

AGREEMENT BETWEEN THE COUNTY OF SAN MATEO AND

MACIAS GINI & O'CONNELL LLP

**CERTIFIED PUBLIC ACCOUNTANTS, FROM APRIL 1, 2008 TO MARCH 31, 2011
FOR POST-AUDITS, EXAMINATION OF VARIOUS COUNTY AUDITORS'
FINANCIAL STATEMENTS AND FOR OTHER SPECIFIED AUDIT WORK FOR THE
FISCAL YEARS ENDING
JUNE 30, 2008, 2009, AND 2010**

THIS AGREEMENT, entered into this ____ day of _____, 20____, by and between the COUNTY OF SAN MATEO, hereinafter called "County," and Macias Gini & O'Connell LLP, hereinafter called "Auditors";

W I T N E S S E T H:

WHEREAS, the Grand Jury of the County of San Mateo and the Board of Supervisors of the County of San Mateo have determined to engage Auditors for the purpose of acquiring a post audit of the financial transactions and records of the County of San Mateo in accordance with generally accepted auditing standards, the standards set forth for financial audits in the current Government Accountability Office's (GAO) *Government Auditing Standards*, the provisions of the federal Single Audit Act of 1984 (as amended in 1996) and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* as well as the following additional requirements:

- California Government Code Section 25250 and Penal Code Section 925,
- Specific requirements of any compilations, audits or reviews performed under Exhibit A of this document, Scope of Work to be Performed.

NOW, THEREFORE, IT IS HEREBY AGREED by and between the County and Auditors as follows:

1. Term of Agreement. This Agreement shall be in full force and effect from April 1, 2008 to March 31, 2011, for the post-audit of the fiscal years ending June 30, 2008, 2009 and 2010 only, and shall terminate upon satisfactory completion of said post audits in accordance with the Specifications for Audit set forth below. The County at its discretion may exercise two additional one-year options if performance is deemed satisfactory.

2. Specifications for Audit. Auditors shall comply with the specifications contained in that certain document attached hereto and made a part hereof, marked Exhibit "A" and entitled "Audit Specifications."

3. Completion of Audit. The Auditors shall perform the said audits in compliance with the specifications above mentioned and will diligently pursue said audits in conformance with

the dates specified on that certain document attached hereto and made a part hereof, marked Exhibit "A" and entitled "Time Requirements." Reports shall be delivered as provided herein, provided that by August 29 the accounts for the year ending June 30 maintained by the Controller's Office, are properly closed and draft financial statements, notes and all required supplementary schedules and statistical data are available.

4. Compensation to Auditors. Auditors agree to perform the services required of them to be performed under this Agreement for an all-inclusive maximum amount not to exceed \$369,379.00 for the audit for the year ending June 30, 2008, \$381,883.00 for the audit for the year ending June 30, 2009, and \$394,877.00 for the audit for the year ending June 30, 2010. If there is a substantial change in the County's audit specifications outlined in Exhibit A, Auditor shall provide notice thereof and discussions will be held as to what amount will be paid if this Agreement is not terminated.

5. Extension of Audit and Provision for Compensation. Should any defalcation or other irregularity be encountered by Auditors during the performance of their work as herein specified which shall require the expenditure of time or services additional to that provided for in the specifications referred to in paragraph 2 hereof, such defalcations or irregularities shall be immediately brought to the attention of the Board of Supervisors and Grand Jury for their specific instructions in regard to the extension of the time provided for herein or in regard to the extension of compensation as provided herein. No additional time or services shall be expended by Auditors unless and until arrangements covering a charge for the additional work shall be agreed upon and approved by the Board of Supervisors and the Grand Jury.

6. Cooperation of County Officers. Auditors shall have the power of investigation and the same powers with regard to compelling the attendance of witnesses and production of books and papers and administering of oaths, as are conferred upon Boards of Supervisors to the extent permitted by law. Every officer and employee shall give all required assistance and information to Auditors and submit to them for examination such books and papers of their office as may be requested. Any instance of lack of cooperation on the part of any such County officer shall immediately be brought by the Auditors to the attention of the Board of Supervisors and the Grand Jury.

7. Time for Payment of Compensation to Auditors. On or about May 26 of each contract year, Auditors shall submit to the Grand Jury, Audit Committee, Controller and County Manager their progress report of work completed and request that their actual costs, not to exceed 35% of the maximum contract cost, be reimbursed based on the rates specified in paragraph 4 above; and if the County is satisfied that Auditors have performed satisfactorily, the request for payment shall be approved by the County Manager or his/her designee.

Within ten (10) days after the County's receipt of the initial Auditor's partner review notes of the County's draft Comprehensive Annual Financial Report "CAFR" and all other deliverables for its review as specified in Exhibit A under "Time Requirements", Auditors shall request that their actual costs, not to exceed an additional 45% for a total of 80% of the maximum contract cost, be reimbursed based on the rates specified in paragraph 4 above; and if the County is satisfied that the Auditors have performed satisfactorily all things required of them

under the terms of this Agreement, the request for payment shall be approved by the County Manager or his/her designee.

Within ten (10) days after the receipt of the final report as specified in Exhibit A under "Time Requirements", Auditors shall submit to the County their statement that they have performed all services required of them under the terms of this Agreement; and if the County is satisfied that the Auditors have performed satisfactorily all things required of them under the terms of this Agreement, the remaining compensation for payment to Auditors shall be approved by the County Manager or his/her designee.

8. Reports. Auditors shall furnish reports pursuant to the provisions of this Agreement on or before the due dates specified on Exhibit "A" attached hereto by delivering to the Controller at 555 County Center, 4th Floor, Redwood City, California 94063, subject to the conditions in paragraph 3.

9. Hold Harmless. Auditors shall indemnify, defend and hold County, its officers, agents, employees and independent contractors free and harmless from any loss or liability whatsoever, based or asserted upon any act or omission of Auditors, their partners, agents, employees, subcontractors and independent contractors, relating to or in any way connected with or arising from the accomplishment or failure to accomplish the services to be rendered hereunder, including any sanctions, penalties, or claims of damages resulting from Auditors' failure to comply with the requirements set forth in the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and all Federal regulations promulgated thereunder, as amended, and Auditors shall defend at their expense, including attorneys' fees, County, its officers, agents, employees and independent contractors in any legal action based upon such alleged acts or omissions.

With respect to any action or claim which is subject to indemnification by Auditors as set forth above, Auditors shall, at their own costs, have the right to defend the same using counsel of their choice and shall have the right to adjust, settle, or compromise any such actions or claims without the prior consent of County provided, however, that any such adjustment, settlement or compromise in no manner whatsoever limits or circumscribes Auditors' indemnification to County as set forth above.

The duty of Auditors to indemnify and save harmless, as set forth herein, shall include the duty to defend as set forth in Section 2778 of the California Civil Code.

10. Insurance. Auditors shall not commence work under this Agreement until all insurance required under this section has been obtained and such insurance has been approved by the County's Risk Management Division. Auditor shall furnish to the County's Risk Management Division Certificates of Insurance evidencing the required coverage and there shall be a specific contractual liability endorsement extending the Auditor's coverage to include the contractual liability assumed by Auditors pursuant to this Agreement. These Certificates shall specify or be endorsed to provide that thirty (30) days notice must be given, in writing, to the County's Risk Management Division of any pending change in the limits of liability or of any cancellation or modification of the policy.

a. Workers' Compensation and Employer Liability Insurance: Auditors shall have in effect during the entire life of this Agreement Workers' Compensation and Employer Liability Insurance providing full statutory coverage. In signing this Agreement, Auditor makes the following certification, required by Section 1861 of the California Labor Code:

I am aware of the provision of Section 3700 of the California Labor Code, which requires every employer to be insured against liability for Workers' Compensation or to undertake self-insurance in accordance with the provisions of the Code, and I will comply with such provisions before commencing the performance of the work of this Agreement.

b. Liability Insurance: Auditors shall take out and maintain during the life of this Agreement such Bodily Injury Liability and Property Damage Liability Insurance as shall protect the Auditor while performing work covered by this Agreement from any and all claims for damages for bodily injury, including accidental death, as well as any and all claims for property damage which may arise from the contractor's operations under this Agreement, whether such operations be by the firm or by any sub-contractor or by anyone directly or indirectly employed by either of them and the amounts of such insurance shall be one million dollars (\$1,000,000.00) combined single limit bodily injury and property damage for each occurrence. The County may, at its sole discretion, require an increase in the amount of liability insurance to the level then customary in similar County agreements by giving sixty (60) days notice to Auditors. County and its officers, agents, employees and servants shall be named as additional insured on any such policies of insurance, which shall also contain a provision that the insurance afforded thereby to the County, its officers, agents, employees and servants shall be primary insurance to the full limits of liability of the policy, and that if the County or its officers and employees have other insurance against a loss covered by such a policy, such other insurance shall be excess insurance only.

In the event of the breach of any provision of this section, or in the event any notice is received which indicates any required insurance coverage will be diminished or canceled, the County at its option, may, notwithstanding any other provision of this Agreement to the contrary, immediately declare a material breach of this Agreement and suspend all further work pursuant to this Agreement.

11. Compliance with laws; payment of Licenses. All services to be performed by Contractor pursuant to this Agreement shall be performed in accordance with all applicable Federal, State, County, and municipal laws, ordinances and regulations, including, but not limited to, the Health Insurance Portability and Accountability Act of 1996 (HIPAA), and the Federal Regulations promulgated thereunder, as amended, and will comply with the Business Associate requirements set forth in Attachment "H," and the Americans with Disabilities Act of 1990, as amended, and Section 504 of the Rehabilitation Act of 1973, which prohibits discrimination on the basis of handicap in programs and activities receiving any Federal or County financial assistance. Such services shall also be performed in accordance with all applicable ordinances and regulations, including, but not limited to, appropriate licensure, certification regulations, provisions pertaining to confidentiality of records, and applicable quality assurance regulations. In the event of a conflict between the terms of this Agreement and

State, Federal, County, or municipal law or regulations, the requirements of the applicable law will take precedence over the requirements set forth in this Agreement.

Contractor will timely and accurately complete, sign, and submit all necessary documentation of compliance with the HIPAA requirements as set forth in Attachment "H".

12. Non-Discrimination. Auditors, with regard to the work performed by them during the contract, shall not discriminate, in any way, against any person on the basis of race, color, religion, national origin, age, sex, sexual orientation, pregnancy, childbirth or related conditions, medical condition, mental or physical disability or veteran's status in connection with or related to the performance of this Agreement, selection of their employees or in the retention of sub-contractors, including procurement of materials and leases of equipment,.

Violation of the non-discrimination provisions of this Agreement shall be considered a breach of this Agreement and subject the Auditors to penalties, to be determined by the County Manager, including but not limited to: i) termination of this Agreement; ii) disqualification of the Auditors from bidding on or being awarded a County contract for a period of up to 3 years; iii) liquidated damages of \$2,500 per violation; iv) imposition of other appropriate contractual and civil remedies and sanctions, as determined by the County Manager.

To effectuate the provisions of this paragraph, the County Manager shall have the authority to: i) examine Auditor's employment records with respect to compliance with this paragraph; ii) set off all or any portion of the amount described in this paragraph against amounts due to Auditors under the Agreement or another Agreement between Auditors and County.

Auditors shall report to the County Manager the filing by any person in any court of any complaint of discrimination or the filing by any person of any and all charges with the Equal Employment Opportunity Commission, the Fair Employment and Housing Commission or any other entity charged with the investigation of allegations within 30 days of such filing, provided that within such 30 days such entity has not notified Auditors that such charges are dismissed or otherwise unfounded. Such notification shall include the name of the complainant, a copy of such complaint and a description of the circumstance. Auditors shall provide County with a copy of its response to the Complaint when filed.

Non-Discrimination - Employment. Auditors, with regard to the work performed by them during the contract, shall ensure equal employment opportunity based on objective standards of recruitment, selection, promotion, classification, compensation, performance evaluations, and management relations, for all employees under this Agreement. Auditors' affirmative action policies shall be made available to County upon request.

Equal Benefits. With respect to the provision of employee benefits, Auditors shall comply with the County Ordinance which prohibits contractors from discriminating in the provision of employee benefits between an employee with a domestic partner and an employee with a spouse.

Contractor Employee Jury Service Ordinance. Contractor shall comply with the County

Ordinance with respect to provision of jury duty pay to employees and have and adhere to a written policy that provides that its employees shall receive from the contractor, on an annual basis, no less than five days of regular pay for actual jury service in San Mateo County. The policy may provide that employees deposit any fees received for such jury service with the contractor or that the contractor deduct from the employees regular pay the fees received for jury service.

13. Auditors - Independent Contractor. It is understood and agreed that the Auditors in the performance of the services herein agreed to be performed by Auditors shall act as and be independent contractors and not agents or employees of the County; and that as an independent contractor, Auditors shall obtain no rights to any benefits which accrue to County employees.

14. Supervision of Work by Partner and Manager. Auditors covenant to have all work performed by them under the terms of this Agreement under the direct supervision of one of the partners and the assigned manager of said Auditors and warrant that all work will be carefully supervised. If the County believes the audit would benefit from the replacement of Auditors' assigned personnel, the County reserves the right to have any and all individuals replaced within a reasonable period of time.

15. Interest of Auditors. The Auditors will covenant that they presently have no interest and shall not acquire any interest, direct or indirect, that would conflict in any manner or degree with the performance of services required to be performed under this Agreement. The Auditors further covenant that, in the performance of this Agreement, no persons having any such interest shall be employed.

16. Termination. This Agreement may be terminated in whole or in part at any time by County upon thirty (30) days written notice to Auditors. In the event of termination, Auditors shall be paid for acceptable work performed hereunder through the date of termination based upon the number of hours worked and allowable expenses incurred. After receipt of the notice of termination, Auditors shall perform only those duties specified by the County Manager.

17. Records. County reserves the right to use, duplicate, and disclose, in whole or in part, in any manner for any purpose whatsoever and to authorize others to do so, all writings, graphic representations and works of a similar nature produced by Auditors pursuant to this Agreement.

All records and data of the County which are appropriate and necessary to the audit will be made available to Auditors for review and evaluation.

18. Auditors' Personnel. The personnel employed by Auditors in carrying out their duties under this Agreement shall be those specified below and in Assigned Personnel in Section 3 of the Auditors' Technical Proposal. Auditors will notify the County of any changes in the specified personnel. The County shall have the right to approve the assignment of personnel or request replacements. The Auditors agree to make comparable personnel available for all audits.

Ernest J. Gini, Client Services Partner
Linda C. Hurley, Director-In-Charge

Caroline Walsh, Professional Standards Reviewer
HFS Consultants, Healthcare Specialists

CAFR/Single Audit/JPFA/Housing Authority/Other
Lynnie Johansen-North, IT Consultant
Annie Louie, Engagement Manager
Irene Chan, CAFR Senior Assurance Associate
Sabrina Gill, Single Audit Senior Assurance Associate
Assurance Associates

San Mateo Medical Center
Claudia Ojeda, Senior Assurance Associate
Assurance Associates

19. Modification of Agreement. This Agreement, including Exhibit “A” and all Attachments thereto, plus the Request for Proposal and Auditors' proposal constitute the entire agreement between the parties. Any inconsistencies between the provisions of these documents shall be resolved by giving precedence in the following order:

1. Agreement
2. County's RFP
3. Auditors' Technical and Cost Proposals

The Agreement may be modified only by a further written agreement between the parties hereto.

20. Non-Assignability. Auditor shall not assign this Agreement or any portion thereof to a third party, and any attempted assignment in violation of this Section shall be null and void and shall give the County the right to immediately terminate this Agreement if it chooses to do so.

21. Permits/Licenses. Auditor shall obtain and maintain any license, permit, or approval from any agency whatsoever for the work/services to be performed under this Agreement, at his/her own expense, prior to commencement of said work/services or forfeit any right to compensation under this Agreement.

22. Retention of Records. Auditor shall maintain all required records for seven (7) years after the County makes final payment and all other pending matters are closed.

23. Confidentiality. All financial, statistical, personal, technical, and other data and information relating to the County's operations which is made available to Auditor in order to engage in the performance of services under this Agreement shall be presumed to be confidential. Auditor shall protect said data and information from unauthorized use and disclosure. Auditor shall not, however, be required by this paragraph to keep confidential any data or information that is or becomes publicly available, is already rightfully in Auditor's possession, is independently developed by Auditor outside the scope of this Agreement, or is

rightfully obtained from third parties or is required to be disclosed by judicial or administrative order, by subpoena or other legal requirement.

24. Governing Law and Severability. The terms and conditions of this Agreement shall be governed by, and construed in accordance with, the laws of the State of California (without giving effect to the choice of law principles thereof) with venue in the County of San Mateo Superior Court. If any provision of these terms is found by a court of competent jurisdiction to be unenforceable, such provision shall not affect the other provisions, but such unenforceable provision shall be deemed modified to the extent necessary to render it enforceable, preserving to the fullest extent permissible the intent of the parties set forth herein.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seal the day and year first hereinabove written.

Attest: BOARD OF SUPERVISORS, COUNTY OF
SAN MATEO, STATE OF CALIFORNIA

Clerk of Said Board By: _____
President, Board of Supervisors

MACIAS GINI & O'CONNELL LLP

By: _____
"Auditors"

EXHIBIT A

AUDIT SPECIFICATIONS

Auditors shall perform all necessary services to perform audits as specified below for fiscal years ending June 30, 2008, 2009, and 2010:

Scope of Work to be Performed

The Auditors shall express an opinion on the fair presentation of the County's basic financial statements contained in its Comprehensive Annual Financial Report (CAFR) in conformity with accounting principles generally accepted in the United States of America.

The following sections provide additional detail and describe the specific areas to be audited:

1. The auditor shall conduct an audit of the financial statements of the County in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. The audit shall conduct such tests of the accounting records and such other auditing procedures considered necessary under the circumstances in order that the auditor may render an opinion of the financial statements of the County for the fiscal year ending June 30.

The auditor is not required to audit the combining and individual fund financial statements and supporting schedules. However, the auditor is to provide an "in-relation-to" report on the combining and individual fund financial statements and supporting schedules based on the auditing procedures applied during the audit of the basic financial statements. The auditor is not required to audit the introductory section of the CAFR or the statistical section of the CAFR.

The auditor shall also be responsible for performing certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board (GASB) as mandated by generally accepted auditing standards.

2. The auditor shall conduct a Single Audit in accordance with OMB Circular A-133. The auditor shall, in conjunction with the audit of the County's financial statements, conduct audits described in the following three (3) paragraphs and issue separate reports thereon:
 - a. The audits shall be the financial and compliance type described in the *Standards for Audit of Governmental Organizations, Programs, Activities and Functions* published by the Comptroller General of the United States.
 - b. The auditor's examination of the County's financial statements shall be the financial type described in the American Institute of Certified Public Accountants (AICPA) Industry Audit Guide, *Audits of State and Local*

Governmental Units and the Governmental Accounting and Financial Reporting Standards published by GASB. The examination shall be conducted in accordance with auditing standards generally accepted in the United States of America leading to the expression of an opinion in compliance with Accountancy Regulations, Section 58, of the California State Board of Accountancy.

- c. The compliance examination shall enable the auditor to determine whether the organization has complied with the laws and regulations that may have a material effect on each major Federal assistance program. The auditor shall supply special reports and expressions as required by the cognizant agency and express an opinion on the County's compliance with all major Federal assistance programs in accordance with OMB Circular A-133. Audits of secondary recipients are excluded from this agreement.

The auditor is not required to audit the schedule of expenditures of federal awards. However, the auditor is to provide an "in-relation-to" report on that schedule based on the auditing procedures applied during the audit of the financial statements.

3. The audit shall include a review to determine if the County is complying with the uniform accounting standards and procedures as specified by the California Code of Regulations.
4. The scope of the audit shall include examination by selective tests of financial transactions of the County as reflected in the records of the County Controller and, to the extent deemed necessary, the records of financial transactions in other County offices, institutions and departments. The extent of tests necessary for such other offices, institutions and departments will be determined by the auditor.
5. The auditor shall examine and review the responses of the County departments to the recommendations of the prior year audit arising out of its examination of the internal controls and accounting procedures of said departments and offices of the County for the fiscal year ended. The auditor will render a written report of recommendations and conclusions to the Controller, Audit Committee, County Manager and Grand Jury foreman each fiscal year.

Each year the auditor shall communicate in writing to management and audit committee matters required to be communicated under the auditing standards described in this section - Scope of Work to be Performed. Such matters shall include but not be limited to control deficiencies identified during the audit that are considered significant deficiencies or material weaknesses, including matters that were communicated in previous audits and have not yet been remediated.

Each year the auditor shall also communicate in writing to management and the Audit Committee matters related to internal control that the auditor believes to be of potential benefit to

the entity, such as recommendations for operational or administrative efficiency, or for improving internal control.

6. The audit is not to cover the financial statements of school district funds and funds of special districts governed by local boards. For each fiscal year ending June 30, the auditor shall conduct an examination and prepare separate reports on the County's compliance with the Investment Policy adopted by the Board of Supervisors and other relevant Government Code sections.
7. For each fiscal year ending June 30, the auditor shall review the calculations of the appropriations limits of the County pursuant to the provisions of Proposition 111 (Section 1.5 of Article XIII B of the California Constitution). The review will evaluate the accuracy of the computations and the adequacy of documentation. The auditor shall provide a separate report thereon.
8. The auditor shall audit the following three grants for the District Attorney's Office and issue separate reports thereon in accordance with grant requirements:
 - a. California Department of Insurance
 - Automobile Insurance Fraud Grant - Sub-Org 25132
 - Worker's Compensation Insurance Fraud Grant - Sub-Org 25131
 - b. California Department of Justice
 - Spousal Abuser Prosecution Program - Sub-Org 25141
9. The auditor shall audit the Joint Powers Financing Authority and issue a report thereon. These financial statements will be blended into the County's financial statements.
10. The auditor shall perform a separate, stand-alone audit of the San Mateo Medical Center enterprise funds (inclusive of Clinics). This audit shall be performed in accordance with auditing standards generally accepted in the United States of America and shall comply with the applicable AICPA audit guide(s).
11. The auditor shall audit the Local Transportation Fund and issue a report thereon.

Auditing Standards To Be Followed

The audit shall be performed in accordance with generally accepting auditing standards as set forth by AICPA, the standards for financial audits set forth in the GOA's *Government Auditing Standards* (2007), and the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Reports to be Issued

Following the completion of the audit of each fiscal year's financial statements, the auditor shall issue to the Controller, Audit Committee, County Manager and Grand Jury foreman:

1. A report on the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America.
2. A report on compliance and internal control over financial reporting based on an audit of the financial statements.
3. A report on compliance and internal control over compliance applicable to each major federal program.

In the required reports on compliance and internal controls, the auditor shall communicate any control deficiency that is considered a material weakness or a significant deficiency found during the audit. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or a combination of control deficiencies such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

The reports on compliance and internal controls shall include all material instances of non-compliance. Auditors shall discuss all immaterial instances of non-compliance with County management.

Irregularities and illegal acts. Auditor shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the County.

Reporting

Auditors shall assure themselves that the County is informed of each of the following:

1. The auditor's responsibility under auditing standards generally accepted in the United States of America and OMB Circular A-133.
2. Significant accounting policies
3. Accounting estimates
4. Audit adjustments
5. Disagreements with management
6. Consultations with other independent accountants
7. Major issues discussed with management prior to retention

8. Difficulties in performing the audit

Special Considerations

1. The County will send its CAFR to the Government Finance Officers Association of the United States and Canada for review in its Certificate of Achievement for Excellence in Financial Reporting program. The auditor will be required to provide special assistance, primarily in the form of a technical review and guidance, to the County to meet the requirements of that program. Should the Award not be received for any fiscal year covered by the contract, it shall be considered sufficient grounds for the County to terminate the contract.
2. The County currently does not anticipate in Fiscal Year 2007-08 it will prepare one or more official statements in connection with the sale of debt securities which will contain the County's financial statements and the auditor's report thereon.
3. The Schedule of Expenditures of Federal Awards and related auditor's report, as well as the reports on compliance and internal controls are not to be included in the CAFR, but are to be issued separately.

Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the auditor's expense, for a minimum of seven (7) years, unless the auditor is notified in writing by the County of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the following parties or their designees:

- The Grand Jury
- Audit Committee
- County Management
- Government Accounting Office (GAO)
- Parties designated by the federal or state governments or by the County as part of an audit quality review process
- Auditor of entities of which the County is a subrecipient of grant funds

In addition, the auditor shall respond to the reasonable inquiries of successor auditor and allow successor auditor to review working papers relating to matters of continuing accounting significance.

Time Requirements

The County will have all records ready for audit and all management personnel available to meet with the auditor's personnel as of April 2, 2008.

- A. Schedule for the 2008 Fiscal Year Audit of the CAFR (a similar time schedule will be developed for audits of future fiscal years).

Each of the following should be completed by the auditor no later than the dates indicated. Should the County require additional time, the auditor shall ensure that the necessary auditor resources are available to complete the audit as close to the scheduled dates as possible.

1. Interim Work

The auditor shall complete interim work by June 15.

2. Detailed Audit Plan

The auditor shall provide County by May 31 a list of all schedules to be prepared by the County.

3. Fieldwork

The auditor shall complete all fieldwork by September 29.

4. Draft Reports

The auditor shall have drafts of the audit report and recommendations to management available for review by the Controller, the Audit Committee, the County Manager and Grand Jury foreman by November 1.

B. Entrance Conferences, Progress Reporting and Exit Conferences (A similar time schedule will be developed for audits of future fiscal years).

At a minimum, the following conferences should be held by the dates indicated on the schedule:

	<u>Week of</u>
Entrance conference with Controller, Audit Committee, County Manager and Grand Jury foreman	April 28
Entrance conference with all key finance department personnel and department heads of key offices or programs	April 28
- The purpose of this meeting will be to discuss prior audit problems and the interim work to be performed. This meeting will also be used	

to establish overall liaison
for the audit and to make
arrangements for work space and
other needs of the auditor

Progress conference with Controller and
department heads of key offices or programs

May 26

- The purpose of this meeting
will be to summarize the results of
the preliminary review and to
identify the key internal controls
or other matters to be tested

Progress conference with Controller,
Audit Committee, County Manager and
Grand Jury foreman

May 26

Progress conference with Controller, key
finance department personnel and other
department heads of key offices or programs

June 23

- The purpose of this meeting
will be to discuss the year-end
work to be performed

Entrance conference with Controller to
commence year-end audit work

August 29

Exit conference with Controller and department
heads of key offices or programs

September 29

- The purpose of this meeting
will be to summarize the
results of the field work
and to review significant
findings

Exit conference with Controller,
Audit Committee, County Manager and
Grand Jury foreman

September 29

C. Date Final CAFR Report is Due

The Controller shall prepare draft financial statements, notes and all required supplementary schedules and statistical data by August 29. The auditor shall provide all recommendations, revisions and suggestions for improvement to the Controller by September 29.

The Controller will incorporate all recommendations, revisions, and suggestions into the draft report as expeditiously as possible. It is expected that this process should not exceed one week. During that period, the auditor should be available for any meetings that may be necessary to discuss the audit reports. Once all issues for discussion are resolved, the final signed report shall be delivered to the Controller within 5 working days. It is anticipated that this process will be completed and the final report delivered by November 1.

The auditor shall deliver the signed opinion electronically in a format similar to the 2007 CAFR appearing on the Controller's Internet site.

Assistance to be Provided to the Auditor and Report Preparation

A. Controller's Office and Clerical Assistance

The Controller's Office staff and responsible management personnel will be available during the audit to assist the auditor by providing information, documentation and explanations. The preparation of confirmations will be the responsibility of the County under direction of the auditor.

B. Internal Audit Staff Assistance

Auditors are advised not to anticipate any field assistance from the internal audit division.

C. Work Area, Telephones, Photocopying and Fax Machines

The County will provide the auditor with reasonable workspace, desks and chairs. The auditor will also be provided with access to 1 telephone line, 1 modem line, photocopying facilities and fax machines.

D. Report Preparation

Report preparation, editing and printing shall be the responsibility of the auditor and the County.

E. Timetable for other reports listed in Scope of Work to be Performed.

Deliverable	<u>Due Date</u>
• JPFA Report (15 copies) (#9)	September 22
• Comprehensive Annual Financial Report (CAFR) (1 electronic copy of signed opinion) (#1)	November 1

Deliverable	<u>Due Date</u>
<ul style="list-style-type: none"> • Report on Appropriation Limit (50 bound copies) (#7) 	September 22
<ul style="list-style-type: none"> • Medical Center Enterprise Funds Audit Report (50 bound copies) (#-10) 	September 22
<ul style="list-style-type: none"> • Investment Policy Report (25 bound copies) (#6) 	November 15
<ul style="list-style-type: none"> • Three (3) reports for the District Attorney's Office (5 bound copies each) (#8) 	November 15
<ul style="list-style-type: none"> • Single Audit Reports (50 bound copies) (#2) 	November 30
<ul style="list-style-type: none"> • Local Transportation Fund (10 bound copies) (#11) 	November 30
<ul style="list-style-type: none"> • Management Letter (50 bound copies) (#5) 	November 1

Note: Numbers in parenthesis (#) refer to items in Section "Scope of Work to Be Performed".

Attachment H
Health Insurance Portability and Accountability Act (HIPAA)
Business Associate Requirements

Definitions

Terms used, but not otherwise defined, in this Schedule shall have the same meaning as those terms are defined in 45 Code of Federal Regulations section 160.103 164.304 and 164.501. (All regulatory references in this Schedule are to Title 45 of the Code of Federal Regulations unless otherwise specified.)

- a. *Designated Record Set.* “Designated Record Set” shall have the same meaning as the term “designated record set” in Section 164.501.
- b. *Electronic Protected Health Information.* “Electronic Protected Health Information” (“EPHI”) means individually identifiable health information that is transmitted or maintained in electronic media, limited to the information created, received, maintained or transmitted by Business Associate from or on behalf of Covered Entity.
- c. *Individual.* “Individual” shall have the same meaning as the term “individual” in Section 164.501 and shall include a person who qualifies as a personal representative in accordance with Section 164.502(g).
- d. *Privacy Rule.* “Privacy Rule” shall mean the Standards for Privacy of Individually Identifiable Health Information at 45 Code of Federal Regulations Part 160 and Part 164, Subparts A and E.
- e. *Protected Health Information.* “Protected Health Information” shall have the same meaning as the term “protected health information” in Section 164.501 and is limited to the information created or received by Contractor from or on behalf of County.
- f. *Required By Law.* “Required by law” shall have the same meaning as the term “required by law” in Section 164.501.
- g. *Secretary.* “Secretary” shall mean the Secretary of the United States Department of Health and Human Services or his or her designee.
- h. *Security Incident.* “Security Incident” shall mean the attempted or successful unauthorized access, use, disclosure, modification, or destruction of information or interference with systems operations in an information system, but does not include minor incidents that occur on a daily basis, such as scans, “pings”, or unsuccessful random attempts to penetrate computer networks or servers maintained by Business Associate
- i. *Security Rule.* “Security Rule” shall mean the Standards for the Protection of Electronic Protected Health Information at 45 CFR Part 160 and Part 164, Subparts A and C.

Obligations and Activities of Contractor

- a. Auditor (“Contractor”) agrees to not use or further disclose Protected Health Information other than as permitted or required by the Agreement or as required by law.

- b. Contractor agrees to use appropriate safeguards to prevent the use or disclosure of the Protected Health Information other than as provided for by this Agreement.
- c. Contractor agrees to mitigate, to the extent practicable, any harmful effect that is known to Contractor of a use or disclosure of Protected Health Information by Contractor in violation of the requirements of this Agreement.
- d. Contractor agrees to report to County any use or disclosure of the Protected Health Information not provided for by this Agreement.
- e. Contractor agrees to ensure that any agent, including a subcontractor, to whom it provides Protected Health Information received from, or created or received by Contractor on behalf of County, agrees to the same restrictions and conditions that apply through this Agreement to Contractor with respect to such information.
- f. If Contractor has protected health information in a designated record set, Contractor agrees to provide access, at the request of County, and in the time and manner designated by County, to Protected Health Information in a Designated Record Set, to County or, as directed by County, to an Individual in order to meet the requirements under Section 164.524.
- g. If Contractor has protected health information in a designated record set, Contractor agrees to make any amendment(s) to Protected Health Information in a Designated Record Set that the County directs or agrees to make pursuant to Section 164.526 at the request of County or an Individual, and in the time and manner designed by County.
- h. Contractor agrees to make internal practices, books, and records relating to the use and disclosure of Protected Health Information received from, or created or received by Contractor on behalf of, County available to the County, or at the request of the County to the Secretary, in a time and manner designated by the County or the Secretary, for purposes of the Secretary determining County's compliance with the Privacy Rule.
- i. Contractor agrees to document such disclosures of Protected Health Information and information related to such disclosures as would be required for County to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in accordance with Section 164.528.
- j. Contractor agrees to provide to County or an Individual in the time and manner designated by County, information collected in accordance with Section (i) of this Schedule, to permit County to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in accordance with Section 164.528.
- k. Contractor shall implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of EPHI that Contractor creates, receives, maintains, or transmits on behalf of County.
- l. Contractor shall conform to generally accepted system security principles and the requirements of the final HIPAA rule pertaining to the security of health information.
- m. Contractor shall ensure that any agent to whom it provides EPHI, including a subcontractor, agrees to implement reasonable and appropriate safeguards to protect such EPHI.
- n. Contractor shall report to County any Security Incident within 5 business days of becoming aware of such incident.

- o. Contractor shall make its policies, procedures, and documentation relating to the security and privacy of protected health information, including EPHI, available to the Secretary of the U.S. Department of Health and Human Services and, at County's request, to the County for purposes of the Secretary determining County's compliance with the HIPAA privacy and security regulations.

Permitted Uses and Disclosures by Contractor

Except as otherwise limited in this Schedule, Contractor may use or disclose Protected Health Information to perform functions, activities, or services for, or on behalf of, County as specified in the Agreement; provided that such use or disclosure would not violate the Privacy Rule if done by County.

Obligations of County

- a. County shall provide Contractor with the notice of privacy practices that County produces in accordance with Section 164.520, as well as any changes to such notice.
- b. County shall provide Contractor with any changes in, or revocation of, permission by Individual to use or disclose Protected Health Information, if such changes affect Contractor's permitted or required uses and disclosures.
- c. County shall notify Contractor of any restriction to the use or disclosure of Protected Health Information that County has agreed to in accordance with Section 164.522.

Permissible Requests by County

County shall not request Contractor to use or disclose Protected Health Information in any manner that would not be permissible under the Privacy Rule if done by County, unless the Contractor will use or disclose Protected Health Information for, and if the Agreement provides for, data aggregation or management and administrative activities of Contractor.

Duties Upon Termination of Agreement

- a. Upon termination of the Agreement, for any reason, Contractor shall return or destroy all Protected Health Information received from County, or created or received by Contractor on behalf of County. This provision shall apply to Protected Health Information that is in the possession of subcontractors or agents of Contractor. Contractor shall retain no copies of the Protected Health Information.
- b. In the event that Contractor determines that returning or destroying Protected Health Information is infeasible, Contractor shall provide to County notification of the conditions that make return or destruction infeasible. Upon mutual agreement of the Parties that return or destruction of Protected Health Information is infeasible, Contractor shall extend the protections of the Agreement to such Protected Health Information and limit further uses and disclosures of such Protected Health Information to those purposes that make the return or destruction infeasible, for so long as Contractor maintains such Protected Health Information.

Miscellaneous

- a. *Regulatory References.* A reference in this Schedule to a section in the Privacy Rule means the section as in effect or as amended, and for which compliance is required.
- b. *Amendment.* The Parties agree to take such action as is necessary to amend this Schedule from time to time as is necessary for County to comply with the requirements of the Privacy Rule and the Health Insurance Portability and Accountability Act, Public Law 104-191.
- c. *Survival.* The respective rights and obligations of Contractor under this Schedule shall survive the termination of the Agreement.
- d. *Interpretation.* Any ambiguity in this Schedule shall be resolved in favor of a meaning that permits County to comply with the Privacy Rule.
- e. *Reservation of Right to Monitor Activities.* County reserves the right to monitor the security policies and procedures of Contractor