities at the direction of Contractor.

13.2 Generally. To the fullest extent permitted by law, Contractor shall indemnify, defend, and hold harmless TCEQ and its representatives from and against all losses, liabilities, damages, and other claims of any type arising from the performance of the Work by the Contractor or its subcontractors, suppliers and agents, caused by negligence or willful misconduct of the Contractor while engaged in the performance of services hereunder. This indemnification does not require Contractor to indemnify and negligent or willful acts of TCEQ. The defense of the TCEQ shall be subject to the authority of the Office of the Attorney General of Texas to represent the TCEQ. This covenant survives the termination of the Contract.

14. HISTORICALLY UNDERUTILIZED BUSINESSES

TCEQ is required to make good faith efforts to assist Historically Underutilized Businesses ("HUBs") in receiving contract awards. The goal of the program is to promote fair and competitive business opportunities for all businesses contracting with TCEQ. For contracts in the amount of \$100,000 or more, Contractor shall completely implement the HUB Subcontracting

Plan (HSP) submitted with Contractor's Response. Contractor will promptly notify TCEQ in writing of any significant changes to the facts represented in the HSP, and of any resulting modifications in the HUB HSP. Failure to implement the HSP or demonstrate good faith effort in the modified HSP is cause for termination of this Contract. For any subcontractors for which HUB and federal forms were not submitted in the Response, Contractor must submit completed forms.

15. NON-DISCLOSURE

This Contract and all data and other information developed hereunder are subject to the Texas Public Information Act. Contractor shall treat, and shall require Contractor's employees and subcontractors to treat, all information provided by TCEQ hereunder that is marked or otherwise identified as "confidential" or "proprietary" ("Confidential Information") with the same degree of care, but in no case less than reasonable care, to protect such information from unauthorized disclosure as Contractor applies to Contractor's own Confidential Information. Contractor is permitted to use, copy and disclose Confidential Information to Contractor's employees and subcontractors only to the extent necessary to fulfill Contractor's obligations hereunder and only in compliance with this section.

16. OTHER LIABILITIES

The individuals signing on behalf of TCEQ shall not be personally liable for the performance of any of the terms of this Contract. No member, individually or collectively, of TCEQ incurs or assumes any individual or personal liability by the execution of this Contract or by reason of default in the performance of any of the terms hereof. All such liability of the employees and officers of the State is released as a condition of and in consideration of the execution of this Contract.

17. TIME DELAYS, SUSPENSION

17.1 Time is of the Essence. Contractor's timely performance is essential to this Contract.

17.2 Suspension. TCEQ may suspend all or part of the Work at any time, for any reason. TCEQ is not obligated to suspend or cancel the Work for the benefit of Contractor or any surety or other party. Contractor shall resume performance within thirty (30) days of receipt from TCEQ of a notice to resume, if any. Where Contractor's performance is delayed by acts of TCEQ, Contractor's sole exclusive remedy is an extension of the Contact time limits and/or milestones and, if agreed to in writing by TCEQ prior to expiration of the Contract, an extension of the Contract Term beyond the Expiration Date to a maximum of one hundred and eighty (180) days.

17.3 Force Majeure. If either party is delayed in carrying out its obligations due to acts of God, labor stoppages, or other similar irresistible forces, the party shall give notice and full particulars of such delay supported by sufficient evidence, in writing, to the other party within a reasonable time after occurrence of the delay. The time of performance by the party shall be extended for such a period of time as is reasonably necessary to remedy the effects thereof. Force majeure does not include ordinary delays that are common to the industry or location.

18. TERMINATION; REMEDIES

18.1 Cancellation for Cause. In the event that Contractor fails to perform a material obligation or becomes insolvent or the subject of a voluntary or involuntary bankruptcy proceeding, TCEQ may

cancel the Contract for cause, by written notice effective in thirty (30) days, unless otherwise specified, after the date of such notice, unless Contractor cures such breach or provides evidence sufficient to prove to TCEQ's satisfaction that such breach does not exist within the 30-day cure period. A "material" obligation includes without limitation delivery of conforming Work, providing evidence of required insurance coverage, and compliance with HUB requirements. Cancellation for cause does not prejudice TCEQ's other remedies authorized by this Contract or by law. In the event of breach of a material obligation by Contractor, TCEQ shall be entitled to recover all actual damages, costs, losses and expenses, incurred by TCEQ as a result of the default, including without limitation, reasonable attorney's fees, court costs, and prejudgment and post-judgment interest at the maximum lawful rate.

- 18.2 Cancellation for Convenience. TCEQ may cancel this Contract without cause by giving thirty (30) days prior written notice of such cancellation to Contractor. In no event shall such cancellation give rise to any penalty or liability on the part of TCEQ including without limitation anticipated profits, unabsorbed overhead, or interest on borrowing. Upon receipt of such notice, Contractor shall promptly cease all Work, with such exceptions, if any, specified in the notice of cancellation. TCEQ's sole obligation hereunder, and Contractor's exclusive remedy, is payment for services ordered and accepted by TCEQ hereunder. Contractor may request payment for: completed and accepted Work and timely, and/or reasonable expenses directly attributable to cancellation.
- 18.3 Right of Setoff. In addition to other remedies available under this Contract or in law or equity, TCEQ may retain funds due to the Contractor as setoff against: the amount of overpayments by TCEQ or amounts obtained by the Contractor due to violations of antitrust laws.
- 18.4 Schedule of Remedies available to the TCEQ. In accordance with Chapter 2262, Texas Government Code, the following Schedule of Remedies applies to the Contract. In the event of Contractor's nonconforming performance, TCEQ may:
1. Issue notice of nonconforming performance;
 2. Reject nonconforming performance and request corrections without charge to the TCEQ;
 3. Reject a payment request and/or suspend further payments pending acceptable revision of the nonconformity;
 4. Suspend all or part of the Work and/or payments pending accepted revision of the nonconformity;
 5. Demand restitution and recover payments where performance is subsequently determined nonconforming;
 6. Terminate or cancel the Contract without further obligation for payment by the TCEQ and recover previous payments;
 7. After complying with prerequisites, file a cause of action for specific performance, rescission, damages and other relief as appropriate;
 8. Terminate or cancel the Contract as above, re-award the Contract, and assess damages to the extent permitted by applicable law.
- 18.5 Cumulative Remedies. The rights and remedies provided to the TCEQ in this Contract, are in addition to, and are not to be construed in any way as a limitation of, any rights and remedies available under state and federal rules, regulations, and laws and at common law.

- 18.6 Assurance. Whenever TCEQ in good faith has reason to question Contractor's intent or capacity to perform hereunder, TCEQ may demand, and Contractor shall provide, written assurance of Contractor's intent and/or capacity to perform. In the event that no assurance is given within the time specified after the demand is made, TCEQ may treat this failure as an anticipatory repudiation of the Contract.
- 18.7 Limitation on Damages and Indemnification.
- a)The TCEQ agrees that the Contractor and its personnel shall not be liable to the TCEQ for any claims, liabilities or expenses, relating to this engagement for an aggregate amount in excess of two times the Contract Period Amount, except to the extent finally judicially determined to have resulted primarily from the bad faith or intentional misconduct of Contractor. In no event shall Contractor or its personnel be liable for consequential, special, indirect, incidental, punitive, or exemplary loss, damage, or expense relating to this engagement.
- b)The provisions of this Paragraph shall apply to the fullest extent the law, whether in contract, statute, tort (such as negligence), or otherwise. In circumstances where all or any portion of the provisions of this Paragraph are finally judicially determined to be unavailable, Contractor is not liable for any portion of damages arising from the independent actions of TCEQ employees.
- 19. DISPUTES; CLAIMS**
- 19.1 Continuing the Work. Except as expressly permitted by law, Contractor shall carry on the Work and adhere to any work plan schedule hereunder during all disputes or disagreements with TCEQ unless ordered to stop the Work. No Work shall be delayed or postponed pending resolution of any disputes or disagreements. If disputes arise, Contractor will finish existing Work Orders but not begin other work under the Contract.
- 19.2 Dispute Resolution Process. TCEQ and the Contractor shall use the dispute resolution process provided for in Texas Government Code Ch. 2260 to attempt to resolve all Contract claim disputes. The rules of the TCEQ found in 30 Texas Administrative Code Chapter 11, Subchapter D, describe the requirements for filing a notice and claim, conducting negotiations, and requesting a hearing.
- 20. MISCELLANEOUS PROVISIONS**
- 20.1 Severability of Provisions. If any provision of the Contract is held by a court of competent jurisdiction to be invalid, illegal, or otherwise unenforceable, the remainder of the Contract shall be construed to conform to the intent of the parties.
- 20.2 Contract Changes. Changes to the Contract may only be made by an agreed, signed, written amendment, or by a Purchase Order Change Notice issued and signed by TCEQ. Amendments must be signed by the Contractor and TCEQ to be effective.
- 20.3 Publicity. Responders are prohibited from using contract award information, sales values/volumes and/or state of Texas customers in sales brochures or other promotions, including press releases, unless prior written approval is obtained from the Manager, Procurement and Contracts, TCEQ, provided however, that Contractor may identify TCEQ as a client of the Contractor.

- 20.4 Sovereign Immunity. The parties agree that this Contract does not waive TCEQ's sovereign immunity or official immunity to which TCEQ's officers, employees, or agents are entitled under law relating to suit, liability, and the payment of damages.
- 20.5 Relationship of the Parties. Any contract resulting from this Solicitation shall not be construed as creating an employer/employee relationship, agency relationship, partnership, or joint venture. Contractor is an independent contractor in performing the Work and shall not act as an agent or employee of TCEQ. Contractor shall be responsible for all acts and omissions of its employees and Subcontractors and for their compensation, coverages, claims and taxes.
- 20.6 Venue. Contractor agrees that the Contract is being performed in Travis County, Texas, because this Contract has been solicited, executed, and will be administered in Travis County, Texas. The Contractor agrees that any permissible cause of action involving this contract arises solely in Travis County.
- 20.7 Funding Out. This Contract is subject to cancellation, without penalty, in whole or in part, if funds are not appropriated by the Texas Legislature, or otherwise made available to TCEQ.
- 20.8 Prohibition on Excess Obligations. Contractor acknowledges that the General Appropriations Bill, Article IX, Section 26 prohibits TCEQ from incurring an obligation in excess of the amounts appropriated to it by the Texas Legislature. TCEQ shall have no liability to Contractor for failure to pay any invoice due to a lack of appropriated funds.
- 20.9 Third Party Beneficiaries. TCEQ does not assume any duty to exercise any of its rights and powers hereunder for the benefit of third parties.
- 20.10 Disaster Recovery. Contractor shall maintain a business continuity plan designed to enable Contractor to recover normal business operations and data within seventy-two hours of any declared disaster or force majeure event.
- 20.11 Computation of Times. When any period of time is referred to in the Contract by days, it will be computed to exclude the first and include the last day of such period. If the last day of any such period falls on a Saturday or Sunday or on a state or federal holiday, such day will be omitted from the computation. A calendar day of twenty-four hours measured from midnight to the next midnight constitutes a day. A period referred to as a "month" is the period ending on the same numerical day in the subsequent calendar month as the day on which the period began, e.g., from the 9th to the 9th, provided that if the numerical day for calculation of a period of months is greater than the number of actual days in the concluding month, the period will end on the last day of that month. A period referred to as a "week" is a period of seven days.
- 20.12 Governing Law. This contract shall be governed by, and construed and interpreted under the laws of the State of Texas, as well as federal law.
- 20.13 Public Information. The Texas Public Information Act, Tex. Gov't. Code, Chapter 552, applies to all data and information delivered to TCEQ in the course of performance of this Work, unless exempted by the Act. TCEQ assumes no obligation to make legal arguments in support of any claims pertaining to confidentiality, patents, trade secrets, or copyrights.

- 20.14 Waiver. With the exception of an express, written document signed with authority by TCEQ, no act or omission will constitute a waiver or release of Contractor's obligation to perform conforming Work. No waiver on one occasion, whether expressed or implied, shall be construed as a waiver on any other occasion. The making of a payment, including final payment, does not constitute acceptance of the invoiced Work nor does it constitute a waiver of the TCEQ's claims against the Contractor or its sureties.
- 20.15 Assignment. No delegation, transfer, or assignment of the duties, obligations or rights under or interests in the Contract, whether by merger, operation of law, or change in ownership of all or substantially all of Contractor's assets, will be binding on TCEQ without TCEQ's written consent. Any such assignment, delegation, or transfer made without the written consent of TCEQ is void. No transfer or assignment will release or discharge the Contractor from any duty or responsibility hereunder.
- 20.16 Survival of Obligations. All representations, indemnifications, warranties and guarantees made in, required by or given hereunder, as well as all continuing obligations indicated hereunder, will survive for twenty-four months beyond the termination or cancellation of the Contract.

End of General Conditions Section

CONTRACT SPECIAL CONDITIONS

None

SCOPE OF WORK

General

The Contractor shall perform professional auditing and accounting services in accordance with the requirements of the Contract Documents. All work under this Agreement will be ordered by Work Orders.

Background

The TCEQ seeks to assure that Texas Emissions Reduction Plan (TERP) funds have been spent appropriately by the TERP grantees. Additional information on TERP may be found on the TCEQ's website- www.tceq.state.tx.us. The TCEQ contract provisions as well as state and federal rules authorize TCEQ and its representatives to access the business records of its grantees and contractors and also to conduct performance and financial audits. The TERP grantees are subject to the requirements of the TERP grant contract provisions.

Audit Requirements

The Contractor shall conduct contract performance audits in accordance with performance audit standards included in the United States General Accountability Office's Government Auditing Standards, *2003 Revision* and TCEQ's Compliance, Evaluation and Audit Section's (CEA) Policies and Procedures Manual, CEA Procedures, Section X, Workpapers. The CEA Manual provides quality review standards and procedures specifically required for the audits performed under this Contract. Each individual participating in any portion of the audit must adhere to all of the United States General Accounting Office's Government Auditing Standards. The objective of the performance audits will be to determine whether the TERP grant contractor has complied with the terms and conditions of the grant contract.

Objectives for Work Orders

The Contractor shall perform services which are generally described as follows and more specifically described in written Work Orders:

1. Conduct performance audits of grant contracts using the performance audit standards provided in Government Auditing Standards. Contractor shall prepare and provide a draft performance audit report to each grantee/auditee, receive grantee/auditee responses, and issue a final audit report to the TCEQ Deputy Executive Director.
2. Collect and present documents and other evidence.
3. Present and support performance audits until all issues raised by the audit are resolved, including any formal disputes of audit findings.

Work Orders may also require Contractor to:

1. Prepare additional reports to the TCEQ of all violations of contract provisions, grant agreements, or legal requirements (including regulatory requirements), and of all fraud or abuse.
2. Prepare additional evidence of any audit for administrative and judicial actions and serve as a fact witness. Fees for litigation support not described in this contract will be negotiated separately.

3. Perform financial reviews under agreed upon procedures. Unless a Work Order specifically orders financial reviews under agreed upon procedures in lieu of an audit, the Work Order must be interpreted to order an audit in compliance with all Audit Requirements described above.

Work Order Process

TCEQ shall issue Work Orders, which shall identify the contract and entity to be audited and provide other information specific to that contract. The Contractor shall respond to the issuance of a Work Order within fourteen (14) days by preparing and submitting a written audit program which includes, scope, objectives and methodology determined and developed by the Contractor for the audit. The TCEQ may approve the audit program for all or part of a Work Order. Upon the TCEQ's approval in the form of a written Notice to Proceed, Contractor shall begin Work for the Work Order (or portion thereof) for which its audit program has been approved. Contractor shall not begin the Work until a Notice to Proceed is issued.

Communication

Contractor shall designate a single point of contact for contract communications. At its option, Contractor may designate an audit representative for an individual Work Order for communications related to that Work Order. Contractor shall communicate with the TCEQ through the TCEQ Contract Manager in CEA.

Deadlines

Contractor shall complete all required deliverables for each audit within two (2) calendar months of the TCEQ Notice to Proceed. If the TCEQ determines that Contractor is unable to complete all required deliverables through no fault of its own, the TCEQ shall, at its option, extend the deadline or cancel the Work Order for convenience.

General Deliverables

The following deliverables will be included in each Work Order unless a Work Order specifically indicates otherwise. (Additional deliverables may be described in individual Work Orders):

1. Contractor's audit programs (written and/or electronic copy) used to audit each entity.
2. Contractor's original audit working papers (written and/or electronic) and preliminary audit report (written and/or electronic copy) for each audit. Upon receipt of the Contractor's report and working papers, CEA will perform a final review. If CEA has comments (primarily quality control issues) on an audit report or working papers for any reasons, the comments along with audit reports and working papers may be returned to the Contractor for resolution. *Any comments CEA provides shall not extend to approval or disapproval of any conclusions or opinions the CONTRACTOR renders in an audit. CEA comments shall address only the manner in which the CONTRACTOR performs its services and the clarity and completeness with which its results are reported, but not the conclusions or opinions the CONTRACTOR reaches or expresses as a result of work performed.*
3. Contractor's signed final audit reports (written and/or electronic copy).

Personnel Qualifications

The Contractor shall supply qualified personnel in sufficient numbers to perform the Work accurately and on schedule. All personnel specified in Contractor's proposal for Levels 2, 3, and 4 are key personnel subject to the key personnel provisions of this Agreement. As more fully specified in those provisions,

any substitutes must not only meet the minimum qualifications specified below, but must have comparable qualifications to those of personnel being replaced and are subject to approval by TCEQ.

Minimum Qualifications

Minimum Qualifications and description of duties for individuals performing work on this Contract are as follows:

1. Minimum Qualifications applicable to individuals performing Level 4 Audit Director services, Level 3 Audit Manager services, and Level 2 Senior Auditor services (referred to as Contractor “key personnel”) are as follows:
 - a. Licensed as Certified Public Accountants.
 - b. Satisfactorily performed at least five (5) compliance audits, as defined by Texas Government Code §321.0132(1), where the individual examined more than \$100,000 in expenditures per audit.
 - c. Be thoroughly familiar with and trained in generally accepted government auditing standards.
 - d. Be able to adhere to all of the United States General Accounting Office’s Government Auditing Standards.

2. Specific Minimum Qualifications and Duties for the following labor classifications:

- Level 4: Audit Director (Key): Qualifications: 15 or more years of experience in conducting and supervising audits, including compliance audits. Duties: Supervise development of audit programs and guide the performance of the audits and the creation of audit reports according to Government Auditing Standards. Assure that reports are prepared with sufficient, competent, relevant evidence on which to base a conclusion.

- Level 3: Audit Manager (Key): Qualifications: 10 or more years of experience in conducting and supervising audits, including compliance audits. Duties: Create and implement the Work Plan for each audit and for the entire contract. Direct and supervise the work of auditors and others.

- Level 2: Senior Auditor (Key): Qualifications: B.A. degree in accounting and extensive training in conducting audits, including compliance audits. More than 4 years of experience in conducting audits. Duties: Lead auditor in conducting the audit. Oversees the work of the Auditors and others.

- Level 1: Auditor: Qualifications: B.A. degree in accounting and 0-3 years of experience in conducting audits. Duties: conduct audits under the supervision of a Senior Auditor.

End of Scope of Work Section

WORK ORDER SECTION

Contractor will perform the Work described in accordance with the Contract and written Work Orders

issued by TCEQ, and the Contract Terms and Conditions including the process described in this Work Order Section. TCEQ does not guarantee any minimum amount of Work or Work Orders.

1. During the Contract Term TCEQ will order the Work by Work Orders for separate tasks which may or may not relate to each other and which do not necessarily form an entire discrete, separate deliverable or project.
2. The Scope of Work is intended to provide a general overview of the type of work that will be requested. The Work Orders will contain detailed specifications of the work to be completed. Each Work Order shall contain a not-to-exceed amount that represents the total value of that Work Order. Contractor's response to the Work Order may include a proposed audit program used to accomplish the audit objectives, deliverables, or any other tasks. Contractor should also include an associated budget for each task. The TCEQ will then either approve the Contractor's proposed work plan, or disapprove it and request modifications. If the TCEQ approves the proposed work plan, TCEQ will issue a written approval for the Contractor to start work.
3. Contractor will carefully read the description of the types of work that may need to be done and, then, either indicate that they can do all of the tasks independently or will be partnering or subcontracting with another company or companies to do the work. For all Work Orders issued under this Contract, the Contractor shall provide services such as performance auditing services in accordance with performance auditing standards included in the Generally Accepted Governmental Auditing Standards (GAGAS). The specific assignment(s), which may include some or all of the tasks described in the Scope of Work, will be included in each Work Order.
4. Work Orders shall contain, at a minimum, the following information:
 - a. Name of Grantee and amount of the grant
 - b. Contract number and name;
 - c. Work order number and name;
 - d. Maximum dollar amount for the Work Order;
 - e. Balance of the Contract amount;
 - f. Time Line Schedule, including the start and end dates ;
 - g. Objectives, tasks and/or deliverables;
 - h. The name of the TCEQ contract manager and the names of any other TCEQ staff contacts
 - I. Deliverables
 - j. Include the final executed contract between TCEQ and the grantee and the final grantee application.

Audit Programs:

5. Proposed Audit Programs
 - a. Fourteen (14) calendar days after receipt of a Work Order issued under this contract, unless otherwise specified in the Work Order, the Contractor must submit one (1) copy of Audit Program to the designated TCEQ Contract Manager. The audit Program shall contain, at a minimum, the following:
 - 1.) Contractor's Project Manager and other contacts assigned to the Work Order;

2.) Key Personnel assigned to the work order, with an estimate of the time to be spent by each person on each deliverable, and a current resume for key personnel, if one was not previously provided.

3.) Time Line: A list of the tasks and deliverables, a sample deliverable and a schedule including, the start date and end date for each deliverable.

4.) Audit Methodology: The Contractor shall describe the technical approach and technical solution for completing the objectives and deliverables. This shall contain detailed descriptions of the steps taken in accomplishing the objectives, and production of deliverables, including any additional work or modification of the tasks Contractor deems necessary in order to complete the work. The audit methodology must consider the Yellow Book standards.

5.) Quality Assurance / Quality Control Procedures: The audits will be conducted in accordance with performance audit standards contained in the United States General Accounting Office's Government Auditing Standards, 2003 Revision and TCEQ's Compliance, Evaluation and Audit Section's Policies and Procedures Manual.

6.) The Work Order Budget: Calculate and provide estimates of all charges required to complete the Work Order and produce each deliverable. The budget submitted shall be sufficiently detailed to allow TCEQ to easily determine the hours, prices and personnel, by labor classification, related to each deliverable.

7.) Describe the process for providing the required reports to TCEQ.

8.) Signature: The Contractor shall have the proposed work plan signed and dated by a person with the authority to bind the Contractor to the performance of the proposed work plan.

b. Revisions to Audit Programs

The Contractor shall submit revisions of the Audit Program to the TCEQ Contract Manager within 5 days of: (a) when the original Audit Program is rejected or otherwise disapproved, in whole or in part, by the TCEQ Contract Manager; (b) when directed by the TCEQ Contract Manager; (c) whenever the Work Order requirements are changed by appropriate Work Order amendment; and (d) with the approval of TCEQ, as soon as it appears that the completion date stated in the approved Audit Program may be exceeded. The Contractor may submit recommended revisions to the Audit Program when the Contractor believes such revision is deemed desirable for optimum achievement of Contract and Work Order objectives. Contractor must obtain TCEQ approval of every recommended revision to the Audit Program prior to implementation. A copy of each revision shall be submitted to the TCEQ Contract Manager.

c. TCEQ Approval of Audit Program

TCEQ will approve or reject the Audit Program within 15 days of receipt. Upon approval by the TCEQ of the Audit Program, TCEQ shall issue a written approval to the Contractor. Upon receipt of this notice, Contractor shall begin Work.

d. TCEQ Reliance on Audit Program/ Budget Estimates

The Contractor shall be accurate in the preparation of estimates of staff hours needed to complete the work. The Contractor agrees to continue and to complete work assigned under a Work Order within the original estimate or budget provided in the Contractor's proposed work plan unless the TCEQ agrees to an adjustment. The TCEQ budgets for and encumbers funds only up to the not-to-exceed dollar amount contained in each Work Order and, therefore, materially relies on the Contractor's diligence in the preparation of budget estimates submitted for approval in the Audit Program. The essence of the reliance is that partially completed work products, which could be a consequence of inadequately prepared estimates, may be of little or no use to the TCEQ. The Contractor acknowledges and agrees that the TCEQ may materially rely on these Contractor-prepared estimates.

e. TCEQ may, at its discretion, amend the maximum amount of a Work Order in order to agree with a Audit Program revision which has been approved by TCEQ.

f. Without intent to waive the requirement that time is of the essence in this Contract, in the event the Contractor does not obtain TCEQ approval of an Audit Program within thirty (30) days after the five (5) day time limit stated in paragraph b above, titled Revisions to the Audit Programs, the TCEQ may terminate the Contract for cause.

6. It may become apparent that a series of related Work Orders may form a single project after initial Work Orders are issued. In this event, TCEQ may amend Work Orders or issue additional Work Orders requiring overall work plans, and other types of Work necessary to integrate all the Work Orders so that the integrated Work Orders may be submitted for acceptance as an entire project.

7. TCEQ may terminate a Work Order with ten (10) days notice for convenience or force majeure. Termination shall not prejudice any other right or remedy of TCEQ. Contractor may request payment for: completed and accepted Work and timely, reasonable expenses directly attributable to termination. Contractor shall not be paid for: work not performed, loss of anticipated profits or revenue, consequential damages or other economic loss arising out of, or resulting from the termination.

8. TCEQ anticipates Work Orders for FY 05 will be issued within 30 days of the start of the contract. If this does not occur, TCEQ will notify Contractor as soon as possible.

9. Contractor may reject a Work Order which would cause a conflict of interest for the Contractor.

End of Work Order Section

PRICE FORM SECTION

Prices are fully loaded rates; no separate payment will be made as compensation for performance, including materials, equipment, labor, communication, travel expenses and planning to successfully complete all services except for those prices below which specifically exclude travel. The unit prices stated apply throughout the term of the Contract unless altered by written agreement of the parties. Other conditions contained in the Contract Documents apply to the prices. No other prices may be charged to TCEQ or paid by TCEQ. TCEQ may authorize reimbursement of specifically described necessary costs for items not on the Price Form and when the authorization is made in writing prior to the Contractor incurring the cost.

PRICE FORM (Loaded for all costs including travel)

A TCEQ Labor Classifications	Responder's Job Titles	Fully Loaded Hourly Rate
Level 4: Audit Director	Partner, Director	\$ 275.00
Level 3: Audit Manager	Manager, Senior Manager	\$ 235.00
Level 2: Senior Auditor	Senior Auditor	\$ 150.00
Level 1: Auditor	Staff Auditor	\$ 120.00
Paraprofessional	Administrative Assistant	\$ 55.00

PRICE FORM (Loaded for all costs excluding travel)

A TCEQ Labor Classifications	Responder's Job Titles	Fully Loaded Hourly Rate
Level 4: Audit Director	Partner, Director	\$ 270.00
Level 3: Audit Manager	Manager, Senior Manager	\$ 230.00
Level 2: Senior Auditor	Senior Auditor	\$ 145.00
Level 1: Auditor	Staff Auditor	\$ 120.00
Paraprofessional	Administrative Assistant	\$ 55.00

The above rates do not include forensic or environmental specialists.

End of Price Form Section

INSURANCE SECTION

Part 1. INSURANCE REQUIREMENTS

The Contractor shall obtain and maintain during the Contract Term the insurance coverages of the types and in the minimum amount specified below from insurers authorized (licensed, eligible or registered) under the laws of the state of Texas. All insurance policies shall be covered by an insurer with a minimum rating of "A-" or better and a rating of "IV" of a financial size capacity or greater in the most recent A.M. Best Company rating of the insurer. Additional requirements concerning insurance are contained in the Contract Documents. The Contractor will provide 30 days notice to TCEQ in writing by certified mail at the address shown on the bottom of the TCEQ Certificate of Insurance in advance of any cancellation, material change or change in insurance coverages, agent or carrier. Any change in insurers will necessitate providing the TCEQ a new Certificate of Insurance. Contractor shall provide 10 days notice in writing of any cancellation or material change due to non-payment. Such notice must reference the Requisition No. for this Contract.

X	<p>Worker's Compensation and Employer's Liability Insurance. Coverage in the following minimum amounts for all personnel other than partners of the Contractor firm furnishing work: bodily injury by accident, \$100,000.00 per accident; by disease, \$100,000.00 per employee; and a per policy aggregate of \$500,000.00. Elective exemptions or coverages through an employee leasing arrangement will not satisfy this requirement. Contractor will require subcontractors performing work for this contract to provide the same coverages.</p>
X	<p>Commercial Automobile Liability Insurance. Coverage for owned, hired, and non-owned vehicles for claims of automobile bodily injury and property damage which may arise in the performance of the Contract. The minimum amounts of coverage shall be: \$1,000,000.00 per occurrence and \$500,000.00 per person for bodily injury; \$500,000.00 per occurrence for property damage, \$1,000,000.00 per occurrence if the policy is issued for bodily injury and property damage combined.</p>
X	<p>Commercial General Liability Insurance. Coverage for claims of personal injury and bodily injury, including accidental death, and property damage which may arise from the performance of the Contract. The types of coverage required are: Blanket, Property Damage, Premises and Operations hazards, Products and Completed Operations hazards, Independent Contractor's, and Contractual Liability in the minimum amounts as follows: \$500,000.00 per occurrence for bodily injury, \$500,000.00 per occurrence for property damage, \$1,000,000.00 per occurrence if the policy is issued for bodily injury and property damage combined, and a per policy aggregate of \$1,000,000.00. Contractor will obtain contractual liability coverage for the relevant provisions of this contract concerning obligations, liability, duty and standard of care, together with the indemnification provisions which are covered as an "insured contract" by the standard ISO Commercial General Liability Policy (Form CG 00 01 10 01). There shall be no exclusions to the contractual liability coverage under this policy which apply separately to the TCEQ other than those which typically apply with respect to an additional insured.</p>

X	<p>Required Additional Policy Provisions. All policies of insurance shall provide for the following required provisions: 1) where available, TCEQ, and its officers, and employees are included as additional insureds to the Commercial Automobile Liability Insurance and the Commercial General Liability Insurance except for Professional Liability; 2) waiver of subrogation against the TCEQ, its officers and employees, for bodily injury (including death), property damage or any other loss; and 3) the Contractor's insurance is primary insurance with respect to the TCEQ, its officers and employees concerning the Contractor's negligence.</p>
	<p>Commercial General Liability additional coverage for Explosion, Collapse and Underground hazards. Contractor must obtain and maintain this coverage which must all be in the same amounts as those for Commercial General Liability in the General Conditions.</p>
	<p>Umbrella Liability Insurance. The Contractor and subcontractor must obtain and maintain umbrella liability insurance to provide additional coverages for all liability policies required for this project and endorsed on the TCEQ Certificate Insurance in an amount not less than \$5,000,000.00 in the aggregate.</p>
	<p>Excess Liability Insurance. The Contractor and subcontractor, must provide excess liability coverage for claims of bodily injury and property damage in excess of the coverage provided by Comprehensive General Liability Insurance and Automobile Liability Insurance in an amount not less than \$1,000,000.00 in the aggregate.</p>
X	<p>Professional Liability Insurance. The Contractor shall provide such coverage for financial loss resulting from errors, omissions and failure to properly coordinate the plans and specifications of the Work or Contract Documents. Professional Liability Insurance shall contain a minimum net coverage of \$1,000,000.00 with no deductible. The Contractor shall require any subcontractor, which the TCEQ deems necessary, to provide Professional Liability Insurance sufficient for the protection, on the same basis as above, of the portion of the work the subcontractor performs. The compilation of the total insurance coverage required under this paragraph shall remain the responsibility of the Contractor.</p>
	<p>Environmental Impairment or Contractors Pollution Liability Insurance. The Contractor and subcontractor, where applicable, shall provide coverage for claims of environmental impairment and pollution caused by the Contractor's or subcontractor's negligence in the execution of work under the Contract. The amount shall be not less than \$1,000,000.00 per occurrence and \$2,000,000.00 in the aggregate.</p>
	<p>Other: Additional specific types of insurance policies that are be listed in the Special Terms and Conditions of the contract.</p>

Part 2. ADDITIONAL INSURANCE REQUIREMENTS

Only Requirements marked with an " X" apply to this contract.

The requirements in the following list apply if the item is marked with an " X. " Requirements in this Additional Insurance Section supercede those in the General Conditions in the event of a conflict.

When to Submit the Certificate of Insurance	
	Submit in the Offer. Contractor must submit the TCEQ Certificate of Insurance in the Proposal instead of the deadline stated in the General Conditions. If this item is not applicable, the time limits for submitting the Certificate of Insurance are those in the General Conditions of the Contract.
X	Submit when awarded a Contract. The Contractor must submit the TCEQ Certificate of Insurance upon the award of a Contract instead of the deadline stated in the General Conditions. If this item is not applicable, the time limits for submitting the Certificate of Insurance are those in the General Conditions of the Contract.



**CERTIFICATE OF INSURANCE FOR
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY (TCEQ)
REQUISITION No. 582-5-57265**

Producer: Broker's: Broker's Physical Address: Mailing Address: City: State: Zip: Broker's Phone #:	This certificate neither affirmatively or negatively amends, extends, or alters the coverage afforded by the policies below:		
	C O	COMPANIES AFFORDING COVERAGE	RATE A.M. Best Rating
	A		
	B		
	C		
	D		
	E		
Insured: Contractor: Contract) (Must be same as in TCEQ Contractor's Physical Address: Mailing Address: City: State: Zip: Contractor's Phone #:	F		
	G		

COVERAGES						
CO.	Type of Insurance	Policy Number	Policy Eff Date (MM/DD/YY)	Policy Exp Date (MM/DD/YY)	Limits	
	GENERAL LIABILITY				GENERAL AGGREGATE	\$
	Commercial General Liability				PRODUCT-COMP/OP AGG	\$
	CLAIMS MADE				PERSONAL & ADV INJURY	\$
	OCCUR				EACH OCCURRENCE	\$
	OWNER'S AND CONTRACTOR'S PROT				FIRE DAMAGE (ANY ONE FIRE)	\$

					MED EXP (ANYONE PERSON)	\$
	AUTOMOBILE LIABILITY					
	ANY AUTO				COMBINED SINGLE LIMIT	\$
	ALL OWNED AUTOS					
	SCHEDULED AUTOS				BODILY INJURY (Per person)	\$
	HIRED AUTOS					
	NON-OWNED AUTOS				BODILY INJURY (Per accident)	\$
					PROPERTY DAMAGE	\$
	EXCESS LIABILITY					
	UMBRELLA FORM				EACH OCCURRENCE	\$
	OTHER THAN UMBRELLA FORM				AGGREGATE	\$
	WORKERS' COMPENSATION & EMPLOYERS LIABILITY THE PROPRIETOR / PARTNERS / EXECUTIVE OFFICER ARE				<input type="checkbox"/> WC STATUTORY LIMITS <input type="checkbox"/>	
	INCLUDED				EACH ACCIDENT	\$
	EXCLUDED				DISEASE -POLICY LIMIT	\$
					DISEASE - EACH EMPLOYEE	\$
	Professional Liability /E&O					\$
	Pollution Liability					\$
	Other					\$

Description of Special Items:

TCEQ is an additional insured where required under the contract. A waiver of subrogation for the TCEQ, its officers and employees, for bodily injury (including death), property damage or any other loss arising from this contract where required by contract. Cancellation, other than for non-payment, shall not be made until thirty (30) days after the contractor notifies in writing by certified mail the TCEQ at the address shown below. Cancellation due to non-payment shall not be made until ten (10) days after the contractor notifies in writing by certified mail the TCEQ at the address shown below. Such notice **must** reference the Requisition No. for this Contract.

I certify to the TCEQ that the policy(ies) listed above comply with the CONTRACTOR'S requirements in the contract with TCEQ and the policy(ies) have

been issued to the CONTRACTOR named above for the policy period indicated.

Original Signature of Broker (Stamped, typed, printed are unacceptable)

x

Broker

Date

All correspondence related to insurance should be mailed to:

Texas Commission on Environmental Quality

MC (Mail Code) 182

P.O. Box 13087

Austin, TX 78711-3087

A copy of this Certificate should also be mailed to the TCEQ Contract Manager named in the contract.

**TEXAS COMMISSION ON ENVIRONMENTAL QUALITY (TCEQ)
COMPLIANCE, EVALUATION, AND AUDIT SECTION (CEA)
PORTIONS OF CEA POLICIES AND PROCEDURES MANUAL
MARCH 1, 2004**

Working Papers

1. Essential Elements

1. Authority: Government Auditing Standards , 2003 Revision, Comptroller General of the United States.
2. Responsibilities: Generally Accepted Government Auditing Standards (GAGAS) require that a record of the auditor's work should be retained in the form of working papers. Additionally, these standards state that working papers should contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the auditor's significant conclusions and judgements. Auditors should keep in mind that work papers may be used to explain audit methodologies, sources for data and information, and audit conclusions to individuals without experience in audits.

Work paper is a generic term that fits many applications. Work papers may include: correspondence, records of interviews or telephone calls, the audit program, documentary evidence [for example, copies of records] used in the analyses, analytical schedules [spreadsheets], narrative analyses, draft and final audit reports, and records of the audit resolution process.

3. Time Frame: Ongoing
4. Procedures:
 - a. Work Paper Protection
 - (1) It is the responsibility of all auditors to protect work papers from loss or improper disclosure.
 - (2) Within TCEQ offices, work papers may be left unattended on desk tops in the auditor's working area during the day; however, at the end of each day, all work papers and related materials should be secured in a locked storage area, such as a desk, overhead storage bin, or file cabinet.
 - (3) At an audit site, auditors should make a judgement about the relative security within a working area. It may, or may not, be acceptable to leave work papers unattended while at another office for an interview. Usually, it is appropriate to secure work papers while leaving the audit site for lunch. However, it may be acceptable to leave the auditee's records in the work area while going to lunch or at the end of the day. All work papers should be secured at the end of each day – for example, they could be locked in an automobile trunk.
 - b. Work Paper Preparation
 - (1) Work papers must be prepared in a way that ensures they are clear and understandable, legible and neat, complete, accurate, relevant, and in a standardized format.
 - c. Work Papers As Evidence
 - (1) Evidence supporting all audit objectives must be thoroughly documented. Work papers must include evidence that meets Government Auditing Standards, 2003 Revision, Section 7.48:
 - (a) **Sufficient, competent, and relevant evidence is to be obtained to afford a reasonable basis for the auditor's findings and conclusions.**
 - (2) Work papers must properly support all findings, conclusions, and recommendations.
 - (3) Evidence collected and documented in the work papers must have a logical relationship to the issue it seeks to prove or disprove and to audit objectives.
 - d. Prompt Work Paper Preparation Helps Accuracy
 - (1) The completeness and accuracy of some work papers, such as interview write-ups, are significantly enhanced if they are prepared promptly after the event occurs.

- (2) The faster such work papers are prepared, the easier it is for auditors to recall and record important details.
- e. Calculations Are To Be Traced and Verified
- (1) All mathematical calculations utilized by auditors must be accurate.
 - (a) The work papers must show what calculations were performed, who performed them, and the source for the data.
 - (b) All calculations significant to the audit's objectives must be verified by a second auditor.
 - i) The second auditor should use a tick-mark beside each element of data to show that she/he has traced this data element to the source document and verified that the data were accurately transferred to the schedule or other calculation.
 - ii) Next, the second auditor should use a different tick-mark beside the calculation to show that he/she verified the calculation was accurate.
 - iii) Somewhere on the work paper, such as at the bottom of the page, the second auditor should place a legend explaining the tick marks used, the second auditor's first initial and last name, and the date of tracing the data and verifying the calculation.
 - (c) If spreadsheet software, such as Quattro Pro or Excel is used, the auditor should be careful about calculations that the spreadsheet performs automatically, without visibility to the auditor or another user of the printed spreadsheet.
 - (d) A second auditor must verify all calculations in a spreadsheet for accuracy. This may be done manually, or it may be done by reviewing the formula behind each cell of the spreadsheet for logic and accuracy.
- f. Clear And Understandable
- (1) Work papers should be prepared so that the nature, scope, and results of the work with the preparer's conclusions can be readily understood.
 - (2) Work papers should detail the evidence obtained and the procedures or methodology used to obtain and analyze it.
 - (a) For example, if a sample of information or data is used, the work papers should explain the rationale for the sample, how and why it was selected, and what it shows relevant to assignment objectives.
- g. Legible and Neat
- (1) Work papers should be carefully and neatly prepared so that they can be easily read and understood.
 - (2) Work papers may be prepared on the computer or manually.
- h. Standardized Format
- (1) Work papers should be prepared in a standardized format designed primarily to:
 - (a) facilitate clarity, utilization within the audit, and handling;
 - (b) streamline preparation; and
 - (c) give a professional appearance.
 - (2) Work papers should usually be prepared on 8-1/2-inch x 11-inch paper or electronically on a Microsoft® product.
 - (a) Exceptions are schedules or other analyses that require wider or longer paper and auditee-provided legal and/or unusual size documents and computer printouts.
 - (3) For work papers created by the auditor, use CEA's standardized "box" for the top of the front page of the work paper. (Additional guidance for work papers, including schedules, is in preparation.)
 - (4) Each work paper should have a title, purpose and source for information or data presented in the work paper, along with the preparer of the work paper and reviewer. Other elements may include objective, background, methodology, analysis, summary, conclusion, and auditor notes, as

- appropriate to help clarify the work paper.
- (5) All data and significant facts must have a source (or cross-reference) indicated by the preparer of the work paper. Sources may be unique for each element of data, or they may be indicated globally for all data, or a column or row of data. If the work paper is prepared by hand, the source should be in red pencil. If the work paper is prepared on a computer, it is preferable to embed the sources in **bold typeface** in the computer file to make edits to the work paper more efficient. It is acceptable to add annotations by hand to a work paper.
- i. Schedules
 - (1) Schedules, as work papers, may be simple or complex analyses of data and may be created by computer or by hand, as appropriate.
 - j. Each Work Paper Should “Stand Alone.”
 - (1) Each work paper should stand alone in the sense that there is enough summary information to follow the discussion or content of the work paper.
 - (a) Generally, only one subject should be dealt with in a work paper; however, the preparer may use attachments or may cross-index to other work papers to provide explanatory details, additional information, or related subjects.
 - (b) The preparer must ensure that any attachments are fully identified (similar to the work paper itself) for the subject, purpose, source, etc.
 - k. Organization and Indexing of Work Papers
 - (1) There are common characteristics to work papers that are well organized and indexed:
 - (a) The auditor in charge of the audit should establish an index system that is simple and readily understood by people outside of the audit.
 - (b) Items that are similar should be grouped together.
 - (c) Establish a unique index number for each work paper, which can be a combination of letters and numbers, including page numbers.
 - (d) The work papers should have a master index showing summarized contents of all work paper binders, appendices, bulk files or other organization of work papers. Each work paper binder should have an index with work paper titles or other identifying information to help locate individual work papers.
 - (e) Each step in the audit program should be indexed to work papers related to that audit step.
 - (f) Significant points in the audit report and summary schedule(s) should be indexed to the work papers, showing the support for each finding.
 - l. Organization of Work Papers in Binders
 - (1) “Work papers” is the generic term that includes all material that would explain all of the audit work performed. Binders are usually used to organize work papers by category.
 - (2) All work papers that form the basis of the audit report must be reviewed and signed off by an audit supervisor. The purpose of supervisory review is to assure that audit work meets GAGAS.
 - (a) The administrative, planning, bulk and permanent binders do not require supervisory “sign-off”s.
 - (b) Also, the four binders mentioned in (a) do not require work paper preparation.
 - (3) The Administrative Binder, as it is titled, should contain all administrative material, such as the announcement letter, any correspondence with the auditee, lawyers and others that is of an administrative nature.
 - (a) Chronologies of the audit, audit plans, audit budgets, travel arrangements, correspondence scheduling meetings or site visits would also be included in the Administrative Binder.
 - (4) The Planning Binder should contain records of planning the audit, including background material,

- audit objectives, generalized audit program, etc.
- (5) The Analysis Binder(s) includes auditor analyses of specific audit objectives, including summaries, lead sheets, schedules and source documents.
 - (6) "Bulk Binders" contain copies of source documents, such as manifests, reimbursement requests, invoices, and the like, that are too numerous to be placed in Analysis Binders.
 - (7) Permanent Files are binders which contain information which might be used on more than one audit, such as copies of legislation, copies of general information about a program provided to the public, statistics, definitions, practices, procedures, guidance found in the Commission.
 - (a) Permanent Files may be used by staff performing audits, as a reference.
 - (b) Any specific information or document used in an individual audit should be copied and included in the specific audit work papers.

B. Work Paper Reviews

1. Authority: Government Auditing Standards , 2003 Revision, Comptroller General of the United States.
2. Responsibilities: Audits done in accordance with GAGAS are subject to review by audit supervisors. Working papers allow for the review of audit quality by providing the reviewer written documentation of the evidence supporting the auditor's significant conclusions and judgements.
3. Time Frame: Each work paper should be reviewed by an audit supervisor as soon as practical after the work paper is completed. All work papers must be reviewed before the final audit report is issued.
4. Procedures:
 - a. All Work Papers Supporting the Audit Report and Conclusion Must Have Supervisory Review and "sign-off"s
 - (1) Each work paper must be reviewed by a supervisor, who may or may not be the audit team leader.
 - (2) The purpose of the review is to assess:
 - (a) accomplishment of the audit assignment;
 - (b) accuracy and adequacy of work performed;
 - (c) competence, relevance, and sufficiency of evidence supporting audit findings;
 - (d) reasonableness of conclusions; and,
 - (e) conformity with applicable standards and policies.
 - (3) A secondary purpose of work paper review is to provide a basis for guidance of employee performance and the performance appraisal.
 - (4) Supervisor should do a review of the binders to assure that no superfluous records are contained within any of the binders.
 - b. Work Papers Should Be Reviewed As Soon As Practical
 - (1) Supervisors should review work papers as soon after they have been prepared as practical.
 - (2) This will aid in making timely modifications or collecting additional evidence, and will promote early guidance to audit staff.
 - (a) To achieve this, it is necessary for the work paper preparer to provide the work paper to the supervisor shortly after each work paper is completed.
 - (3) Supervisory Review Must Be Signed Off
 - (a) The supervisor must have all questions answered and issues cleared in order to complete the review of each work paper.
 - (b) "Point Sheets" may be used to track open issues for work papers, or the supervisor may choose to address each question informally, whether written or by discussion.

- (c) After the supervisor is satisfied that all issues with a work paper have been addressed, the supervisor should place an initial and last name with review date in the upper right corner of the standard heading box.

C. Public Access to Audit Work Papers

1. Authority: HB 2906, Section 552.116
2. Responsibilities: It is the general policy of CEA to avoid disclosing audit work papers outside of select TCEQ personnel and select personnel of the auditee or their designated representatives. There may be a few exceptions, such as the State Auditor's Office or judicial proceedings, where there is a legitimate need to know, and consideration has been made of the right to confidentiality and the need for disclosure. Auditors should be mindful of the need to protect the auditee's privacy and proprietary information, such as business records, practices, levels of activity, and financial information.
3. Time Frame: Ongoing
4. Procedures:
 - a. There is the potential that an auditee's confidential information could be disclosed through some unforeseen release of the audit work papers.
 - b. Before including copies of an auditee's records, which might contain confidential information, within the work papers, the auditor should consider whether there is an actual need for the copy.
 - (1) An audit step could be performed, and the audit work could be documented by description of the records and the data reviewed, rather than making a copy of the confidential information.
 - (a) Government Auditing Standards, 2003 Revision, states in a footnote to Section 7.68(c):
 - i) **Auditors may meet this requirement by listing file numbers, case numbers, or other means of identifying specific documents they examined. They are not required to include in the working papers copies of documents they examined, nor are they required to list detailed information from those documents."**
 - (b) However, auditors should also consider the need to provide sufficient, competent, and relevant evidence to support an audit finding through the audit resolution process, including judicial proceedings.