

STATE OF CALIFORNIA  
**STANDARD AGREEMENT**  
 STD 213 (Rev 06/03)

AGREEMENT NUMBER <b>15IA5002</b>
REGISTRATION NUMBER

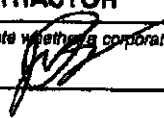
- This Agreement is entered into between the State Agency and the Contractor named below:
 

STATE AGENCY'S NAME California Public Utilities Commission
CONTRACTOR'S NAME State Controller's Office (SCO)
- The term of this Agreement is: 05/17/16 through 06/30/17
- The maximum amount of this Agreement is: \$1,440,000.00  
One Million Four Hundred Forty Thousand Dollars and 00/100
- The parties agree to comply with the terms and conditions of the following exhibits which are by this reference made a part of the Agreement.
 


Exhibit A – Scope of Work	10 page(s)
Exhibit B – Budget Detail and Payment Provisions	1 page(s)
Exhibit B – Attachment (1) Budget/Cos Sheet	1 page(s)
Exhibit C – General Terms and Conditions – GIA - 610	1 page(s)
Exhibit D Special Terms and Conditions	1 page(s)
Exhibit E – Additional Provisions	1 page(s)

Items shown with an Asterisk (\*), are hereby incorporated by reference and made part of this agreement as if attached hereto. These documents can be viewed at [www.ois.dgs.ca.gov/Standard+Language](http://www.ois.dgs.ca.gov/Standard+Language)

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto.

CONTRACTOR	
CONTRACTOR'S NAME (If other than an individual, state whether a corporation, partnership, etc.) State Controller's Office (SCO)	
BY (Authorized Signature) 	DATE SIGNED (Do not type) 4/22/16
PRINTED NAME AND TITLE OF PERSON SIGNING Larry Norris, Chief Administration and Disbursement Division	
ADDRESS 300 Capital Mall, Suite 1525 Sacramento, CA 95814	
STATE OF CALIFORNIA	
AGENCY NAME California Public Utilities Commission	
BY (Authorized Signature) 	DATE SIGNED (Do not type) 5-2-16
PRINTED NAME AND TITLE OF PERSON SIGNING Ryan Dulin, Acting Deputy Executive Director	
ADDRESS 505 Van Ness Avenue, San Francisco, CA 94102	

California Department of General Services Use Only

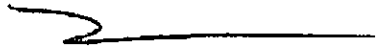


**APPROVED**

**MAY 20 2016**

OFFICE OF LEGAL SERVICES  
DEPT. OF GENERAL SERVICES

Exempt per:



**AGREEMENT SUMMARY**  
STD 213 (REV. 1-2014)

AGREEMENT NUMBER 15IA5002	AMENDMENT NUMBER
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CHECK HERE IF ADDITIONAL PAGES ARE ATTACHED

1. CONTRACTOR'S NAME State Controller Office (SCO)		2. FEDERAL I.D. NUMBER 68-0322992	
3. AGENCY TRANSMITTING AGREEMENT California Public Utilities Commission		4. DIVISION, BUREAU, OR OTHER UNIT Administrative Services	
		5. AGENCY BILLING CODE 059000	
6. NAME AND TELEPHONE NUMBER OF CONTRACT ANALYST FOR QUESTIONS REGARDING THIS AGREEMENT Eulander Summerville - (415) 703-2044- eulander.summerville@cpuc.ca.gov.			
7. HAS YOUR AGENCY CONTRACTED FOR THESE SERVICES BEFORE? <input checked="" type="checkbox"/> NO <input type="checkbox"/> YES (If YES, enter prior contractor name and Agreement Number)      14IA5001 - SCO			

8. BRIEF DESCRIPTION OF SERVICES - LIMIT 72 CHARACTERS INCLUDING PUNCTUATION AND SPACES  
 Conduct the 2<sup>nd</sup> interim financial audit and the 2<sup>nd</sup> interim performance audit(s) of the California Advanced Services Fund.

9. AGREEMENT OUTLINE (Include reason for Agreement: identify specific problem, administrative requirement, program need or other circumstances making the Agreement necessary; include special or unusual terms and conditions.)

Conduct the 2<sup>nd</sup> interim financial audit and the 2<sup>nd</sup> interim performance audit(s) of the California Advanced Services Fund, as required by Public Utilities (P.U.) Code § 912.2(a) for the audit period July 1, 2010 through December 31, 2015. The term of this agreement is from May 17, 2016 through June 30, 2017, for the amount of \$1,440,000.00.

10. PAYMENT TERMS (More than one may apply.)


MONTHLY FLAT RATE       QUARTERLY       ONE-TIME PAYMENT       PROGRESS PAYMENT  
 ITEMIZED INVOICE       WITHHOLD \_\_\_\_\_ %       ADVANCED PAYMENT NOT TO EXCEED  
 REIMBURSEMENT/REVENUE      \$ \_\_\_\_\_ or \_\_\_\_\_ %  
 OTHER (Explain) \_\_\_\_\_

11. PROJECTED EXPENDITURES FUND TITLE	ITEM	F.Y.	CHAPTER	STATUTE	PROJECTED EXPENDITURES
PUCURA	8660-001-3141	15/16	10	2015	\$616,974.00
PUCURA	8660-001-3141	16/17	TBD	2016	\$823,026.00

OBJECT CODE **418.01. Unit # 331; PCA Code 15700**      AGREEMENT TOTAL \$ **1,440,000.00**

OPTIONAL USE "To be paid with Fund 0482 Clearing Account - 8660-001-0482 Program 99".      AMOUNT ENCUMBERED BY THIS DOCUMENT \$ **1,440,000.00**

I CERTIFY upon my own personal knowledge that the budgeted funds for the current budget year are available for the period and purpose of the expenditure stated above.      PRIOR AMOUNT ENCUMBERED FOR THIS AGREEMENT \$ **0.00**

ACCOUNTING OFFICER'S SIGNATURE      DATE SIGNED      TOTAL AMOUNT ENCUMBERED TO DATE  
      4/15/16      \$ **1,440,000.00**  
 Michelle Morales, Manager Fiscal Services

12. AGREEMENT	TERM		TOTAL COST OF THIS TRANSACTION	BID, SOLE SOURCE, EXEMPT
	From	Through		
Original	05/17/16	06/30/17	\$ <b>1,440,000.00</b>	Inter-agency
Amendment No. 1			\$	
Amendment No. 2			\$	
Amendment No. 3			\$	
TOTAL			\$ <b>1,440,000.00</b>	

(Continue)

**AGREEMENT SUMMARY**

STD. 215 (REV. 1-2014)

**13. BIDDING METHOD USED:**

- REQUEST FOR PROPOSAL (RFP)  INVITATION FOR BID (IFB)  USE OF MASTER SERVICE AGREEMENT  
(Attach justification if secondary method is used)
- SOLE SOURCE CONTRACT  EXEMPT FROM BIDDING  OTHER (Explain)  
(Attach STD. 821)
- (An interagency agreement (IA) is a contract between two or more California State agencies. (GC § 11258.)

NOTE: Proof of advertisement in the State Contracts Register or an approved form STD. 821, Contract Advertising Exemption Request, must be attached

**14. SUMMARY OF BIDS (List of bidders, bid amount and small business status) (If an amendment, sole source, or exempt, leave blank)**  
N/A**15. IF AWARD OF AGREEMENT IS TO OTHER THAN THE LOWER BIDDER, PLEASE EXPLAIN REASON(S) (If an amendment, sole source, or exempt, leave blank)**  
N/A**16. WHAT IS THE BASIS FOR DETERMINING THAT THE PRICE OR RATE IS REASONABLE?**

The basis for determining that the price or rate is reasonable is that the Inter-agency's rate is less expensive than the market outsource rate.

**17 (a) JUSTIFICATION FOR CONTRACTING OUT (Check one)**

- Contracting out is based on cost savings per Government Code 19130(a). The State Personnel Board has been so notified.
- Contracting out is justified based on Government Code 19130(b). Justification for the Agreement is described below.

**Justification:**

19130(b) (10). The services are of such an urgent, temporary, or occasional nature that the delay incumbent in their implementation under civil service would frustrate their very purpose. The service are of an urgent and temporary nature in order to fulfill the legislative mandate of PU Code section 912.2(a).

**17 (b) EMPLOYEE BARGAINING UNIT NOTIFICATION**

- By checking this box, I hereby certify compliance with Government Code section 19132(b). N/A – Inter-agency

**AUTHORIZED SIGNER:****DATE:**

**18. FOR AGREEMENTS IN EXCESS OF \$5,000, HAS THE LETTING OF THE AGREEMENT BEEN REPORTED TO THE DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING?**

NO  YES  N/A

**19. HAVE CONFLICT OF INTEREST ISSUES BEEN IDENTIFIED AND RESOLVED AS REQUIRED BY THE STATE CONTRACT MANUAL SECTION 7.10?**

NO  YES  N/A

**20. FOR CONSULTING AGREEMENTS, DID YOU REVIEW ANY CONTRACTOR EVALUATIONS ON FILE WITH THE DGS LEGAL OFFICE?**

NO  YES  NONE ON FILE  N/A

**21. IS A SIGNED COPY OF THE FOLLOWING ON FILE AT YOUR AGENCY FOR THIS CONTRACTOR?**

- A. CONTRACTOR CERTIFICATION CLAUSES  NO  YES  N/A
- B. STD. 204, VENDOR DATA RECORD  NO  YES  N/A

**22. REQUIRED RESOLUTIONS ARE ATTACHED**

NO  YES  N/A

**23. ARE DISABLED VETERANS BUSINESS ENTERPRISE GOALS REQUIRED? (If an amendment, explain changes, if any)**

- NO (Explain below)  YES (If YES complete the following)

DISABLED VETERAN BUSINESS ENTERPRISES: \_\_\_\_\_ % OF AGREEMENT

Explain: Inter-agency

**24. IS THIS A SMALL BUSINESS CERTIFIED BY OFFICE OF SMALL BUSINESS AND DISABLED VETERAN BUSINESS ENTERPRISE SERVICES?**

- NO  YES (Indicate Industry Group)

SMALL BUSINESS REFERENCE NUMBER

**25. IS THIS AGREEMENT (WITH AMENDMENTS) FOR A PERIOD OF TIME LONGER THAN TWO YEARS? (If YES, provide justification)**

- NO  YES

I certify that all copies of the referenced Agreement will conform to the original Agreement sent to the Department of General Services.

SIGNATURE/TITLE

Ryan Dulin, Acting Deputy Executive Director

DATE SIGNED

5.2.16

**EXHIBIT A**

**TERM OF THE AGREEMENT**

The California Public Utilities Commission (hereinafter referred to as Commission or CPUC) and State Controller's Office (hereinafter referred to as SCO or Contractor) agree to enter into a contractual Agreement. The Term of the Agreement shall be from May 17, 2016 through June 30, 2017, which, the maximum amount not to exceed \$1,440,000.00 [One Million Four Hundred Forty Thousand Dollars and 00/100. This amount and expiration date of this agreement may be changed by amendment with the approval of CPUC and the Department of General Services (DGS) if deemed necessary.

**This Agreement is of no force or effect until signed by the Parties and/or if required, approved by the Department of General Services, Office of Legal Services (DGS/OLS).**

**1. Purpose**

Conduct the 2<sup>nd</sup> interim financial audit and the 2<sup>nd</sup> interim performance audit(s) of the California Advanced Services Fund, as required by Public Utilities (P.U.) Code § 912.2(a) for the audit period July 1, 2010 through December 31, 2015. The first interim audits were conducted by the Commission for the period July 1, 2008 through June 30, 2010.

**2. Background**

a. The Commission authorized the California Advanced Services Fund (CASF) on December 20, 2007, when it adopted Decision (D.) 07-12-054, in accordance with Public Utilities (P.U.) Code § 701. The CASF provides grants to bridge the "digital divide" in unserved and underserved areas in the state. The Commission adopted the CASF application requirements, timelines, and scoring criteria for parties to qualify for broadband project funding in Resolution T-17143 issued on June 12, 2008. The State reaffirmed the Commission's creation of the CASF program in Senate Bill (SB) 1193, which Governor Schwarzenegger signed on September 27, 2008, and codified the program in P.U. Code § 281. Subsequently, the Legislature passed, and the Governor signed into Law, several bills to expand the program and authorize the Commission to collect up to \$315 million to award grants and loans to the following CASF accounts.

- i. Broadband Infrastructure Grant Account, which assists in financing the building and/or upgrading of broadband infrastructure in areas that are not served or are underserved by existing broadband providers;
- ii. Broadband Infrastructure Revolving Loan Account, authorized by SB 1040 and created by the CPUC in February 2012,<sup>1</sup> finances "capital costs of broadband facilities not funded by a grant from the Broadband Infrastructure Grant Account;"<sup>2</sup>

<sup>1</sup> D. 12-02-015, passed by the CPUC on February 1, 2012.

<sup>2</sup> P.U. Code § 281 (g)

**EXHIBIT A**

- iii. Rural and Regional Urban Consortia Account, which provides grants to eligible consortia to fund "the cost of broadband deployment activities other than the capital cost of facilities, as specified by the commission;"<sup>3</sup> and
- iv. Broadband Public Housing Account, which provides grants and loans to support deployment of broadband network and adoption programs in eligible publicly, supported communities.<sup>4</sup>

On October 3, 2013, Governor Brown approved SB 740<sup>5</sup> and Assembly Bill (AB) 1299.<sup>6</sup> Specifically, SB 740 authorized the collection of an additional \$90 million<sup>7</sup> to be deposited in the CASF Infrastructure Grant Account, extended the surcharge collection through the 2020 calendar year, established the goal of the CASF program to approve funding for infrastructure projects that will provide broadband access to no less than 98% of California households by no later than December 31, 2015, and allowed any entity which is not a telephone corporation to be eligible to apply for a CASF grant and loan if that entity otherwise satisfies the CASF's eligibility requirements and any other requirements as defined by the Commission, amongst other requirements identified in the bill.

- b. The CPUC's Communications Division (CD) performs ministerial duties on behalf of the CPUC regarding the CASF program, including, among other tasks, reviewing CASF grant applications and recommending CPUC approval,<sup>8</sup> reviewing grantee progress reports and approving grantee payment requests. The Commission has contracted with an external agency, State Assistance Fund for Enterprise, Business and Industrial Development Corporation (SAFE-BIDCO), to perform the financial eligibility review of loan applications, processing, and servicing of loans.

<sup>3</sup> P.U. Code § 281 (f) defines an eligible consortium to include "representatives of organizations, including, but not limited to, local and regional government, public safety, elementary and secondary education, health care, libraries, postsecondary education, community-based organizations, tourism, parks and recreation, agricultural, and business..."

<sup>4</sup> P.U. Code § 281 (h) (1) (B) defines a "publicly supported community" as "a publicly subsidized multifamily housing development that is wholly owned by either of the following: (i) A public housing agency that has been chartered by the state, or by any city or county in the state, and has been determined to be an eligible public housing agency by the United States Department of Housing and Urban Development; (ii) An incorporated nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code (26 U.S.C. Sec. 501(c) (3)) that is exempt from taxation under Section 501(a) of that code (16 U.S.C. Sec. 501(a)), and that has received public funding to subsidize the construction or maintenance of housing occupied by residents whose annual income qualifies as 'low' or 'very low' income according to federal poverty guidelines."

<sup>5</sup> SB 740 (Padilla), Chapter 522, Statutes of 2013, amending PU Code § 281.

<sup>6</sup> AB 1299 (Bradford), Chapter 507, Statutes of 2013, amending PU Code § 281.

<sup>7</sup> On and after January 1, 2011, the Commission may collect an additional sum not to exceed \$215 million, for a sum total of moneys collected not to exceed \$315 million.

<sup>8</sup> D. 14-12-039 delegates to CD the authority to approve CASF Public Housing Grant applications under certain circumstances.

**EXHIBIT A**

- c. The CPUC's Fiscal Office (FO) is responsible for receiving and accounting for surcharges that telecommunications entities remit. These surcharge revenues are booked to the respective universal service funds accounts according to Program Cost Account (PCA) codes pursuant to the California State Accounting and Reporting System (CALSTARS). The FO is also responsible for processing CASF payment requests (after CASF staff review), encumbering CASF awards, and submitting them to the SCO, maintaining the financial records, and the presentation of the CASF program financial data.
- d. P.U. Code § 912.2(a) requires the CPUC to conduct two interim financial audits and a final financial audit and two interim performance audits and a final performance audit of the implementation and effectiveness of the CASF to "ensure that funds have been expended in accordance with the approved terms of the grant awards and loan agreements and this section." The CPUC is to submit its reports to the Legislature on the following dates: April 1, 2011, April 1, 2017 and April 1, 2021. The reports must also include an update to the maps in the final report of the California Broadband Task Force and data on "the types and numbers of jobs created as a result of the program administered by the commission pursuant to this section."
- e. The first interim financial and performance audits submitted in April 2011 are available at the following URLs:

- Performance Audit:

[http://www.cpuc.ca.gov/CASF\\_Reports/](http://www.cpuc.ca.gov/CASF_Reports/)

- Financial Audit:

[http://www.cpuc.ca.gov/CASF\\_Reports/](http://www.cpuc.ca.gov/CASF_Reports/)

**SCOPE OF WORK**

Contractor agrees to provide to California Public Utilities Commission (CPUC) services as described herein.

**3. Objective, Scope and Tasks -- Financial Audit**

- a. Audit Objectives. The Auditor must determine whether:
  - i. CASF program expenditures are in compliance with P.U. Code §§ 281 and 282, other state laws and Commission directives;
  - ii. Records are reliable;
  - iii. Revenue is properly managed and correctly recorded; and

EXHIBIT A

- iv. The CASF program has proper oversight.
- b. **Background.** The overall purpose of the first interim CASF financial audit submitted to the Legislature on April 2011 ("First Financial Audit") was to determine whether CASF funds were expended in accordance with P.U. Code §§ 281 and 282,<sup>9</sup> other state laws and Commission directives and to determine whether CASF financial information was properly recorded and reported.
- e. **Purpose.** The second interim financial audit ("Second Financial Audit") to be submitted to the Legislature on April 1, 2017 will be conducted using the Generally Accepted Government Audit Standards (GAGAS), and will include all of the accounts under the CASF program. The overall purpose of this Second Financial Audit is to determine whether CASF funds were expended in accordance with P.U. Code §§ 281 and 282, other state laws and Commission directives and to determine whether CASF financial information was properly recorded and reported. In addition, the Second Financial Audit will examine, on a sample basis, CASF fund recipients' processes and procedures to ensure that CASF funds are spent in accordance with the Commission's adopted rules and standards, and to examine CASF grant/loan related records and source document to substantiate claimed costs.
- d. **Review Period(s).** The first interim Financial Audit reviewed the CASF Program during the period from January 1, 2008 through June 30, 2010. During this time the CPUC only offered infrastructure grants. This second interim financial audit will comprise all four CASF accounts over the period of July 1, 2010 through December 31, 2015:
- i. Broadband Infrastructure Grant Account;
  - ii. Broadband Infrastructure Revolving Loan Account;
  - iii. Rural and Regional Urban Consortia Account; and
  - iv. Broadband Public Housing Account.
- e. **Overall Scope of Review:**
- i. Existence of Procedural Safeguards – Review of CD, FO, and CASF fund recipients' internal controls of program funds.

<sup>9</sup> P.U. Code § 282: "Any revenues that are deposited in funds created pursuant to this chapter shall not be used by the state for any purpose other than as specified in this chapter. Notwithstanding any other provision of law, the Controller may use the funds created pursuant to this chapter for loans to the General Fund as provided in Sections 16310 and 16381 of the Government Code."

**EXHIBIT A**

- ii. **Process Compliance – Review of carriers’ transmittal forms filed with the CPUC and copies of their surcharge remittance checks, delinquent fees, and interest assessments, any letter from CD or FO requesting delinquencies or interest, invoices from CASF grant recipients, bank statements pertaining to the CASF program deposits, all CPUC resolutions and decisions pertaining to the CASF program, disbursement document, CD’s formal communications to the carriers and CD’s approval letters for payments, from July 1, 2010 through December 31, 2015, internal CD and FO communications.**
  
- iii. **Integrity of Reporting – CALSTARS Procedure Manual, the State Administrative Manual (SAM), FO reports on CASF revenue and expenditures, CASF-related CALSTARS reports, Certification of Year-End Financial Reports from FO to SCO (including SCO automated year-end reports, Statement of Revenue, Final Budget Report, Trial Balance, Statement of Change in General Fixed Assets, Statement of General Fixed Assets and Statement of Contingent Liabilities) from July 1, 2010 through December 31, 2015.**
  
- iv. **Oversight Adequacy – CD’s management of processes over the CASF program from July 1, 2010 through December 31, 2015. Also, adequacy of CASF fund recipients’ management of CASF funds claimed and received.**
  
- f. **Tasks. To meet the objectives of the audit, the Auditor will undertake the following tasks:**
  - i. **Internal Controls Analysis.**
    - 1. **Determine whether FO, CD, and CASF fund recipients’ internal controls were adequate to ensure the reliability of recorded and reported information.**
  
  - ii. **CASF Revenue Analysis.**
    - 1. **Determine whether the FO properly records and reports CASF program revenue.**
    - 2. **Determine adequacy of CD and FO oversight over CASF remittances.**
  
  - iii. **CASF Expenditure Analysis:**
    - 1. **Determine whether the FO properly recorded and reported CASF program expenditures.**
    - 2. **Determine the adequacy of CD management and oversight over CASF expenditures.**



**EXHIBIT A**

3. Determine adequacy of CASF fund recipients' management and oversight over CASF project/consortium expenditures
  4. Determine whether disbursements from the CASF were in compliance with P.U. Code § 281 and § 282, other state laws and Commission directives, including payment requests to grantees receiving funding from each account.
  5. Determine total CASF program expenditures as of December 31, 2015, including disbursements to contractors, internal administrative expenses and inter-departmental charges.
- iv. **Specific Projects to Review:** The review must include but is not limited to the following projects. Additional projects may also be audited and will be determined by the CPUC in consultation with the SCO.
1. Central Valley Independent Network, LLC (CVIN) CASF infrastructure project;
  2. One CASF Infrastructure Grant project awarded to Race Telecom, to be determined by the Auditor;
  3. San Joaquin Valley Consortium;
  4. Los Angeles County South Bay Sub-Regional Consortium; and
  5. Another Rural and Regional Urban Consortia Account grantee(s) except for One Million New Internet Users (NIU), which already has been audited by SCO as part of CPUC grant oversight.
- v. For at least one unsuccessful application in each CASF account, review the application and confirm that CPUC staff recommendation or other action was in accordance with P.U. Code § 281, other state laws and Commission directives. Provide process improvements, if any are identified.
4. **Objective, Scope and Tasks -- Performance Audit**
- a. **Audit Objectives.** This performance audit will be conducted in accordance with the GAGAS. The audit will accomplish the following:
    - i. Assess whether CPUC staff implemented the CASF Program according to state law and CPUC rules, including in the awarding of grants, denying applications, prioritizing projects providing last-mile broadband access to households unserved by an existing facilities-based broadband provider and in managing challenges.

**EXHIBIT A**

- ii. Determine whether the CASF program produced the intended results to encourage deployment of high-quality advanced communications services to all Californians and helped promote economic growth, job creation, and the substantial social benefits of advanced information and communications technologies.
  - iii. Determine the current status or condition of program operations or progress in implementing legislative requirements.
- b. **Background.** P.U. Code § 281(a) requires the CPUC to “develop, implement, and administer the CASF program to encourage deployment of high-quality advanced communications services to all Californians that will promote economic growth, job creation, and the substantial social benefits of advanced information and communications technologies...” The goal of the program is, “no later than December 31, 2015, to approve funding for infrastructure projects that will provide broadband access to no less than 98 percent of California households.”<sup>10</sup> The CPUC is to prioritize projects that provide last-mile broadband access to households that are unserved by an existing facilities-based broadband provider and also provide both grant applicants and any party challenging an application, the opportunity to demonstrate actual levels of broadband service in the proposed project area.<sup>11</sup> During the 2013-2014 Legislative Session, the Legislature passed SB 740 to expand eligibility requirements for the CASF Infrastructure Grant Account and AB 1299 to authorize the creation of the CASF Broadband Public Housing Account.
- c. **Purpose.** The overall purpose of this Second Interim Performance Audit (“Second Performance Audit”) is to assess the implementation and effectiveness of the CASF program to “ensure that funds have been expended in accordance with the approved terms of the grant awards and loan agreements.”<sup>12</sup> The Second Performance Audit will also include data on the types and numbers of jobs created as a result of CASF projects.
- d. **Review Period(s).** The First Performance Audit reviewed the CASF Infrastructure Grant program during the period from January 1, 2008 through June 30, 2010. The Second Performance Audit will comprise all four CASF accounts over the period of July 1, 2010 through December 31, 2015:
- i. Broadband Infrastructure Grant Account;
  - ii. Broadband Infrastructure Revolving Loan Account;
  - iii. Rural and Regional Urban Consortia Account; and
  - iv. Broadband Public Housing Account.
- a. **Overall Scope of Review.** The Auditor will review the following items and will provide a written report on the interim findings for each item. The Scope of Work should meet and

<sup>10</sup> P.U. Code § 281(b)(1)

<sup>11</sup> P.U. Code § 281(b)(2)

<sup>12</sup> P.U. Code § 281(i)(1).

**EXHIBIT A**

not exceed the statutory requirements in P.U. Code § 912.2(a), focused on the second interim performance and financial audits of the implementation and effectiveness of the CASF to "ensure that funds have been expended in accordance with the approved terms of the grant awards and loan agreements and this section" that the CPUC must submit to the Legislature by April 1, 2017. The Scope of Review below must enable these audit reports to include an update to the maps in the final report of the California Broadband Task Force and data on "the types and numbers of jobs created as a result of the program administered by the commission pursuant to this section."

- i. CPUC Decisions and relevant resolutions pertaining to each CASF grant or loan application/award it reviews, including those approving the specific application;
  - ii. CASF grant and loan applications;
  - iii. CASF grantee progress reports and project completion reports;
  - iv. Reports and other communications between CPUC staff and SAFE-BIDCO;
  - v. Post project completion data requests from grantees and other review by CPUC staff and;
  - vi. CPUC contracts paid for using CASF funds;
  - vii. Support and/or complaint letters relating to the approved projects;
  - viii. Data requests/data responses.
- e. **Tasks.** To meet the objectives of the audit, Auditor will need to undertake the following:
- i. For at least one loan successful application in the Broadband Infrastructure Revolving Loan Account and at least three grant successful applications in each CASF grant account, review application and assess whether funds have been expended in accordance with P.U. Code § 281.
  - ii. For at least one loan award in the Broadband Infrastructure Revolving Loan Account and at least three grant awards in each CASF grant account<sup>13</sup> (the items reviewed may be same as those reviewed in paragraph *i* of this section),

<sup>13</sup> Note that invoices, progress reports and communications regarding One Million New Internet Users (NIU), a CASF Rural and Regional Urban Consortia Account grantee, have already been audited by SCO, as part of CPUC grant oversight.

**EXHIBIT A**

review progress reports, payment invoices, completion reports to assess whether funds have been expended in accordance with P.U. Code § 281.

- iii. Analyze and conclude if the CASF program achieved its objective to encourage deployment of high-quality advanced communications services to all Californians that will promote economic growth, job creation, and the substantial social benefits of advanced information and communications technologies, consistent with PU Code Section 281. Include survey and data on the types and numbers of jobs created, both direct and indirect, and other manners in which the CASF program may have promoted economic growth and the substantial social benefits of advanced information and communications technologies. Incorporate in this assessment the contributions made by grant and loan awardees in each CASF account, including if the conclusion is that certain awardees or accounts made no substantial contribution.
- iv. In response to the statute, PU Code 281(i)(1) requirement to include data on the types and numbers of jobs created as a result of the CASF program, assess jobs created during the construction phase of the infrastructure projects as well as jobs created for the purpose of public housing grants and consortia operations. To the extent that internal program data does not provide an adequate snapshot, the Auditors may conduct inquiries, interviews and/or surveys to assess the types and numbers of jobs created as a result of the CASF program (e.g., data requests to grantees).

**5. Timeline, Cost and Deliverables**

The period of performance of this Agreement begins May 17, 2016 and continues until June 30, 2017. In full consideration of the SCO's services under the Agreement, the CPUC shall make payment to SCO not to exceed \$1,440,000.00. Deliverables include:

**Audit Plan and Program**

- Contractor is required to provide an audit plan and program including, but not limited to, dates of milestones, adherence to GAGAS (such as documenting procedures designed to detect fraud), sampling methodology, and detailed audit procedures to CD by June 30, 2016 for CD's approval.
- Monthly Work Status Updates and Meetings
- Monthly Summary of Audit Issues

**Audit Report:**

- Second Interim Financial Audit Report - A draft audit report will issued to discuss the preliminary audit results will be to the CPUC. The final audit report will incorporate the

**EXHIBIT A**

CPUC's responses and in accordance with the Government Code Section 9795, will be issued to the California Legislature; specifically, the Secretary of the Senate, as an electronic copy to the Chief Clerk of the Assembly, and as an electronic or printed copy to the Legislative Counsel.

- Second Interim Performance Audit Report – Once the audit results have been discussed with affected grant fund recipients, the draft report will be issued to the CPUC. The final report will incorporate CPUC's responses and in accordance with the Government Code Section 9795, will be issued to the California Legislature; specifically, the Secretary of the Senate, as an electronic copy to the Chief Clerk of the Assembly, and as an electronic or printed copy to the Legislative Counsel.

Deliverable	Due Date
Financial Audit Report	April 1, 2017
Performance Audit Report	April 1, 2017

2. The services will be provided during mutually agreed upon working hours.

3. The project representatives during the term of this agreement will be:

State Agency: California Public Utilities Commission	Contractor: State Controller's Office (SCO)
Name: Michele King	Name: Larry Norris, Chief Administration and Disbursement Div.
Phone: (415) 703-4332	Phone (916) 322-5320
Fax: N/A	Fax: N/A
e-mail: michele.king@cpuc.ca.gov	e-mail: lnorris@sco.ca.gov

Direct all inquiries to:

State Agency: California Public Utilities Commission	Contractor: State Controller Office (SCO)
Section/Unit: Communications Division	Section/Unit: State Agency Audits Bureau
Attention: Michele King	Attention: Chris Prasad
Address: 505 Van Ness Ave. San Francisco, CA 94102	Address: 3301 "C" Street, Suite 725 Sacramento, CA 95816
Phone: (415) 703-4332	Phone:(916) 445-8519
Fax: N/A	Fax: N/A
e-mail: michele.king@cpuc.ca.gov	e-mail: cprasad@sco.ca.gov

**EXHIBIT B**

**BUDGET DETAIL AND PAYMENT PROVISIONS**

**1. Invoicing and Payment**

- A. For Audit services satisfactorily rendered, and approved by CPUC's Project Manager (PM) and upon receipt and approval of the invoices, the CPUC agrees to compensate SCO for actual expenditures incurred in accordance with Exhibit B - Attachment 1 - Cost Breakdown specified herein: Incomplete or disputed invoices shall be returned to SCO, unpaid for correction.
- B. Invoices shall be submitted no more often than monthly, in arrears, and shall provide supporting documentation properly detailing all charges, expenses, direct and indirect costs. All invoices submitted by SCO must identify this Agreement No. 15IA5002. Any invoices submitted without the above referenced information may be returned to SCO for further re-processing.

Invoices shall include the Agreement Number and shall be submitted in quadruplicate, one original and three copies with authorized signature not more frequently than monthly in arrears to:

Eulander Summerville, AGPA/Contract Officer  
California Public Utilities Commission  
Contracts Office, Room 2-33  
605 Van Ness Ave.  
San Francisco, CA 94102

**2. Budget Contingency Clause**

- A. It is mutually agreed that if the Budget Act of the current year and/or any subsequent years covered under this Agreement does not appropriate sufficient funds for the program, this Agreement shall be of no further force and effect. In this event, the State shall have no liability to pay any funds whatsoever to Contractor or to furnish any other considerations under this Agreement and Contractor shall not be obligated to perform any provisions of this Agreement.
- B. If funding for any fiscal year is reduced or deleted by the Budget Act for purposes of this program, the State shall have the option to either cancel this Agreement with no liability occurring to the CPUC, or offer an agreement amendment to Contractor to reflect the reduced amount.

**3. Prompt Payment Clause**

- A. Payment will be made in accordance with, and within the time specified in, Government Code Chapter 4.5, commencing with Section 927.
- B. Nothing herein contained shall preclude advance payments pursuant to Article 1, Chapter 3, Part 1, Division 3, Title 2 of the California Government Code.

**4. Rates**

Rates for these services may be found in Exhibit B- Attachment (1) of this Agreement.

**5. Cost Limitation**

A. The total amount of this Agreement shall not exceed \$1,440,000.00 (One Million Four Hundred Forty Thousand Dollars and 00/100).

B. It is understood and agreed that this total is an estimate and that CPUC will pay only for those services actually rendered as authorized by the CPUC's Project Manager or its designee up to the total amount set forth in Section 5A, above.

**6. Cost Principles**

SCO agrees to comply with Federal procedures in accordance with the applicable Title 2 Code of Federal Regulations (CFR Part 200 and 225, Cost Principles for State, Local and Indian Tribal Governments.

**EXHIBIT B – Attachment (1) –Budget/Cost Sheet**

**Year 1: Fiscal Year 2015-16**

<b>Staff Classification</b>	<b>Rates/Cost</b>
Supervising Management Auditor*	\$ 122.95
Senior Management Auditor*	\$ 110.68
Staff Management Auditor - Specialist*	\$ 96.64
Associate Management Auditor*	\$ 92.39
Staff Services Management Auditor*	\$ 76.82
Salary, including overhead	\$ 243,060.00
Travel	\$ 21,160.00
<b>Total - FY 2015-16</b>	<b>\$ 264,220.00</b>

**Year 2: Fiscal Year 2016-17**

<b>Staff Classification</b>	<b>Rates/Cost</b>
Supervising Management Auditor*	\$ 122.95
Senior Management Auditor*	\$ 110.68
Staff Management Auditor - Specialist*	\$ 96.64
Associate Management Auditor*	\$ 92.39
Staff Services Management Auditor*	\$ 76.82
Salary, including overhead	\$ 1,096,940.00
Travel	\$ 78,840.00
<b>Total - FY 2016-17</b>	<b>\$ 1,175,780.00</b>
<b>Grand Total</b>	<b>\$ 1,440,000.00</b>

*\*Note – These are the classifications needed to complete all work. Both the quantity of hours and the number of staff per classification used per month will vary based on the complexity of the work. The billing rates are subject to change on an annual basis due to SAM factor calculations. CPUC will be notified 90 days in advance of any billing rate adjustments and an amendment will be required.*

**EXHIBIT C**

**GLA 610**

1. **APPROVAL:** This Agreement is not valid until signed by both parties and approved by the Department of General Services, if required.
2. **AUDIT:** The agency performing work under this Agreement agrees that the awarding department, the Department of General Services, the Bureau of State Audits, or their designated representative shall have the right to review and to copy any records and supporting documentation pertaining to the performance of this Agreement if it exceeds \$10,000. The agency performing work agrees to maintain such records for possible audit for a minimum of three (3) years after final payment, unless a longer period of record retention is stipulated.
3. **PAYMENT:** Costs for this Agreement shall be computed in accordance with State Administrative Manual Section 8752 and 8752.1.
4. **AMENDMENT:** No amendment or variation of the terms of this Agreement shall be valid unless made in writing, signed by the parties, and approved as required. No oral understanding or agreement not incorporated in the Agreement is binding on any of the parties.
5. **SUBCONTRACTING:** All subcontracting must comply with the requirements of the State Contracting Manual, Section 3.06.
6. **ADVANCE PAYMENT:** The parties to this interagency agreement may agree to the advancing of funds as provided in Government Code Sections 11257 through 11263.
7. **DISPUTES:** The agency performing work under this Agreement shall continue with the responsibilities under this Agreement during any dispute.
8. **TIMELINESS:** Time is of the essence in this Agreement.
9. **NON-PAYMENT OF INVOICES – FUND TRANSACTION REQUEST:** In accordance with Government Code Section 11255, the parties agree that when an invoice is not paid by the requested due date to the Contractor (agency providing the service) and the invoice is not disputed by the contracting Department (agency receiving the service), Contractor may send the contracting Department a 30-day notice that it intends to initiate a transfer of funds through a Transaction Request sent to the State Controller's Office. To facilitate a Transaction Request should one be needed, the contracting Department shall no later than 10 business days following execution of this agreement provide data to the Contractor for the appropriation to be charged including: fund number, organization code, fiscal year, reference, category or program, and, if applicable, element, component, and task.



EXHIBIT D

**SPECIAL TERMS AND CONDITIONS**

**1. Termination**

- A. Either Party reserves the right to terminate this Agreement without cause upon thirty (30) days written notice to the other Party, or immediately in the event of a material breach. In the event of termination, SCO shall be paid for all allowable costs incurred up to the date of termination.
- B. In the event that the total Agreement amount is expended prior to the expiration date, CPUC may, at its sole discretion, terminate this Agreement with thirty (30) days' notice to SCO.

**2. Retention of Records/Audits**

For the purpose of determining compliance with Public Contract Code Section 10115, *et seq.* and Title 21, California Code of Regulations, Chapter 21, Section 2500 *et seq.*, when applicable, and other matters connected with the performance of the contract pursuant to Government Code Section 8546.7, the SCO shall maintain all books, documents, papers, accounting records, and other evidence pertaining to the performance of the contract, including but not limited to, the costs of administering the contract. All parties shall make such materials available at their respective offices at all reasonable times during the contract period and for three years from the date of final payment under the contract. The California State Auditor shall have access to any books, records, and documents of SCO that are pertinent to the contract for audits, examinations, excerpts, and transactions, and copies thereof shall be furnished if requested. This provision does not constrain or limit, in any manner, Federal agencies' authority to conduct or arrange for additional audits under Federal laws or regulations.

**3. Disputes**

- A. Any dispute concerning a question of fact arising under this Agreement that is not disposed of by agreement shall be decided by the CPUC PM, who may consider any written or verbal evidence submitted by SCO. The decision of the PM, issued in writing, shall be CPUC's final decision regarding the dispute.
- B. Neither the pendency of a dispute nor its consideration by the PM will excuse SCO from full and timely performance in accordance with the terms of this Agreement.

**4. Indemnification and Hold Harmless Requirement**

Neither CPUC nor any officer or employee thereof is responsible for any damage or liability occurring by reason of anything done or omitted to be done by SCO under, or in connection with any work, authority, or jurisdiction delegated to SCO under this Agreement. It is understood and agreed that, pursuant to Government Code Section 895.4, SCO shall fully defend, indemnify, and save harmless CPUC and all of its officers and employees from all claims, suits, or actions of every name, kind, and description brought forth occurring by reason of anything done or omitted to be done by SCO under or in connection with any work, authority, or jurisdiction delegated to SCO under this Agreement

**EXHIBIT E**

**ADDITIONAL PROVISIONS**

**1. State-Owned Data - Integrity and Security**

A. SCO shall comply with the following requirements to ensure the preservation, security, and integrity of State-owned data on portable computing devices and portable electronic storage media:

1. Encrypt all State-owned data stored on portable computing devices and portable electronic storage media using government-certified Advanced Encryption Standard (AES) cipher algorithm with a 256-bit or 128-bit encryption key to protect CPUC data stored on every sector of a hard drive, including temp files, cached data, hibernation files, and even unused disk space.

Data encryption shall use cryptographic technology that has been tested and approved against exacting standards, such as FIPS 140-2 Security Requirements for Cryptographic Modules.

2. Encrypt, as described above, all State-owned data transmitted from one computing device or storage medium to another.

3. Maintain confidentiality of all State-owned data by limiting data sharing to those individuals contracted to provide services on behalf of the State, and limit use of State information assets for State purposes only.

4. Install and maintain current anti-virus software, security patches, and upgrades on all computing devices used during the course of the Agreement.

5. Notify the CPUC's Project Manager immediately of any actual or attempted violations of security of State-owned data, including lost or stolen computing devices, files, or portable electronic storage media containing State-owned data.

6. Advise the owner of the State-owned data, the agency Information Security Officer, and the agency Chief Information Officer of vulnerabilities that may present a threat to the security of State-owned data and of specific means of protecting that State-owned data.

B. SCO shall use the State-owned data only for State purposes under this Agreement.

C. SCO shall not transfer State-owned data to any computing system, mobile device, or desktop computer without first establishing the specifications for information integrity and security as established for the original data file(s). (State Administrative Manual (SAM) section 5335.1)