



Colorado Office of the State Auditor

**A Request for Proposals
for a Study of the Colorado Public
Employees' Retirement Association (PERA)
Hybrid Defined Benefit Plan**

August 7, 2024

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Section I

Administrative Information

A. Issuing Office

This request for proposals (RFP) is issued by the Colorado Office of the State Auditor (OSA). The terms OSA, State Auditor, State, and State of Colorado are used interchangeably throughout this RFP.

As an agency within Colorado's Legislative Branch, the OSA and this solicitation are exempt from the State Procurement Code and State Procurement Rules [see Section 24-101-105(1)(a), C.R.S.]. However, section 24-51-614, C.R.S., specifically requires proposals solicited through this RFP to follow a competitive source selection process pursuant to the State Procurement Code. Accordingly, the OSA is soliciting this proposal in accordance with the requirements for RFPs set forth in section 24-103-203, C.R.S., and applicable provisions of the State Procurement Rules.

All communications regarding this RFP must take place directly with the OSA's assigned contract monitor. See RFP Section I.E.—Inquiries and Section I.F.—Submission of Proposals for information on the contract monitor.

The OSA is soliciting proposals from qualified organizations to conduct a study comparing the cost and effectiveness of the Colorado Public Employees' Retirement Association (PERA) hybrid defined benefit plan design to alternative plan designs in the public and private sectors.

Colorado House Bill 24-1427, which revises Section 24-51-614, C.R.S., requires that a study be done by a nationally recognized and enrolled actuarial firm that has experience in public sector pension plans; has a history of unbiased, peer-reviewed results; and has no known conflicts of interest that may interfere with its ability to produce an objective report. See RFP Section II.A.—Required Information for specific requirements to comply with these statutory provisions.

B. Background Information

PERA provides retirement and other benefits to the employees of more than 400 government agencies and public entities in the State of Colorado. PERA is the 25th largest public pension plan by assets under management in the United States. Established by state law in 1931, PERA operates by authority of the Colorado General Assembly and is administered under Title 24, Article 51 of the Colorado Revised Statutes.

PERA was created in 1931, prior to social security, as a Defined Benefit (DB) Plan for Colorado public employees. In 1951, after Social Security was developed, public employers could elect to join Social Security. The Colorado General Assembly decided to continue the PERA Defined Benefit program rather than joining Social Security and most employers participating in PERA do not participate in Social Security. In 1995, PERA became a "hybrid plan" when the Colorado General Assembly enacted House Bill 95-1048, granting interest on member accounts (retroactive to membership date),

providing employer matching dollars (under certain circumstances), and making available a money purchase benefit (considering interest and matching dollars, as appropriate), as a minimum benefit if greater than the DB formula benefit, and for members who have attained age 65 but have less than five years of service credit. The General Assembly subsequently passed legislation allowing eligible State employees hired on or after January 1, 2006, to choose between a PERA Defined Contribution (DC) Plan or the PERA Hybrid DB Plan. In addition to retirement benefits, PERA provides accumulation and refund of employee contributions, disability benefits in the event of a disabling accident or illness, and spouse and survivor benefits in the case of the death of a member. PERA also provides voluntary programs such as life insurance, health care, and 401(k) and 457 plans.

Initially, PERA covered only state employees, but its membership has expanded over the years to include employees of all Colorado school districts, the State’s judicial system, and many municipalities and other local government entities. For funding purposes, participating employers and their employees have been organized into five divisions within PERA. Table 1 shows the number of participating employers within each division.

Table 1 PERA Divisions and Participating Employers As of December 31, 2023	
Division	Number of Participating Employers
State	32
School	234
Local Government	141
Denver Public Schools	1
Judicial	2
Total	410
Source: Public Employees’ Retirement Association Annual Comprehensive Financial Report, For the Year Ended December 31, 2023.	

PERA Board of Trustees

PERA is governed by a 16-member Board of Trustees, comprising the following:

- Nine trustees elected by members from their respective Divisions - four from the School Division, three from the State Division, one from the Local Government Division, and one from the Judicial Division.
- Two trustees who are retired PERA members elected by retirees.
- Three trustees appointed by the Governor and confirmed by the State Senate. These trustees must have experience in investment management, finance, banking, economics, accounting, pension administration, or actuarial analysis.
- The State Treasurer.

- One non-voting trustee who is a member or retiree elected by members and retirees of the Denver Public Schools Division.

Trustees serve 4-year terms, except when filling a vacancy. The elected members serve without compensation but do receive reimbursement of expenses. The appointed members receive a \$100 per diem plus reimbursement of expenses.

Under law, the trustees are fiduciaries, required to carry out their functions solely in the interest of PERA members and benefit recipients; they must act with care, skill, prudence, and diligence in fulfilling their role, which includes, but is not limited to:

- Overseeing PERA's investment program.
- Determining membership status within the five divisions and exemptions from membership.
- Determining eligibility for benefits, life insurance, health care, the voluntary investment program, the defined contribution plan, and the deferred compensation plan, and the service credit and salary to be used in benefit calculations.
- Promulgating rules to administer PERA and to specify the factors to be used in actuarial determinations or calculations.
- Conducting annual analyses including an actuarial valuation and a sensitivity analysis that determines when, from an actuarial perspective, model assumptions are meeting targets and achieving sustainability. Reports of these analyses must be submitted to legislative committees and the Governor's Office.
- Settling or compromising any disputes on behalf of PERA.

Retirement Plan Options

The PERA DC Plan was established January 1, 2006, as a governmental profit-sharing plan. Its purpose is to offer a defined contribution alternative to the PERA Hybrid DB Plan. Participation is available to certain employees of the State and Local Government Divisions. A total of 164 employers, in the State and Local Government Divisions, offer their eligible employees the choice between the PERA Hybrid DB Plan and the PERA DC Plan, as follows:

- Employees in the State Division hired on or after January 1, 2006. This includes the District Attorney in each judicial district and, if authorized by the county and the District Attorney, employees of the District Attorney.
- Employees in most community colleges hired on or after January 1, 2008.
- Classified employees in State colleges and universities hired on or after January 1, 2019.
- Employees of Local Government Division employers hired on or after January 1, 2019.

Both the DB and DC options are 401(a) plans as defined by Section 401 of the Internal Revenue Code, with the features outlined below:

- **The Hybrid DB Plan**, where contributions are invested for employees by PERA in common stock companies, corporate bonds, U.S. Treasury and other governmental securities, mortgages, real estate, and other investment vehicles. The Hybrid DB Plan offers a lifetime defined retirement benefit that is based on age, years of service, and highest average salary. The investment decisions associated with the Hybrid DB Plan are the responsibility of PERA. PERA administers five defined benefit pension trust funds: the State Division Trust Fund, the School Division Trust Fund, the Local Government Trust Fund, the Judicial Division Trust Fund, and the Denver Public Schools Division Trust Fund.
- **The DC Plan**, where employees direct investments to an array of fund options. The retirement benefit from the DC Plan is based solely on the amount contributed to the participant's account, and any income, expenses, and gains and losses incurred during the term of employment. Unlike DB plans, which specify the level of retirement income, DC plans specify the level of contributions. The investment risks associated with a DC plan are the responsibility of the employee, allowing for the possibility of higher volatility in investment performance from year-to-year.

If an eligible employee does not make a plan choice within 60 days of starting employment, they are automatically enrolled in the Hybrid DB Plan. Between month 13 and 72 of participation in their plan of choice, these employees may make a one-time, irrevocable election to switch their original election. After the 72nd month, the employee can no longer change plans.

PERA also offers the voluntary PERAPlus 401(k) and 457 Plans, which allow participants to make contributions and obtain additional tax savings and retirement income. These plans offer the same investment options available in the DC Plan.

PERA Membership

Membership in PERA is required by statute for most employees of PERA-affiliated employers. As of December 31, 2023, PERA's Hybrid DB Plan had over 695,000 members. Table 2 breaks out this membership by the type of member and division.

Table 2				
PERA Hybrid DB Plan Employee Membership				
As of December 31, 2023				
Division	Active Members	Inactive Members	Retirees and Beneficiaries	Total
School	131,188	183,894	77,165	392,247
State	53,687	104,667	44,517	202,871
Denver Public Schools	15,626	20,537	7,316	43,479
Local Government	12,700	34,600	9,095	56,395
Judicial	347	38	460	845
TOTAL	213,548	343,736	138,553	695,837
Source: Colorado Public Employee's Retirement Association, Comprehensive Annual Financial Report, For the Year Ended December 31, 2023.				

As of December 31, 2023, there were also 8,083 participants with balances in the DC Plan.

Funding

The ultimate cost that a defined benefit retirement plan incurs is equal to the benefits paid plus expenses. Contributions to the plan and investment earnings on the assets of the plan fund the ultimate cost. PERA's funding goals are as follows:

- Preservation of the defined benefit plan structure of providing lifetime retirement benefits to the employees of PERA-affiliated employers, reflecting the fact that PERA members are not covered under Social Security.
- Achievement of a combined divisions' trust fund actuarial funded ratio greater than or equal to 110%.
- Dedication to the balance between contribution rate stability (i.e., keeping contributions relatively stable over time) and intergenerational equity (i.e., allocating costs over the members' period of active service).
- Dedication to the systematic reduction of the unfunded actuarial accrued liability (UAAL), in conformance with statutory funding provisions (Sections 24-51-411(8) and (9), C.R.S., and Section 24-51-1009.5, C.R.S.).
- Recognition that within a multiple-employer cost-sharing defined benefit plan there are beneficial elements of pooled risk, both in the accrual of plan liabilities, recognizing actuarial gains and loss by division, rather than by employer; and in the accumulation of plan assets through the engagement of an appropriate level of asset risk management.

The PERA Hybrid DB and PERA DC retirement plans are funded through employer and employee contributions, annual contributions from the State (referred to as the "direct distribution"), and investment income. Beginning in 2019, employer and employee contribution rates, as well as the direct

distribution from the State, are adjusted according to an Automatic Adjustment Provision (AAP) in Section 24-51-413, C.R.S. To determine the adjustment amount, each year, PERA calculates a ratio by comparing two blended rates, weighted across all five division trust funds, as follows:

<p>Blended Contribution Rate</p> <p>Employer Contribution Rates</p> <p>+ Member Contribution Rates</p> <p>+ State Direct Distribution as a Rate of Pay</p> <p>= <u>Blended Total Contribution</u></p>		<p>Blended Total Required Contribution</p> <p>Actuarially Determined Contribution (ADC) Rate</p> <p>+ Member Contribution Rate</p> <p>= <u>Blended Total Required Contribution</u></p>
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If the resulting ratio falls between 98 and 119 percent, no adjustments are made. If the ratio falls below 98 percent, contributions are increased across the division trust funds; if the ratio is 120 percent or more, contributions are decreased across the division trust funds.

According to PERA’s Annual Comprehensive Financial Reports, adjustments to contribution rates due to the AAP are as follows:

- July 1, 2020 – 0.50% increase in contribution rates for both employers and employees
- July 1, 2021 – none
- July 1, 2022 – 0.50% increase in contribution rates for both employers and employees
- July 1, 2023 – none
- July 1, 2024 – none
- July 1, 2025 – none

AAP rates may be further altered (increased up to 2.0% or decreased as low as 0.0%) dependent on the results of future AAP assessments.

Member contributions for both the Hybrid DB and DC Plans are tax-deferred and are not considered taxable income for federal and state income tax purposes until they are withdrawn through a refund or monthly benefit. Contribution amounts are set in statute and are based on a percentage of employee income (Section 24-51-401, C.R.S.). The member contribution rates are the same for employees in the Hybrid DB Plan and the DC Plan (for those employees eligible to choose the DC Plan).

The member contribution rates in effect as of December 31, 2023, are shown in Table 3.

Table 3 PERA Member Contribution Rates As of December 31, 2023			
Division	Base Rate	AAP Increase¹	Total Rate
State (other than Safety Officers ²)	10.00%	1.00%	11.00%
Safety Officers ²	12.00%	1.00%	13.00%
School	10.00%	1.00%	11.00%
Denver Public Schools	10.00%	1.00%	11.00%
Local Government (other than Safety Officers ²)	8.00%	1.00%	9.00%
Judicial	10.00%	1.00%	11.00%

Source: Colorado Public Employee's Retirement Association, Comprehensive Annual Financial Report, For the Year Ended December 31, 2023.

¹ Increases in member contribution rates reflecting AAP assessments performed as of the 2018 and 2020 actuarial valuations.

² "Safety Officers" mean (1) peace officers employed by the Colorado State Patrol or Colorado Bureau of Investigation; (2) beginning 7/1/20, new or existing firefighters classified I through VII employed by the Division of Fire Prevention & Control in the Department of Public Safety; (3) county sheriffs, undersheriffs, deputy sheriffs, noncertified deputy sheriffs, or detention officers first hired by Local Government Division employers on or after 1/1/20; (4) corrections officers classified I through IV hired by a State Division employer on or after 1/1/20; and (5) beginning 7/1/23, wildlife officers or parks & recreation officers hired on or after 1/1/11, by the Division of Parks & Wildlife in the Department of Natural Resources.

Employer contributions to PERA also include a base contribution percentage, and AAP, and other contributions intended to help reduce PERA's UAAL and amortization period. The Amortization Equalization Disbursement (AED) and the Supplemental Amortization Equalization Disbursement (SAED) contributions were implemented for all divisions in 2006 and 2008, respectively. A Defined Contribution Supplement (DC Supplement) was implemented in 2021 for the State Division and the Local Government Division.

The 2023 employer contribution rates for the Hybrid DB Plan are shown in Table 4.

Table 4 PERA Hybrid DB Plan Employer Contribution Rates As of December 31, 2023							
Division	Base	AAP Increase¹	AED	SAED	PCOP Offset²	DC Supplement³	Total
State (other than Safety Officers)	10.40%	1.00%	5.00%	5.00%	N/A	0.17%	21.57%
State (Safety Officers)	13.10%	1.00%	5.00%	5.00%	N/A	0.17%	24.27%
School	10.40%	1.00%	4.50%	5.50%	N/A	N/A	21.40%
Denver Public Schools	10.40%	1.00%	4.50%	5.50%	(10.93%)	N/A	10.47%
Local Gov't (other than Safety Officers)	10.00%	1.00%	2.20%	1.50%	N/A	0.06%	14.76%
Local Gov't (Safety Officers)	13.10%	1.00%	2.20%	1.50%	N/A	0.06%	17.86%

Judicial	13.91%	1.00%	5.00%	5.00%	N/A	N/A	24.91%
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Source: Colorado Public Employee's Retirement Association, Comprehensive Annual Financial Report, For the Year Ended December 31, 2023.

1- Increases in employer contribution rates reflecting Automatic Adjustment Provision (AAP) assessments performed as of the 2018 and 2020 actuarial valuations.

2- An offset to the contribution rate for employers in the Denver Public Schools (DPS) Division under C.R.S. § 24-51-412, recognizing pension-related payments toward Pension Certificates of Participation (PCOPs) as issued and refinanced by DPS. The annual PCOP Offset is expected to continue to decline as a percentage of DPS payroll.

3- Increase in contribution rate for employers in the State and Local Government Divisions (regardless of retirement plan selection) to compensate for employees who do not contribute to the Hybrid DB Plan. The DC Supplement rates for the State and Local Government Divisions for 2024, are 0.21% and 0.08%, respectively, and for 2025, are 0.23% and 0.11%, respectively.

The 2023 employer contribution rates for participants in the DC Plan are shown in Table 5.

Table 5 PERA DC Plan Employer Contribution Rates As of December 31, 2023							
Division	Base (Deposited to Participant Accounts)	Deposited Into Respective Division Trust Fund ¹					Total
		Increase Per SB 200 ²	AAP Increase ³	AED	SAED	DC Supplement ⁴	
State (other than Safety Officers)	10.15%	0.25%	1.00%	5.00%	5.00%	0.17%	21.57%
State (Safety Officers)	12.85%	0.25%	1.00%	5.00%	5.00%	0.17%	24.27%
Local Gov't (other than Safety Officers)	10.00%	0.00%	1.00%	2.20%	1.50%	0.06%	14.76%
Local Gov't (Safety Officers)	12.85%	0.25%	1.00%	2.20%	1.50%	0.06%	17.86%

Source: Colorado Public Employee's Retirement Association, Comprehensive Annual Financial Report, For the Year Ended December 31, 2023.

1- Additional contributions collected from employers in the State and Local Government Divisions on behalf of those participating in the DC Plan and deposited into the respective Division Trust Fund. These rates were set by the General Assembly to pay off existing UAAL related to the Hybrid DB Plan. The Supplement is paid on employers' total payroll.

2- Permanent employer contribution base rate increase, enacted through Senate Bill (SB) 18-200, but not subject to the annual AAP assessments.

3- Increases in employer contribution rates reflecting AAP assessments performed as of the 2018 and 2020 actuarial valuations.

4- Increase in contribution rate for employers in the State and Local Government Divisions (on total payroll, regardless of retirement plan selection) to compensate for employees who do not participate/contribute to the Hybrid DB Plan. The DC Supplement rates for the State and Local Government Divisions for 2024, are 0.21% and 0.08%, respectively, and for 2025, are 0.23% and 0.11%, respectively.

For the Hybrid DB Plan and the DC Plan, combined, PERA received approximately \$1.4 billion in member contributions, \$2.4 billion in employer contributions, and \$7.3 billion in net investment income in 2023.

In 2018, PERA began receiving an annual direct distribution from the State, which will continue until

there is no UAAL associated with the State, School, Judicial, or Denver Public Schools Division Trust Funds. The direct distribution is required by Section 24-51-414 (1)(a), C.R.S. PERA received direct distributions of \$225 million in both 2018 and 2019. In 2020, the General Assembly suspended the direct distribution, then resumed it in 2021. In 2022, PERA received two direct distribution payments – one of \$225 million and one of \$380 million – to help compensate for the suspended payment in 2020. In 2023, the direct distribution was \$49.6 million, distributed as follows:

- State Division – \$16.3 million
- School Division – \$28.9 million
- Judicial Division – \$0.3 million
- DPS Division – \$4.1 million

The legislated \$225 million distribution resumed on July 1, 2024 and no adjustments to the State direct distribution have been made due to the AAP.

PERA Member Accounts

Each PERA member owns the funds they have contributed and are entitled to a refund if they terminate PERA-covered employment before retirement. Terminating employees may also roll over their accounts to an IRA or another eligible employer's plan. For most members in the Hybrid DB Plan, the amount refunded/rolled-over includes:

- Their member contributions.
- Interest earned at a rate set by the PERA Board (currently 3 percent per annum).
- Payments made to purchase service credit.
- Matching contributions, if applicable, as follows:
 - 100 percent if the member is eligible for retirement at the time of termination.
 - 50 percent if the member is not eligible for retirement at the time of termination, but has at least five years of earned service credit.
 - 50 percent only on contributions made and interest earned on or before December 31, 2010 if the member does not have at least five years of earned service credit.

Matching funds are paid from employer contributions and are calculated based on the sum of member contributions and accrued interest. Payments to purchase service credit are not eligible for a match.

Members under the DPS Benefit Structure in the Hybrid DB Plan receive a 100 percent match equal to their contributions plus interest if they are retirement-eligible, terminated employment on or after January 1, 2001, and have at least five years of service credit; otherwise no match is provided.

For the DC Plan, participants who terminate are entitled to a refund consisting of their contributions, interest earned, and matching funds from employer contributions at an increasing percentage over time. Refunds within a year of beginning participation in the DC plan include a 50 percent match. Each full year of participation, vesting increases 10 percentage points, with the match reaching 100

percent after 5 years of participation.

Benefit Payments

At the end of 2023, PERA was paying benefits to more than 138,000 retired public employees and their beneficiaries, with an average benefit of \$3,252 per month. For these recipients, PERA may be the primary source of retirement income as most PERA recipients do not qualify for Social Security payments. Roughly 70 percent of PERA benefit recipients receive less than \$50,000 a year in retirement benefits and 2 percent receive \$100,000 or more a year in retirement benefits. Table 6 shows the average annual benefits for each division.

Table 6 PERA Hybrid DB Plan Average Annual Retirement Benefit For Year Ended December 31, 2023	
Division	Average Annual Retirement Benefit
State	\$41,556
School	\$37,272
Denver Public Schools	\$39,660
Local Government	\$39,108
Judicial	\$78,540
Source: Colorado Public Employees' Retirement Association's Comprehensive Annual Financial Report, For the Year Ended December 31, 2023.	

On an annual basis, eligible benefit recipients in the Hybrid DB Plan receive post-retirement, cost-of-living adjustments called annual increases (AI). AI eligibility and amounts are determined by the date the member began participation in PERA.

Funded Ratio

The funded ratio for the Hybrid DB Plan is determined by dividing the actuarial value of assets by the actuarial accrued liability. The actuarial value of assets is not the current fair value, but a market-related value, which recognizes the differences between actual and expected investment experience for each year in equal amounts over a 4-year period. As of December 31, 2023, the actuarial value of assets was \$62.9 billion, the fair value of assets was about \$60.0 billion, and the actuarial accrued liability was \$90.5 billion. Therefore, the funded ratio for PERA's five DB pension trust funds was 69.6 percent. Exhibit 7 shows the funded ratio for each of the division funds as of December 31, 2023. It also shows the unfunded accrued actuarial liabilities (UAAL), the actuarially determined contribution rates (ADC) as a percentage of covered payroll, and the amortization periods considering current funding and future increases prescribed by Colorado statute. Table 7 is based on the actuarial valuation for funding purposes, which does not consider the impact of reduced benefits for those hired in the future as provided for in statute.

Table 7
PERA Hybrid DB Plan
Funded Ratios
For Year Ended December 31, 2023
(dollars in thousands)

Division	Funded Ratio	UAAL	ADC ¹	Amortization Period ²
State	66.2%	\$9,608,843	18.78%	18 years
School	66.7%	16,766,082	20.49%	23 years
Denver Public Schools	89.6%	520,677	6.08%	6 years
Local Government	90.7%	571,787	8.22%	8 years
Judicial	89.2%	57,287	12.20%	5 years
Source: Colorado Public Employees' Retirement Association's Comprehensive Annual Financial Report, For the Year Ended December 31, 2023. 1 - Determined considering the 30-year target amortization period defined in the pension funding policy for purposes of funding benchmarks. 2 - Determined considering ongoing employer, member, AED, SAED, and DC supplement contributions, the State direct distribution, where and when applicable, and the PCOP offset for DPS, including any known future changes.				

C. Services Required

The OSA is soliciting proposals from qualified organizations to conduct a comprehensive study of the cost and effectiveness of the current hybrid defined benefit plan design offered by PERA compared to alternative plan designs in the public and private sectors. The OSA is seeking proposals from nationally recognized actuarial firms with credentialed and enrolled actuaries who have experience with large public sector pension plans.

Subject to oversight and direction by the OSA, the engaged firm (Contractor) will be responsible for:

- planning the appropriate stages of the study;
- conducting the study to obtain sufficient, appropriate evidence;
- proactively informing PERA and OSPB about the results of the work, any issues/problems identified from the work, and potential conclusions, findings, and recommendations;
- developing conclusions regarding the study objectives; and
- preparing a written report of the work completed.

For the purposes of this study, pursuant to Section 24-51-614(3), C.R.S., PERA will provide access to anonymized member information and data under a non-disclosure agreement with the retained actuarial firm.

Study Objectives, Scope, and Methodology

During the 2024 Legislative Session, the General Assembly passed House Bill 24-1427 (codified in Section 24-51-614 (2), C.R.S.), requiring this study. In accordance with this legislation, the Office of the State Auditor has worked with PERA and the Governor's Office of State Planning and Budgeting (OSPB) to determine the study's scope.

The comprehensive study will focus on the objectives detailed below.

Objective 1: *Perform a comprehensive study comparing the cost and effectiveness of the current hybrid defined benefit plan design to alternative plan designs used in the public and private sectors.*

To achieve this objective, the study must include:

- A. A comparison of the benefits, cost, and portability of benefits provided in the current Hybrid DB Plan design with the benefits, cost, and portability of benefits provided by alternative plan designs. The Contractor will work with the OSA and PERA to determine the specific scope of this comparison, which should include individuals with various characteristics, such as length of employment with a PERA employer and age.
- B. A comparison of the current Hybrid DB Plan design to other statewide plans, private sector retirement plans, and any other appropriate plans as determined in consultation with the OSA and PERA. At a minimum, the following two methods should be used at a representative mix of age and service combinations:
 - A comparison of the contribution levels required to achieve the same level of replacement income as offered by the PERA Hybrid DB Plan.
 - A comparison of the amount of replacement income available from the PERA Hybrid DB Plan against alternative plans using the same level of contributions into each plan.
- C. An analysis of the cost to employees and employers that would be incurred by transitioning from the current PERA Hybrid DB Plan design to alternative plan designs. This should include, but not be limited to, an analysis of the impact of such a change on:
 - a. expected retirement benefits for current and future PERA retirees, and
 - b. employers, members, and taxpayers relative to the plan design currently specified in law.The Contractor will work with the OSA and PERA to determine the specific scope of this comparison, which should include individuals with various characteristics, such as length of employment with a PERA employer and age.
- D. An analysis of the incremental impacts that a change from the current PERA Hybrid DB plan design to alternative plan designs would have on PERA's ability to fully amortize the unfunded actuarial accrued liability of each of its five divisions (i.e., State, School, Denver Public Schools, Local Government, Judicial).

At a minimum, the study should include comparisons with the following alternative plan designs:

- Traditional defined benefit plan
- Social Security (standalone including SSDI, and integrated with the other alternative plan designs)
- Stacked hybrid plan (i.e., traditional defined benefit plan with defined contribution element)
- Cash balance plan
- Traditional defined contribution plan

The study should also consider three rate of return assumption options for each alternative plan design (e.g., best estimate, lower than best estimate, higher than best estimate).

Objective 2: *Perform a comparison of the following aspects of the PERA Hybrid DB Plan and the PERA DC Plan.*

To achieve this objective, the study must include:

- A. A determination of the ways in which members with different job classifications and varying salaries benefit differently from the Hybrid DB Plan versus the DC Plan.
- B. A determination of whether the Hybrid DB Plan or the DC Plan is more advantageous for state employees and retirees. At a minimum, the contractor should compare the costs, benefits, and portability for a sample of employees in the Hybrid DB Plan with the costs, benefits, and portability for a sample of employees in the DC Plan with similar characteristics (e.g., age, tenure, salary level). This comparison should include employees of different ages, tenure, and proximity to retirement, and consider different contribution amounts, different account balances, and different benefits. Bidders should propose additional, specific, analyses they will conduct to make this determination.
- C. A determination of the extent to which the Hybrid DB Plan, as opposed to the DC Plan, entices individuals to work for State government instead of working in the private sector or for another governmental entity not covered by PERA. This should include:
 - i. Analyses of private sector or other governmental employers with various retirement options, include those that (1) do not participate in Social Security, (2) do participate in Social Security, and (3) participate in Social Security and offer additional retirement plan options. The Contractor should coordinate with the OSA and PERA in identifying the other types of employer retirement plans to include in this determination.
 - ii. Evaluation of the extent to which a retirement plan weighs in an individual's decision to seek, accept, or remain in, a job, and whether job-seekers tend to value one type of plan over another (e.g., DC Plan, DB Plan, Social Security). In this evaluation, the contractor should account for individuals of different ages, salary levels, and career stages (i.e.,

someone just beginning their career, someone changing jobs mid-career.) The contractor should plan to:

- (1) Review studies or surveys from reputable sources on the factors that are important to job seekers to help assess whether a DB or DC plan is more likely to attract qualified employees. Studies or surveys proposed for use in this work step should be presented to the OSA, PERA, and OSPB for review prior to use.
 - (2) Conduct a survey of Colorado state government employees hired after the PERA DC Plan option was implemented, to gather information on the importance of a retirement plan in their job decisions and why they chose the plan they did (i.e., DB or DC). This should include classified employees of colleges and universities hired after January 1, 2008. The contractor should propose survey questions for review by the OSA, PERA, and OSPB prior to conducting the survey, and discuss with the OSA and PERA the scope of the survey and how it will be administered.
 - (3) Determine how many employees have switched plans after being hired and which plan they have switched to. Employees can make a one-time switch between the plans in years 2 through 5 of employment.
- iii. Development of additional, specific, analyses related to Objective 2C.

Bidders should review Section 24-51-614, C.R.S., for the specific statutory requirements. Responses to this RFP should set forth, in detail, the approaches, steps, and methodology that the bidder will follow to achieve the objectives and complete the specified analyses and determinations. Bidders should use their expertise to propose a comprehensive work plan that is cost effective and designed to provide sufficient, appropriate, evidence necessary to conclude on the objectives and develop any related findings and recommendations. The OSA recognizes that the work plan will evolve as the work progresses and evidence is gathered.

Deliverables and Timelines

The OSA expects the Contractor to satisfy the project deliverables and timelines outlined in Schedules A and B in this RFP to meet an early August 2025 Legislative Audit Committee hearing date, at which point the report will be publicly released.

Work for this project is *estimated* to commence on or about October 16, 2024. However, work could begin sooner or later depending on how long it takes to route and execute the contract after selection of the successful proposal. ***No billable work can begin on this project until the effective date of the contract.***

Work Location

Depending on the needs of the engagement or the nature of the work being performed, much of the work for this engagement may be able to be completed using email, phone, virtual file-sharing (assuming access and use of a secure file portal system), and remote meeting technologies. However, some amount of in-person or on-site work at PERA may also be required.

At a minimum, the Contractor must attend the August 2025 Legislative Audit Committee hearing in person to present the final report.

Findings Development and Report Review

The OSA has a rigorous process for reviewing and providing feedback on conclusions, findings, and report drafts. Reviews and feedback will involve multiple levels of OSA management as well as review and comment by PERA and the Governor’s Office of State Planning and Budgeting (OSPB). Prospective bidders should take this into consideration when preparing a proposed calendar and budget.

If the contractor identifies any findings and related recommendations during the study, the written findings should adhere to the OSA’s standards as described in “Exhibit G – Developing and Presenting Findings” of the OSA’s standard contract, which is included in Section IV – Supplemental Information of this RFP. Findings drafts and any preliminary conclusions should be included in routine updates with the OSA, PERA, and OSPB as described later. The Draft and Final Reports must adhere to the OSA’s standards as described in “Exhibit H–Reporting Requirements and Format for Separately Issued Reports” of the OSA’s standard contract. The OSA’s standard contract is attached to the RFP.

Section IV–Supplemental Information of the RFP includes a link to examples of recent reports issued by the OSA. Prospective bidders should review the examples to gain an understanding of the OSA’s expectations for the organization, layout, and level of detail included in reports.

Section IV also includes a link to the OSA’s 2015 *Colorado Public Employees’ Retirement Association (PERA), Hybrid Defined Benefit Study* report. The 2015 report addressed objectives that are similar to some of the objectives outlined above. Prospective bidders should review the 2015 report to help them understand the quality and quantity of analyses and evidence that are needed to develop and substantiate conclusions. Prospective bidders are expected, however, to propose their own, original, approaches to the analyses needed to satisfactorily address the evaluation objectives.

Fieldwork

The fieldwork phase of this project is expected to take place from mid-October 2024 through early April 2025 and include the project deliverables and timelines shown in Schedule A.

Schedule A Fieldwork Tasks and Deadlines		
Tasks	Details	Completed By
Planning Meeting with OSA	Hold a planning meeting with the OSA prior to the entrance conference.	October 9, 2024
Entrance Conference	Hold an entrance conference with appropriate PERA and OSPB personnel to discuss the study, timeline, and logistics. The OSA contract monitor, Deputy State Auditor, and State Auditor participate in this meeting. The Contractor is responsible for scheduling the meeting with the assistance of the OSA contract	By October 16, 2024

	monitor.	
Fieldwork Start	Obtain and review documentation, interview PERA personnel and others as appropriate, and analyze data. Have ongoing communication with PERA throughout fieldwork to request documentation and data; ensure a clear understanding of the data and relevant PERA operations; clear the results of the work; and provide updates on logistics.	October 16, 2024
OSA Updates	Provide regular updates to the OSA contract monitor. The updates should include: <ul style="list-style-type: none"> • Preliminary conclusions on study objectives, • Drafts of conclusions and findings as issues are identified, and • Information on the overall progress of the work, including any problems or delays in gathering information, completing the work, or communicating with PERA. The schedule for updates will be determined jointly by the OSA and the Contractor. At a minimum, they will include written summaries of the work completed and outlines of potential conclusions and findings provided at least monthly. <i>Adjustments to the work may occur based on these updates.</i>	Throughout the study
PERA and OSPB Briefings	Hold regular briefing meetings with PERA and OSPB to: <ul style="list-style-type: none"> • Proactively inform PERA and OSPB about the results of the work, any issues/problems identified from the work, and potential conclusions, findings, and recommendations. • Obtain other relevant input from PERA and OSPB. The schedule for these briefings will be determined jointly with PERA and OSPB. The Contractor is responsible for setting up these meetings, with the assistance of the OSA contract monitor if needed. The OSA contract monitor should be included in these meetings. <i>Adjustments to the work may occur based on these briefings.</i>	Throughout the study
Project Summary and Report Outline	Provide the OSA with a written Project Summary and Report Outline that describes the work conducted and conclusions related to each objective as well as any findings, which must be drafted in accordance with “Exhibit G—Developing and Presenting Findings” of the OSA’s standard contract (attached). The main purpose of this document is to provide a detailed draft of the conclusions and findings the Contractor plans to report. The OSA will provide both verbal and written feedback on the Project Summary and Report Outline. The OSA contract monitor will involve the Deputy State Auditor and State Auditor as appropriate.	February 7, 2025

Schedule A Fieldwork Tasks and Deadlines		
Tasks	Details	Completed By
Revisions to Summary and Report Outline	Based on feedback from the OSA, revise the Summary and Report Outline to address questions, clarify information, and otherwise address the OSA’s feedback. The review by the OSA and revisions by the Contractor will most likely be iterative, involving the OSA contract monitor, Deputy State Auditor, and State Auditor. Further, addressing the OSA’s feedback may require the Contractor to obtain and analyze additional information from PERA.	February 7 – March 17, 2025
Summary and Report Outline to PERA	Once the OSA has approved the Summary and Report Outline, work with the OSA contract monitor to submit them to PERA and OSPB.	March 18, 2025
Clearing Meeting with PERA and OSPB	Meet to discuss the Summary and Report Outline with PERA and OSPB. The clearing meeting allows PERA and OSPB to provide feedback on the conclusions and any findings, including the accuracy of the information and the reasonableness of the conclusions. This meeting also provides an opportunity for PERA and OSPB to provide additional context to the work completed and offer any relevant documentation. The clearing meeting will include the OSA contract monitor, the Deputy State Auditor, and the State Auditor.	April 1, 2025

Reporting

The reporting phase of this project is expected to take place from March through July, 2025, and includes the project deliverables and timelines shown in Schedule B. *Consultation/discussion with the OSA contract monitor will occur throughout the reporting process for ad hoc guidance, preliminary review and feedback, etc., as needed.*

Schedule B Reporting Tasks and Deadlines		
Tasks	Details	Completed By
Draft Report to OSA	<p>Based on discussion at the Clearing Meeting, and in consultation with the OSA, use the Summary and Report Outline to prepare a draft report. This should include the Contractor reviewing any new information or documentation supplied by PERA and incorporating it, as appropriate, into a draft report. The draft report must adhere to the requirements outlined in “Exhibit H–Reporting Requirements and Format for Separately Issued Reports” of the OSA’s standard contract (attached).</p> <p>Submit the draft report to the OSA contract monitor. The OSA will provide both verbal and written feedback on the Initial Draft Report. The OSA contract monitor will involve the Deputy State Auditor and State Auditor.</p>	April 22, 2025
Revisions to Draft Report	<p>Based on feedback from the OSA, revise the draft report to address questions, clarify information, and otherwise address the feedback.</p> <p>The process of review by the OSA and revisions by the Contractor will most likely be iterative, involving the OSA contract monitor, Deputy State Auditor, and State Auditor. Further, addressing the OSA’s feedback on the draft report may require the Contractor to obtain and analyze additional information from PERA.</p>	April 22 – May 20, 2025
Draft Report to PERA	<p>Once the draft report is approved by the OSA, coordinate with the OSA contract monitor to submit it to PERA for review and comment.</p> <p>The draft report must be provided to PERA at least 2 weeks prior to the exit conference.</p>	May 20, 2025
Exit Conference	<p>Hold an exit conference to discuss the draft report and obtain PERA’s feedback and planned responses to any recommendations. The Contractor is responsible for scheduling this meeting with the assistance of the OSA contract monitor. The OSA contract monitor, Deputy State Auditor, and State Auditor will participate in this meeting.</p> <p>In consultation with the OSA, the Contractor is responsible for updating the draft report, as appropriate, to address comments, concerns, or new information offered by PERA. All report changes must be reviewed and approved by the OSA. If revisions are substantive, once approved by the OSA an additional draft will be provided to PERA for review in advance of requesting responses.</p>	June 3, 2025
Written Responses from PERA	<p>Coordinate with the OSA contract monitor to obtain and review PERA’s written responses to recommendations, if there are any. Work with the OSA to revise the report narrative, provide feedback to PERA, and prepare Addenda, as needed.</p>	June 17, 2025

Final Report Review and Approval to Print	Prepare a Final Report with (1) any approved changes to the draft report, (2) PERA’s final responses, and (3) any Addenda. Review the Final Report to ensure the accuracy of all information. Submit Contractor QC Review Attestation Form to OSA. Submit the Final Report, in print-ready format, for final review and approval by the OSA contract monitor, Deputy State Auditor, and State Auditor.	June 30, 2025
Final Electronic Report File and Printed Hard Copies to OSA	Provide the OSA contract monitor with: <ul style="list-style-type: none"> o An electronic copy of the Final Report as approved by the State Auditor in <i>unprotected</i> PDF format. o Up to 50 bound copies of the Final Report. The exact number of copies will be determined by the OSA at the time of report finalization. Binding formats are limited to spiral, comb, and glued; 3-ring bindings are not acceptable. The OSA will distribute the Final Report to the Legislative Audit Committee and PERA before the hearing. The Contractor may also be required to provide a version of the final report that meets state accessibility standards.	July 11, 2025
Dry Run of Report Presentation	Coordinate with the OSA contract monitor on the format and content of the Legislative Audit Committee presentation. This includes conducting up to two dry runs of the presentation with the OSA contract monitor and Deputy State Auditor to practice and incorporate suggested revisions. The Contractor may be asked to provide the OSA with a written script of the presentation.	Week of July 14, 2025
Legislative Audit Committee Hearing	Provide in-person testimony to the Legislative Audit Committee summarizing the report’s findings, conclusions, and recommendations, and responding to questions from the Committee. Hearings typically last 1 to 2 hours, but could be longer or shorter.	August 2025

D. RFP and Contract Schedule

The following schedule will be followed with respect to this RFP:

- | | |
|---|--------------------------|
| 1. RFP available to prospective bidders | August 7, 2024 |
| 2. Prospective bidders’ inquiry deadline (5:00 p.m. MT) | August 19, 2024 |
| 3. OSA response to inquiries deadline | August 26, 2024 |
| 4. Proposal submission deadline (5:00 p.m. MT) | September 3, 2024 |
| 5. Bidder Interviews | By September 20, 2024 |
| 6. Approximate bid selection date | September 27, 2024 |
| 7. Approximate contract date | October 7, 2024 |

E. Inquiries

Prospective bidders may make written inquiries concerning this RFP to obtain clarification of requirements. Inquiries must be submitted via email to Monica Bowers, Contract Monitor, at monica.bowers@coleg.gov. **No inquiries will be accepted after 5:00 p.m. MT on August 19, 2024.**

F. Submission of Proposals

Proposals must be submitted via email Monica Bowers, Contract Monitor, at monica.bowers@coleg.gov. *No proposals will be accepted after 5:00 p.m. MT on September 3, 2024.*

All proposals become the property of the OSA upon receipt and will not be returned to the bidder. The OSA shall have the right to use all ideas, or adaptations of these ideas, contained in any proposal received in response to this RFP. Selection or rejection of the proposal will not affect this right. If submitting a proposal with proprietary information, see RFP Section II - Separate Redacted Proposal for Proposals Containing Proprietary Information.

G. Acceptance of Proposal

This RFP does not commit the OSA to award a contract, to pay any costs incurred in the preparation of a bid submitted in response to this request, or to procure or contract for services or supplies. The OSA reserves the right to accept or reject, in part or in its entirety, any or all bids received as a result of this RFP if the OSA determines that it is in the best interest of the State to do so. The lowest cost proposal will not necessarily be selected. The OSA also reserves the right to engage in further negotiation of the project scope of work, price, and contract terms after selection of the Contractor if the OSA determines that it is in the best interest of the State to do so.

H. Addendum or Supplement to Request for Proposals

The OSA reserves the right to issue amendments to this RFP prior to the closing date for submission of proposals. In the event that it becomes necessary to revise any part of this RFP, an addendum to this RFP will be provided to each known prospective bidder.

I. Award Without Discussion

The OSA reserves the right to make an award without further discussion of proposals received. Therefore, proposals must be submitted in the most complete terms possible from both the technical and cost standpoint.

J. Award Information to Unsuccessful Firms

The OSA will notify all unsuccessful bidders after the award. No information will be released after the proposal submission deadline until an award has been made.

K. Joint Ventures

No joint venture proposals will be accepted. However, this requirement does not preclude the use of

outside special consultants if deemed necessary by the Contractor. All outside special consultants used by the Contractor must also sign the PERA non-disclosure agreement.

L. OSA Contract Monitor

The OSA will assign a contract monitor to serve as the Contractor's primary point of contact and liaison throughout the project. The contract monitor will attend all key meetings with PERA and OSPB during the engagement (e.g., entrance/exit conferences, findings clearing meetings, briefing meetings with management or boards/commissions, Legislative Audit Committee hearing); assist the Contractor in understanding the OSA's requirements, processes, and expectations; and facilitate the OSA's review of project deliverables, including providing guidance and feedback for revisions.

M. Award of Bid

The contract will be awarded to the bidder whose proposal the OSA determines to be the most advantageous to the State of Colorado.

N. Submission of Invoices

The Contractor must submit monthly invoices for work completed. The OSA will withhold payment for 10 percent of the total contract amount pending satisfactory completion of the contract scope of work, which typically occurs after the Legislative Audit Committee hearing when the final report is publicly released.

Section II

Information That Must Be Included in Proposal

A. Proposal Sections

Proposals must include the following information. Failure to provide all required information may result in disqualification of the proposal.

1. Title Page

Identify the RFP being responded to and the responding organization's name, address, telephone number, contact person's name and email address, and date.

2. Table of Contents

List the material included in the proposal by section and page number.

3. Transmittal Letter

Include a transmittal letter of no more than two pages. The transmittal letter must include the names of the individual(s) authorized to make representations for the organization and their title(s), mailing address(es), email address(es), and telephone number(s).

4. Profile of the Organization

This section of the proposal must:

- a. State whether the organization is local, national, or international.
- b. Give the location(s) of the office from which the work will be done and the number of partners, shareholders, managers, and other professional staff employed at that office.
- c. Describe the range of activities performed by the office from which the work will be done, including descriptions of, or links to, prior work products that demonstrate experience and expertise providing the services described in this RFP.
- d. Describe any and all work that (i) is currently being performed for PERA or the State of Colorado, (ii) was performed for PERA or the State of Colorado within the past 2 years (i.e., July 1, 2022 through June 30, 2024), and (iii) is planned for PERA or the State of Colorado (i.e., proposals submitted for work that has not yet been awarded or contracted).
- e. Affirm that the organization is independent for this engagement, including that it has a history of unbiased work, has no conflict of interest that may interfere with its

ability to produce an objective report, and has no current or past association with a biased group.

- f. Prior, current, or planned work disclosed pursuant to Item #4(d) may create a threat to independence. In affirming the organization's independence for this engagement, the proposal must include an explanation/analysis of why prior, current, or planned work would not impair the organization's independence—or create the appearance thereof—in performing this study.
- g. Affirm that the organization does not have any past history of substandard work (e.g., a prior engagement has been terminated for poor performance).
- h. Provide information on any past, current, or anticipated claims (i.e., knowledge of pending claims) on respondent contracts; explain the litigation, the issue, and its outcome or anticipated outcome.
- i. Provide no more than three references for similar work performed.

5. Qualifications of Assigned Personnel

Describe the proposed study team's relevant experience and areas of expertise. The proposal must identify the principal staff (i.e., principals, managers, and supervisors/in-charges) who will work on the study, including any specialists or subcontractors to be used. The proposal must include resumes of all principal staff highlighting their professional qualifications and similar work they have performed. Resumes must be included in an appendix.

The OSA *may* require that the Contractor provide the OSA with the results of background checks conducted pursuant to the organization's standard employment practices on personnel assigned to the engagement. If background checks are not a standard employment practice for the Contractor, the OSA *may* require the Contractor to conduct a background check on personnel assigned to the engagement and provide the results to the OSA.

6. Organization's Approach to the Study

Include a description of the proposed work plan for the engagement, including proposed procedures, steps, methodologies, approaches, tools, and resources to (a) conduct the study, (b) ensure fully developed findings, and (c) conclude on the study's objectives based on sufficient, appropriate evidence.

7. Contract Terms and Conditions

The OSA expects the successful bidder to execute and adhere to the terms and conditions in the OSA's standard contract and its related exhibits (see Section IV–Supplemental Information).

Bidders should not wait until after the OSA has made a contract award to consult

with their legal team/advisor about the contract terms and conditions. Bidders must identify and describe any issues with the terms and conditions in the OSA's standard contract and its related exhibits as part of their proposal, including proposing alternative language if appropriate. The OSA will consider this information when evaluating proposals and making the contract award.

8. Compensation and Staff Hours

This section of the proposal must:

- a. State the number of professional staff hours estimated to complete the work *by staff level*, the associated hourly rate, and the resulting total cost. Travel costs incurred in the performance of studies are reimbursable only as a part of the hourly rate and must be covered under said rate and will not be separately reimbursed.
- b. Break out total hours estimated to (i) complete each issue/objective, (ii) write conclusions and findings, and (iii) write and finalize the report.
- c. State the total inclusive maximum fee for which the work requested will be done.
- d. Affirm that all prices, terms, and conditions will be held firm for at least 90 days after the bid opening.

9. Delivery Schedule

Include a detailed proposed schedule of the work to be performed and deliverable due dates for the project milestones discussed in Section I(C)–Services Required.

10. Additional Information

Include additional information that is considered essential to the proposal but has not otherwise been provided in response to a specific item in this section.

B. Separate Redacted Proposals Containing Proprietary Information

All proposals submitted to the OSA in response to this RFP are subject to the Colorado Open Records Act (CORA). In accordance with CORA, bidders may request that the OSA withhold proprietary information (i.e., trade secrets) in their proposals from public disclosure pursuant to a CORA request.

Bidders requesting that the OSA withhold proprietary information in their proposal from public disclosure pursuant to a CORA request must prepare and submit a separate redacted copy of their proposal to the OSA. In no event may an entire proposal be classified as proprietary information. The redacted copy of the proposal also is subject to the stated proposal submission deadline (September 3, 2024, 5:00 p.m. MT.)

The OSA will review any designations of proprietary information for reasonableness and appropriateness as part of its review of proposals. If the OSA does not agree with the bidder's designation of proprietary information, the bidder will be notified and asked to provide additional explanation and clarification and, if necessary, refine what is designated as proprietary information and submit a revised redacted proposal.

Section III

Proposal Evaluation Process

A. General

An OSA, PERA, and OSPB evaluation team will judge the merits of proposals received in accordance with the evaluation criteria defined below.

The OSA may request that the three highest-scoring bidders make in-person oral presentations and answer questions about their proposals. Not all bidders will be asked to make such oral presentations. The oral presentations are tentatively scheduled to occur or before September 20, 2024.

The OSA will work with PERA to jointly select the bidder whose proposal is most responsive to the State's needs while being within available resources. The specifications within this RFP represent the minimum performance necessary for response.

B. Mandatory Criteria

1. The organization is independent for the engagement.

C. General Criteria

1. Adequacy and completeness of the proposal with respect to the information required by Section II of the RFP.
2. Qualifications and experience of personnel, including any subcontractors, specialists, or consultants, assigned to the study team.
3. Comprehensiveness and appropriateness of the proposed work plan.
4. Proposed hours and cost.
5. Acceptance of the OSA's standard contract and its related exhibits without significant revision.

Section IV

Supplemental Information

Attached to this RFP are the following documents:

1. Standard OSA contract and related exhibits
2. PERA non-disclosure agreement

The following web links provide additional information to assist in preparing the proposal.

Laws/Regulations

- Colorado House Bill 24-1427, which requires the study – [2024a_1427_signed.pdf \(colorado.gov\)](#)
- Colorado PERA statutes – [Colorado Legal Resources | Statutes Document Page \(lexis.com\)](#)
Colorado Revised Statutes (General Link to LexisNexis) – <http://leg.colorado.gov/colorado-revised-statutes>

Colorado PERA Resources

- PERA Home Page – [Colorado PERA \(copera.org\)](#)
- PERA Financial Reports and Studies – [Financial Reports and Studies | Colorado PERA \(copera.org\)](#)

Office of the State Auditor Resources

- Colorado Office of the State Auditor Website <http://www.colorado.gov/auditor>
- Example of recent contract report issued by the OSA – “Evaluation of Colorado’s K–12 Education Accountability System” - [2160p_k-12_education_evaluation_report_final_11-15-2022.pdf \(colorado.gov\)](#)
- 2015 PERA Hybrid Defined Benefit Design Study - [1409s_colorado_public_employees_retirement_association_pera_hybrid_defined_benefit_plan_study.pdf](#)

STATE OF COLORADO
State Auditor and
Legislative Audit Committee
Performance Evaluation Contract for the
Evaluation of the INSERT NAME OF ENTITY
With
INSERT NAME OF CONTRACTOR

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30. EXHIBIT H - REPORTING REQUIREMENTS AND FORMAT FOR
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31. EXHIBIT I - SAFEGUARDING REQUIREMENTS FOR FEDERAL TAX
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1. PARTIES

This Contract (“Contract”) is entered into by and between [insert contractor’s name] (“Contractor”), and the STATE OF COLORADO (the “State”) acting by and through and for the use and benefit of the State Auditor and the Legislative Audit Committee. Contractor and the State agree to the following terms and conditions specified in this contract.

2. EFFECTIVE DATE AND NOTICE OF NONLIABILITY

The Effective Date of this Contract is the date on which this Contract has been approved and signed by all of the Parties, including on behalf of the State the State Auditor or the State Auditor’s designee and the Chair of the Legislative Audit Committee, and also signed, after legal review, by the Director of the Office of Legislative Legal Services or the Director’s designee. This Contract is not effective or enforceable before the Effective Date, and the State is not liable to pay or reimburse Contractor for any Work performed or costs or expenses incurred by the Contractor before the Effective Date or after the expiration or other termination of this Contract.

3. RECITALS

A. Authority, Appropriation, And Approval

Authority to enter into this Contract exists in §2-3-103(1), C.R.S., funds have been budgeted, appropriated, and otherwise made available pursuant to Fund 1000, Appropriation Code MGFCC4010, Contract Encumbrance Number 20XX-XX, and a sufficient unencumbered balance of the funds remains available for payment. Required approvals, clearance, and coordination have been accomplished from and with appropriate agencies.

B. Consideration

The Parties acknowledge that the mutual promises and covenants contained in this Contract, including the Exhibits attached to and incorporated by reference in this Contract are sufficient and adequate to support this Contract.

C. Purpose

The State is engaging Contractor to render professional evaluation services as specified in this Contract, including the Exhibits attached to and incorporated by reference into this Contract.

4. DEFINITIONS

The following terms shall be construed and interpreted as follows:

A. Agency

“Agency” means the [insert department/agency name].

B. Business Day

“Business Day” means any day on which the State is open and conducting business, but does not include Saturday, Sunday, or any day on which the State observes a legal holiday listed in §24-11-101(1), C.R.S.

C. CJI

“CJI” means criminal justice information collected by criminal justice agencies needed for the performance of their authorized functions, including, without limitation, all information defined as criminal justice information by the U.S. Department of Justice, Federal Bureau of Investigation, Criminal Justice Information Services Security Policy and all criminal justice records, as defined in §24-72-302, C.R.S.

D. Contract

“Contract” means this Contract, including the Exhibits attached to and incorporated by reference into this Contract, any other documents incorporated by reference into this Contract, and any amendments to this Contract or additional Exhibits or other documents incorporated into this Contract after the Effective Date.

E. Contract Funds

“Contract Funds” means the maximum amount of funds available for payment by the State to Contractor pursuant to §7(A) of this Contract.

F. CORA

“CORA” means the “Colorado Open Records Act”, §§24-72-200.1, *et seq.*, C.R.S.

G. Effective Date

“Effective Date” means the date on which this Contract has been approved and signed by all of the Parties and, after legal review, by the Director of the Office of Legislative Legal Services or the Director’s designee.

H. Evaluation Report

“Evaluation Report” means the final performance evaluation report due to the State in accordance with this Contract.

I. Exhibits

“Exhibits” means the following Exhibits that are attached to and incorporated by reference into this Contract: **Exhibit A** (Statement of Work), **Exhibit B** (Request for Proposal), **Exhibit C** (Modifications to Contractor’s Proposal), **Exhibit D** (Contractor’s Proposal), **Exhibit E** (Information Security Policy for Contractors), **Exhibit F** (Compensation and Procedures for Billing), **Exhibit G** (Developing and Presenting Findings), **Exhibit H** (Reporting Requirements and Format for Separately Issued Reports), and **Exhibit I** (Safeguarding Requirements for Federal Tax Information).

J. Incident

“Incident” means any accidental or deliberate event that results in or constitutes an imminent threat of the unauthorized access, loss, disclosure, modification, disruption, or destruction of any communications or information resources of the State, which are included as part of the Work, as described in §§24-37.5-401, *et seq.*, C.R.S. Incidents include, without limitation, (i) successful attempts to gain unauthorized access to a State system or State Confidential Information regardless of where such information is located; (ii) unwanted disruption or denial of service; (iii) the unauthorized use of a State system for the processing or storage of data; or (iv) changes to State system hardware, firmware, or software characteristics without the State’s knowledge, instruction, or consent.

K. OSA

“OSA” means the Office of the State Auditor.

L. Party or Parties

“Party” means the State or Contractor and “Parties” means both the State and Contractor.

M. PCI

“PCI” means any payment card information including any data related to credit card holders’ names, credit card numbers, or the other credit card information as may be protected by state or federal law.

N. PHI

“PHI” means any protected health information, including, without limitation, any information, whether oral or recorded in any form or medium that: (i) relates to the past, present, or future physical or mental condition of an individual, the provision of health care to an individual, or the past, present, or future payment for the provision of health care to an individual; and (ii) either identifies the individual or provides a reasonable basis to believe that it can be used to identify the individual. PHI includes, but is not limited to, any information defined as Individually Identifiable Health Information by the federal Health Insurance Portability and Accountability Act.

O. PII

“PII” means personally identifiable information including, without limitation: (i) any information maintained by the State about an individual that can be used to distinguish or trace the individual’s identity, such as name, social security number, date and place of birth, mother’s maiden name, or biometric records; and (ii) any other information that is linked or linkable to an individual, such as medical, educational, financial, and employment information. PII includes, but is not limited to, all information defined as personally identifiable information in §24-72-501 and 24-73-101, C.R.S.

P. Proposal

“Proposal” means Contractor’s Proposal dated [insert date]. [If applicable, add: “, including the modification(s) to the proposal dated [insert date(s)].”]

Q. Request for Proposal or RFP

“Request for Proposal” or “RFP” means the State’s Request for Proposal issued [insert date]. [If applicable, add: “, including the supplement(s) to the RFP dated [insert date].”]

R. Services

“Services” means the required performance evaluation services to be performed by Contractor pursuant to this Contract.

S. State Auditor

“State Auditor” means the Colorado State Auditor.

T. State Confidential Information

“State Confidential Information” means any and all State Records not subject to disclosure under CORA. State Confidential Information includes, but is not limited to, PII, PHI, PCI, Tax Information, CJI, and State personnel records not subject to disclosure under CORA. State Confidential Information does not include information or data concerning individuals that is not deemed confidential but nevertheless belongs to the State, that has been communicated, furnished, or disclosed by the State to Contractor and that: (i) is subject to disclosure pursuant to CORA; (ii) is already known to Contractor without restrictions at the time of its disclosure to Contractor; (iii) is or subsequently becomes publicly available without breach of any obligation owed by Contractor to the State; (iv) is disclosed to Contractor, without confidentiality obligations, by a third party who has the right to disclose such information; or (v) was independently developed without reliance on any State Confidential Information.

U. State Fiscal Rules

“State Fiscal Rules” means the fiscal rules promulgated by the Colorado State Controller pursuant to §24-30-202(13)(a), C.R.S.

V. State Fiscal Year

“State Fiscal Year” means a 12-month period beginning on July 1 of each calendar year and ending on June 30 of the following calendar year. If a single calendar year follows the term, then the term means the State Fiscal Year ending in that calendar year.

W. State Records

“State Records” means any and all State data, information, and records, regardless of physical form, including, but not limited to, information subject to disclosure under CORA.

X. Subcontractor

“Subcontractor” means a third party, if any, engaged by Contractor to aid in performance of its obligations.

Y. Tax Information

“Tax Information” means federal and State tax information including, without limitation, federal and State tax returns, return information, and such other tax-related information as may be protected by federal and State law and regulation. Tax Information includes, but is not limited to, all information defined as Federal Tax Information (FTI) in Internal Revenue Service Publication 1075.

Z. Work

“Work” means the tasks and activities that Contractor is required to perform to fulfill its obligations under this Contract, including the performance of the Services and delivery of the Work Product.

AA. Work Product

“Work Product” means the tangible and intangible results of the Work, whether finished or unfinished, including drafts. Work Product includes, but is not limited to, documents, text, software (including source code), research, reports, proposals, specifications, plans, notes, studies, data, images, photographs, negatives, pictures, drawings, designs, models, surveys, maps, correspondence, communication, materials, ideas, concepts, know-how, and any other results of the Work. Work Product also includes the Evaluation Report, findings, oral testimony, and workpapers, whether

referred to in relevant statutes as “workpapers” or “work papers,” subject to §18 of this Contract, and any separate report issued as specified in Exhibit H.

BB. Terms Defined in Exhibits

Any term used in this Contract that is defined in an Exhibit shall be construed and interpreted as defined in the Exhibit.

5. TERM AND EARLY TERMINATION

A. A. Term-Work Commencement

The Parties’ respective performances under this Contract shall commence on the Effective Date. This Contract terminates on the earlier of thirty (30) days after the Evaluation Report has been released by the Legislative Audit Committee or [insert date], unless sooner terminated as specified in this Contract. The State may terminate this Contract for its convenience for any reason, without penalty to the State, upon thirty (30) days prior written notice to Contractor.

B. Early Termination

Upon early termination, Contractor shall not incur further obligations or render further performance under this Contract past the effective date of the notice of termination and shall terminate any outstanding subcontracts with Subcontractors. Contractor shall deliver to the State all Work Product to the extent completed as of the termination date. Contractor shall take timely, reasonable, and necessary action to protect and preserve property in the possession of Contractor. Contractor shall immediately return to the State all materials owned by the State in the possession of Contractor in which the State has an interest. The State shall reimburse Contractor for accepted performance up to the termination date. If circumstances arise that in Contractor’s professional judgment may prevent Contractor from completing an engagement, Contractor shall discuss such circumstances with the State and shall take action pursuant to applicable professional standards to the extent deemed necessary and appropriate by Contractor and the State.

C. Background Checks

Notwithstanding §5(A), the OSA may require Contractor, before commencing its performance under this Contract, to provide to the OSA at Contractor’s own expense the results of background checks conducted pursuant to Contractor’s standard employment practices for any personnel assigned to perform Work under this Contract. If Contractor does not conduct employee background checks as a standard employment practice, the OSA may require Contractor, before commencing its performance under this Contract and at Contractor’s own expense, to conduct background checks on personnel assigned to the engagement and provide the results of the background checks to the OSA. In addition, a background check for an employee of Contractor whose employment by Contractor in performing the Work will allow the employee to access or use Tax Information or will otherwise subject the employee to the requirements specified in Internal Revenue Service Publication 1075 must satisfy all background check requirements set forth in both that publication and Exhibit I.

6. STATEMENT OF WORK

A. Completion

Contractor shall complete the Work on or before [insert date].

B. Services and Work Product

Contractor shall provide the Services and deliver the Work Product necessary to complete the Work. Contractor shall accomplish the provision of Services and delivery of Work Product using the Contract Funds only.

C. Employees

All persons employed by Contractor or Subcontractors to perform Work under this Contract are Contractor’s or Subcontractors’ personnel for all purposes of this Contract and are not employees of the State for any purpose as a result of this Contract.

7. PAYMENTS TO CONTRACTOR

The State, in accordance with the provisions of this §7, shall pay Contractor in the amounts and using the methods set forth below:

A. Maximum Amount

The maximum amount payable under this Contract to Contractor by the State is \$[insert amount], as determined by the State from available funds. Payments to Contractor are limited to the unpaid obligated balance of the Contract and shall be made as set forth in **Exhibit F** (Compensation and Procedures for Billing). The estimated amount payable by the State to Contractor during State Fiscal Year 20XX-20XX is \$[insert amount], and the estimated amount payable by the State to Contractor during State Fiscal Year 20XX-20XX is \$[insert amount]. The exact funding split between the State Fiscal Years, if applicable, will be determined by the State based on amounts that have been budgeted, appropriated, or otherwise made available for this Contract.

B. Payment

i. Interim and Final Payments

Contractor shall initiate any payment requests by submitting invoices to the State in a form approved by the State and in the manner specified in **Exhibit F**. Contractor shall not request payment from the Agency.

ii. Interest

The State shall fully pay each invoice within forty-five (45) days of its receipt if the amount invoiced represents performance by Contractor previously accepted by the State. Uncontested amounts not paid by the State within forty-five (45) days bear interest on the unpaid balance beginning on the 46th day at the rate of one percent per month until paid in full. Interest does not accrue on unpaid amounts that are subject to a good faith dispute between Contractor and the State. Contractor shall invoice the State separately for accrued interest on delinquent amounts, and any such separate billing shall reference the delinquent payment, the number of days' interest to be paid, and the one percent interest rate. The State shall provide written notices to Contractor, specifying the basis for any disputed invoice, within forty-five (45) days of receipt of the disputed invoice or the invoice shall be deemed undisputed and payable. Upon written notice of a disputed invoice by Contractor, the parties shall promptly commence good faith discussions to resolve the dispute. If the dispute is not resolved within forty-five (45) days of receipt by Contractor of the written notice, Contractor may suspend performance of Services, without liability, penalty, or breach, until the dispute is resolved.

B. C. Use of Funds

Contract Funds shall be used only for costs identified in this Contract.

8. REPORTING - NOTIFICATION

Reports required under this §8 shall be in the form and subject to the procedures prescribed by the State.

A. Performance, Progress, Personnel, and Funds

Contractor shall comply with all reporting requirements set forth in the Exhibits.

B. Litigation Reporting

Upon being served in an action before a court or an administrative decision making body with any pleading that is related to this Contract or that may affect Contractor's ability to perform its obligations under this Contract, Contractor, within ten (10) days, shall notify the State of the action and deliver copies of the pleadings to the State's principal representative as identified in §17 of this Contract. If the State's principal representative is not then serving, Contractor shall deliver notice and copies to the State Auditor.

C. Noncompliance

Contractor's failure to provide reports, notification of a legal action, or copies of pleadings to the State in a timely manner in accordance with this §8 may result in the delay of payment of funds, termination, or both, as provided under this Contract.

D. Subcontracts

Contractor shall submit copies of any and all subcontracts entered into by Contractor to perform its obligations under this Contract to the State or its principal representative upon request by the State.

9. CONTRACTOR RECORDS

A. Maintenance

Except as otherwise required with respect to State Records following the expiration or termination of this Contract by §10(C) of this Contract, Contractor shall maintain a complete file of all documents, records, communications, notes, and other materials, including but not limited to all Work Product and internal workpapers of Contractor relating to the performance of Work or the production of Work Product, pertaining in any manner to the Work or the delivery of Services, including Work performed and Services delivered by Subcontractors. Unless Contractor receives written notice of an extension from the State, the federal government, or another duly authorized agent of a governmental agency, Contractor shall maintain the records until the last to occur of: (i) the date five (5) years after the date on which the State accepts the Audit Report or, in the case of early termination, terminates this Contract; (ii) the date on which any pending disputes relating to this Contract are resolved; or (iii) if the performance of this Contract is being audited or Contractor receives notice that an audit is pending, the date on which the audit is completed and its findings have been resolved (the “Record Retention Period”).

B. Inspection

Subject to the confidentiality requirements of §10, Contractor, at no additional charge, shall permit the State or its authorized agent(s), any successor auditor, the federal government, and any other duly authorized agent of a governmental agency to access and inspect, excerpt, and copy Contractor’s work papers and reports related to this Contract during the Record Retention Period to assure compliance with the terms of this Contract, to evaluate performance under this Contract, or for any other purpose required by the State. The State reserves the right to inspect the Work at all reasonable times and places during the term of this Contract, including any extensions or renewals.

C. Monitoring

The State, in its discretion, may monitor Contractor’s performance of its obligations under this Contract using procedures determined by the State that do not unduly interfere with Contractor’s performance of the Work.

10. WORK PRODUCT-CONFIDENTIAL INFORMATION-STATE RECORDS

A. Confidentiality

Contractor shall keep confidential, and cause all Subcontractors to keep confidential, all State Records, unless those State Records are publicly available. Contractor shall not, without prior written approval of the State, use, publish, copy, disclose to any third party, or permit the use by any third party of any State Records, except as otherwise stated in this Contract, permitted by law, approved by the State in accordance with §2-3-103(3), C.R.S., or otherwise approved in writing by the State. Contractor shall provide for the security of all State Confidential Information in accordance with all applicable laws, rules, policies, publications, and guidelines. If Contractor or any of its Subcontractors will or may receive the following types of data, Contractor or its Subcontractors shall provide for the security of such data according to the following: (i) to the extent Contractor receives, transmits, processes, and/or stores Federal Tax Information (FTI) on behalf of the State, the most recently promulgated IRS Publication 1075 for all Federal Tax Information and in accordance with the Safeguarding Requirements for Federal Tax Information attached to this Contract as an Exhibit, (ii) the most recently updated PCI Data Security Standard from the PCI Security Standards Council for all PCI, (iii) the most recently issued version of the U.S. Department of Justice, Federal Bureau of Investigation, Criminal Justice Information Security Services Policy for all CJI, and (iv) the federal Health Insurance Portability and Accountability Act for all PHI. Contractor shall immediately forward any request or demand for State Records to the State’s principal representative.

B. Other Entity Access and Nondisclosure Agreements

Contractor may provide State Records to its agents, employees, assigns, and Subcontractors as necessary to perform the Work, but shall restrict access to State Confidential Information to those agents, employees, assigns, and Subcontractors who require access to perform their obligations under this Contract. Contractor shall ensure that all such agents, employees, assigns, and Subcontractors sign agreements containing nondisclosure provisions that are at least as protective as those in this Contract, and that the nondisclosure provisions are in force at all times at which the agent, employee, assign, or Subcontractor has access to any State Confidential Information. Contractor shall provide copies of the signed nondisclosure provisions to the State upon execution of the nondisclosure provisions.

C. Use, Security, and Retention

Contractor shall use, hold and maintain State Confidential Information in compliance with any and all applicable laws and regulations in facilities located within the United States, and shall maintain a secure environment designed to ensure the confidentiality of all State Confidential Information wherever located. Contractor shall provide the State with access, subject to Contractor's reasonable security requirements, for purposes of inspecting and monitoring access and use of State Confidential Information and evaluating security control effectiveness. Upon the expiration or termination of this Contract, Contractor shall return State Records provided to Contractor or if specifically instructed to do so by the State, destroy the State Records and certify to the State that it has done so as directed by the State; except that Contractor may retain an archival copy of State Confidential Information if and to the extent Contractor deems it necessary to do so to comply with applicable law or professional standards or to document or support Contractor's professional conclusions. If any law, regulation, or other provision of this Contract prevents Contractor from returning or destroying State Confidential Information or if Contractor retains an archival copy of State Confidential Information, Contractor warrants that it will guarantee the confidentiality of, and, except for the use of an archival copy of State Confidential Information to comply with applicable law or professional standards or to document or support Contractor's professional conclusions, cease to use, the State Confidential Information.

D. Incident Notice and Remediation

If Contractor becomes aware of any Incident, it shall notify the State promptly and in accordance with applicable law and cooperate with the State regarding recovery, remediation, and the necessity to involve law enforcement, as determined by the State. Unless Contractor can establish that none of Contractor or any of its agents, employees, assigns or Subcontractors are the cause or source of the Incident, Contractor is responsible for the cost of notifying each person who may have been impacted by the Incident. After an Incident, Contractor shall take steps to reduce the risk of incurring a similar type of Incident in the future as directed by the State, which may include, but is not limited to, developing and implementing a remediation plan approved by the State at no additional cost to the State. The State may, in its sole discretion and at Contractor's sole expense, require Contractor to engage the services of an independent, qualified, State-approved third party to conduct a security audit of the facts related to the Incident. Contractor shall provide the State with the results of such audit and evidence of Contractor's planned remediation in response to any negative findings.

E. Data Protection and Handling

Contractor shall ensure that all State Records and Work Product, and internal workpapers of Contractor relating to the performance of Work or the production of Work Product, in the possession of Contractor or any Subcontractors are protected and handled in accordance with the requirements of this Contract, including any requirements set forth in Exhibits, at all times.

F. Safeguarding PII

If Contractor or any of its Subcontractors will or may receive PII under this Contract, Contractor shall provide for the security of the PII, in a manner and form acceptable to the State, including, without limitation, State non-disclosure requirements, use of appropriate technology, security practices, computer access security, data access security, data storage encryption, data transmission encryption,

security inspections, and audits. Contractor shall be a “Third-Party Service Provider” as defined in §24-73-103(1)(i), C.R.S. and shall maintain security procedures and practices consistent with §§24-73-101 *et seq.*, C.R.S.

G. Federal Tax Information

Contractor will work with the Agency to determine whether the receipt or review of any FTI is necessary for the performance of Contractor’s work under this Contract and shall develop a process with the Agency for identifying FTI.

11. CONFLICTS OF INTEREST

A. Actual Conflicts of Interest

Contractor shall not engage in any business or activities or maintain any relationships that create a conflict of interest by conflicting in any way with the full performance of Contractor’s obligations under this Contract. Such a conflict of interest arises when a Contractor’s or Subcontractor’s employee, officer, or agent: (i) offers or provides any tangible personal benefit to a State employee, a State employee’s partner, or a member of a State employee’s immediate family; or (ii) discusses, arranges for, or accepts financial or performance auditing work or non-auditing work not identified in this Contract with the Agency during the term of this Contract without the express written approval of the State. Contractor shall also abide by all applicable professional standards with regard to conflicts of interest and independence.

B. Apparent Conflicts of Interest

Contractor acknowledges that with respect to this Contract even the appearance of a conflict of interest is harmful to the State’s interests. Accordingly, absent the State’s prior written approval, Contractor shall refrain from any practices, activities, or relationships that reasonably appear to conflict with Contractor’s full performance of its obligations under this Contract. Contractor shall also provide written notice to the State, in accordance with §17 of this Contract, and obtain the State’s prior written approval, before entering into a contract or engagement with another State agency, department, or division that is subject to audit by the State.

C. Disclosure of Conflicts of Interest

If a conflict of interest or the appearance of a conflict of interest arises, or if Contractor is uncertain whether a conflict of interest or the appearance of a conflict of interest has arisen, Contractor shall submit to the State a disclosure statement that sets forth the relevant details for the State’s consideration. Failure to promptly submit a disclosure statement or to follow the State’s direction in regard to the actual or apparent conflict of interest is a breach of this Contract.

12. REPRESENTATIONS AND WARRANTIES

Each Party has relied on the representations and warranties of the other Party set forth below in entering into this Contract.

A. Qualifications, Standards, and Manner of Performance

Contractor represents and warrants that it is qualified and, if applicable, warrants that it is licensed in accordance with applicable laws and regulations, to perform the Work and Services and deliver the Work Product.

B. Legal Authority – Contractor Signatory

Contractor represents and warrants that it possesses the legal authority to enter into this Contract and that it has taken all actions required by its procedures, bylaws, and applicable laws to exercise that authority and to lawfully authorize its undersigned signatory to execute this Contract, or any part of this Contract, and to bind Contractor to its terms. If requested by the State, Contractor shall provide the State with proof of Contractor’s authority to enter into this Contract within fifteen (15) days of receiving the request.

C. Licenses, Permits, and Other Authorizations

Contractor represents and warrants that as of the Effective Date it has, and that at all times during the term of this Contract it will have and maintain, at its sole expense, all licenses, certifications,

approvals, insurance, permits, and other authorizations required by law to perform its obligations under this Contract. Contractor warrants that it will maintain all necessary licenses, certifications, approvals, insurance, permits, and other authorizations required to properly perform its obligations under this Contract, without reimbursement by the State or any adjustment in Contract Funds. Additionally, all employees, agents, and Subcontractors of Contractor performing Services under this Contract shall hold all required licenses or certifications, if any, required to perform their responsibilities. Contractor, if a foreign corporation or other foreign entity transacting business in the State of Colorado, further warrants that it currently has obtained and will continue to maintain any applicable certificate of authority required to transact business in the State and that it has designated a registered agent in the State to accept service of process. Any revocation, withdrawal or non-renewal of licenses, certifications, approvals, insurance, permits, or other material authorizations necessary for Contractor to properly perform the terms of this Contract is a material breach by Contractor and is grounds for termination of this Contract.

D. Contractor Independence

Contractor should be independent in performing the evaluation engagement. The State represents and warrants that it will not request or require Contractor to surrender Contractor's "independence" as that term is professionally understood and used.

E. Contractor Compliance with IRS Publication 1075

To the extent that Contractor receives, transmits, processes, and/or stores Federal Tax Information (FTI) on behalf of the State, Contractor will comply with IRS Publication 1075. Contractor and Contractor's employees with access to or who use FTI must meet the background investigation requirements set forth in IRS Publication 1075.

F. Disclaimer

Except for the representations and warranties expressly stated in this Contract, the Parties disclaim all representations and warranties, written or oral, express or implied.

13. INSURANCE

Contractor shall obtain and maintain, and shall ensure that each Subcontractor obtains and maintains, insurance policies issued by insurance companies approved by the State at all times during the term of this Contract as follows and in accordance with the following requirements:

A. Workers' Compensation

Workers' compensation insurance as required by state statute, and employers' liability insurance covering all Contractor or Subcontractor employees acting within the course and scope of their employment.

B. General Liability

Commercial general liability insurance covering premises operations, fire damage, independent contractors, products and completed operations, blanket contractual liability, personal injury, and advertising liability with minimum limits as follows:

- i. \$1,000,000 each occurrence;
- ii. \$1,000,000 general aggregate;
- iii. \$1,000,000 products and completed operations aggregate; and
- iv. \$50,000 any 1 fire.

C. Automobile Liability

Automobile liability insurance covering any auto (including owned, hired, and non-owned autos) with a minimum limit of \$1,000,000 each accident combined single limit.

D. Protected Information

Liability insurance covering all losses of State Confidential Information, such as PII, PHI, PCI, Tax Information, and CJI, and claims based on alleged violations of privacy rights through improper use or disclosure of protected information with minimum limits as follows:

- i. \$1,000,000 each occurrence; and
- ii. \$2,000,000 general aggregate.

E. Professional Liability Insurance

Professional liability insurance covering any damages caused by an error, omission, or negligent act with minimum limits as follows:

- i. \$1,000,000 each occurrence; and
- ii. \$1,000,000 general aggregate.

F. Crime Insurance

Crime insurance including employee dishonesty coverage with minimum limits as follows:

- i. \$1,000,000 each occurrence; and
- ii. \$1,000,000 general aggregate.

G. Additional Insured

The State must be named as additional insured on all commercial general liability policies required of Contractor and Subcontractors.

H. Primacy of Coverage

Coverage required of Contractor and each Subcontractor must be primary over any insurance or self-insurance program carried by Contractor or the State.

I. Cancellation

The above insurance policies must include provisions preventing cancellation or non-renewal, except for cancellation based on non-payment of premiums, without at least thirty (30) days written prior notice to Contractor, and Contractor shall forward any such notice to the State in accordance with §16 of this Contract within seven (7) days of Contractor's receipt of such notice.

J. Subrogation Waiver

All insurance policies secured or maintained by Contractor or its Subcontractors as required by this Contract must include clauses stating that each carrier waives all rights of recovery under subrogation or otherwise against Contractor, the State, and the State's agencies, institutions, organizations, officers, agents, employees, and volunteers.

K. Public Entities

If Contractor is a "public entity" within the meaning of the Colorado Governmental Immunity Act, §§24-10-101, *et seq.*, C.R.S. (the "GIA"), Contractor shall maintain, in lieu of the liability insurance requirements stated above, at all times during the term of this Contract such liability insurance, by commercial policy or self-insurance, as is necessary to meet its liabilities under the GIA. If a Subcontractor is a public entity within the meaning of the GIA, Contractor shall ensure that the Subcontractor maintain at all times during the terms of this Contract, in lieu of the liability insurance requirements stated above, such liability insurance, by commercial policy or self-insurance, as is necessary to meet the Subcontractor's obligations under the GIA.

L. Certificates

Contractor shall provide to the State certificates evidencing Contractor's insurance coverage required in this Contract within seven (7) Business Days following the Effective Date. Contractor shall provide to the State certificates evidencing Subcontractor insurance coverage required under this Contract within seven (7) Business Days following the Effective Date, except that, if Contractor's subcontract is not in effect as of the Effective Date, Contractor shall provide to the State certificates showing Subcontractor insurance coverage required under this Contract within seven (7) Business Days following Contractor's execution of the subcontract. No later than fifteen (15) days before the expiration date of Contractor's or any Subcontractor's coverage, Contractor shall deliver to the State certificates of insurance evidencing renewals of coverage. At any other time during the term of this Contract, upon request by the State, Contractor shall, within seven (7) Business Days following the request by the State, supply to the State evidence satisfactory to the State of compliance with the provisions of this §13.

14. DISPUTE RESOLUTION

Any dispute concerning the performance of this Contract that cannot be resolved by the designated Contract representatives shall be referred in writing to the State Auditor and the Contractor's managing

partner or similar executive-level decision maker for resolution. The State Auditor and the Contractor's managing partner or similar executive-level decision maker shall informally discuss the dispute and attempt to resolve it. If the State Auditor and the Contractor's managing partner or similar executive-level decision maker are able to agree to a mutual resolution of the dispute, the resolution will be formalized in writing in accordance with this Contract. If either Party finds, at any time, that the attempted resolution of the dispute has failed, at which time each Party may pursue any and all remedies, including without limitation, those available under this Contract, at law or in equity.

15. BREACH OF CONTRACT

A. Defined

In addition to any breaches specified in other sections of this Contract, each of the following is a breach of this Contract:

i. Material Obligations

The failure of Contractor to perform, in whole, in part, or in a timely manner, any of its material obligations under this Contract to the satisfaction of the State.

ii. Satisfactory Performance

A determination by the State, in its reasonable discretion, that satisfactory performance of Contractor's obligations in accordance with the terms and conditions of this Contract is substantially endangered.

iii. Bankruptcy

The institution of proceedings under any bankruptcy, insolvency, reorganization, or similar law, by or against Contractor, or the appointment of a receiver or similar officer for Contractor or any of its property if the proceedings are not vacated or fully stayed within twenty (20) days after being instituted or occurring.

iv. Material Misrepresentation

Any statement, representation, or certification furnished by Contractor in connection with the RFP, Contractor's Proposal, Modifications to Contractor's Proposal, or this Contract that is false, deceptive, incorrect, or incomplete in any material respects.

v. Failure to Timely Deliver Reports

Failure by Contractor to complete and deliver the Evaluation Report or Work Product by the date specified in §6(A) of this Contract, unless Contractor can show that the delinquency resulted from causes beyond its control, such as failure of the Agency to provide, by the date specified in a written request from Contractor: requested documentation, records, or information; records that are auditable; or responses to Contractor's findings and recommendations. Contractor shall allow a reasonable amount of time for the Agency to provide the requested documentation, records, or information and responses.

vi. Debarment or Suspension

Debarment or suspension of Contractor under §24-109-105, C.R.S. at any time during the term of this Contract.

C.

Notice and Cure Period

In the event of a breach, the aggrieved Party shall give written notice specifying the nature of the breach to the other Party in the manner provided in §17 of this Contract. If a breach by Contractor is not cured within twenty (20) days of receipt of written notice, or, if a cure cannot be completed within twenty (20) days, the cure has not begun within twenty (20) days and been pursued with due diligence, the State may exercise any of the remedies set forth in §16 of this Contract. Notwithstanding anything to the contrary in this Contract, the State, in its sole discretion, need not provide advance notice of a cure period and may immediately terminate this Contract in whole or in part if reasonably necessary to preserve public safety or prevent immediate public crisis.

B.

16. REMEDIES

If Contractor fails to cure a breach of this Contract in accordance with §15(B) of this Contract, the State may exercise any or all of the remedies available to it, including but not limited to the following remedies, in its sole discretion, concurrently or consecutively.

A. Termination for Breach

The State may terminate this Contract upon written notice to Contractor. Exercise by the State of this right is not a breach of its obligations under this Contract.

B. Withhold Payment

The State may withhold payment to Contractor until corrections in Contractor’s performance are satisfactorily made and completed in accordance with the terms and conditions of this Contract.

C. Deny Payment

The State may deny payment for any obligation of Contractor not performed if, due to Contractor’s actions or inactions, Contractor cannot perform the obligation in accordance with the terms and conditions of this Contract.

D. Noncompliance with Federal Regulations

Contractor is liable for any and all penalties applied by the federal government due to noncompliance with federal regulations by Contractor, a Subcontractor, or any of Contractor’s employees.

17. NOTICES AND REPRESENTATIVES

Each individual identified below is the principal representative of the designating Party. All notices required or permitted to be given to a Party under this Contract must be in writing and must be delivered: (i) by hand with receipt required; (ii) by certified or registered mail to the Party’s principal representative at the address set forth below; or (iii) as an email with read receipt requested to the principal representative at the email address, if any, set forth below. If a Party delivers notice to the other Party by email and the email is undeliverable, then, unless the delivering Party is provided with an alternative email address, the Party shall deliver the notice by hand with receipt required or by certified or registered mail to the other Party’s principal representative at the address set forth below. Either Party may change its principal representative or principal representative contact information, or may designate specific other individuals to receive certain types of notices in addition to or in lieu of a principal representative by notice submitted in accordance with this §17 without making a formal amendment to this Contract. Unless otherwise provided in this Contract, notices are effective upon delivery in accordance with this §17.

A. State:

Marisa Edwards, Deputy State Auditor
Office of the State Auditor
1525 Sherman St., 7 th Floor
Denver, Colorado 80203-1700
marisa.edwards@coleg.gov

B. Contractor:

Name, Title
Company Name
Address
City, State Zip
Email

C. Media

The State is the official spokesperson to the news media pertaining to the Work, Services, and Work Product. Contractor shall forward immediately to the State any inquiries from the news media pertaining to the Work, Services, or Work Product.

18. RIGHTS IN WORKPAPERS

The workpapers developed by Contractor during the performance of the Services are the exclusive property of Contractor. The State has the right to copy the workpapers. Except as provided in §§9B and 10 of this Contract, Contractor shall not provide the workpapers to third parties or permit third parties to review, access, or use the workpapers for public inspection unless, and only to the extent that, the Legislative Audit Committee has specifically approved disclosure of the workpapers in accordance with §2-3-103(3), C.R.S., and the State has given Contractor prior written consent to disclose the workpapers. Contractor shall forward immediately to the State any requests for workpapers that Contractor receives pursuant to CORA.

19. STATEWIDE CONTRACT MANAGEMENT SYSTEM - EXEMPTION

Because this contract is a legislative department contract, it is not included within the State's contract management system, which includes only personal services contracts that are entered into by a "governmental body," as defined in section 24-101-301, C.R.S. That definition of "governmental body" does not include the legislative department or its agencies.

20. GENERAL PROVISIONS

A. Assignment and Subcontracts

Contractor's rights and obligations under this Contract are personal and may not be transferred, assigned, or subcontracted without the prior written consent of the State. Any attempt at assignment, transfer, or subcontracting without such prior written consent is void. Any assignment, transfer, or subcontracting of Contractor's rights or obligations under this Contract that is approved by the State is subject to the provisions of this Contract. Upon the request of the State, Contractor shall provide to the State a copy of any subcontract entered into by Contractor in connection with this Contract. Contractor is solely responsible for all aspects of subcontracting arrangements and performance, and any subcontract entered into by Contractor in connection with this Contract must comply with all applicable federal and state laws and regulations and provide that it is subject to all provisions of this Contract and governed by the laws of the State.

B. Binding Effect

Except as otherwise provided in §20(A) of this Contract, all provisions of this Contract, including the benefits and burdens, extend to and bind the Parties' respective successors and assigns.

C. Captions and References

The captions and headings in this Contract are for convenience of reference only, and shall not be used to interpret, define, or limit its provisions. Unless the context clearly otherwise requires, all references in this Contract to sections (whether spelled out or using the § symbol), subsections, or Exhibits refer to sections, subsections, or Exhibits contained in this Contract or incorporated by reference into this Contract.

D. Counterparts

This Contract may be executed in multiple identical original counterparts, each of which is an original, but all of which, taken together, constitute one and the same agreement.

E. Entire Understanding

This Contract represents the complete integration of all understandings between the Parties related to the Work, Services, and Work Product and all prior representations and understandings related to the Work, Services, and Work Product, whether oral or written are merged into this Contract. Prior or contemporaneous additions, deletions, or other changes to this Contract do not have any force or affect whatsoever, unless embodied in this Contract.

F. Digital Signatures

If any signatory signs this agreement using a digital signature, any agreement or consent to use digital signatures within the electronic system through which that signatory signed is incorporated into this Contract by reference.

G. Modification

Except as otherwise provided in this Contract, any modification of this Contract is only effective if agreed to in a formal written amendment to this Contract that is properly executed and approved in accordance with applicable State law.

H. Statutes, Rules, Regulations, and Other Authority

Unless otherwise specifically provided, any reference in this Contract to a federal or state statute, rule, or regulation or to any other source of legal or policy authority refers to the current version of the statute, rule, regulation, or other authority including any amendments or changes to the authority made after the Effective Date.

I. Order of Precedence

If a conflict or inconsistency arises between any provision contained in the main body of this Contract and any Exhibit, the conflict or inconsistency must be resolved by reference to the documents in the following order of priority:

- i. Colorado Legislative Branch Special Provisions;
- ii. The remaining provisions of the main body of this Contract; and
- iii. The Exhibits

J. External Terms and Conditions

Notwithstanding anything to the contrary in this Contract, the State is not subject to any provision included in any terms, conditions, or agreements appearing on Contractor's or a Subcontractor's website or any provision incorporated into any click-through or online agreements related to the Work unless this Contract specifically references that provision.

K. Severability

The invalidity or unenforceability of any provision of this Contract does not affect the validity of or enforceability of any other provision of this Contract, which remains in full force and effect, so long as the Parties can continue to perform their obligations under this Contract in accordance with the intent of the Parties.

L. Survival of Certain Contract Terms

Any provision of this Contract that imposes an obligation on a Party that begins after or continues after the termination or expiration of this Contract survives the termination or expiration of this Contract and is enforceable by the other Party.

M. Taxes

The State is exempt from federal excise taxes under I.R.C. Chapter 32 (26 U.S.C. Subtitle D, Ch. 32) (Federal Excise Tax Exemption Certificate Registry No. 84-730123K) and from all State and local government sales and use taxes under §§39-26-704(1), and 29-2-105(1)(d)(I), C.R.S. (Colorado Sales Tax Exemption Identification Number 98-20565). The State is not liable for the payment of excise, sales, or use taxes, regardless of whether any political subdivision of the State imposes such taxes on Contractor. Contractor is solely responsible for any exemptions from the collection of excise, sales, or use taxes that Contractor may wish to have in place in connection with this Contract.

N. Third Party Beneficiaries

Except for a person who assumes Contractor's rights and obligations under this Contract as a successor or assign in accordance with §§20(A) and 20(B) of this Contract, this Contract does not and is not intended to confer any rights, obligations, or remedies upon any person or entity other than the Parties. Enforcement of this Contract and all rights and obligations under this Contract are reserved solely to the Parties. Any services or benefits that third parties receive as a result of this Contract are incidental to the Contract and do not create any rights for the third parties.

O. Waiver

A Party's failure or delay in exercising any right, power, or privilege under this Contract, whether explicitly or by lack of enforcement, does not operate as a waiver of the right, power, or privilege,

and a single or partial exercise of any right, power, or privilege does not preclude any other or further exercise of the right, power, or privilege.

P. CORA Disclosure

This Contract is a public record that, to the extent not prohibited by federal law, is subject to public release through CORA.

Q. Standard and Manner of Performance

Contractor shall perform its obligations under this Contract in accordance with the highest standards of care, skill, and diligence in Contractor's industry, trade, or profession.

R. Indemnification

i. General Indemnification

Contractor shall indemnify, save, and hold harmless the State and the State's employees, agents, and assignees ("Indemnified Parties"), against any and all costs, expenses, claims, damages, liabilities, court awards, reasonable attorneys' fees and costs, and other amounts claimed by third parties and incurred by any of the Indemnified Parties to the extent caused by any negligent act or omission or intentional, willful, or deliberate misconduct by Contractor or Contractor's employees, agents, Subcontractors, or assignees in connection with this Contract.

ii. Confidential Information Indemnification

Disclosure or use of State Confidential Information by Contractor in violation of this Contract may be cause for legal action by third parties against Contractor, the State, or their respective agents. Contractor shall indemnify, save, and hold harmless the Indemnified Parties against any and all costs, expenses, claims, damages, liabilities, court awards, reasonable attorneys' fees and costs, and other amounts, asserted by third parties and incurred by the State to the extent caused by any act or omission by Contractor or Contractor's employees, agents, assigns, or Subcontractors that violates this Contract.

iii. Intellectual Property Indemnification

Contractor shall indemnify, save, and hold harmless the Indemnified Parties against any and all costs, expenses, claims, damages, liabilities, court awards, reasonable attorneys' fees, and other amounts asserted by third parties and incurred by the Indemnified Parties to the extent caused by any claim that any Work infringes a patent, copyright, trademark, trade secret, or any other intellectual property right.

S. Limitation of Contractor Liability

Any liability of Contractor and its personnel to the State for any breach of this contract or act or omission that directly damages the State is limited to the amount of the fee to be paid by the State to Contractor under this Contract. This limitation does not apply to any requirement of this Contract that Contractor indemnify the State for liabilities of the State to any third party that result from any negligent, intentional, or deliberate acts or omissions of Contractor.

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3. 21. COLORADO LEGISLATIVE DEPARTMENT SPECIAL PROVISIONS

These Special Provisions apply to all legislative department contracts except where noted in italics.

A. A. FUND AVAILABILITY. §24-30-202 (5.5), C.R.S.

Financial obligations of the State payable after the current State Fiscal Year are contingent upon funds for that purpose being appropriated, budgeted, and otherwise made available.

B. B. GOVERNMENTAL IMMUNITY.

Liability for claims for injuries to persons or property arising from the negligence of the State, its departments, boards, commissions, committees, bureaus, offices, employees, and officials is controlled and limited by the provisions of the Colorado Governmental Immunity Act, §2410101, et seq., C.R.S., the Federal Tort Claims Act, 28 U.S.C. Pt. VI, Ch. 171, and 28 U.S.C. §1346(b), and the State's risk management statutes, §24301501, et seq., C.R.S. No term or condition of this Contract shall be construed or interpreted as a waiver, express or implied, of any of the immunities, rights, benefits, protections, or other provisions contained in these statutes.

C. C. INDEPENDENT CONTRACTOR.

Contractor shall perform its duties under this Contract as an independent contractor and not as an employee. Neither Contractor nor any agent or employee of Contractor shall be deemed to be an agent or employee of the State. Contractor shall not have authorization, express or implied, to bind the State to any agreement, liability, or understanding, except as expressly set forth in this Contract. Contractor and its employees and agents are not entitled to unemployment insurance or workers' compensation benefits through the State, and the State shall not pay for or otherwise provide such coverage for Contractor or any of its employees or agents. Contractor shall pay when due all applicable employment taxes, income taxes, and local head taxes incurred pursuant to this Contract. Contractor shall: (i) provide and keep in force workers' compensation and unemployment compensation insurance in the amounts required by law, (ii) provide proof thereof when requested by the State, and (iii) be solely responsible for its acts and the acts of its employees and agents.

D. D. COMPLIANCE WITH LAW.

Contractor shall comply with all applicable federal and State laws, rules, and regulations in effect or hereafter established, including, without limitation, laws applicable to discrimination and unfair employment practices.

E. E. CHOICE OF LAW, JURISDICTION, AND VENUE.

Colorado law, and rules and regulations issued pursuant to Colorado law, apply to the interpretation, execution, and enforcement of this Contract. Any provision included in or incorporated into this Contract by reference that conflicts with said law, rules, or regulations is void. All suits or actions related to this Contract must be filed and proceedings held in the State of Colorado, and exclusive venue is in the City and County of Denver.

F. F. PROHIBITED TERMS.

Any term included in this Contract that requires the State to indemnify or hold Contractor harmless; requires the State to agree to binding arbitration; limits Contractor's liability for damages resulting from death, bodily injury, or damage to tangible property; or conflicts with this provision in any way is void. Nothing in this Contract shall be construed as a waiver of any provision of §24106109, C.R.S.

G. G. SOFTWARE PIRACY PROHIBITION.

State or other public funds payable under this Contract shall not be used for the acquisition, operation, or maintenance of computer software in violation of federal copyright laws or applicable licensing restrictions. Contractor hereby certifies and warrants that, during the term of this Contract and any extensions, Contractor has and shall maintain in place appropriate systems and controls to prevent such improper use of public funds. If the State determines that Contractor is in violation of this provision, the State may exercise any remedy available at law, in equity, or under this Contract, including, without limitation, immediate termination of this Contract and any remedy consistent with federal copyright laws or applicable licensing restrictions.

H. H. EMPLOYEE FINANCIAL INTEREST/CONFLICT OF INTEREST. §§24-18-201 and 24-50-507, C.R.S.

The signatories aver that to their knowledge, no employee of the State has any personal or beneficial interest whatsoever in the service or property described in this Contract. Contractor has no interest and shall not acquire any interest, direct or indirect, that would conflict in any manner or degree with the performance of Contractor's services, and Contractor shall not employ any person having such known interests.

I. I. VENDOR OFFSET AND ERRONEOUS PAYMENTS. §§24-30-202(1) and 24-30-202.4, C.R.S.

[Not applicable to intergovernmental agreements] Subject to §2430202.4(3.5), C.R.S., the State Controller may withhold payment under the State's vendor offset intercept system for debts owed to State agencies for: (i) unpaid child support debts or child support arrearages; (ii) unpaid balances of tax, accrued interest, or other charges specified in §3921101, et seq., C.R.S.; (iii) unpaid loans due to the Student Loan Division of the Department of Higher Education; (iv) amounts required to be paid to the Unemployment Compensation Fund; and (v) other unpaid debts owing to the State as a result of final agency determination or judicial action. The State may also recover, at the State's discretion, payments made to Contractor in error for any reason, including, but not limited to, overpayments, improper payments, and any other unexpended or excess funds received by Contractor, by deduction from subsequent payments under this Contract, by deduction from any payment due under any other contracts, grants or agreements between the State and Contractor, or by any other appropriate method for collecting debts owed to the State.

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6. 22.SIGNATURE PAGE

Contract Routing Number 20XX-XX

THE PARTIES HERETO HAVE EXECUTED THIS CONTRACT

Each person signing this Contract represents and warrants that the signer is duly authorized to execute this Contract and to bind the Party authorizing such signature.

<p style="text-align: center;">CONTRACTOR</p> <p style="text-align: center;">[INSERT NAME OF CONTRACTOR]</p> <p>By: _____ Title: _____</p> <p>_____</p> <p style="text-align: center;">Signature</p> <p>Date: _____</p> <p>Contractor affirms that it has not performed any billable Work related to this Contract prior to the Contract Effective Date.</p>	<p style="text-align: center;">A. STATE OF COLORADO</p> <p style="text-align: center;"><i>Colorado Office of the State Auditor</i> Kerri L. Hunter, State Auditor</p> <p>By: _____ Kerri L. Hunter, State Auditor</p> <p>Date: _____</p> <p>By: _____ [Insert LAC Chair's Name], Chair Legislative Audit Committee</p> <p>Date: _____</p>
	<p style="text-align: center;">LEGAL REVIEW</p> <p style="text-align: center;"><i>Office of Legislative Legal Services</i> Ed DeCecco, Director</p> <p>By: _____ Jason A. Gelender, Assistant Director (designee of Ed DeCecco, Director)</p> <p>Date: _____</p>

7. 23. EXHIBIT A – STATEMENT OF WORK

1. GENERAL DESCRIPTION

Contractor shall conduct a performance evaluation of the Agency in a manner consistent with the terms and conditions of the Contract and its Exhibits.

2. CONTRACTOR’S OBLIGATIONS

The Work to be performed by Contractor includes the following:

A. Scope

Contractor’s evaluation of the Agency must include the following:

1. [ADD detailed description of work to be completed.]
2. As it performs the Work, Contractor shall maintain an awareness of any areas beyond the scope of the Services in which the Agency may not be carrying out the Agency’s programs in an effective and efficient manner. Contractor shall discuss any such areas with the State to determine whether the State desires Contractor to expand the scope of the Services of this Contract. The cost of such additional Services are not included within the scope of this Contract, and any additional Services shall be subject to negotiation and set forth in a separate agreement among Contractor, the State Auditor, and the Legislative Audit Committee.

B. Review by State

During the performance of Services under this Contract and prior to completion of the Work by the date specified in §6(A) of this Contract, the State has access to and the right to review Contractor’s Work and Work Product, whether in draft or final form, for acceptability and to provide guidance, direction, and feedback and suggest revisions. Contractor may not submit written findings or the Evaluation Report, whether in draft or final form, to the Agency until they are deemed acceptable and approved by the State.

C. Availability

Contractor, upon the request of the State, shall furnish copies of Contractor’s work programs developed pursuant to this Contract and make all other workpapers available to the State for review or use in future audits or evaluations, at no additional charge to the State.

D. Reports

Contractor shall prepare and deliver the Evaluation Report to the State no later than [Insert Date], unless the State has approved an extension of time. If Contractor becomes aware that the due date for the Evaluation Report cannot be met, Contractor shall notify the State in writing of the reasons for the delay and identify a specific date when the Evaluation Report will be delivered. For a separately issued Evaluation Report, Contractor shall deliver to the State up to 100 copies of the bound report as determined by the State at the time of report finalization. Acceptable binding formats for the Evaluation Report are limited to spiral, comb, or glued bindings; 3-ring bindings are not acceptable. Contractor shall also deliver to the State an electronic copy of the Evaluation Report in unprotected Adobe PDF format or any other format prescribed by the State.

E. Oral Presentations

Contractor shall make an oral presentation of the Evaluation Report to the Legislative Audit Committee and, if applicable and upon notification by the State, one other legislative committee.

F. Entrance/Exit Conferences

The State shall participate in all entrance and exit conferences between the Agency and Contractor, as well as other critical meetings, such as those dealing with findings.

G. Fraud

If Contractor becomes aware of fraud or indications of fraud affecting the Agency, Contractor shall notify the State immediately.

3. PERSONNEL

A. Contract Monitor

Contractor's performance under this Contract shall be monitored by [name of contract monitor], an employee or agent of the State, who is hereby designated as the Contract Monitor. The Contract Monitor shall review Contractor's Work and Work Product, attend key meetings (*e.g.*, entrance and exit conferences), and act as a liaison between the OSA, Contractor, and the Agency. With the exception of contract monitoring activities, and unless otherwise noted in this Contract, the State is not required to provide any additional staff time in connection with the Services provided or Work performed.

B. Other Key Personnel

The key personnel identified by Contractor in the Contractor's Proposal are deemed to be essential to the Work being performed under the Contract.

C. Replacement

Contractor shall immediately notify the State if any key personnel cease to be employed by Contractor. Before diverting any key personnel to other programs, Contractor shall give the State fifteen (15) days advance notice and shall submit to the State justification, including proposed personnel substitutions, in sufficient detail to permit evaluation of the impact on the Contractor's performance of the Work. Contractor shall not divert any key personnel without the prior written consent of the State, which the State shall not unreasonably withhold. Contractor shall replace any key personnel with personnel of substantially equal or greater ability and qualifications to perform the Work.

4. ACCEPTANCE CRITERIA

If the State determines that the Work or Work Product is unacceptable (either before or after a draft or a final Evaluation Report is issued) due to Contractor's failure to satisfy any requirements included in this Contract, the State, at the State's direction, may require Contractor to re-perform the Work at its own expense and submit a revised Work Product. The State's right to reject Contractor's draft or final Evaluation Report because of the failure to comply and Contractor's obligation to re-perform or revise extend throughout the term of this Contract and continue for one (1) full year after the termination of this Contract.

5. PAYMENTS

Payments shall be made in accordance with **Exhibit F** and any other applicable provisions of this Contract.

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8. 24. EXHIBIT B – REQUEST FOR PROPOSAL

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9. 25. EXHIBIT C – MODIFICATIONS TO CONTRACTOR’S PROPOSAL

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26. EXHIBIT D –CONTRACTOR’S PROPOSAL

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27. EXHIBIT E - INFORMATION SECURITY POLICY FOR CONTRACTORS

Applicability

This policy applies to all OSA Contractors at all locations who are conducting audits, evaluations, or other professional services on behalf of the OSA using State of Colorado information or any information, electronic or otherwise, obtained, utilized, or generated by an OSA Contractor while performing work on behalf of the OSA.

Definitions

Confidential information assets – are defined in paragraph 5. below.

OSA Contractor(s) or Contractor(s) – any business, company, corporation, partnership, or individual conducting business on behalf of or in cooperation with the OSA, whether via contract, purchase order, or other purchasing agreement. OSA Contractors include Subcontractors and their employees.

Protected information assets - are defined in paragraph 4. below.

State of Colorado information, information or audit information – any information, whether in electronic or hard copy form, obtained, utilized, or generated by an OSA Contractor while performing work on behalf of the OSA.

State Auditor Authority and Responsibility

The State Auditor’s authority and responsibility for accessing and handling confidential information is set forth in the Colorado Revised Statutes. Section 2-3-107(2)(a), C.R.S., provides that the State Auditor or his or her designated representative “shall have access at all times to all of the books, accounts, reports, vouchers, or other records or information in any department, institution, or agency, including records or information required to be kept confidential or exempt from public disclosure upon subpoena, search warrant, discovery proceedings, or otherwise.” Additionally, Section 2-3-103(3), C.R.S., provides that “work papers of the office of the State Auditor shall be open to public inspection only upon approval of the majority of the members of the audit committee” and that “work papers that have not been specifically approved for disclosure by a majority vote of the committee shall remain confidential.” Finally, Sections 2-3-103.7 and 2-3-107(2)(b), C.R.S., prescribe penalties for willful or unlawful release of confidential information and prohibit the release of information required to be kept confidential pursuant to any law. The volume and availability of confidential information in electronic and hardcopy format, along with the risk to the OSA should confidential information be inadvertently released or breached, heightens the need for rigorous procedures governing the receipt, storage, and destruction of confidential data.

Policy Compliance

1. All OSA Contractors and their personnel who are performing the Work are required to understand and abide by this policy.
2. By signing an OSA contract or purchase order, an OSA Contractor agrees to abide by this policy and require its personnel performing the Work, including Subcontractors and their employees, to understand and abide by this policy.

Data Classification

3. Any State information asset whether in hardcopy or electronic form (e.g., data, databases, reports, communications, manuals, documentation for systems, procedures, and plans) that is used in the course of an audit on behalf of the OSA is considered either “Protected” or “Confidential,” unless expressly stated otherwise in writing by the State Auditor.
4. “Protected information assets” are defined as information that: (i) is required by federal, state, or local laws and statutes to be protected; or (ii) would, in the event of a breach of confidentiality, loss of integrity, or lack of availability, seriously and adversely impact the OSA or the State, up to and including physical harm to individuals, or cause significant hardship to the OSA, the State, or commercial entities that have entrusted the information to the OSA.
5. All OSA Contractor audit information not categorized as “Protected” are automatically classified as “Confidential.”

Use and Protection of Information Assets

6. Contractors must take reasonable and prudent measures to protect all OSA audit information and the systems that process, store, and transmit such information from unauthorized disclosure and modification regardless of where the OSA audit information and the systems are located.
7. All State information systems (e.g., networks, intranets, internet connections, telephones, fax, etc.) are the property of the State and are for State business use only. Contractor shall not use State information systems to knowingly access, store, or distribute offensive material, such as pornography. Contractors may not use State of Colorado systems to knowingly compromise other systems, networks or safeguards unless the OSA specifically authorizes them to do so in order to test the security of such systems, networks, or safeguards for legitimate State purposes.
8. Any unauthorized attempt to access information that is outside Contractor’s “need-to-know” for his/her operational purposes is prohibited.
9. Contractors must encrypt all “Protected” and “Confidential” information when stored on portable computers or removable media (e.g., laptops, external hard drives, CDs, USB drives.)
10. Contractors must, at all times, physically secure portable computers used in storing and processing audit information on behalf of the OSA through the use of cable locks or other security measures or, when physically securing a portable computer at a work site is not feasible, use encrypted devices or other security measures to ensure that theft of a portable computer does not result in the loss or disclosure of State Confidential Information or Work Product.
11. Contractors shall not leave any portable computers, removable media (e.g., laptops, external hard drives, CDs, USB drives), or hard copy information containing “Protected” and “Confidential” information unattended, such as in vehicles or in checked airport luggage.

Viruses and Malicious Code

12. Contractors must effectively deploy personal firewall security and up-to-date malicious code/virus protection software for all systems and devices used to access audit information or in carrying out official OSA business.

Telecommunications Security and Information Transmission

13. Contractors are responsible for being aware of and protecting against current and potential telecommunications (e.g., telephones, voice mail, mobile phones, conference calls, instant messaging, and facsimile machines) security risks in their given environment.
14. Contractors are prohibited from connecting to any state networks in connection with the Services hereunder without prior authorization from the OSA and the information security officer of the Audited Agency. In the case of executive branch agencies, Contractors should submit a request with their agency liaison to obtain permission through the Governor's Office of Information Technology access management team.
15. Contractors shall make every effort to ensure that all State of Colorado information is protected from inadvertent disclosure when being sent over the Internet or other non-State of Colorado networks.
16. Contractors shall not connect portable computers containing "Protected" or "Confidential" data to any public WiFi networks (e.g., internet cafes) without adequately protecting such information through the use of hard drive encryption and the use of an encrypted VPN tunnel.
17. Contractors must always consider information sensitivity and transmission security issues when selecting a transmission medium. "Protected" and "Confidential" data must only be transported or transmitted over a public network when protected by encryption.
18. When data is stored on electronic media or a mobile computing device, the data must be encrypted at all times during physical transport.
19. Transmission of Protected or Confidential data over a public network by unencrypted email is prohibited.

Information Storage and Disposal

20. Media or hard copy documents containing Protected or Confidential information are to be appropriately labeled as such and protected in accordance with this **Exhibit E**.
21. Contractors must maintain physical media security by using locking filing cabinets or drawers and locking them when left unattended. Media security may also be achieved by locking the door of a private office.
22. Personal computers, laptops, USB drives, mobile phones, personal digital assistants (PDAs), and other devices and media containing State of Colorado information must be secured by their users from loss, theft, and unauthorized use.
23. Contractors shall not leave unattended any device containing State of Colorado information unless a password-engaged screensaver is used. The screen saver must engage after no more than 2 minutes of inactivity unless Contractor has a policy that requires its employees and its Subcontractors' employees to manually lock the device when leaving it unattended.
24. Contractors must ensure that portable storage devices (e.g., external hard drives, CDs, USB drives) that will be leaving their effective control or are at the end of their useful lives, are cleaned and sanitized (i.e., cleared, purged, and destroyed) of all Protected or Confidential data in conformance with NIST

Special Publication 800-88 and/or other standard procedures and requirements set by the U.S. Department of Defense, such as DoD 5220.22-M.

25. Hard copy documents containing Protected or Confidential information must be shredded prior to disposal.
26. Data storage devices (e.g., CDs, DVDs, and floppy disks) containing Protected data must be physically destroyed at the end of the audit. For thumb drives and portable hard drives, Contractor must either use an electronic shredding program to destroy the data or destroy the device at the end of the audit. A record of disposal is to be maintained in the workpapers by the Contractors. A record of disposal must contain the name of the individual disposing of the data, the method used to dispose of the data, identifying qualities of the data (such as the serial number of the media on which it was stored, if applicable), and the date of disposal.

Incident Reporting

27. All suspected loss or compromise of OSA audit information as a result of the loss of a desktop, portable, or mobile computing device or removable storage device by any means (e.g., theft, loss) used to store State of Colorado data shall be reported to the OSA Contract Manager within 24 hours of discovery.
28. In the event of the suspected loss or compromise of OSA audit information under control of Contractor, Contractor is responsible for working with the State Auditor and the Audited Agency with respect to recovery and remediation. Contractor is also responsible for working with the OSA and the Audited Agency to notify all Colorado residents and other affected parties whose sensitive data may have been compromised as a result of the breach. Contractor will bear all reasonable associated costs.

Personnel Security

29. Contractor is responsible for performing background checks consistent with Contractor's standard employment practices for Contractor personnel completing work on behalf of the OSA.

Policy Enforcement

30. If Contractor is deemed to be in noncompliance of this policy by the State Auditor, the State Auditor may unilaterally terminate the Contract.
31. Upon request by the State Auditor, Contractor agrees that it shall make available qualified individuals and a member of senior management responsible for security and data protection for the purpose of discussing information technology controls, including those policies, procedures, and controls relevant to the provision of services and security obligations under this Contract.

28. EXHIBIT F - COMPENSATION AND PROCEDURES FOR BILLING

1. Contractor shall submit all invoices for services to the State. Payment will be made from the State Auditor’s appropriation. Contractor shall not request payment from the Agency.
2. Contractor may render monthly interim bills to the State until completion of the Work, provided that the aggregate amount of all bills shall not exceed the maximum compensation set forth in §3 of this **Exhibit F**. The interim bills shall be promptly paid by the State except that the State reserves the right to withhold 10 percent of the total Contract amount until delivery and acceptance of the Evaluation Report. Release of the Evaluation Report by the Legislative Audit Committee constitutes acceptance of the Evaluation Report.
3. Total maximum compensation for the Work is \$**XX,XXX.XX**, with the estimated funding split between State Fiscal Years expected to be:

	<u>Total</u>	<u>Paid From State’s Budget Period</u>	
		<u>20XX-20XX</u>	<u>20XX-20XX</u>
Contractor	\$XX,XXX.XX	\$XX,XXX.XX	\$XX,XXX.XX
Total Fee	\$XX,XXX.XX	\$XX,XXX.XX	\$XX,XXX.XX

29. EXHIBIT G - DEVELOPING AND PRESENTING FINDINGS

Title of Finding

Provide brief background information about the program in one or two paragraphs. Do not include criteria, condition, cause, or effect in this background section.

What work was performed and what was the purpose?

Briefly describe the testwork that was performed using bullets and/or one to two paragraphs. (i.e., describe the data and documents reviewed, individuals interviewed, and the sample selected and sample methodology).

Describe the purpose of the work in one sentence. (i.e., “The purpose of the work was to XXXX.”)

How were the results of the work measured? (*Criteria*)

The criteria are the standards against which the condition is measured. They are standards used to evaluate a particular event or process and describe “what should be.” Some examples of criteria include:

- Colorado Constitution
- Colorado Revised Statutes
- Colorado state agency rules and regulations
- federal laws and regulations
- State Fiscal Rules and Fiscal Procedures Manual
- Generally Accepted Accounting Principles
- program-specific written policies and procedures
- program-specific written goals and objectives
- good business practices
- unwritten policies, procedures, goals, and objectives as explained by the Agency’s personnel

If the criteria are not already set forth in writing, it may be necessary to find information to serve as evidence of criteria. When common sense or expert opinion is used as criteria, the development of the finding must be logical and convincing to the reader, who may not possess the same level of expertise. This is also important because such criteria are less authoritative than other types of criteria.

This section should briefly describe the criteria of the finding. Strive to provide the essential information in one or two short paragraphs, bullets, or in a table.

What problem did the work identify? (*Condition*)

The first step in developing a finding is to identify the statement of condition. This occurs during the “fact-finding” process when the evaluator compares “what is” with “what should be.” When there is a difference between “what is happening” with “what should be happening,” the first element (condition) of a finding is identified. The condition should be a factual statement of what was found and be free of value judgments.

This section should describe the overall problem (the condition of the finding) in one or two sentences. Then provide specific examples that support the condition (*e.g.*, exceptions identified during the test work). Use bullets and tables to describe the types of exceptions identified.

Why did the problem occur? (*Cause*)

The cause is the element of the finding which explains why the “condition” exists. The cause represents what must be corrected to prevent the recurrence of the existing condition. As such, evaluators must correctly identify the cause before a proper course of action can be devised. Developing the cause frequently requires a fairly extensive analysis of the problem. Often, there are multiple factors causing the problem. The human behavior aspect, which increases the difficulty in identifying the proper cause, is always present. Nevertheless, evaluators should make a reasonable effort to determine as closely as possible the real cause of the problem. Examples of cause include:

- negligence
- inadequate resources
- inadequate training
- poor communication
- inadequate guidelines or standards
- absence of good management techniques
- failure to follow established policies and procedures

This section should describe the cause of the finding in one or two paragraphs or in bullets that correspond to the bullets used in the condition section above.

Why does this problem matter? (*Effect*)

The effect represents the end result of the activity being measured. It is the impact of the difference between the statement of condition and the criteria. The attention given to a finding depends largely upon its significance, and significance is judged by effect. What is the result if nothing is done about the problem identified? Evaluators frequently use materiality to measure the potential significance of findings. The effect of an adverse finding is what motivates management to take needed action to correct the condition. When the effect is insignificant, the evaluator should consider eliminating the finding from the report or grouping it with other minor findings. Some examples of effect include:

- violation of law or regulation
- noncompliance with legislative intent

- loss of potential income
- program goals and objectives not being met
- increased costs
- poor service quality
- inefficient service delivery
- increased risk of fraud and abuse
- reduced effectiveness

When determining the effect of a finding, evaluators should look at outcomes such as impacts on citizens, services, or public safety. In addition, the fiscal impact of the finding (*e.g.*, increase or decrease in revenue or costs) should be quantified where possible. The estimated fiscal impact should be discussed with the Agency and reported as an estimate (*e.g.*, we estimate this change will eliminate one administrative support position with an estimated annual cost of \$26,000).

This section should describe the effect of the finding in one or two paragraphs or bullets. Quantify the effect to the extent possible.

Recommendation No. X:

The recommendation is the action believed necessary to correct the adverse situation. Generally, each finding will result in one or more recommendations. The following are guidelines for developing recommendations:

- Write recommendations that address or solve the “cause” of the problem.
- Write recommendations as realistically and specifically as possible so they are more likely to be understood by and prove useful to the Agency.
- Present recommendations in a constructive tone and emphasize improvement rather than criticism of past activities. Evaluators should keep in mind that their objective is to motivate the Agency to take action. This can best be done by avoiding language that unnecessarily generates defensiveness and opposition.
- Write your recommendation so that it can be understood by itself (*e.g.*, the reader will not have to refer to the finding to understand the recommendation).
- Avoid introducing new information in the recommendation that was not presented in the body of the finding. The recommendation should follow logically from what was presented in the finding.
- Avoid extreme language such as “immediately,” “without delay,” or “as soon as possible.” These phrases do not add to the substance of the recommendation. In situations where there is an urgency to correct a problem, include in the recommendation the consequence of delay (*e.g.*, continued loss or waste of money).

The Department of XXXX should XXXX by:

- a.
- b.

The written Evaluation Report, which contains all findings and recommendations, is issued to legislators and other state and federal officials who have limited time to read reports. Therefore, the Contractor should present findings as concisely as possible, but with enough clarity to be understood by the reader. In addition to being clear and concise, findings should be logical, convincing, and constructive. The findings should be presented in a way that will convince the reader of their significance and motivate the Agency to take action. This is accomplished by clearly presenting the five elements of a finding—condition, criteria, effect, cause, and recommendation.

Although not applicable to this engagement, additional guidance for developing findings can be found in *Government Auditing Standards* issued by the U.S. Comptroller General, which is available online at <http://www.gao.gov/>.

30. EXHIBIT H - REPORTING REQUIREMENTS AND FORMAT FOR SEPARATELY ISSUED REPORTS

The final Evaluation Report contains findings, conclusions, and recommendations resulting from the Work. It also provides recommendations for changes or modifications to improve the efficiency and effectiveness of the Agency.

Contractor shall prepare the final Evaluation Report in the format delineated below.

REQUIRED REPORTING FORMAT

1. Addressee of Report

The Evaluation Report should be addressed to “Members of the Legislative Audit Committee.”

2. Report Format

The Evaluation Report will include all of the following sections bound together as a single report and shall be prepared using the OSA format to the extent possible. Acceptable binding formats are limited to spiral, comb, or glued bindings; 3-ring bindings are not acceptable. Contractor may consult the OSA’s website for examples of recently issued reports.

Major sections of the Evaluation Report and their required order within the report are:

Report Cover
LAC, Staff, and Distribution Page
Report Transmittal Letter
Table of Contents
Report Highlights
Overview or Background Chapter
Findings Chapter(s), Including the Agency’s Responses

a. Report Cover

The report cover should contain the title and date of the Evaluation Report, including the name of the Contractor conducting the evaluation.

b. LAC, Staff, and Distribution Page

The reverse side of the report cover should contain a listing of the current members of the Legislative Audit Committee, OSA staff, and Contractor staff conducting the evaluation. This page also contains information on how to obtain both electronic and bound versions of the report. The distribution information should include the Evaluation Report number. A template will be provided by the OSA.

c. Report Transmittal Letter

A letter to the Legislative Audit Committee signifying transmission of the Evaluation Report and signed by the Contractor.

d. Table of Contents

This page is an index to the report denoting the major report sections and corresponding page numbers.

e. Report Highlights

The highlight sheet is a one-page summary of the report's key conclusions, facts and findings, and recommendations. A template will be provided by the OSA.

g. Overview or Background Chapter

A section of the Evaluation Report, typically presented as a separate chapter, intended to familiarize the reader with the Agency, including its statutory authority and purpose, key functions, organization, descriptive financial and non-financial statistics, etc. This section also includes a general description of the evaluation's purpose, scope, and methodology. This section does not contain the specific background information necessary to establish the evaluation's findings, conclusions, and recommendations.

h. Findings & Recommendations Chapter(s), Including the Agency's Responses

The Evaluation Report must contain this section, typically presented as a separate chapter or chapters, reporting the Contractor's conclusions, findings, and recommendations relative to the evaluation's scope and objectives. See **Exhibit G** for more guidance on developing and presenting findings.

The findings and recommendations included in the report should contain sufficient background to inform a lay reader of the facts and circumstances surrounding the finding. In addition, the findings should identify and emphasize the business effects resulting from the deficiency or instance of non-compliance. Recommendations, which focus on workable solutions that the Agency can effectively implement, are presented after each finding. The recommendations are consecutively numbered and may contain one or more subparts (*e.g.*, 1, 2, 3a, 3b, 3c, 4a, 4b, etc.).

The Agency's formal written response to any recommendations are included in the body of the Evaluation Report following each recommendation. The OSA will provide Contractor with the standard form for obtaining the Agency's responses. The Contractor is responsible for working with the OSA to review the Agency's responses for accuracy, responsiveness to the recommendations, and adherence to the OSA's established parameters. The Agency's responses must be reviewed and approved by the OSA prior to their inclusion in the Evaluation Report. Any "Partially Agree" or "Disagree" responses must include an Evaluator's Addendum, which is a rebuttal to the Agency's response. The language for all Evaluator's Addenda must be reviewed and approved by the OSA prior to their inclusion in the Evaluation Report.

31. EXHIBIT I - SAFEGUARDING REQUIREMENTS FOR FEDERAL TAX INFORMATION

This Addendum regarding Safeguarding Requirements for Federal Tax Information (“Addendum”)¹ is an essential part of the agreement between the State and Contractor as described in the Contract to which this Addendum is attached. Unless the context clearly requires a distinction between the Contract and this Addendum, all references to “Contract” shall include this Addendum.

10. PERFORMANCE

In performance of this Contract, the Contractor agrees to comply with and assume responsibility for compliance by Contractor’s employees with the following requirements:

- A. 1.1 All work will be done under the supervision of the Contractor or the Contractor’s employees.
- B. 1.2 The Contractor and the Contractor’s employees with access to or who use FTI must meet the background check requirements defined in IRS Publication 1075 and Colorado Revised Statutes 24-50-1002.
- C.
- D. 1.3 Any return or return information made available in any format shall be used only for the purpose of carrying out the provisions of this Contract. Information contained in such material will be treated as confidential and will not be divulged or made known in any manner to any person except as may be necessary in the performance of this Contract. Disclosure to anyone other than an officer or employee of the Contractor will be prohibited.
- E.
- F. 1.4 All returns and return information will be accounted for upon receipt and properly stored before, during, and after processing. In addition, all related output will be given the same level of protection as required for the source material.
- G.
- H. 1.5 The Contractor certifies that the data processed during the performance of this Contract will be completely purged from all data storage components of Contractor’s computer facility, and no output will be retained by the Contractor at the time the work is completed. If immediate purging of all data storage components is not possible, the Contractor certifies that any FTI remaining in any storage component will be safeguarded to prevent unauthorized disclosures.
- I. 1.6 Any spoilage or any intermediate hard copy printout that may result during the processing of FTI will be given to the State or the State’s designee. When this is not possible, the Contractor will be responsible for the destruction of the spoilage or any intermediate hard copy printouts, and will provide the State or the State’s designee with a statement containing the date of destruction, description of material destroyed, and the method used.
- J.
- K. 1.7 All computer systems receiving, processing, storing or transmitting FTI must meet the requirements defined in IRS Publication 1075. To meet functional and assurance requirements, the security features of the environment must provide for the managerial, operational, and technical

¹ The language of this Addendum is derived from IRS Publication 1075, *Tax Information Security Guidelines For Federal, State and Local Agencies*, Exhibit 7 – Safeguarding Contract Language, “Contract Language for Technology Services.” This Addendum is not exhaustive of all requirements contained in Publication 1075. By agreeing to this Addendum, Contractor agrees to comply with all applicable requirements in Publication 1075 or described on the website of the IRS Safeguards Program, located at www.irs.gov/privacy-disclosure/safeguards-program.

controls. All security features must be available and activated to protect against unauthorized use of and access to FTI.

L.

M. 1.8 No work involving FTI furnished under this Contract will be subcontracted without prior written approval of the State, by and through the contracting agency and the Office of Information Technology, and the IRS.²

N. 1.9 The Contractor will maintain a list of employees' authorized access. Such list will be provided to the State and, upon request, to the IRS reviewing office.

O. 1.10 The Contractor will not use live FTI in a test environment or utilize a cloud computing model that receives processes, stores, or transmits FTI without express written authorization from the State.³

P.

Q. 1.11 The Contractor will maintain the confidentiality of all taxpayer information provided by the State or learned in the course of Contractor's duties under this Contract in accordance with safeguards set forth under Colorado Revised Statutes § 39-21-113(4), as amended.

R.

S. 1.12 The Contractor agrees to comply with the following additional requirements in performance of this Contract:

None

T.

U. 1.13 The State will have the right to void the Contract if the Contractor fails to provide the safeguards described above.

2. CRIMINAL/CIVIL SANCTIONS

a. Each officer or employee of any person⁴ to whom returns or return information is or may be disclosed will be notified in writing by such person that returns or return information disclosed to such officer or employee can be used only for a purpose and to the extent authorized herein, and that further disclosure of any such returns or return information for a purpose or to an extent unauthorized herein constitutes a felony punishable upon conviction by a fine of as much as \$5,000 or imprisonment for as long as 5 years, or both, together with the costs of prosecution. Such person shall also notify each such officer and employee that any such unauthorized further disclosure of returns or return information may also result in an award of civil damages against the officer or employee in an amount not less than \$1,000 with respect to each instance of unauthorized disclosure. These penalties are prescribed by IRCs 7213 and 7431 and set forth at 26 CFR 301.6103(n)-1.

b. Each officer or employee of any person to whom returns or return information is or may be disclosed shall be notified in writing by such person that any return or return information made available in any format shall be used only for the purpose of carrying out the provisions of this Contract. Information contained in such material shall be treated as confidential and shall not be divulged or made known in

² see IRS Publication 1075, Exhibit 6 – Contractor 45-Day Notification Procedures.

³ see IRS Publication 1075, Section 9 and www.irs.gov/privacy-disclosure/additional-requirements-for-publication-1075.

⁴ The term "person" is used in this Section 2 as it is used in Title 26 of the United States Code and related regulations. The term "person" means a person or entity, including "an individual, a trust, estate, partnership, association, company or corporation." 26 U.S.C. § 7701(a)(1).

any manner to any person except as may be necessary in the performance of the Contract. Inspection by or disclosure to anyone without an official need to know constitutes a criminal misdemeanor punishable upon conviction by a fine of as much as \$1,000 or imprisonment for as long as 1 year, or both, together with the costs of prosecution. Such person shall also notify each such officer and employee that any such unauthorized inspection or disclosure of returns or return information may also result in an award of civil damages against the officer or employee in an amount equal to the sum of the greater of \$1,000 for each act of unauthorized inspection or disclosure with respect to which such defendant is found liable or the sum of the actual damages sustained by the plaintiff as a result of such unauthorized inspection or disclosure plus in the case of a willful inspection or disclosure which is the result of gross negligence, punitive damages, plus the costs of the action. These penalties are prescribed by IRC 7213A and 7431 and set forth at 26 CFR 301.6103(n)-1.

- c. Additionally, Contractor shall inform its officers and employees of the penalties for improper disclosure imposed by the Privacy Act of 1974, 5 U.S.C. 552a. Specifically, 5 U.S.C. 552a(i)(1), which is made applicable to Contractor by 5 U.S.C. 552a(m)(1), provides that any officer or employee of a Contractor, who by virtue of his/her employment or official position, has possession of or access to State records which contain individually identifiable information, the disclosure of which is prohibited by the Privacy Act or regulations established thereunder, and who knowing that disclosure of the specific material is prohibited, willfully discloses the material in any manner to any person or agency not entitled to receive it, shall be guilty of a misdemeanor and fined not more than \$5,000.
- d. Granting a Contractor access to FTI must be preceded by certifying that each individual understands the State's security policy and procedures for safeguarding FTI. Contractors must maintain their authorization to access FTI through annual recertification. The initial certification and recertification must be documented and placed in the State's files for review. As part of the certification and at least annually afterwards, Contractors must be advised of the provisions of IRCs 7431, 7213, and 7213A (see *Exhibit 4, Sanctions for Unauthorized Disclosure*, and *Exhibit 5, Civil Damages for Unauthorized Disclosure*). The training provided before the initial certification and annually thereafter must also cover the incident response policy and procedure for reporting unauthorized disclosures and data breaches.⁵ For both the initial certification and the annual certification, the Contractor must sign, either with ink or electronic signature, a confidentiality statement certifying their understanding of the security requirements.

3. INSPECTION

The IRS and the State, with 24-hour notice, shall have the right to send its inspectors into the offices and plants of the Contractor to inspect facilities and operations performing any work with FTI under this Contract for compliance with requirements defined in IRS Publication 1075. The IRS's right of inspection shall include the use of manual and/or automated scanning tools to perform compliance and vulnerability assessments of information technology (IT) assets that access, store, process, or transmit FTI. On the basis of such inspection, corrective actions may be required in cases where the Contractor is found to be noncompliant with Contract safeguards.

⁵ see IRS Publication 1075, Section 10 or www.irs.gov/privacy-disclosure/reporting-improper-inspections-or-disclosures.

NON-DISCLOSURE AGREEMENT

This Non-Disclosure Agreement (“Agreement”), dated as of this _____ day of _____, 2024, is between the **Colorado Public Employees’ Retirement Association (“PERA”)**, having its principal place of business at 1301 Pennsylvania Street, Denver, Colorado 80203, and _____ (“Actuary”), having its principal place of business at _____.

WHEREAS, Actuary has been retained by the Colorado Office of the State Auditor (“OSA”) pursuant to Colorado House Bill 24-1427 to conduct a comprehensive benefit plan design study pursuant to C.R.S. § 24-51-614;

WHEREAS, PERA shall furnish Actuary with records, documentation and information of a proprietary and confidential nature for the purpose of the services to be provided by Actuary pursuant to C.R.S. § 24-51-614;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants set forth herein, the parties agree as follows:

1. As used in this Agreement, the term “Confidential Information” shall mean all confidential or proprietary information, including, but not limited to, member information, actuarial data, and other information as may be disclosed to Actuary by PERA. Additionally, information which is orally or visually disclosed by PERA shall constitute Confidential Information if it would be apparent to a reasonable person, familiar with PERA’s business and the industry in which it operates, that such information is of a confidential or proprietary nature.
2. Confidential Information does not include information that: (i) is approved for release by the written authorization of PERA; (ii) is or becomes publicly available other than by unauthorized disclosure by Actuary in violation hereof; or (iii) is independently developed by Actuary without access to the Confidential Information. Confidential Information shall be and remain the property of PERA. Actuary shall not use any trade name, service mark or trademark of PERA or refer to PERA in any promotional activity or materials without prior written consent of PERA.
3. Actuary must keep Confidential Information under its control, establish and maintain adequate security measures to safeguard Confidential Information, and shall treat PERA’s Confidential Information with at least the same degree of care as it protects its own confidential and proprietary information of a similar nature but, in any event, with no less than a reasonable degree of care. Actuary shall not disclose, duplicate, transmit or otherwise disseminate in any manner PERA’s Confidential Information, except as may be necessary to the officers, directors, attorneys, and employees of Actuary (“Employees”) for the purposes of performing the services to be provided by Actuary pursuant to C.R.S. § 24-51-614. All such persons receiving Confidential Information shall have a need to know and shall be bound by professional duty or in writing (in advance) to confidentiality and non-use obligations at least as protective of such information as this Agreement. Actuary shall be liable to PERA in the event that any confidentiality obligations under this Agreement are breached by Actuary and/or any of its Employees, and upon PERA’s request, Actuary shall promptly provide documentary proof of its compliance with the immediately preceding sentence. Actuary (i) agrees to notify PERA promptly in writing of any unauthorized misappropriation, disclosure, or use of PERA’s Confidential Information which may come to its attention, (ii) shall take all steps, including but not limited to any steps reasonably requested by PERA, to limit, stop, or otherwise remedy such misappropriation, disclosure, or use, (iii) shall be

liable to PERA for any such unauthorized use or disclosure, (iv) shall indemnify PERA for any expenses, fees, costs or damages related to such unauthorized use or disclosure, and (v) shall reasonably cooperate with PERA at Actuary's expense to regain possession of the Confidential Information and prevent its further unauthorized use.

4. If any of the Confidential Information becomes subject to disclosure through legal process (by interrogatories, subpoena, or other regulatory, statutory, judicial, or administrative process), Actuary shall promptly notify PERA, unless otherwise prohibited by law, and will use its best efforts in cooperation with PERA to seek a protective order or other appropriate remedy to protect the confidentiality of the information. If such protective order or other appropriate remedy is not obtained, or if PERA waives compliance with the provisions of this Agreement, Actuary will furnish only that portion of the Confidential Information which it is legally required to disclose and will exercise its diligent efforts to obtain reliable assurance, to the extent that such assurance can be obtained, that confidential treatment will be accorded to the Confidential Information.
5. The parties acknowledge that any remedy at law for the breach or threatened breach of the provisions of this Agreement may be inadequate to fully and properly protect PERA and, therefore, the parties agree that PERA may be entitled to injunctive relief in addition to other available remedies; provided, however, that nothing contained herein shall be construed as prohibiting PERA from pursuing other remedies available at law or in equity for such breach or threatened breach.
6. This Agreement shall continue to be in effect until written notice of termination by either party or until the completion of the services under this Agreement by Actuary. The obligations of confidentiality regarding Confidential Information exchanged pursuant to this Agreement shall survive any such termination.
7. Upon expiration or termination of this Agreement, all rights of Actuary to use PERA's Confidential Information cease, and Actuary must, upon PERA's request, promptly return to PERA all of PERA's Confidential Information in its power, possession or control. To the extent that the return and/or destruction of electronically stored information may be impossible or unduly difficult or costly, then, in relation to any such copy that is not destroyed, Actuary's obligations of confidentiality and restricted use shall continue as per the provisions of this Agreement.
8. Notwithstanding the foregoing Section herein, Actuary may retain a reasonable number of copies of the Confidential Information (and any materials embedding the same) ("Retained Copies") for the sole purposes of (i) satisfying any legal or regulatory requirements regarding record and data retention that Actuary is obligated to comply with; (ii) enforcing this Agreement; and/or (iii) archiving consistent with good business practices and Actuary's internal policies. For the avoidance of doubt, Actuary's obligations of confidentiality and restricted use as set forth in this Agreement shall continue in respect of such Retained Copies as per the provisions of this Agreement.
9. Nothing in this Agreement shall be construed as (i) requiring a party to disclose to the other party any particular information; (ii) granting to a party a license, either express or implied, under any patent, copyright, trade secret, or other intellectual property right, now or hereafter owned, obtained or licensed by the disclosing party; (iii) creating warranties of any kind in connection with any particular information; (iv) constituting or implying any representation or commitment as to the

development or any business transaction; or (v) soliciting any business or organization changes or incurring any obligations of any kind, other than the obligations specified herein.

10. This Agreement may not be amended, modified, or waived, in whole or in part, except by a separate writing signed by the parties hereto expressly so amending, modifying or waiving this Agreement or any part hereof.
11. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. This Agreement sets forth all of the promises, agreements, conditions and understandings between the parties respecting the subject matter hereof and supersedes all negotiations, conversations, discussions and agreements between the parties concerning such subject matter.
12. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.
13. The parties agree and consent to personal jurisdiction and service of process and venue in any federal or state court within the County of Denver, State of Colorado, having subject matter jurisdiction for the purposes of any action, suit or proceeding arising out of or relating to this Agreement. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Colorado.
14. Any notices or other communications required or permitted to be given or delivered under this Agreement shall be in writing and shall be sufficiently given if delivered personally or sent via certified or registered mail or by overnight mail courier, and shall be deemed sent when deposited in the mail or with such courier, properly addressed, postage prepaid to the applicable Party at the address listed on the first page of this Agreement, with attention to such Party's General Counsel, or to such other address or addressee as either Party may from time to time designate to the other by written notice.

The parties hereto have caused this Agreement to be executed by their duly authorized representatives.

COLORADO PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION

By: _____

Name: _____

Title: _____

Date: _____

[ACTUARY NAME HERE]

By: _____

Name: _____

Title: _____

Date: _____