County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE
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DAVID E. JANSSEN
Chief Administrative Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE BRATHWAITE BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

June 3, 2003

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

SALES AND USE TAX AUDITING SERVICES AGREEMENT (ALL DISTRICTS) (3-VOTES)

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Chair to sign an agreement for sales and use tax auditing services with MBIA MuniServices Company (MMC), effective July 1, 2003, for a period of three years with two one-year renewal options, at an annual cost based on 20% of the new revenue identified and received by the County from the State Board of Equalization (SBE).

2. Adopt the attached resolution authorizing MMC to receive and review sales and use tax records from the SBE so they may identify misallocated revenues.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The County currently receives approximately $40 million in annual revenue from the collection of local sales and use taxes generated in the unincorporated areas of the County. In-house efforts to identify many of the common errors related to misallocated tax revenues have proven beneficial to the County. However, the desired auditing services are highly technical and specialized and the County does not have the expertise or available resources to identify the more complex sales and use tax misallocation errors. The recommended agreement will help identify these errors, resulting in increased sales and use tax revenues to the County.

Contractor access to County sales and use tax records can only be authorized by the Board of Supervisors through a resolution to the SBE, which names the authorized

contractor who meets predetermined conditions. Board approval of the enclosed resolution will allow MMC access to County sales and use tax records as required by the SBE for the purpose of identifying misallocated revenues.

IMPLEMENTATION OF STRATEGIC PLAN GOALS:

This agreement will strengthen the County's fiscal capacity by maximizing sales and use tax revenues. This outcome is consistent with Goal 4 of the County's Strategic Plan.

FISCAL IMPACT/FINANCING

MMC's contingency fee is 20 percent of the new sales and use tax revenues identified and recovered for 11 consecutive quarters. There will be no compensation paid to the contractor until the SBE approves MMC's claim and the County begins receiving sales and use tax revenues as a result of the audit process. MMC has been under contract with the County for five years, and since 1999 their efforts have identified over $2.0 million of misallocated County sales and use tax dollars that otherwise would have been lost.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The term of the Agreement is three years unless terminated sooner as provided hereunder, and may be renewed for two additional one-year periods by mutual agreement of both parties. The Agreement has been reviewed and approved as to form by County Counsel.

CONTRACTING PROCESS

In accordance with the County's competitive bid policies and procedures, the Chief Administrative Office issued a Request for Proposals (RFP), in February 2003, for Sales and Use Tax Auditing Services for the purpose of identifying sales and use taxes not located by County efforts. The RFP was posted on the County's contract website and notification was electronically sent to all County registered vendors. In addition, the SBE was contacted in order to identify companies currently providing similar services to governmental agencies; RFPs were subsequently made available and/or mailed to the three firms identified by the SBE. Two proposals were officially submitted; the MMC proposal was the only response which met the minimum requirement (pass/fail phase of the evaluation process).

Evaluation committee members independently scored the MMC proposal solely on the information presented in the proposal. The primary objective of the committee members during the evaluation process was to ensure that MMC possessed the ability to perform the type and level of sales and use tax auditing services required by the County as stated in the RFP. MMC clearly demonstrated their knowledge and ability to perform this highly specialized task with clear descriptions of work processes, staffing plans, and data base resources and capabilities. The committee concurred that MMC was qualified to perform the required services, and should therefore be awarded the Agreement.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The utilization of a specialized sales tax auditing consultant will assist the County in ensuring the maximization of sales and use tax revenues which are used to finance critical services that are provided to the citizens of Los Angeles County.

CONCLUSION

Upon Board approval, please return three adopted stamped copies of the Resolution and two original signed Agreements to the Chief Administrative Officer.

Respectfully submitted,

DAVID E. JANSSEN
Chief Administrative Officer

DEJ:DIL
JW:AB:vyg

Attachments (4)
c: Executive Officer, Board of Supervisors
County Counsel
Auditor-Controller

RESOLUTION NO. _____

A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE
COUNTY OF LOS ANGELES
AUTHORIZING EXAMINATION OF SALES AND
USE TAX RECORDS

WHEREAS, pursuant to Ordinance, the County of Los Angeles entered into a contract with the State Board of Equalization to perform all functions incident to the administration and collection of local sales and use taxes; and

WHEREAS, the Board of Supervisors of the County of Los Angeles deems it desirable and necessary for authorized representatives of the County to examine confidential sales and use tax records of the State Board of Equalization, pertaining to sales and use taxes collected by the Board for the County pursuant to that contract; and

WHEREAS, Section 7056 of the California Revenue and Taxation Code sets forth certain requirements and conditions for the disclosure of Board of Equalization records, and establishes criminal penalties for the unlawful disclosure of information contained in, or derived from, the sales and use tax records of the Board:

NOW, THEREFORE, THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES HEREBY RESOLVES AS FOLLOWS:

Section 1. That the County Chief Administrative Officer, or other officer or employee of the County designated in writing by the County Chief Administrative Officer to the State Board of Equalization (hereafter referred to as Board), is hereby appointed to represent the County of Los Angeles with authority to examine sales and use tax records of the Board pertaining to sales and use taxes collected for the County by the Board pursuant to the contract between the County and the Board. The information obtained by examination of Board records shall be used only for purposes related to the collection of County sales and use Taxes by the Board pursuant to that contract.

Section 2. That MBIA MuniServices Company (MMC) is hereby authorized to examine the sales and use tax records of the Board pertaining to sales and use taxes collected for the County by the Board. MMC meets all of the following conditions:

(a) has an existing contract with the County to examine those sales and use tax records;

(b) is required by that contract to disclose information contained in, or derived from, those sales and use tax records only to the officer or employee authorized under Section I of this resolution to examine the information.

(c) is prohibited by that contract from performing consulting services for a retailer during the term of that contract; and

(d) is prohibited by that contract from retaining the information contained in, or derived from those sales and use tax records after that contract has expired.

The information obtained by examination of Board records shall be used only for purposes related to the collection of County sales and use taxes by the Board pursuant to the contract between the County and the Board.

The foregoing resolution was adopted on the _____ day of _____, 2003, by the Board of Supervisors of the County of Los Angeles and ex officio the governing body of all other special assessment and taxing districts, agencies and authorities for which said Board so acts.

VIOLET VARONA-LUKENS
Executive Officer-Clerk of the Board of
Supervisors of the County of Los Angeles

By_____
Deputy

APPROVED AS TO FORM
BY COUNTY COUNSEL

LLOYD W. PELLMAN

By_____
Thomas M. Tyrrell, Principal Deputy

I, _____, Executive Officer/Clerk of the Board of Supervisors of the County of Los Angeles, California, DO HEREBY CERTIFY that the foregoing resolution was duly introduced, approved and adopted by the Board of Supervisors of the County of Los Angeles, at a regular meeting of said Board held on the _____ day of _____, 2003, by the following roll call vote:

AYES:

NOES:

ABSENT:

(S) _____
County Clerk

CONTRACT

BETWEEN

COUNTY OF LOS ANGELES

AND

MBIA MUNISERVICES COMPANY

FOR

SALE & USE TAX AUDITING SERVICES

TABLE OF CONTENTS

PARAGRAPH	TITLE	PAGE
RECITALS		1
1.0	APPLICABLE DOCUMENTS	1
2.0	DEFINITIONS	2
3.0	WORK	3
4.0	TERM OF CONTRACT	3
5.0	CONTRACT SUM	3
6.0	ADMINISTRATION OF CONTRACT- COUNTY	
6.1	COUNTY'S CONTRACT DIRECTOR	5
6.2	COUNTY'S CONTRACT MANAGER	6
7.0	ADMINISTRATION OF CONTRACT - CONTRACTOR	
7.1	CONTRACTOR'S CONTRACT MANAGER	6
7.2	APPROVAL OF CONTRACTOR'S STAFF	6
7.3	CONTRACTOR STAFF IDENTIFICATION	7
7.4	BACKGROUND & SECURITY INVESTIGATIONS	7
7.5	CONFIDENTIALITY	8
8.0	TERMS AND CONDITIONS	
8.1	ASSIGNMENT AND DELEGATION	9
8.2	AUTHORIZATION WARRANTY	9
8.3	CHANGE NOTICES AND AMENDMENTS	10
8.4	COMPLIANCE WITH APPLICABLE LAW	10
8.5	COMPLIANCE WITH CIVIL RIGHTS LAWS	10
8.6	COMPLIANCE WITH THE COUNTY'S JURY SERVICE PROGRAM	11
8.7	CONFLICT OF INTEREST	12
8.8	CONSIDERATION OF HIRING COUNTY EMPLOYEES TARGETED FOR LAYOFF/OR RE-EMPLOYMENT LIST	13
8.9	CONSIDERATION OF HIRING GAIN/GROW PROGRAM PARTICIPANTS	13
8.10	CONTRACTOR'S RESPONSIBILITY AND DEBARMENT	14
8.11	CONTRACTOR'S ACKNOWLEDGEMENT OF COUNTY'S COMMITTMENT TO CHILD SUPPORT ENFORCEMENT	15
8.12	CONTRACTOR'S WARRANTY OF ADHERENCE TO COUNTY'S CHILD SUPPORT COMPLIANCE PROGRAM	15
8.13	COUNTY'S QUALITY ASSURANCE PLAN	16
8.14	DAMAGE TO COUNTY FACILITIES, BUILDINGS OR GROUNDS	16

TABLE OF CONTENTS

PARAGRAPH	TITLE	PAGE
8.15	EMPLOYMENT ELIGIBILITY VERIFICATION	16
8.16	FACSIMILE REPRESENTATIONS	17
8.17	FAIR LABOR STANDARDS	17
8.18	GOVERNING LAW, JURISDICTION, AND VENUE	17
8.19	INDEPENDENT CONTRACTOR STATUS	17
8.20	INDEMNIFICATION	18
8.21	GENERAL INSURANCE REQUIREMENTS	19
8.22	INSURANCE COVERAGE REQUIREMENTS	21
8.23	NONDISCRIMINATION AND AFFIRMATIVE ACTION	21
8.24	NON EXCLUSIVITY	23
8.25	NOTICE OF DELAYS	23
8.26	NOTICE OF DISPUTES	23
8.27	NOTICE TO EMPLOYEES REGARDING THE FEDERAL EARNED INCOME CREDIT	23
8.28	NOTICES	24
8.29	PROHIBITION AGAINST INDUCEMENT OR PERSUASION	24
8.30	PUBLIC RECORDS ACT	24
8.31	PUBLICITY	25
8.32	RECORD RETENTION AND INSPECTION/AUDIT SETTLEMENT	25
8.33	RECYCLED BOND PAPER	27
8.34	SUBCONTRACTING	27
8.35	TERMINATION FOR BREACH OF WARRANTY TO MAINTAIN CHILD SUPPORT COMPLIANCE	28
8.36	TERMINATION FOR CONVENIENCE	28
8.37	TERMINATION FOR DEFAULT	29
8.38	TERMINATION FOR IMPROPER CONSIDERATION	30
8.39	TERMINATION FOR INSOLVENCY	31
8.40	TERMINATION FOR NON-ADHERENCE OF COUNTY LOBBYIST ORDINANCE	31
8.41	TERMINATION FOR NON-APPROPRIATION OF FUNDS	31
8.42	VALIDITY	32
8.43	WAIVER	32
8.44	WARRANTY AGAINST CONTINGENT FEES	32

TABLE OF CONTENTS

PARAGRAPH	TITLE	PAGE
SIGNATURES		33

EXHIBITS

A	STATEMENT OF WORK	
B	CONTRACTOR'S EEO CERTIFICATION	
C	COUNTY'S ADMINISTRATION	
D	CONTRACTOR'S ADMINISTRATION	

FORMS REQUIRED AT THE TIME OF CONTRACT EXECUTION

E	CONTRACTOR EMPLOYEE ACKNOWLEDGMENT, CONFIDENTIALITY, AND COPYRIGHT ASSIGNMENT CONTRACT	
F	CONTRACTOR NON-EMPLOYEE ACKNOWLEDGMENT, CONFIDENTIALITY AND COPYRIGHT ASSIGNMENT	

CONTRACT BETWEEN
COUNTY OF LOS ANGELES
AND
MBIA MUNISERVICES COMPANY
FOR
SALES AND USE TAX AUDITING SERVICES

This Contract and Exhibits made and entered into this _____ day of _____, 2003 by and between the County of Los Angeles, referred to as County and MBIA MuniServices Company (MMC), referred to as Contractor. MMC is located at 3433 West Shaw Avenue, Fresno, CA 93711.

RECITALS

WHEREAS, the County may contract with private businesses for Sales and Use Tax Auditing Services when certain requirements are met; and

WHEREAS, the Contractor is a private firm with special expertise in Sales and Use Tax Auditing beyond the audit capacities of County staff and contracting for use of such services is contemplated in state law:

NOW THEREFORE, in consideration of the mutual covenants in this Contract, and for good and valuable consideration, the parties agree to the following:

1.0 APPLICABLE DOCUMENTS

Exhibits A, B, C, D, E, and F are attached to and form a part of this Contract. In the event of any conflict or inconsistency in the definition or interpretation of any word, responsibility, schedule, or the contents or description of any task, deliverable, goods, service, or other work, or otherwise between the base Contract and the Exhibits, or between Exhibits, such conflict or inconsistency shall be resolved by giving precedence first to the Contract and then to the Exhibits according to the following priority:

1.1 EXHIBIT A Statement of Work

1.2 EXHIBIT B Contractor's EEO Certification

1.3 EXHIBIT C County's Administration

1.4	EXHIBIT D	Contractor's Administration
1.5	EXHIBIT E	Contractor Employee Acknowledgement, Confidentiality, & Copyright Assignment Agreement
1.6	EXHIBIT F	Contractor Non-Employee Acknowledgement, Confidentiality, & Copyright Assignment Agreement

This Contract and the Exhibits constitute the complete and exclusive statement of understanding between the parties, and supersedes all previous Contracts, written and oral, and all communications between the parties relating to the subject matter of this Contract. No change to this Contract shall be valid unless prepared pursuant to Sub-paragraph 8.3 - Change Notices and Amendments and signed by both parties.

2.0 DEFINITIONS

The headings herein contained are for convenience and reference only and are not intended to define the scope of any provision thereof. The following words as used herein shall be construed to have the following meaning, unless otherwise apparent from the context in which they are used.

2.1 Contract: This Contract executed between County and Contractor. It sets forth the terms and conditions for the issuance and performance of the Statement of Work, Exhibit A.

2.2 Contractor: MBIA MuniServices Company, a Delaware corporation with an office at 3433 West Shaw Avenue, Fresno, CA 93711 has entered into a Contract with the County to perform or execute the work covered by the Statement of Work.

2.3 County Contract Director: Person designated by the County to provide overall management of operations under this Contract.

2.4 County Contract Manager: Person designated by the County's Contract Director responsible for the day to day administration of this Contract.

2.5 Contractor Contract Manager: The individual designated by the Contractor to manage the Contract operations and act as liaison for the Contractor after the Contract award.

2.6 Sales Tax: Imposed upon retailers for the privilege of selling tangible personal property at retail.

2.7 Use Tax: Imposed upon the storage, use or other consumption in this state of tangible personal property purchased from a retailer. Use tax applies to purchases shipped from an out-of-state point to a California consumer.

2.8 **Point of Sale:** The place of the sale or purchase of tangible personal property where the property is physically located at the time the act constituting the sale or purchase takes place.

2.9 **Geocoding:** A process of determining and coding where street addresses fall within governmental boundaries.

2.10 **Day(s):** Calendar day(s) unless otherwise specified.

2.11 **Fiscal Year:** The twelve (12) month period beginning July 1st and ending the following June 30th.

3.0 WORK

3.1 Pursuant to the provisions of this Contract, the Contractor shall fully perform, complete and deliver on time, all tasks, deliverables, services and other work as set forth in the *Statement of Work, Exhibit A.*

3.2 If the Contractor provides any tasks, deliverables, goods, services, or other work, other than as specified in this Contract, the same shall be deemed to be a gratuitous effort on the part of the Contractor, and the Contractor shall have no claim whatsoever against the County.

4.0 TERM OF CONTRACT

4.1 The term of this Contract shall be three years commencing July 1, 2003 after execution by County's Board of Supervisors, unless sooner terminated or extended, in whole or in part, as provided in this Contract.

4.2 The County Contract Director and the Contractor Contract Manager are authorized to extend this agreement for up to two additional one-year periods beyond the three-year term by a written contract or amendment executed by each. Each such option year shall be exercised individually.

5.0 CONTRACT SUM

5.1 Contractor fees shall be derived from an agreed percentage share of incremental sales and use tax revenue recovered as determined by the County (see Section 1.7 of RFP).

5.2 The Contractor shall not be entitled to payment or reimbursement for any tasks or services performed, nor for any incidental or administrative expenses whatsoever incurred in or incidental to its performance. Assumption or takeover of any of the Contractor's duties, responsibilities, or obligations, or performance

of same by any entity other than the Contractor, whether through assignment, subcontract, delegation, merger, buyout, or any other mechanism, with or without consideration for any reason whatsoever, shall occur only with the County's express prior written approval.

5.3 No Payment for Services Provided Following Expiration/ Termination of Contract.

5.3.1 Contractor shall have no claim against County for payment of any money or reimbursement, of any kind whatsoever, for any service provided by Contractor after the expiration or other termination of this Contract. Should Contractor receive any such payment it shall immediately notify County and shall immediately repay all such funds to County. Payment by County for services rendered after expiration/termination of this Contract shall not constitute a waiver of County's right to recover such payment from Contractor. This provision shall survive the expiration or other termination of this Contract.

5.3.2 Notwithstanding the foregoing, Contractor shall be entitled to continue pursuit of corrections of State Board of Equalization (SBE) fund transfers identified by Contractor and for which Contractor has established a Date of Knowledge, as identified by SBE regulations, prior to the effective date of expiration or termination of the Contract, Contractor shall be entitled to invoice for, and receive payment for, those accounts in accordance with the provisions of this Contract when those accounts are corrected. Contractor shall provide to County a list of write-ups for which Contractor has established a Date of Knowledge prior to the expiration or termination date of the Contract within 10 business days of the end of Contract. County shall continue to permit Contractor to have access to SBE data as necessary for Contractor to determine the Date of Correction for these accounts and to invoice them in accordance with this Contract.

5.4 Invoices and Payments

5.4.1 Contractor shall submit a summary quarterly invoice for the period billed and the total due. In addition, an itemized invoice will be provided to the County Contract Manager. The itemized invoice shall be presented in a Microsoft Excel format, preferably by electronic transmission, including the following information:

A) Reporting payment period, e.g., quarter

B) State Board of Equalization firm identification number
C) Firm name
D) Recovery percentage applicable
E) Number of billable units, e.g., quarters, months
F) Number of units invoiced to date
G) SBE regular payment
H) SBE fund transfer amount
I) Quarterly total
J) Invoice amount due

The invoice amount due will reflect the agreed upon percentage of all new sales and use tax revenue amounts received by the County due to the work of the Contractor. Electronic transmission of invoices shall be to the address designated by the County Contract Manager.

5.4.2 **County Approval of Invoices.** All invoices submitted by the Contractor for payment must have the written approval of the County's Contract Manager prior to any payment. In no event shall the County be liable or responsible for any payment prior to such written approval. Approval for payment will not be unreasonably withheld, and in no instance will such approval take more than forty-five (45) days from receipt by the County of properly prepared invoices. Payment for all invoices shall be issued within 30 calendar days of approval by the County Contract Manager.

6.0 ADMINISTRATION OF CONTRACT - COUNTY

A listing of all County Administration referenced in the following Sub-paragraphs are designated in *Exhibit C.* The County shall notify the Contractor in writing of any change in the names or addresses shown.

6.1 County's Contract Director

Responsibilities of the County's Contract Director include:

- ensuring that the objectives of this Contract are met;
- making changes in the terms and conditions of this Contract in accordance with Sub-paragraph 8.3, Change Notices and Amendments; and
- providing direction to Contractor in the areas relating to County policy, information requirements, and procedural requirements.

6.2 County's Contract Manager

Responsibilities of the County's Contract Manager include:

- inspecting any and all tasks, deliverables, goods, services, or other work provided by or on behalf of Contractor; and
- reviewing and approving all invoices submitted by Contractor; and
- Responsible for overseeing the day to day administration of this contract.

7.0 ADMINISTRATION OF CONTRACT – CONTRACTOR

7.1 Contractor's Contract Manager

7.1.1 Contractor's Contract Manager is designated in *Exhibit D*. The Contractor shall notify the County in writing of any change in the name or address of the Contractor's Contract Manager. Changes of Contract Manager must also be transmitted in writing to the County Contract Manager within five (5) business days of such a change. Replacement of the Contract Manager is subject to the written approval of the County Contract Manager.

7.1.2 Contractor's Contract Manager is designated by the Contractor to manage the Contract operations and shall be responsible for Contractor's day-to-day activities as related to this Contract. He or she shall have overall responsibility for the performance of Contractor's activities under this contract and shall be authorized to act for and bind the Contractor in all matters relating to the administrative aspects of this contract, including amendments. The Contract Manager should have, at a minimum, five (5) years of Sales & Use Tax auditing experience and three (3) years experience working with the State Board of Equalization. Contractor's Contract Manager shall coordinate with County's Contract Manager or his designee on a regular basis. The Contractor's Contract Manager and/or alternate shall be reasonably available during normal work hours, 8:00 a.m. to 5:00 p.m., Monday through Friday, for telephone contacts and meetings.

7.2 Approval and Sufficiency of Contractor's Staff

County has the absolute right to approve or disapprove all of Contractor's staff performing work hereunder and any proposed changes in Contractor's staff, including Contractor's Contract Manager. Contractor shall provide County with a resume of each proposed initial staff member and proposed substitute and an opportunity to interview such person before they perform any work under this

Agreement. Contractor shall supply sufficient staff to discharge its responsibilities under this Agreement in a timely and efficient manner. In the event Contractor should ever need to remove any staff from performing services under this Agreement, Contractor shall provide County with adequate notice and work on a mutually agreeable transition plan so as to provide an acceptable replacement and ensure project continuity. Contractor staff shall have qualifications equivalent to those set forth in *Exhibit A- Statement of Work,* or as mutually agreed to by Contractor and County's Contract Manager.

7.3 Contractor's Staff Identification

7.3.1 Contractor shall provide all staff, who routinely carry out Contract duties at a County facility, a photo identification badge in accordance with County specifications. Specifications may change at the discretion of the County and Contractor will be provided new specifications as required. The format and content of the badge is subject to the County's approval prior to the Contractor implementing the use of the badge. Contractor staff, when entering a County facility or its grounds, shall prominently display the photo identification badge on the upper part of the body.

7.3.2 Contractor shall notify the County within one business day when staff is terminated from working on this Contract. Contractor is responsible to retrieve and immediately destroy the staff's County photo identification badge at the time of removal from the County Contract.

7.3.3 If County requests the removal of Contractor's staff, Contractor is responsible to retrieve and immediately destroy the Contractor's staff's County photo identification badge at the time of removal from working on the Contract.

7.4 Background and Security Investigations

7.4.1 At any time prior to or during term of this Contract, the County may require that all Contractor staff performing work under this Contract undergo and pass, to the satisfaction of County, a background investigation, as a condition of beginning and continuing to work under this Contract. County shall use its discretion in the method of background clearance to be used, up to and including a County performed fingerprint security clearance. The fees associated with obtaining the background information shall be at the expense of the Contractor, regardless if the Contractor's staff passes or fails the background clearance investigation.

7.4.2 County may request that Contractor's staff be immediately removed from working on the County Contract at any time during the term of the Contract. County will not provide to Contractor or to Contractor's staff any information obtained through the County conducted background clearance.

7.4.3 County, at its sole discretion, may deny or terminate facility access to Contractor's staff who do not pass such investigation(s) to the satisfaction of the County.

7.4.4 Disqualification, if any, of Contractor staff, pursuant to Sub-paragraph 7.4, shall not relieve Contractor of its obligation to complete all work in accordance with the terms and conditions of this Contract.

7.5 Confidentiality

7.5.1 The Contractor shall maintain the confidentiality of all records obtained from the County under this Contract, in accordance with all applicable federal, State or local laws, ordinances, regulations and directives relating to confidentiality. Contractor shall make no use of any records obtained from the County under this Contract, which is contrary to applicable federal, State or local laws, ordinances, regulations and directives. The Contractor shall inform all of its officers, employees, agents and subcontractors providing services hereunder of the confidentiality provisions of this Contract. The Contractor shall cause each employee performing services covered by this Contract to sign and adhere to the *"Contractor Employee Acknowledgment, Confidentiality, and Copyright Assignment Contract", Exhibit E.* The Contractor shall cause each non-employee performing services covered by this Contract to sign and adhere to the *"Contractor Non-Employee Acknowledgment, Confidentiality, and Copyright Assignment Contract", Exhibit F.*

7.5.1 Pursuant to California State Board of Equalization requirements as set forth in Section 7056 of the Bradley Burns Uniform Local Sales and Use Tax Law, California Revenue and Taxation Code Section 7000 et. Seq., Contractor hereby certifies as follows:

A. Contractor is authorized by this Contract to examine sales and use tax records of the State Board of Equalization provided to County pursuant to contract under the Bradley Burns Uniform Sales and Use Tax Law.

B. Contractor is required to disclose information contained in, or derived from, those sales and use tax records only to an officer or employee of the County who is authorized by resolution to examine the information.

C. Contractor is prohibited from performing consulting services for a retailer during the term of this Contract.

D. Contractor is prohibited from retaining the information contained in, or derived from, those sales and use tax records, after this Contract has expired.

8.0 TERMS AND CONDITIONS

8.1 ASSIGNMENT AND DELEGATION

8.1.1 The Contractor shall not assign its rights or delegate its duties under this Contract, or both, either in whole or in part, without the prior written consent of the County. Any unapproved assignment or delegation shall be null and void. Any payments by the County to any approved delegate or assignee on any claim under this Contract shall be deductible, at County Contract Manager's sole discretion, against the claims, which the Contractor may have against the County.

8.1.2 If any assumption, assignment, delegation, or takeover of any of the Contractor's duties, responsibilities, obligations, or performance of same by any entity other than the Contractor, whether through assignment, subcontract, delegation, merger, buyout, or any other mechanism, with or without consideration for any reason whatsoever without County's express prior written approval, may result in the termination of this Contract.

8.2 AUTHORIZATION WARRANTY

The Contractor represents and warrants that the person executing this Contract for the Contractor is an authorized agent who has actual authority to bind the Contractor to each and every term, condition, and obligation of this Contract and that all requirements of the Contractor have been fulfilled to provide such actual authority.

8.3 CHANGE NOTICES AND AMENDMENTS

8.3.1 The County reserves the right to initiate Change Notices that **do not affect** the scope, term, Contract Rate or payments. All such changes shall be

accomplished with an executed Change Notice signed by the Contractor and by County's Contract Director.

8.3.2 For any change which affects the scope of work, term, Contract Rate, payments, or any term or condition included under this Contract, an Amendment shall be prepared and executed by the County and Contractor.

8.3.3 The County's Board of Supervisors or County Contract Director or designee may require the addition and/or change of certain terms and conditions in the Contract during the term of this Contract. The County reserves the right to add and/or change such provisions as required by the County's Board of Supervisors or County Contract Director. To implement such changes, an Amendment to the Contract shall be prepared and executed by the Contractor and County's Contract Director.

8.3.4 The County Contract Director and Contractor Contract Manager, may by mutual agreement, authorize extensions of the Contract Term In accordance with Paragraph 4.0 - Term of Contract. The Contractor agrees that such extensions of time shall not change any other term or condition of this Contract during the period of such extensions

8.4 COMPLIANCE WITH APPLICABLE LAW

8.4.1 The Contractor shall comply with all applicable Federal, State, and local laws, rules, regulations, ordinances, and directives, and all provisions required to be included in this Contract are incorporated by reference.

8.4.2 The Contractor shall indemnify and hold harmless the County from and against any and all liability, damages, costs, and expenses, including, but not limited to, defense costs and attorneys' fees, arising from or related to any violation on the part of the Contractor or its employees, agents, or subcontractors of any such laws, rules, regulations, ordinances, or directives.

8.5 COMPLIANCE WITH CIVIL RIGHTS LAWS

The Contractor hereby assures that it will comply with Subchapter VI of the Civil Rights Act of 1964, 42 USC Sections 2000 (e) (1) through 2000 (e) (17), to the end that no person shall, on the grounds of race, creed, color, sex, religion, ancestry, age, condition of physical handicap, marital status, political affiliation, or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under this Contract or under any project,

program, or activity supported by this Contract. The Contractor shall comply with *Exhibit B - Contractor's EEO Certification..*

8.6 COMPLIANCE WITH THE COUNTY'S JURY SERVICE PROGRAM

8.6.1 **Jury Service Program:**

This Contract is subject to the provisions of the County's ordinance entitled Contractor Employee Jury Service ("Jury Service Program") as codified in Sections 2.203.010 through 2.203.090 of the Los Angeles County Code.

8.6.2 **Written Employee Jury Service Policy.**

1. Unless Contractor has demonstrated to the County's satisfaction either that Contractor is not a "Contractor" as defined under the Jury Service Program (Section 2.203.020 of the County Code) or that Contractor qualifies for an exception to the Jury Service Program (Section 2.203.070 of the County Code), Contractor shall 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. The policy may provide that Employees deposit any fees received for such jury service with the Contractor or that the Contractor deduct from the Employee's regular pay the fees received for jury service.
2. For purposes of this Sub-paragraph, "Contractor" means a person, partnership, corporation or other entity which has a Contract with the County or a subcontract with a County Contractor and has received or will receive an aggregate sum of $50,000 or more in any 12-month period under one or more County contracts or subcontracts. "Employee" means any California resident who is a full time employee of Contractor. "Full-time" means 40 hours or more worked per week, or a lesser number of hours if: 1) the lesser number is a recognized industry standard as determined by the County, or 2) Contractor has a long-standing practice that defines the lesser number of hours as full-time. Full-time employees providing short-term, temporary services of 90 days or less within a 12-month period are not considered full-time for purposes of the Jury Service Program. If Contractor uses any subcontractor to perform services for the County under the Contract, the subcontractor shall also be subject to the provisions of this Sub-

paragraph. The provisions of this Sub-paragraph shall be inserted into any such subcontract Contract and a copy of the Jury Service Program shall be attached to the Contract.

3. If Contractor is not required to comply with the Jury Service Program when the Contract commences, Contractor shall have a continuing obligation to review the applicability of its "exception status" from the Jury Service Program, and Contractor shall immediately notify County if Contractor at any time either comes within the Jury Service Program's definition of "Contractor" or if Contractor no longer qualifies for an exception to the Jury Service Program. In either event, Contractor shall immediately implement a written policy consistent with the Jury Service Program. The County may also require, at any time during the Contract and at its sole discretion, that Contractor demonstrate to the County's satisfaction that Contractor either continues to remain outside of the Jury Service Program's definition of "Contractor" and/or that Contractor continues to qualify for an exception to the Program.
4. Contractor's violation of this Sub-paragraph of the Contract may constitute a material breach of the Contract. In the event of such material breach, County may, in its sole discretion, terminate the Contract and/or bar Contractor from the award of future County contracts for a period of time consistent with the seriousness of the breach.

8.7 CONFLICT OF INTEREST

8.7.1 No County employee whose position with the County enables such employee to influence the award of this Contract or any competing Contract, and no spouse or economic dependent of such employee, shall be employed in any capacity by the Contractor or have any other direct or indirect financial interest in this Contract. No officer or employee of the Contractor, who may financially benefit from the performance of work hereunder, shall in any way participate in the County's approval or ongoing evaluation of such work, or in any way attempt to unlawfully influence the County's approval or ongoing evaluation of such work.

8.7.2 The Contractor shall comply with all conflict of interest laws, ordinances, and regulations now in effect or hereafter to be enacted during the term of

this Contract. The Contractor warrants that it is not now aware of any facts that create a conflict of interest. If the Contractor hereafter becomes aware of any facts that might reasonably be expected to create a conflict of interest, it shall immediately make full written disclosure of such facts to the County. Full written disclosure shall include, but is not limited to, identification of all persons implicated and a complete description of all relevant circumstances. Failure to comply with the provisions of this Sub-paragraph shall be a material breach of this Contract.

8.7.3 Contractor shall not perform consulting services for a retailer, as defined in California Revenue and Taxation Code Section 6015, during the term of this Contract.

8.8 CONSIDERATION OF HIRING COUNTY EMPLOYEES TARGETED FOR LAYOFF/OR RE-EMPLOYMENT LIST

Should the Contractor require additional or replacement personnel after the effective date of this Contract (to perform the services set forth herein) the Contractor shall give **first consideration** for such employment openings to qualified permanent County employees who are targeted for layoff, or qualified former County employees who are on a re-employment list during the life of this Contract.

8.9 CONSIDERATION OF HIRING GAIN/GROW PROGRAM PARTICIPANTS

Should the Contractor require additional or replacement personnel after the effective date of this Contract, the Contractor shall give consideration for any such employment openings to participants, in the County's Department of Public Social Services Greater Avenues for Independence (GAIN) Program or General Relief Opportunity for Work (GROW) Program, who meet the Contractor's minimum qualifications for the open position. For this purpose, consideration shall mean that the Contractor will interview qualified candidates. The County will refer GAIN/GROW participants by job category to the Contractor. In the event that both laid-off County employees and GAIN/GROW participants are available for hiring, County employees shall be given first priority.

8.10 CONTRACTOR'S RESPONSIBILITY AND DEBARMENT

8.10.1 Responsible Contractor

A responsible Contractor is a Contractor who has demonstrated the attribute of trustworthiness, as well as quality, fitness, capacity and experience to satisfactorily perform the Contract. It is the County's policy to conduct business only with responsible Contractors.

8.10.2 Chapter 2.202 of the County Code

The Contractor is hereby notified that, in accordance with Chapter 2.202 of the County Code, if the County acquires information concerning the performance of the Contractor on this or other Contracts which indicates that the Contractor is not responsible, the County may, in addition to other remedies provided in the Contract, debar the Contractor from bidding on any County Contracts for a specified period of time not to exceed three (3) years, and terminate any or all existing Contracts the Contractor may have with the County.

8.10.3 Non-responsible Contractor

The County may debar a Contractor if the Board of Supervisors finds, in its discretion, that the Contractor has done any of the following: (1) violated any term of a Contract with the County, (2) committed any act or omission which negatively reflects on the Contractor's quality, fitness or capacity to perform a Contract with the County or any other public entity, or engaged in a pattern or practice which negatively reflects on same, (3) committed an act or offense which indicates a lack of business integrity or business honesty, or (4) made or submitted a false claim against the County or any other public entity.

8.10.4 Contractor Hearing Board

If there is evidence that the Contractor may be subject to debarment, the Department will notify the Contractor in writing of the evidence that is the basis for the proposed debarment and will advise the Contractor of the scheduled date for a debarment hearing before the Contractor Hearing Board. The Contractor Hearing Board will conduct a hearing where evidence on the proposed debarment is presented. The Contractor and/or the Contractor's representative shall be given an opportunity to submit evidence at that hearing. After the hearing, the Contractor Hearing Board shall prepare a proposed decision, which

shall contain a recommendation regarding whether the Contractor should be debarred, and, if so, the appropriate length of time of the debarment. If the Contractor fails to avail itself of the opportunity to submit evidence to the Contractor Hearing Board, the Contractor may be deemed to have waived all rights of appeal. A record of the hearing, the proposed decision, and any other recommendation of the Contractor Hearing Board shall be presented to the Board of Supervisors. The Board of Supervisors shall have the right to modify, deny, or adopt the proposed decision and recommendation of the Contractor Hearing Board.

8.10.5 **Subcontractors of Contractor**

These terms shall also apply to Subcontractors of County Contractors.

8.11 CONTRACTOR'S ACKNOWLEDGEMENT OF COUNTY'S COMMITMENT TO CHILD SUPPORT ENFORCEMENT

The Contractor acknowledges that the County places a high priority on the enforcement of child support laws and the apprehension of child support evaders. The Contractor understands that it is the County's policy to encourage all County Contractors to voluntarily post the County's "L.A.'s Most Wanted: Delinquent Parents" poster in a prominent position at the Contractor's place of business. The County's Child Support Services Department will supply the Contractor with the poster to be used.

8.12 CONTRACTOR'S WARRANTY OF ADHERENCE TO COUNTY'S CHILD SUPPORT COMPLIANCE PROGRAM

8.12.1 The Contractor acknowledges that the County has established a goal of ensuring that all individuals who benefit financially from the County through Purchase Order or Contract are in compliance with their court-ordered child, family and spousal support obligations in order to mitigate the economic burden otherwise imposed upon the County and its taxpayers.

8.12.2 As required by the County's Child Support Compliance Program (County Code Chapter 2.200) and without limiting the Contractor's duty under this Contract to comply with all applicable provisions of law, the Contractor warrants that it is now in compliance and shall during the term of this Contract maintain compliance with employment and wage reporting requirements as required by the Federal Social Security Act (42 USC

Section 653a) and California Unemployment Insurance Code Section 1088.5, and shall implement all lawfully served Wage and Earnings Withholding Orders or Child Support Services Department Notices of Wage and Earnings Assignment for Child or Spousal Support, pursuant to Code of Civil Procedure Section 706.031 and Family Code Section 5246(b).

8.13 COUNTY'S QUALITY ASSURANCE PLAN

The County or its agent will evaluate the Contractor's performance under this Contract on not less than an annual basis. Such evaluation will include assessing the Contractor's compliance with all Contract terms and conditions and performance standards. Contractor deficiencies which the County determines are severe or continuing and that may place performance of the Contract in jeopardy if not corrected will be reported to the Board of Supervisors. The report will include improvement/corrective action measures taken by the County and the Contractor. If improvement does not occur consistent with the corrective action measures, the County may terminate this Contract or impose other penalties as specified in this Contract.

8.14 DAMAGE TO COUNTY FACILITIES, BUILDINGS OR GROUNDS

8.14.1 Contractor shall repair, or cause to be repaired, at its own cost, any and all damage to County facilities, buildings, or grounds caused by Contractor or employees or agents of Contractor. Such repairs shall be made immediately after Contractor has become aware of such damage, but in no event later than thirty (30) days after the occurrence.

8.14.2 If Contractor fails to make timely repairs, County may make any necessary repairs. All costs incurred by County, as determined by County, for such repairs shall be repaid by Contractor by cash payment upon demand.

8.15 EMPLOYMENT ELIGIBILITY VERIFICATION

The Contractor warrants that it fully complies with all Federal and State statutes and regulations regarding the employment of aliens and others and that all its employees performing work under this Contract meet the citizenship or alien status requirements set forth in Federal and State statutes and regulations. The Contractor shall obtain, from all employees performing work hereunder, all verification and other documentation of employment eligibility status required by Federal and State statutes and regulations including, but not limited to, the

Immigration Reform and Control Act of 1986, (P.L. 99-603), or as they currently exist and as they may be hereafter amended. The Contractor shall retain all such documentation for all covered employees for the period prescribed by law. The Contractor shall indemnify, defend, and hold harmless, the County, its agents, officers, and employees from employer sanctions and any other liability which may be assessed against the Contractor or the County or both in connection with any alleged violation of any Federal or State statutes or regulations pertaining to the eligibility for employment of any persons performing work under this Contract.

8.16 FACSIMILE REPRESENTATIONS

The County and the Contractor hereby agree to regard facsimile representations of original signatures of authorized officers of each party, when appearing in appropriate places on the Change Notices and Amendments prepared pursuant to Sub-paragraph 8.4, and received via communications facilities, as legally sufficient evidence that such original signatures have been affixed to Change Notices and Amendments to this Contract, such that the parties need not follow up facsimile transmissions of such documents with subsequent (non-facsimile) transmission of "original" versions of such documents.

8.17 FAIR LABOR STANDARDS

The Contractor shall comply with all applicable provisions of the Federal Fair Labor Standards Act and shall indemnify, defend, and hold harmless the County and its agents, officers, and employees from any and all liability, including, but not limited to, wages, overtime pay, liquidated damages, penalties, court costs, and attorneys' fees arising under any wage and hour law, including, but not limited to, the Federal Fair Labor Standards Act, for work performed by the Contractor's employees for which the County may be found jointly or solely liable.

8.18 GOVERNING LAW, JURISDICTION, AND VENUE

This Contract shall be governed by, and construed in accordance with, the laws of the State of California. The Contractor agrees and consents to the exclusive jurisdiction of the courts of the State of California for all purposes regarding this Contract and further agrees and consents that venue of any action brought hereunder shall be exclusively in the County of Los Angeles.

8.19 INDEPENDENT CONTRACTOR STATUS

8.19.1 This Contract is by and between the County and the Contractor and is not intended, and shall not be construed, to create the relationship of

agent, servant, employee, partnership, joint venture, or association, as between the County and the Contractor. The employees and agents of one party shall not be, or be construed to be, the employees or agents of the other party for any purpose whatsoever.

8.19.2 The Contractor shall be solely liable and responsible for providing to, or on behalf of, all persons performing work pursuant to this Contract all compensation and benefits. The County shall have no liability or responsibility for the payment of any salaries, wages, unemployment benefits, disability benefits, Federal, State, or local taxes, or other compensation, benefits, or taxes for any personnel provided by or on behalf of the Contractor.

8.19.3 The Contractor understands and agrees that all persons performing work pursuant to this Contract are, for purposes of Workers' Compensation liability, solely employees of the Contractor and not employees of the County. The Contractor shall be solely liable and responsible for furnishing any and all Workers' Compensation benefits to any person as a result of any injuries arising from or connected with any work performed by or on behalf of the Contractor pursuant to this Contract.

8.19.4 As previously instructed in Sub-paragraph 7.5.1 - Confidentiality, the Contractor shall cause each employee performing services covered by this Contract to sign and adhere to the *"Contractor Employee Acknowledgment, Confidentiality, and Copyright Assignment Contract", Exhibit E.* The Contractor shall cause each non-employee performing services covered by this Contract to sign and adhere to the *"Contractor Non-Employee Acknowledgment, Confidentiality, and Copyright Assignment Contract", Exhibit F.*

8.20 INDEMNIFICATION

The Contractor shall indemnify, defend and hold harmless the County, its Special Districts, elected and appointed officers, employees, and agents from and against any and all liability, including but not limited to demands, claims, actions, fees, costs, and expenses (including attorney and expert witness fees), arising from or connected with the Contractor's acts and/or omissions arising from and/or relating to this Contract.

8.21 GENERAL INSURANCE REQUIREMENTS

Without limiting the Contractor's indemnification of the County and during the term of this Contract, the Contractor shall provide and maintain, and shall require all of its subcontractors to maintain, the following programs of insurance specified in this Contract. Such insurance shall be primary to and not contributing with any other insurance or self-insurance programs maintained by the County. Such coverage shall be provided and maintained at the Contractor's own expense.

8.21.1 **Evidence of Insurance:** Certificate(s) or other evidence of coverage satisfactory to the County shall be delivered to the County's Contract Manager prior to commencing services under this Contract. Such certificates or other evidence shall:

- Specifically identify this Contract;
- Clearly evidence all coverages required in this Contract;
- Contain the express condition that the County is to be given written notice by mail at least thirty (30) days in advance of cancellation for all policies evidenced on the certificate of insurance;
- Include copies of the additional insured endorsement to the commercial general liability policy, adding the County of Los Angeles, its Special Districts, its officials, officers and employees as insureds for all activities arising from this Contract; and
- Identify any deductibles or self-insured retentions for the County's approval. The County retains the right to require the Contractor to reduce or eliminate such deductibles or self-insured retentions as they apply to the County, or, require the Contractor to provide a bond guaranteeing payment of all such retained losses and related costs, including, but not limited to, expenses or fees, or both, related to investigations, claims administrations, and legal defense. Such bond shall be executed by a corporate surety licensed to transact business in the State of California.

8.21.2 **Insurer Financial Ratings:** Insurance is to be provided by an insurance company acceptable to the County with an A.M. Best rating of not less than A:VII unless otherwise approved by the County.

8.21.3 **Failure to Maintain Coverage:** Failure by the Contractor to maintain the required insurance, or to provide evidence of insurance coverage acceptable to the County, shall constitute a material breach of the

Contract upon which the County may immediately terminate or suspend this Contract. The County, at its sole option, may obtain damages from the Contractor resulting from said breach. Alternatively, the County may purchase such required insurance coverage, and without further notice to the Contractor, the County may deduct from sums due to the Contractor any premium costs advanced by the County for such insurance.

8.21.4 **Notification of Incidents, Claims or Suits: Contractor shall report to the County:**

- Any accident or incident relating to services performed under this Contract which involves injury or property damage which may result in the filing of a claim or lawsuit against the Contractor and/or the County. Such report shall be made in writing within 24 hours of occurrence.
- Any third party claim or lawsuit filed against the Contractor arising from or related to services performed by the Contractor under this Contract.
- Any injury to a Contractor employee that occurs on County property. This report shall be submitted on a County "Non-employee Injury Report" to the County Contract Director.
- Any loss, disappearance, destruction, misuse, or theft of any kind whatsoever of County property, monies or securities entrusted to the Contractor under the terms of this Contract.

8.21.5 **Compensation for County Costs:** In the event that the Contractor fails to comply with any of the indemnification or insurance requirements of this Contract, and such failure to comply results in any costs to the County, the Contractor shall pay full compensation for all costs incurred by the County.

8.21.6 **Insurance Coverage Requirements for Subcontractors:** The Contractor shall ensure any and all subcontractors performing services under this Contract meet the insurance requirements of this Contract by either:

- The Contractor providing evidence of insurance covering the activities of subcontractors, or

- The Contractor providing evidence submitted by subcontractors evidencing that subcontractors maintain the required insurance coverage. The County retains the right to obtain copies of evidence of subcontractor insurance coverage at any time.

8.22 INSURANCE COVERAGE REQUIREMENTS

8.22.1 **General Liability** insurance written on ISO policy form CG 00 01 or its equivalent with limits of not less than the following:

General Aggregate:	$2 million
Products/Completed Operations Aggregate:	$1 million
Personal and Advertising Injury:	$1 million
Each Occurrence:	$1 million

8.22.2 **Automobile Liability** written on ISO policy form CA 00 01 or its equivalent with a limit of liability of not less than $1 million for each accident. Such insurance shall include coverage for all "owned", "hired" and "non-owned" vehicles, or coverage for "any auto".

8.22.3 **Workers' Compensation and Employers' Liability** insurance providing workers' compensation benefits, as required by the Labor Code of the State of California or by any other state, and for which the Contractor is responsible. If the Contractor's employees will be engaged in maritime employment, coverage shall provide workers' compensation benefits as required by the U.S. Longshore and Harbor Workers' Compensation Act, Jones Act or any other federal law for which the Contractor is responsible. In all cases, the above insurance also shall include Employers' Liability coverage with limits of not less than the following:

Each Accident:	$1 million
Disease - policy limit:	$1 million
Disease - each employee:	$1 million

8.23 NONDISCRIMINATION AND AFFIRMATIVE ACTION

8.23.1 The Contractor certifies and agrees that all persons employed by it, its affiliates, subsidiaries, or holding companies are and shall be treated equally without regard to or because of race, color, religion, ancestry, national origin, sex, age, physical or mental disability, marital status, or

political affiliation, in compliance with all applicable Federal and State anti-discrimination laws and regulations.

8.23.2 The Contractor shall certify to, and comply with, the provisions of *Exhibit B - Contractor's EEO Certification.*

8.23.3 The Contractor shall take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to race, color, religion, ancestry, national origin, sex, age, physical or mental disability, marital status, or political affiliation, in compliance with all applicable Federal and State anti-discrimination laws and regulations. Such action shall include, but is not limited to: employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship.

8.23.4 The Contractor certifies and agrees that it will deal with its subcontractors, bidders, or vendors without regard to or because of race, color, religion, ancestry, national origin, sex, age, or physical or mental disability, marital status, or political affiliation.

8.23.5 The Contractor certifies and agrees that it, its affiliates, subsidiaries, or holding companies shall comply with all applicable Federal and State laws and regulations to the end that no person shall, on the grounds of race, color, religion, ancestry, national origin, sex, age, physical or mental disability, marital status, or political affiliation, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under this Contract or under any project, program, or activity supported by this Contract.

8.23.6 The Contractor shall allow County representatives access to the Contractor's employment records during regular business hours to verify compliance with the provisions of this Sub-paragraph 8.23 when so requested by the County.

8.23.7 If the County finds that any provisions of this Sub-paragraph 8.23 have been violated, such violation shall constitute a material breach of this Contract upon which the County may terminate or suspend this Contract. While the County reserves the right to determine independently that the anti-discrimination provisions of this Contract have been violated, in addition, a determination by the California Fair

Employment Practices Commission or the Federal Equal Employment Opportunity Commission that the Contractor has violated Federal or State anti-discrimination laws or regulations shall constitute a finding by the County that the Contractor has violated the anti-discrimination provisions of this Contract.

8.23.8 The parties agree that in the event the Contractor violates any of the anti-discrimination provisions of this Contract, the County shall, at its sole option, be entitled to the sum of Five Hundred Dollars ($500) for each such violation pursuant to California Civil Code Section 1671 as liquidated damages in lieu of terminating or suspending this Contract.

8.24 NON EXCLUSIVITY

Nothing herein is intended nor shall be construed as creating any exclusive arrangement with Contractor. This Contract shall not restrict County from acquiring similar, equal or like goods and/or services from other entities or sources.

8.25 NOTICE OF DELAYS

Except as otherwise provided under this Contract, when either party has knowledge that any actual or potential situation is delaying or threatens to delay the timely performance of this Contract, that party shall, within one (1) day, give notice thereof, including all relevant information with respect thereto, to the other party.

8.26 NOTICE OF DISPUTES

The Contractor shall bring to the attention of the County Project Manager and/or County Project Director any dispute between the County and the Contractor regarding the performance of services as stated in this Contract. If the County Project Manager or County Project Director is not able to resolve the dispute, the (*Department Head*), or designee shall resolve it.

8.27 NOTICE TO EMPLOYEES REGARDING THE FEDERAL EARNED INCOME CREDIT

The Contractor shall notify its employees, and shall require each subcontractor to notify its employees, that they may be eligible for the Federal Earned Income Credit under the federal income tax laws. Such notice shall be provided in accordance with the requirements set forth in Internal Revenue Service Notice No. 1015.

8.28 NOTICES

All notices or demands required or permitted to be given or made under this Contract shall be in writing and shall be hand delivered with signed receipt or mailed by first-class registered or certified mail, postage prepaid, addressed to the parties as identified in *Exhibits C, County's Administration and D, Contractor's Administration.* Addresses may be changed by either party giving ten (10) days' prior written notice to the other party. County's Contract Director shall have the authority to issue all notices or demands required or permitted by the County under this Contract.

8.29 PROHIBITION AGAINST INDUCEMENT OR PERSUASION

Notwithstanding the above, the Contractor and the County agree that, during the term of this Contract and for a period of one year thereafter, neither party shall in any way intentionally induce or persuade any employee of one party to become an employee or agent of the other party. No bar exists against any hiring action initiated through a public announcement. Notwithstanding the foregoing, County shall be entitled to make offers of employment to employees of Contractor necessary or desirable to perform work described in this Agreement, in the event that: (1) County has the right to terminate this Agreement pursuant to Section 8.39 (Termination for Insolvency), or (2) this Agreement is terminated by County due to Contractor's default pursuant to Section 8.37 (Termination for Default).

8.30 PUBLIC RECORDS ACT

8.30.1 Any documents submitted by Contractor; all information obtained in connection with the County's right to audit and inspect Contractor's documents, books, and accounting records pursuant to Sub-paragraph 8.32 - Record Retention and Inspection/Audit Settlement of this Contract; as well as those documents which were required to be submitted in response to the Request for Proposals (RFP) used in the solicitation process for this Contract, become the exclusive property of the County. All such documents become a matter of public record and shall be regarded as public records. Exceptions will be those elements in the California Government Code Section 6250 et seq. (Public Records Act) and which are marked "trade secret", "confidential", or "proprietary". The County shall not in any way be liable or responsible for the disclosure of any such records including, without limitation, those so marked, if

disclosure is required by law, or by an order issued by a court of competent jurisdiction.

8.30.2 In the event the County is required to defend an action on a Public Records Act request for any of the aforementioned documents, information, books, records, and/or contents of a proposal marked "trade secret", "confidential", or "proprietary", the Contractor agrees to defend and indemnify the County from all costs and expenses, including reasonable attorney's fees, in action or liability arising under the Public Records Act.

8.31 PUBLICITY

8.31.1 The Contractor shall not disclose any details in connection with this Contract to any person or entity except as may be otherwise provided hereunder or required by law. However, in recognizing the Contractor's need to identify its services and related clients to sustain itself, the County shall not inhibit the Contractor from publishing its role under this Contract within the following conditions:

- The Contractor shall develop all publicity material in a professional manner; and
- During the term of this Contract, the Contractor shall not, and shall not authorize another to, publish or disseminate any commercial advertisements, press releases, feature articles, or other materials using the name of the County without the prior written consent of the County's Project Director. The County shall not unreasonably withhold written consent.

8.31.2 The Contractor may, without the prior written consent of County, indicate in its proposals and sales materials that it has been awarded this Contract with the County of Los Angeles, provided that the requirements of this Sub-paragraph 8.31 shall apply.

8.32 RECORD RETENTION AND INSPECTION/AUDIT SETTLEMENT

The Contractor shall maintain accurate and complete financial records of its activities and operations relating to this Contract in accordance with generally accepted accounting principles. The Contractor shall also maintain accurate and complete employment and other records relating to its performance of this Contract. The Contractor agrees that the County, or its authorized representatives, shall have access to and the right to examine, audit, excerpt, copy, or transcribe

any pertinent transaction, activity, or records relating to this Contract. All such material, including, but not limited to, all financial records, timecards and other employment records, and proprietary data and information, shall be kept and maintained by the Contractor and shall be made available to the County during the term of this Contract and for a period of five (5) years thereafter unless the County's written permission is given to dispose of any such material prior to such time. All such material shall be maintained by the Contractor at a location in Los Angeles County, provided that if any such material is located outside Los Angeles County, then, at the County's option, the Contractor shall pay the County for travel, per diem, and other costs incurred by the County to examine, audit, excerpt, copy, or transcribe such material at such other location.

8.32.1 In the event that an audit of the Contractor is conducted specifically regarding this Contract by any Federal or State auditor, or by any auditor or accountant employed by the Contractor or otherwise, then the Contractor shall file a copy of such audit report with the County's Auditor-Controller within thirty (30) days of the Contractor's receipt thereof, unless otherwise provided by applicable Federal or State law or under this Contract. The County shall make a reasonable effort to maintain the confidentiality of such audit report(s).

8.32.2 Failure on the part of the Contractor to comply with any of the provisions of this Sub-paragraph 8.32 shall constitute a material breach of this Contract upon which the County may terminate or suspend this Contract.

8.32.3 If, at any time during the term of this Contract or within five (5) years after the expiration or termination of this Contract, representatives of the County may conduct an audit of the Contractor regarding the work performed under this Contract, and if such audit finds that the County's dollar liability for any such work is less than payments made by the County to the Contractor, then the difference shall be either: a) repaid by the Contractor to the County by cash payment upon demand or b) at the sole option of the County's Auditor-Controller, deducted from any amounts due to the Contractor from the County, whether under this Contract or otherwise. If such audit finds that the County's dollar liability for such work is more than the payments made by the County to the Contractor, then the difference shall be paid to the Contractor by the County by cash payment, provided that in no event shall the County's

maximum obligation for this Contract exceed the funds appropriated by the County for the purpose of this Contract.

8.33 RECYCLED PAPER

Consistent with the Board of Supervisors' policy to reduce the amount of solid waste deposited at the County landfills, the Contractor agrees to use recycled-content paper to the maximum extent possible on this Contract.

8.34 SUBCONTRACTING

8.34.1 The requirements of this Contract may not be subcontracted by the Contractor **without the advance approval of the County**. Any attempt by the Contractor to subcontract without the prior consent of the County may be deemed a material breach of this Contract.

8.34.2 If the Contractor desires to subcontract, the Contractor shall provide the following information promptly at the County's request:

- A description of the work to be performed by the subcontractor;
- A draft copy of the proposed subcontract; and
- Other pertinent information and/or certifications requested by the County.

8.34.3 The Contractor shall indemnify and hold the County harmless with respect to the activities of each and every subcontractor in the same manner and to the same degree as if such subcontractor(s) were Contractor employees.

8.34.4 The Contractor shall remain fully responsible for all performances required of it under this Contract, including those that the Contractor has determined to subcontract, notwithstanding the County's approval of the Contractor's proposed subcontract.

8.34.5 The County's consent to subcontract shall not waive the County's right to prior and continuing approval of any and all personnel, including subcontractor employees, providing services under this Contract. The Contractor is responsible to notify its subcontractors of this County right.

8.34.6 The County's Project Director is authorized to act for and on behalf of the County with respect to approval of any subcontract and subcontractor employees.

8.34.7 The Contractor shall be solely liable and responsible for all payments or other compensation to all subcontractors and their officers, employees,

agents, and successors in interest arising through services performed hereunder, notwithstanding the County's consent to subcontract.

8.34.8 The Contractor shall obtain certificates of insurance, which establish that the subcontractor maintains all the programs of insurance required by the County from each approved subcontractor. The Contractor shall ensure delivery of all such documents to the County's Contract Director before any subcontractor employee may perform any work hereunder.

8.35 TERMINATION FOR BREACH OF WARRANTY TO MAINTAIN CHILD SUPPORT COMPLIANCE

Failure of the Contractor to maintain compliance with the requirements set forth in Sub-paragraph 8.12 - Contractor's Warranty of Adherence to County's Child Support Compliance Program, shall constitute a default by the Contractor under this Contract. Without limiting the rights and remedies available to the County under any other provision of this Contract, failure to cure such default within 90 days of notice by the Los Angeles County Child Support Services Department shall be grounds upon which the Board of Supervisors may terminate this Contract pursuant to Sub-paragraph 8.37 - Termination for Default.

8.36 TERMINATION FOR CONVENIENCE

8.36.1 This Contract may be terminated, in whole or in part, from time to time, when such action is deemed by the County, in its sole discretion, to be in its best interest. Termination of work hereunder shall be effected by notice of termination to Contractor specifying the extent to which performance of work is terminated and the date upon which such termination becomes effective. The date upon which such termination becomes effective shall be no less than ten (10) days after the notice is sent.

8.36.2 After receipt of a notice of termination and except as otherwise directed by the County, the Contractor shall:

- Stop work under this Contract on the date and to the extent specified in such notice, and
- Complete performance of such part of the work as shall not have been terminated by such notice.

8.36.3 All material including books, records, documents, or other evidence bearing on the costs and expenses of the Contractor under this Contract

shall be maintained by the Contractor in accordance with Sub-paragraph 8.39, Record Retention & Inspection/Audit Settlement.

8.37 TERMINATION FOR DEFAULT

8.37.1 The County may, by written notice to the Contractor, terminate the whole or any part of this Contract, if, in the judgment of County's Project Director:

- Contractor has materially breached this Contract;
- Contractor fails to timely provide and/or satisfactorily perform any task, deliverable, service, or other work required either under this Contract; or
- Contractor fails to demonstrate a high probability of timely fulfillment of performance requirements under this Contract, or of any obligations of this Contract and in either case, fails to demonstrate convincing progress toward a cure within five (5) working days (or such longer period as the County may authorize in writing) after receipt of written notice from the County specifying such failure.

8.37.2 In the event that the County terminates this Contract in whole or in part as provided in Sub-paragraph 8.37.1, the County may procure, upon such terms and in such manner as the County may deem appropriate, goods and services similar to those so terminated. The Contractor shall be liable to the County for any and all excess costs incurred by the County, as determined by the County, for such similar goods and services. The Contractor shall continue the performance of this Contract to the extent not terminated under the provisions of this sub-paragraph.

8.37.3 Except with respect to defaults of any subcontractor, the Contractor shall not be liable for any such excess costs of the type identified in Sub-paragraph 8.37.2 if its failure to perform this Contract arises out of causes beyond the control and without the fault or negligence of the Contractor. Such causes may include, but are not limited to: acts of God or of the public enemy, acts of the County in either its sovereign or contractual capacity, acts of Federal or State governments in their sovereign capacities, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, and unusually severe weather; but in every case, the failure to perform must be beyond the control and without the fault or negligence of the Contractor. If the failure to perform is caused by the default of a

subcontractor, and if such default arises out of causes beyond the control of both the Contractor and subcontractor, and without the fault or negligence of either of them, the Contractor shall not be liable for any such excess costs for failure to perform, unless the goods or services to be furnished by the subcontractor were obtainable from other sources in sufficient time to permit the Contractor to meet the required performance schedule. As used in this Sub-paragraph 8.37.3, the terms "subcontractor" and "subcontractors" mean subcontractor(s) at any tier.

8.37.4 If, after the County has given notice of termination under the provisions of this Sub-paragraph 8.37, it is determined by the County that the Contractor was not in default under the provisions of this Sub-paragraph 8.37, or that the default was excusable under the provisions of Sub-paragraph 8.37.3, the rights and obligations of the parties shall be the same as if the notice of termination had been issued pursuant to Sub-paragraph 8.36 - Termination for Convenience.

8.37.5 The rights and remedies of the County provided in this Sub-paragraph 8.37 shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Contract.

8.38 TERMINATION FOR IMPROPER CONSIDERATION

8.38.1 The County may, by written notice to the Contractor, immediately terminate the right of the Contractor to proceed under this Contract if it is found that consideration, in any form, was offered or given by the Contractor, either directly or through an intermediary, to any County officer, employee, or agent with the intent of securing this Contract or securing favorable treatment with respect to the award, amendment, or extension of this Contract or the making of any determinations with respect to the Contractor's performance pursuant to this Contract. In the event of such termination, the County shall be entitled to pursue the same remedies against the Contractor as it could pursue in the event of default by the Contractor.

8.38.2 The Contractor shall immediately report any attempt by a County officer or employee to solicit such improper consideration. The report shall be made either to the County manager charged with the supervision of the employee or to the County Auditor-Controller's Employee Fraud Hotline at (213) 974-0914 or (800) 544-6861.

8.38.3 Among other items, such improper consideration may take the form of cash, discounts, service, the provision of travel or entertainment, or tangible gifts.

8.39 TERMINATION FOR INSOLVENCY

8.39.1 The County may terminate this Contract forthwith in the event of the occurrence of any of the following:

- Insolvency of the Contractor. The Contractor shall be deemed to be insolvent if it has ceased to pay its debts for at least sixty (60) days in the ordinary course of business or cannot pay its debts as they become due, whether or not a petition has been filed under the Federal Bankruptcy Code and whether or not the Contractor is insolvent within the meaning of the Federal Bankruptcy Code;
- The filing of a voluntary or involuntary petition regarding the Contractor under the Federal Bankruptcy Code;
- The appointment of a Receiver or Trustee for the Contractor; or
- The execution by the Contractor of a general assignment for the benefit of creditors.

8.39.2 The rights and remedies of the County provided in this Sub-paragraph 8.39 shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Contract.

8.40 TERMINATION FOR NON-ADHERENCE TO COUNTY LOBBYIST ORDINANCE

The Contractor, and each County Lobbyist or County Lobbying firm as defined in County Code Section 2.160.010 retained by the Contractor, shall fully comply with the County's Lobbyist Ordinance, County Code Chapter 2.160. Failure on the part of the Contractor or any County Lobbyist or County Lobbying firm retained by the Contractor to fully comply with the County's Lobbyist Ordinance shall constitute a material breach of this Contract, upon which the County may in its sole discretion, immediately terminate or suspend this Contract.

8.41 TERMINATION FOR NON-APPROPRIATION OF FUNDS

Notwithstanding any other provision of this Contract, the County shall not be obligated for the Contractor's performance hereunder or by any provision of this Contract during any of the County's future fiscal years unless and until the County's Board of Supervisors appropriates funds for this Contract in the County's Budget for each such future fiscal year. In the event that funds are not appropriated for this Contract, then this Contract shall terminate at the later of a)

June 30 of the last fiscal year for which funds were not appropriated; or b) immediately upon notice from the County to Contractor. Termination of this Contract pursuant to this Section 8.41 shall be subject to the provisions of Section 5.3.2. The County shall notify the Contractor in writing of any such non-allocation of funds at the earliest possible date.

8.42 VALIDITY

If any provision of this Contract or the application thereof to any person or circumstance is held invalid, the remainder of this Contract and the application of such provision to other persons or circumstances shall not be affected thereby.

8.43 WAIVER

No waiver by the County of any breach of any provision of this Contract shall constitute a waiver of any other breach or of such provision. Failure of the County to enforce at any time, or from time to time, any provision of this Contract shall not be construed as a waiver thereof. The rights and remedies set forth in this Sub-paragraph 8.43 shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Contract.

8.44 WARRANTY AGAINST CONTINGENT FEES

8.44.1 The Contractor warrants that no person or selling agency has been employed or retained to solicit or secure this Contract upon any Contract or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies maintained by the Contractor for the purpose of securing business.

8.44.2 For breach of this warranty, the County shall have the right to terminate this Contract and, at its sole discretion, deduct from the Contract price or consideration, or otherwise recover, the full amount of such commission, percentage, brokerage, or contingent fee.

IN WITNESS WHEREOF, Contractor has executed this Contract, or caused it to be duly executed and the County of Los Angeles, by order of its Board of Supervisors has caused this Contract to be executed on its behalf by the Chair of said Board and attested by the Executive Officer-Clerk of the Board of Supervisors thereof, the day and year first above written.

CONTRACTOR

BY: _____ Date: 5/12/03
Marc Herman, President

BY: _____ Date: 5/12/03
Eric Popejoy, Controller

APPROVED AS TO FORM:

BY: _____ Date: 5/12/03
Neil Ackerman, Corporate Counsel

COUNTY OF LOS ANGELES

By_____
(Mayor/Chairman), Board of Supervisors

ATTEST:

VIOLET VARONA-LUKENS
Executive Officer-Clerk of the Board of
Supervisors of the County of Los Angeles

By_____

APPROVED AS TO FORM:

Lloyd W. Pellman

By _____
Thomas M. Tyrrell, Principal Deputy

STATEMENT OF WORK

BACKGROUND

Los Angeles County currently receives approximately $43 million of sales and use tax revenue from the unincorporated areas of the County and is interested in realizing all of the sales and use tax revenue to which it is entitled. The County can expect a portion of this revenue to be misallocated each quarter due to sales and use tax reporting errors/omissions by taxpayers, primarily caused by the complexity of the regulations governing sales and use tax allocations.

Because there is a short (three quarters) time limitation on the County's ability to recover its misallocated revenue, and there is a three-month lag time in reporting the quarterly distributions, it is critical that the County's sales and use tax be audited every quarter, before the revenue becomes unrecoverable.

MMC is proud to have provided sales and use tax audit and information services to Los Angeles County for the past four and one-half years. During that time, the County has received over $2.6 million in recovered revenue because of MMC's efforts.

OBJECTIVES

MMC's proposed sales and use tax audit service (which is provided as a "safety net" or "backstop" to the County's internal program) is designed to fulfill a number of purposes:

- Detect, document and correct sales and use tax reporting errors/omissions and thereby generate new, previously unrealized revenue for the County.
- Maximize the County's income and minimize the County's cost of lost revenue by detecting and documenting misallocations before the revenue becomes unrecoverable.
- Provide ongoing research, analysis and assistance relative to policy, regulatory and legislative issues that impact or have the potential to impact the County's sales and use tax revenue.
- Assist the County to develop and implement economic development strategies to preserve and enhance the County's sales and use tax through business retention, expansion, and cooperation.
- Identify businesses within the County that are not currently producing sales and use tax revenue for the County.
- Provide profiles of the County's key businesses, industries, etc. that are producing the greatest proportion of sales and use tax revenue for the County.
- Provide education to County staff regarding the County's sales and use tax, including changes, trends, gains, declines, issues, and opportunities.

AUDIT SCOPE

Prior to beginning the sales and use tax audits, MMC will meet with the designated County official(s) to review the service objectives and scope, MMC's work plan schedule, public relations, and logistical matters. MMC will also establish an appropriate liaison with the County's coordinator and define logical checkpoints for reviewing the project's progress. (Note: with the exception of this initial meeting, MMC's sales and use tax audit service requires no time or effort on the part of County staff.)

MMC's proposed sales and use tax allocation audit service for Los Angeles County includes five distinctly different audits:

- Taxable Nexus Field Audits
- Permitization Audits
- Deficiency Assessment Audits
- Accounts Payable Audits
- Quarterly Distribution Report Audits

The nature of each audit is described below:

Taxable Nexus Field Audits

MMC's initial and periodic Taxable Nexus Field Audits include a physical canvassing and evaluation of sales and use tax generating businesses that are located in the unincorporated area of Los Angeles County. In the absence of this labor-intensive, time-consuming undertaking, significant misallocations will remain undetected. MMC's field audits focus on those businesses in the County's unincorporated area that have not been, but should be, remitting sales and use tax revenue to the County.

Permitization Audits

Wholesalers, contractors, processors, manufacturers and other non-retail businesses frequently fail to properly register with the unincorporated County area for a sales or use tax permit; this typically occurs because the business operations do not include a point-of-sale qualifying activity. However, these companies often generate local sales and use tax from SBE deficiency assessments, occasional sales (i.e., mergers and acquisitions), and self-accrual of use tax on purchases. MMC's field audits facilitate the identification and correction of improperly registered permits for companies not having point-of-sale operations in the unincorporated area of Los Angeles County.

Deficiency Assessment Audits

When the SBE audits taxpayers for sales and use tax compliance, it is not uncommon for the taxpayer to receive a substantial deficiency assessment due to underpayments and/or under collections. In many cases, the local allocation portion of the deficiency assessment is distributed in error to the state pool, county pools, or other jurisdictions. Accordingly, MMC has developed proprietary criteria and techniques to detect and correct SBE deficiency assessment misallocations and thus expand the benefits produced by MMC's allocation audit service.

Accounts Payable Audits

When California taxpayers purchase tangible personal property for which title passes out-of-state, the transactions are subject to use tax (rather than sales tax), which is collected by the vendor who in turn remits it to the SBE. Typically, the local allocation is then distributed statewide or countywide through the pools.

Under certain conditions, the seller may allocate the local tax by situs or the County may elect to self-accrue the use tax and remit it directly to the SBE, in which case the local portion will come back to the County in the same manner as sales tax.

If the County wishes, MMC's accounts payable audit will include a review of the County's purchases to identify opportunities for the County to capture the 1% local allocation.

Quarterly Distribution Report Audits

Every three months, the County receives a Quarterly Distribution Report (QDR) from the SBE with the local allocation amount broken down by permit number and grouped according to

business code for each account that has identified the County of Los Angeles as the point-of-sale/use for the quarter ending three months prior to receipt of the QDR.

Data from the current and available previous QDRs is processed on MMC's Sales Tax Analysis and Reporting Service (STARS) Query System in order to facilitate an ongoing sales and use tax allocation audit program. In the absence of such a program, there is no way of identifying misallocations that occur between field audits.

MMC's QDR audits have the same objective as MMC's Taxable Nexus Field Audits and Deficiency Assessment Audits: To detect and correct taxpayer-reporting errors and thereby generate new, previously unrealized sales and use tax revenue for the County. However, MMC's QDR audits focus on those accounts in which MMC observes a decline in the County's sales and use tax revenue to either nothing or an amount that is substantially less than what has been reported on an historical basis.

In most cases, the accounts showing zero balances have either relocated or simply reported late, in which case the payments will not be reflected until the next QDR. Therefore, six months elapse before the QDRs indicate whether a zero balance account can be attributed to a late payment or some other problem.

Although most zero balances and substantial declines occur for valid reasons, MMC's QDR audits are resulting in the detection and correction of numerous accounts that were reporting properly until they changed their sales and use tax reporting procedures and created misallocations.

Whether the reporting procedures are changed due to a merger/acquisition, turnover of tax administration personnel, computerization of the sales and use tax compliance function, or other encountered reasons, the local amount of California sales tax is typically misallocated because it is reported on either a consolidated, destination, or use tax basis.

Considering the following circumstances, it is obvious that the QDR audits must be conducted in a highly efficient and timely manner or the eligibility window closes and the opportunity for the County to recover misallocated revenue is forfeited:

There is a three-month lag time in reporting the quarterly sales and use tax distribution results.

There is additional lag time in reporting late-paying businesses that all appear as zero balance accounts on the previous QDR.

Considerable time is required to input and analyze QDR data and contact the taxpayer in order to ascertain the cause of each potential misallocation.

Cities and counties may only recover misallocated revenue for the three quarters prior to the SBE being notified of the reporting error.

DETECTION AND DOCUMENTATION OF MISALLOCATIONS

MMC's procedures for detecting and documenting misallocations are summarized as follows:

- Procure sales and use tax permit records data from the SBE.
- Analyze sales tax distribution reports provided by the SBE for five or more of the most recent consecutive quarters.
- Clean-up, standardize and computerize data from the County's quarterly sales tax distribution reports provided by SBE for previous quarters, the current quarter, and each future quarter service is provided.

- Develop and maintain a comprehensive, computerized inventory of businesses with taxable sales that are located within the unincorporated area of Los Angeles County by doing the following:
    - Preparing an aggregated list of business entities on electronic media. This list is derived from multiple private and public sources (hard copy and electronic), including specialized business listings and directories, and the County's revenue payment files.
    - Cleaning, standardizing and integrating, in address order, each entity's business name, address and payment file information, using MMC's proprietary software, in order to eliminate redundancies.
    - Physically canvass commercial/industrial properties located in the unincorporated area of the County
- Develop a target list of potential point-of-sale/use reporting errors and/or omissions based on the following:
    - An electronic comparison of MMC's comprehensive inventory against the SBE's quarterly distributions for the County.
    - An analysis of each potentially misallocated account based on proprietary guidelines established by MMC and formulated through MMC's expert knowledge of taxable nexus criteria, corporate mergers and acquisitions, sales tax versus use tax, business marketing organization and methods, commercial/industrial sales tax reporting practices, and other conditions contributing to reporting errors.
- Contact personnel in sales, operations and/or tax accounting at each target business to determine whether a point-of-sale/use reporting error exists. (Note: This is accomplished with the highest regard to discretion and professional conduct. MMC's allocation audits are predicated on a non-controversial, constructive public relations approach which emphasizes the importance of each business to the County and the mutual benefits of correcting reporting errors.)
- Provide to the County and SBE reports that address each taxpayer reporting error individually, including the business name, address, telephone number, California sales tax permit number, individuals contacted, date(s) of contact, nature of business, reason(s) for error, recommended corrective procedure and, if available, estimated sales and use tax revenue which should be forthcoming to the County of Los Angeles.
- MMC will also provide suggested language for letters to be sent to the taxpayers and/or SBE from the County (or MMC on behalf of the County) urging cooperation in promptly correcting the distribution error.
- Respond to negative findings by SBE with timely reconfirmation documentation in order to preserve the County's original dates of knowledge.
- Receive and process registration control record information monthly.
- Receive and process sales tax distribution reports quarterly.
- Coordinate with the taxpayer and SBE to make the necessary corrections and collect eligible backquarters amounts.
- Monitor and analyze the Quarterly Distribution Reports with an audit focus on the following:

- Those accounts with previously reported point-of-sale/use distribution errors to ensure that the corrections are made for current quarters and all eligible backquarters.
- Those major accounts comprising 90% or more of the County's total sales tax revenue to identify any irregularities or unusual deviations from the normal pattern (e.g. negative fund transfers, significant decreases, unusual increases, etc.) and ensure that the County is not receiving less revenue than it is entitled.
- Those accounts receiving deficiency assessments to ensure that the County receives its local allocation.

- Review the sales and use tax returns filed by the County to determine if any changes or corrections can be made to increase the County's sales and use tax recovery and train County personnel to make the recommended changes.

DETECTION TIMING CONSIDERATIONS

As previously indicated, there are time limitations on the County's ability to recover sales and use tax revenue to which it is entitled but has not been receiving.

The SBE will only allow the County to recover misallocated sales and use tax for up to three quarters prior to the SBE being notified of the reporting error for a given account. Consequently, if a misallocating account has had its point-of-sale/use located in the County for more than three quarters, the County forfeits the right to recover a portion of its misallocated sales and use tax with every elapsed quarter that a reporting error remains undetected.

For example, if the County notifies the SBE of a reporting error during the first calendar quarter (January 1 to March 31) of 2003, the County may recover revenue that was misallocated in the second, third and fourth calendar quarters of 2002. If the SBE is not notified of the reporting error until the second calendar quarter (April 1 to June 30) of 2003, the County forfeits the right to recover its revenue that was misallocated in the second quarter 2002.

Therefore, Los Angeles County is at risk of losing misallocated sales and use tax for every quarter that an ongoing, effective audit detection program is not in place. Given this situation, it behooves the County to have its sales and use tax thoroughly audited every quarter, before the revenue becomes unrecoverable.

MMC proposes to maximize the County's income, and minimize the County's cost of lost revenue, by providing a thorough and timely sales and use tax allocation audit service which has proven its effectiveness by consistently producing substantial results. As discussed under the 'Personnel' section, the size, experience, and specialized expertise of MMC's staff enable MMC to provide sales and use tax allocation audits for Los Angeles County more thoroughly, rapidly, and effectively than any other firm.

On the following page is a complete work plan that details MMC's timeframe for accomplishing the prescribed tasks.

CORRECTION OF MISALLOCATIONS

For each misallocated account detected, MMC will coordinate with the business and SBE to make the necessary corrections, including retroactive adjustments for eligible amounts of sales and use tax improperly distributed in prior quarters. Although simply stated, this task is enormously complex and time-consuming for a number of reasons:

Out-of-State, Business-to-Business Accounts

The preponderance of reporting errors involve out-of-state headquartered distributors, contractors, processors, and manufacturers engaged in business-to-business sales in California. In terms of dollars, these companies account for more than 90% of all misallocated sales and use tax revenue.

For these companies, there is considerable confusion due to the complexities posed by California's unique point-of-sale/use regulations. The reporting problems are further compounded when the regulations are applied to multiple California locations, each having a product/customer mix of business-to-business sales where some of the transactions are subject to sales tax while others are subject to use tax or are exempt.

Unlike over-the-counter retail consumer outlets, where all sales are taxable, business-to-business taxpayers sell to Original Equipment Manufacturers (OEMs), resellers, and exempt customers as well as end users, and some of the products require installation affixing them to real property.

For convenience and expediency, it is common for taxpayers located outside of California to erroneously report by customer destination and characterize sales transactions as being subject to use tax or contractor-installed classifications.

In order to correct these complex reporting errors, MMC typically coordinates and communicates between four parties: Sales/operations personnel at the taxpayer's local operation, tax personnel at the company's corporate headquarters, SBE personnel in Sacramento, and the SBE's in-state/out-of-state district offices.

As needed, MMC will also represent the County before state officials, boards, commissions, and committees for the purpose of correcting sales tax distribution errors that have deprived the County of revenue to which it is entitled.

Policy, Regulatory, and Legislative Issues

In actively working to correct detected misallocations for its clients, MMC has invested considerable resources to bring about permanent changes to SBE policy and regulations. The purpose of these actions is to correct and prevent these misallocations from recurring by working to clarify and change the underlying policies that are causing them.

With the support of MMC's clients and others, MMC has succeeded in securing adoption of "clarifying" amendments to a number of regulations including, but not limited to, Regulations 1802, 1802 (b)(5), and 1806 in order to facilitate the correction and prevention of misallocations.

In addition, to further facilitate correction of misallocations, MMC assisted clients in the support of SB 110, the Bradley-Burns Bill of Rights. The purpose was to secure in-state law dispute resolution procedures for cities before the SBE as well as other rights related to the administration and oversight of local sales and use tax revenue.

Business Cooperation Program

MMC proposes to provide the County of Los Angeles with a Business Cooperation Program (BCP) that involves working closely with County staff to develop and implement public relations programs. This program gives businesses located in the unincorporated area of the County opportunities to enhance revenue without creating additional tax liability; this is done through modification of the businesses' operations or administrative procedures. MMC's BCP results in the County realizing additional sales and use tax revenue and developing improved relationships with the business community. BCP staff possesses a thorough knowledge and understanding of private sector tax issues, with the expertise necessary to analyze existing methodologies and develop compatible methodologies necessary to implement changes beneficial to the County and its business community.

SALES TAX MANAGEMENT PROGRAM

Much of the data developed as part of MMC's allocation audit service is common to that required for the sales tax module of GRIP, MMC's proprietary Geo-based Revenue Information Program.

The GRIP database is MMC's primary tool for providing comprehensive, ongoing revenue enhancement, information, and related consulting services to its municipal clients. Virtually all of MMC's revenue management services rely on the GRIP database that MMC establishes for each unique client jurisdiction, whether it is used solely by MMC or is for the client to use.

MMC uses its GRIP technology and specialized expertise to achieve three objectives:

1. To create a database which captures and relates the client municipality's economic base to its tax structure in terms of revenue contribution.
2. To continuously monitor and analyze changes to the economic base and tax structure that impact the client municipality's revenue base/funding capacity.
3. To assist each client municipality in developing and implementing strategies to preserve and to enhance its unique revenue base/funding capacity and to meet its bonded indebtedness obligations while maintaining adequate service levels, especially in public safety.

GRIP is a relational database designed for extraction of information by structuring appropriate inquiries. GRIP enables MMC and authorized County staff to monitor and analyze the type and amount of revenue generated from the entire economic base by revenue source, business type, industry, business name, address, address range, assessor parcel number, land use, facility, development, or other user-defined geographic areas.

GRIP Sales Tax Module Applications

- Revenue Enhancement Audits
- Business Retention
- Business Cooperation
- Fiscal Impact Analysis
- SWOT Analysis
- Revenue Forecasting
- Strategic Planning
- Special Studies & Reports

Revenue Enhancement Audits

Beyond sales and use tax, many California local governments are not realizing all of the revenue to which they are entitled due to administrative errors and omissions by revenue-generating businesses and third party fiduciaries (such as the SBE) responsible for collecting and remitting taxes.

Accordingly, the logical starting point for any County seeking revenue enhancement is to make sure it is receiving all the revenue it is entitled to from its existing sources.

Computerized access to sales tax registration and allocation data facilitates the auditing of sales tax and other County revenues. For example, the GRIP sales tax module includes a quarterly

updated Query System installed by MMC on IBM compatible PCs, designated by the County, to provide the County's staff with on-line access to sales tax information on all businesses that the SBE has registered to the County (further discussed below under STARS Query System).

Business Retention

Many agencies are unaware that 80% or more of their general fund revenue is generated by 10% to 25% of their businesses, many of which are portable.

The GRIP sales tax module includes a quarterly updated report on the County's major (and top 250) sales tax producers, ranked in order according to level of sales tax produced for current and prior periods.

With this accurate information, the County can develop and implement proactive public relations programs that will help retain these vital businesses and their revenue through improved communication and cooperation.

Business Cooperation

On a regular basis, taxpaying businesses (including institutions and government agencies) make arbitrary decisions that have positive and negative impacts on the County's revenue.

Typically, these taxpayers do not realize the revenue impact their decisions have on the County and the discretionary latitude they possess to enhance or impair revenues for their host municipality, on whom they depend to provide public safety and other vital services.

By combining the GRIP sales tax module with MMC's knowledge of how the administrative procedures of taxpayers and the SBE affect County revenue, MMC can identify those taxpayers with the greatest potential for enhancing County revenue through modification of their procedures.

In addition to retaining vital businesses, a proactive taxpayer relations program enables the County and its taxpayers to explore opportunities for enhancing revenue without creating additional tax liability.

Fiscal Impact Analysis

When a business located in a self-reliant municipality generates insufficient revenue to fund its fair share of services, the residents and other businesses must make up the difference by paying higher taxes and/or receiving reduced services.

Accordingly, as municipalities move toward fiscal self-reliance and dependence on the revenue generated from their own economic bases to fund general services, there is growing interest in understanding the fiscal impact of various land uses, developments, and businesses. MMC uses the GRIP database to analyze and graphically illustrate the proportionality between revenue contributed and services received.

The first task in building and maintaining the complete GRIP database is to develop and update quarterly the sales tax module, which is a computerized system that identifies (and ranks) the contribution of sales and use tax revenue from each commercial, industrial, residential, institutional and governmental taxpayer in the unincorporated area of the County, as well as each address, development, shopping center or other designated geographic area.

SWOT Analysis

Each municipality has unique Strengths, Weaknesses, Opportunities and Threats (SWOTs). These are defined according to whether they enhance or impair the municipality's revenue base and/or funding capacity to meet its bonded indebtedness obligations and to maintain adequate levels of service. MMC uses the GRIP database to identify and analyze the County's SWOTs, which in turn facilitates the development and implementation of strategies that preserve and enhance revenue.

To develop reliable revenue forecasts and proactive strategic plans that will maintain and enhance revenue, municipalities must be able to assess how constantly changing external dynamics translate to SWOTs for its businesses and revenue base. The GRIP sales tax module provides much of the basis for this type of assessment.

Revenue Forecasting

For governmental agencies, reliable forecasting of anticipated tax revenues is critical to effective budgeting. In the past, municipalities have typically used county, regional, state, and national economic trend data to perform economic analysis and revenue forecasting. These sources rely heavily on historical data and broad, diluted economic indicators that have resulted in non-reliable economic assessments and revenue projections; they do not reflect the changes that are impacting the municipality's tax structure and economic base.

Realizing this, municipalities are now placing increased importance on having timely and accurate data relating to their unique economic base and tax structure in order to understand and explain the causes of revenue increases and declines to more reliably forecast future revenues.

MMC uses the GRIP database to continuously monitor and analyze changes to the economic base and tax structure that impact the municipality's revenue base. MMC also uses the GRIP database to simulate the revenue impact under various "what if" scenarios (based on strengths, weaknesses, opportunities and threats identified by the client and MMC) and to develop revenue forecasts based on pessimistic, optimistic, and most likely assumptions.

Strategic Planning

In order to develop and implement a strategic plan for maintaining and enhancing revenue, the County must be able to define its Strengths, Weaknesses, Opportunities and Threats (SWOTs).

With the GRIP sales tax module, MMC is able to assist the County in assessing its SWOTs and, based on that assessment, to develop a strategic plan with two main goals:

- To maintain and enhance revenue by monopolizing strengths and opportunities, and
- To contain losses by taking defensive steps to eliminate or reduce weaknesses and threats

Special Studies & Reports

Counties frequently need special studies or reports for purposes such as:

- Negotiating revenue-sharing agreements with private developers, business users, and other jurisdictions
- Evaluating and monitoring performance in specific developments, project areas, proposed annexation or de-annexation areas, etc.
- Analyzing retail sales leakage
- Planning project development for revenue generation
- Promoting the County for business and industry

MMC's GRIP sales tax module provides the basis for estimating, tracking and evaluating revenue generation by land use, development, user, industry, parcel, address or designated geographic area. This multi-dimensional capability simplifies the task of planning and producing special reports and studies.

The GRIP sales tax module consists of a STARS (Sales Tax Analysis and Reporting Service) Query System, STARS Digests, and corollary consulting, all of which are described below:

STARS QUERY SYSTEM

In conjunction with the sales and use tax audit service, MMC will:

- Install and update (on a quarterly basis) the County's sales tax registration and allocation data on IBM compatible PCs
- Train authorized County staff in the use of the STARS (Sales Tax Analysis and Reporting Service) Query System

Because the STARS Query System contains confidential information, access is limited to authorized personnel by encrypting the data and making the System password-protected.

The Query System will enable County staff to analyze the contribution of sales and use tax revenue from each taxpayer in the County on an individual, grouped or sorted-order basis by business name, business type, permit number, size ranking, street address, development, shopping center or other geographic area. Data may be broken out by any year period desired, i.e., calendar, fiscal, benchmark, or for any individual quarter.

All sales tax data processed by MMC is located on the Query System. History for each account can be called up by account number and even by business tax registration number(s), if the latter are added to the Query System. MMC has made the Query System extremely user-friendly, even incorporating different types of name and address searches to capture hard to find accounts. For example, the address search only requires the street name to be entered; the system will then fill in the direction and proper abbreviation for the street type.

Also, in looking up a particular type of business segment, a listing of business codes by either name or number is shown on a "pop up" menu to help the user identify which code to select. The Query System can also be used to geo-code specific areas, such as business districts, shopping centers, redevelopment project areas, industrial parks, etc. MMC's Query System will even generate the geo-coded addresses, thus eliminating the need to manually place a code by each firm in a geo-area. The System will also eliminate a geo-area in a global command rather than having to eliminate geo-coded accounts one-by-one when removing a geo-area.

MMC has continued to add new features to the STARS Query System since it was introduced. Most of the new features are the result of suggestions and recommendations from MMC's client users.

Sales Tax Analysis & Reporting Service (STARS) Digests

In conjunction with its sales and use tax audit service, MMC will provide the County with quarterly updated bound STARS Digests (samples enclosed with this proposal), which include all accounts from which the County receives sales tax revenue. Each bound STARS Digest includes, but is not limited to, the following:

Management Summary & Charts

Each MMC STARS Digest includes a confidential and non-confidential management summary. Each summary features a general analysis regarding statewide trends that may affect the County's sales tax plus a specific analysis of the County's sales tax composition, changes, and performance. Twelve color charts are included in each report to graphically illustrate the data and analysis presented in the summary.

Analysis Section

The Analysis Section of each MMC STARS Digest compares the sales tax performance for the latest complete quarter/report benchmark year to previous quarters and years. The Analysis Section, which is an exclusive MMC report, replaces cumbersome manual comparisons between quarters and years and includes the following:

- Historical performance of the top 100 accounts comparing current benchmark year ranking and sales tax produced with that of prior years;
- A computerized analysis of the changes that occurred by economic category and by business sector with the specific businesses that made the major contribution to the change delineated; and
- An analysis by magnitude of change indicating which key businesses grew or declined, measured in absolute dollars and percentages.

Quarterly aberrations due to SBE audits, fund transfers, and other causes are also identified and analyzed for budget planning and revenue forecasting purposes.

Top 250 Sales Tax Producers

Sales tax performance of the County's top 250 sales tax accounts is shown in order of sales tax produced with the results for the most recent five quarters prominently displayed. The proportion of County sales tax produced is also shown by each account.

Sales Tax Accounts by Business Code

This report shows the various business codes assigned by the SBE and the accounts assigned those codes in order of sales tax produced. Five quarters of sales tax data are shown for each account. The County may select the cut-off level of this report (that is, all accounts or just accounts that produce over a certain amount per year). Misclassified sales tax accounts are corrected to make the report a true reflection of the sources of the County's sales tax income.

Sales Tax Trend Report

Data are summarized by economic category and by business sector making up each category. Sales tax trends are shown by quarter and by successive benchmark years. Percent of sales tax is also shown to indicate trends in sales tax composition as well as performance. Growth and decline comparisons are indicated by various categories for forecasting and analysis.

Sales Tax by Account/Sub-Number

The SBE does not provide the specific sales tax amounts generated by each individual location of a firm with multiple locations in the same city and county. Such a breakdown is needed if the County is to track sales tax by specific geo-areas, such as shopping centers, redevelopment areas, business districts, and industrial parks. STARS allocates sales tax by location and even customizes difficult allocations such as auto dealers with showrooms, used cars, and body repair shops. This report shows the amounts allocated to each individual location for a business having multiple locations in the unincorporated area of the County.

Geo-Coding

Tracks sales tax performance within designated areas of the unincorporated area of the County (e.g., key shopping centers, redevelopment project areas, etc.). Charts and printed reports are included for each geo-area.

Cross Reference Reports

These reports allow the user to look up any account shown in the STARS Digest by name, address or account number.

In conjunction with the STARS Digest, MMC provides a quarterly updated sales tax forecast for the current and subsequent fiscal year.

COROLLARY CONSULTING

In addition to the Sales Tax Query System and STARS reports described above, the GRIP sales tax module includes the following consulting services:

- Providing County staff with post-audit sales and use tax orientation:
  - Conducting technical seminar on California's local sales and use tax distribution process
  - Training staff in the fundamentals of sales and use tax allocation audits should the County desire to assume responsibility for future maintenance of local retail accounts internally
- Preparing and analyzing a list of the County's major sales and use tax generators to assist the County in developing a public relations program to prevent the loss of these important businesses
- Profiling for Economic Development/Community Redevelopment personnel the most economically desirable/undesirable types of developments/business uses and the reasons why
- Providing a list of businesses located (or doing business) in the unincorporated area of the County that are not presently producing as much sales and use tax to the County of Los Angeles as they could be through constructive changes in marketing/purchasing procedures (with the approval of the County/SBE, MMC will assist the County in pursuing these opportunities and implementing the changes)
- Assisting in defining specific geographic areas for which the County would have an interest in knowing the sales and use tax produced
- Serving as a resource to assist the County on an "as-needed" basis by providing legal and technical support on sales and use tax issues and questions regarding proposed legislation, estimated revenue on proposed projects, revenue-sharing negotiations, retail sales leakage, budget projections, etc.

POLICY, REGULATORY, & LEGISLATIVE TECHNICAL SUPPORT

In conjunction with its sales and use tax audit service, MMC invests considerable resources in providing its clients with ongoing research, analysis and assistance relative to policy, regulatory and legislative issues that impact or have the potential to impact the County's sales and use tax revenue.

MMC's policy, regulatory and legislative technical support services are provided for the County in conjunction with MMC's sales and use tax audit service.

STATUTORY PERIODS AUDITED

MMC's proposed sales and use tax audits shall encompass all statutory periods for which the County is eligible to recover sales and use tax revenue distributed in error.

DELIVERABLES

Quarterly Updated Reports

As previously covered under Section 6.7.2 through 6.7.3, as part of MMC's GRIP sales tax module, MMC shall provide the County quarterly updated Sales Tax Analysis and Reporting Service (STARS) Digests.

Annually Updated Reports

On an annual basis, MMC shall provide to the County reports analyzing the County's sales tax growth by business category and comparing it with State, County, selected City averages and Consumer Price indices; top producer listings; and composition/volatility of the economic base. As indicated under Sections 6.7.2 through 6.7.3 these reports are provided to the County by MMC as part of the standard quarterly updated STARS reports.

Quarterly Reconciliation & Forecasting Reports

As previously covered under Sections 6.7.2 through 6.7.3, MMC's quarterly updated STARS reports include a Management Summary and Allocation Summary Report that reconcile SBE advances, cleanup payments and pool allocations with budget projections to assist the County with revenue forecasting and receipt monitoring. MMC's reconciliation report includes a separate analysis of fund transfers, SBE audit adjustments and other one-time reporting aberrations impacting the County's budget planning and revenue projections.

Quarterly Status Reports

MMC shall provide to the County quarterly updated status reports to include, but not be limited to, the following:

- Status of work in progress, including:
  - Copies of reports provided to the SBE addressing each point-of sales and use reporting error individually, including the business name, address, telephone no., California sales tax permit number, individuals contacted, date(s) of contact, nature of business, reason for error and recommended corrective procedure; and
  - Copies of misallocation reconfirmation documentation, in response to negative findings by the SBE, in order to preserve original date of knowledge.
- Projected sales and use tax revenue forthcoming to the County as a result of MMC's allocation audits, delineated according to source, timing and one-time versus ongoing.
- Actual sales and use tax produced for the County by MMC's allocation audit service.
- Listing and status of problems encountered during the month as well as the status of outstanding issues impeding correction of misallocated accounts. For each problem/issue identified, MMC is also to specify the implemented/recommended action for resolution.
- Alphabetical listing of all misallocated accounts detected for the County by MMC including, for each, the permit number, correction status, payment amount received by the County, quarter to which payment is related and payment source (e.g., fund transfer, deficiency assessment, etc.). MMC shall also provide this information on electronic format for use by the County on MMC's proprietary account tracking software.

Submission Schedule

MMC shall personally deliver, present, and discuss with the County's designated representative(s) all deliverables identified in this proposal according to the following schedule:

- Annual: Approximately 30 days following the close of the County's fiscal year which commences July 1 and ends June 30.
- Quarterly: Approximately 30 days following the close of the quarter.

CERTIFICATION OF CONFIDENTIALITY

Section 7056 of the State of California Revenue and Taxation Code specifically limits the disclosure of confidential taxpayer information contained in the records of the SBE. This section specifies the conditions under which a city or county may authorize persons other than officers and employees to examine State sales and use tax records.

- MMC is authorized by this Agreement to examine sales and use tax records of the SBE provided to County pursuant to contract under the Bradley-Burns Uniform Sales and Use Tax Law.
- MMC is required to disclose information contained in, or derived from, those sales and use tax records only to an officer or employee of the County who is authorized by resolution to examine the information.
- MMC is prohibited from performing consulting services for a retailer during the term of this Agreement.
- MMC is prohibited from retaining the information contained in, or derived from, those sales and use tax records, after this Agreement has expired.

Information obtained by examination of SBE records shall be used only for purposes related to collection of local sales and use tax or for other governmental functions of the County as set forth by resolution adopted pursuant to Section 7056(b) of the Revenue and Taxation Code.

The resolution shall designate MMC as a person authorized to examine sales and use tax records and certify that this Agreement meets the requirements set forth above and in Section 7056(b)(1) of the Revenue and Taxation Code.

STAFFING PLAN & PERSONNEL

To provide the sales and use tax audit service as thoroughly and rapidly as possible, MMC shall employ a project team approach. MMC's team for providing these services consists of 53 people, all of which are MMC employees except the two attorneys who specialize in sales and use tax law. The role of project team members by functional area of specialization is depicted in the organizational chart on the following page and further described below. Biographical profiles for the project management team, including a description of each individual's responsibilities, professional education, professional experience and tenure with MMC, and role/work assignments are included at the end of this section.

MMC's project team personnel are organized according to functional areas of specialization, as follows:

Data Control & Analysis

Data Control and Analysis personnel are responsible for acquiring and analyzing all the data from outside sources that is used in the sales and use tax detection process. In addition, they run MMC's proprietary data integration process that links the associated data for use by the detection and audit groups.

Detection Analysis

Detection Analysis personnel are responsible for creating and refining MMC's target list of potentially misallocated accounts based on an inventory and evaluation of all businesses located in the unincorporated area of the County and monitoring of quarterly distribution reports for aberrations. For these purposes, MMC has developed proprietary electronic mapping and data processing technology.

Detection Auditing

Detection Auditing personnel are responsible for contacting target list businesses to determine whether allocation reporting errors exist and, for each misallocation detected, developing the substantiating documentation to be included in MMC's reports for submission to the County and SBE.

Corrections Administration

MMC's corrections administration personnel are responsible for the following:

Correcting misallocated accounts by working with personnel at the taxpayer's local operation and corporate headquarters and the SBE's Sacramento and in-state/out-of-state District offices;

Preserving the County's original dates of misallocation knowledge by responding to the SBE's negative findings with timely reconfirmation documentation; and

Recovering for the County eligible amounts misallocated in prior quarters.

Information Services

Personnel listed under Information Services are responsible for producing the STARS Digest, developing special analytical reports for MMC's sales and use tax clients, and maintenance of the GRIP database.

Consulting & Management

Personnel listed under Consulting & Management have responsibility to assist the County in developing and implementing strategies to preserve and enhance the County's sales and use tax revenue. In addition, most have management responsibilities to see that the various aspects of MMC's Sales and Use Tax Services are provided to the County.

ADDITIONAL REPORTS

MMC has included a bound copy of its quarterly STARS Digest as an enclosure. The reports contained within this digest are described in sections 6.7.2 through 6.7.3. The additional reports described in the referenced section and sample reports and forms that MMC proposes to use in conducting the sales tax audit for the County of Los Angeles are also included in the appendix, as Exhibit 12. Currently, MMC provided the STARS Digest and referenced reports in hard copy, but can provide them electronically if the County wishes.

Exhibit B

CONTRACTOR'S EEO CERTIFICATION

MBIA MuniServices Company
Company Name

3433 W. Shaw Ave, Fresno, CA 93711
Address

13-3528885
Internal Revenue Service Employer identification Number

GENERAL

In accordance with provisions of the County Code of the County of Los Angeles, the Contractor, supplier, or vendor certifies and agrees that all persons employed by such firm, its affiliates, subsidiaries, or holding companies are and will be treated equally by the firm without regard to or because of race, religion, ancestry, national origin, or sex and in compliance with all anti-discrimination laws of the United States of America and the State of California.

CERTIFICATION	YES	NO
1. Contractor has written policy statement prohibiting discrimination in all phases of employment.	(X)	( )
2. Contractor periodically conducts a self-analysis or utilization analysis of its work force.	(X)	( )
3. Contractor has a system for determining if its employment practices are discriminatory against protected groups.	(X)	( )
4. When areas are identified in employment practices, Contractor has a system for taking reasonable corrective action to include establishment of goal and/or timetables.	(X)	( )

Signature

5/12/03
Date

Neil Ackerman, Corporate Counsel
Name and Title of Signer (please print)

COUNTY'S ADMINISTRATION

CONTRACT NO._____

COUNTY CONTRACT DIRECTOR:

Name:	David E. Janssen
Title:	Chief Administrative Officer
Address:	500 West Temple Street, Room 713
	Los Angeles, CA 90012
Telephone:	(213) 974-1101
Facsimile:	(213) 687-7130
E-Mail Address:	djanssen@cao.co.la.ca.us

COUNTY CONTRACT MANAGER:

Name:	Anthony Baker
Title:	Analyst
Address:	500 West Temple Street, Room 750
	Los Angeles, CA 90012
Telephone:	(213) 974-6874
Facsimile:	(213) 620-1381
E-Mail Address:	abaker@cao.co.la.ca.us

COUNTY CONTRACT MONITOR:

Name:	Same as Contract Manager
Title:	
Address:	
Telephone:	
Facsimile:	
E-Mail Address:	

CONTRACTOR'S ADMINISTRATION

CONTRACT NO._____

CONTRACTOR'S CONTRACT MANAGER:

Name:	Dave Boisselle
Title:	Operations Manager
Address:	3433 W. Shaw Avenue
	Fresno, CA 93711
Telephone:	(559) 271-6847
Facsimile:	(559) 275-0171
E-Mail Address:	Dave.boisselle@Muniservices.com

CONTRACTOR'S AUTHORIZED OFFICIAL (S):

Name:	Marc Herman
Title:	President
Address:	3433 W. Shaw Avenue
	Fresno, CA 93711
Telephone:	(559) 271-6830
Facsimile:	(559) 275-0171
E-Mail Address:	Marc.herman@Muniservices.com

Name:	Kevin Cerutti
Title:	CFO
Address:	3433 W. Shaw Avenue
	Fresno, CA 93711
Telephone:	(559) 271-6846
Facsimile:	(559) 275-0171
E-Mail Address:	Kevin.cerutti@Muniservices.com

Notices to Contractor shall be sent to the following address:

Address:	MBIA MuniServices Company
	3433 W. Shaw Avenue
	Fresno, CA 93711
	Attn: Corporate Counsel

Exhibit E

CONTRACT FOR SALES AND USE TAX AUDITING SERVICES

CONTRACTOR EMPLOYEE ACKNOWLEDGEMENT, CONFIDENTIALITY, AND COPYRIGHT ASSIGNMENT AGREEMENT

(any reference to Copyright Assignment would apply to Information Technology Contracts only)

(Note: This certification is to be executed and returned to County with Contractor's executed Contract. Work cannot begin on the Contract until County receives this executed document.)

_____
CONTRACTOR NAME

Contract No. _____

Employee Name _____

GENERAL INFORMATION:

Your employer referenced above has entered into a contract with the County of Los Angeles to provide certain services to the County. The County requires your signature on this Contractor Employee Acknowledgement, Confidentiality, and Copyright Assignment Agreement.

EMPLOYEE ACKNOWLEDGEMENT:

I understand and agree that the Contractor referenced above is my sole employer for purposes of the above-referenced contract. I understand and agree that I must rely exclusively upon my employer for payment of salary and any and all other benefits payable to me or on my behalf by virtue of my performance of work under the above-referenced contract.

I understand and agree that I am not an employee of the County of Los Angeles for any purpose whatsoever and that I do not have and will not acquire any rights or benefits of any kind from the County of Los Angeles by virtue of my performance of work under the above-referenced contract. I understand and agree that I do not have and will not acquire any rights or benefits from the County of Los Angeles pursuant to any agreement between any person or entity and the County of Los Angeles.

I understand and agree that I may be required to undergo a background and security investigation(s). I understand and agree that my continued performance of work under the above-referenced contract is contingent upon my passing, to the satisfaction of the County, any and all such investigations. I understand and agree that my failure to pass, to the satisfaction of the County, any such investigation shall result in my immediate release from performance under this and/or any future contract.

CONFIDENTIALITY AGREEMENT:

I may be involved with work pertaining to services provided by the County of Los Angeles and, if so, I may have access to confidential data and information pertaining to persons and/or entities receiving services from the County. In addition, I may also have access to proprietary information supplied by other vendors doing business with the County of Los Angeles. The County has a legal obligation to protect all such confidential data and information in its possession, especially data and information concerning health, criminal, and welfare recipient records. I understand that if I am involved in County work, the County must ensure that I, too, will protect the confidentiality of such data and information. Consequently, I understand that I must sign this agreement as a condition of my work to be provided by my employer for the County. I have read this agreement and have taken due time to consider it prior to signing.

Initials of Signer _____

Contractor Name _____ Contract No. _____

Employee Name _____

I hereby agree that I will not divulge to any unauthorized person any data or information obtained while performing work pursuant to the above-referenced contract between my employer and the County of Los Angeles. I agree to forward all requests for the release of any data or information received by me to my immediate supervisor.

I agree to keep confidential all health, criminal, and welfare recipient records and all data and information pertaining to persons and/or entities receiving services from the County, design concepts, algorithms, programs, formats, documentation, Contractor proprietary information and all other original materials produced, created, or provided to or by me under the above-referenced contract. I agree to protect these confidential materials against disclosure to other than my employer or County employees who have a need to know the information. I agree that if proprietary information supplied by other County vendors is provided to me during this employment, I shall keep such information confidential.

I agree to report to my immediate supervisor any and all violations of this agreement by myself and/or by any other person of whom I become aware. I agree to return all confidential materials to my immediate supervisor upon completion of this contract or termination of my employment with my employer, whichever occurs first.

COPYRIGHT ASSIGNMENT AGREEMENT

I agree that all materials, documents, software programs and documentation, written designs, plans, diagrams, reports, software development tools and aids, diagnostic aids, computer processable media, source codes, object codes, conversion aids, training documentation and aids, and other information and/or tools of all types, developed or acquired by me in whole or in part pursuant to the above referenced contract, and all works based thereon, incorporated therein, or derived therefrom shall be the sole property of the County. In this connection, I hereby assign and transfer to the County in perpetuity for all purposes all my right, title, and interest in and to all such items, including, but not limited to, all unrestricted and exclusive copyrights, patent rights, trade secret rights, and all renewals and extensions thereof. Whenever requested by the County, I agree to promptly execute and deliver to County all papers, instruments, and other documents requested by the County, and to promptly perform all other acts requested by the County to carry out the terms of this agreement, including, but not limited to, executing an assignment and transfer of copyright in a form substantially similar to Exhibit H1, attached hereto and incorporated herein by reference.

The County shall have the right to register all copyrights in the name of the County of Los Angeles and shall have the right to assign, license, or otherwise transfer any and all of the County's right, title, and interest, including, but not limited to, copyrights, in and to the items described above.

I acknowledge that violation of this agreement may subject me to civil and/or criminal action and that the County of Los Angeles may seek all possible legal redress.

SIGNATURE: _____ DATE: _____/_____/_____

PRINTED NAME: _____

POSITION: _____

Exhibit F

CONTRACT FOR
SALES AND USE TAX AUDITING SERVICES

NON-EMPLOYEE ACKNOWLEDGEMENT, CONFIDENTIALITY, AND COPYRIGHT ASSIGNMENT AGREEMENT

(any reference to Copyright Assignment would apply to Information Technology Contracts only)

(Note: This certification is to be executed and returned to County with Contractor's executed Contract. Work cannot begin on the Contract until County receives this executed document.)

_____
CONTRACTOR NAME

Contract No. _____

Non-Employee Name _____

GENERAL INFORMATION:

The Contractor referenced above has entered into a contract with the County of Los Angeles to provide certain services to the County. The County requires your signature on this Non-Employee Acknowledgement, Confidentiality, and Copyright Assignment Agreement.

NON-EMPLOYEE ACKNOWLEDGEMENT:

I understand and agree that the Contractor referenced above has exclusive control for purposes of the above-referenced contract. I understand and agree that I must rely exclusively upon the Contractor referenced above for payment of salary and any and all other benefits payable to me or on my behalf by virtue of my performance of work under the above-referenced contract.

I understand and agree that I am not an employee of the County of Los Angeles for any purpose whatsoever and that I do not have and will not acquire any rights or benefits of any kind from the County of Los Angeles by virtue of my performance of work under the above-referenced contract. I understand and agree that I do not have and will not acquire any rights or benefits from the County of Los Angeles pursuant to any agreement between any person or entity and the County of Los Angeles.

I understand and agree that I may be required to undergo a background and security investigation(s). I understand and agree that my continued performance of work under the above-referenced contract is contingent upon my passing, to the satisfaction of the County, any and all such investigations. I understand and agree that my failure to pass, to the satisfaction of the County, any such investigation shall result in my immediate release from performance under this and/or any future contract.

CONFIDENTIALITY AGREEMENT:

I may be involved with work pertaining to services provided by the County of Los Angeles and, if so, I may have access to confidential data and information pertaining to persons and/or entities receiving services from the County. In addition, I may also have access to proprietary information supplied by other vendors doing business with the County of Los Angeles. The County has a legal obligation to protect all such confidential data and information in its possession, especially data and information concerning health, criminal, and welfare recipient records. I understand that if I am involved in County work, the County must ensure that I, too, will protect the confidentiality of such data and information. Consequently, I understand that I must sign this agreement as a condition of my work to be provided by the above-referenced Contractor for the County. I have read this agreement and have taken due time to consider it prior to signing.

Initials of Signer_____

Contractor Name _____ Contract No._____

Non-Employee Name _____

I hereby agree that I will not divulge to any unauthorized person any data or information obtained while performing work pursuant to the above-referenced contract between the above-referenced Contractor and the County of Los Angeles. I agree to forward all requests for the release of any data or information received by me to the above-referenced Contractor.

I agree to keep confidential all health, criminal, and welfare recipient records and all data and information pertaining to persons and/or entities receiving services from the County, design concepts, algorithms, programs, formats, documentation, Contractor proprietary information, and all other original materials produced, created, or provided to or by me under the above-referenced contract. I agree to protect these confidential materials against disclosure to other than the above-referenced Contractor or County employees who have a need to know the information. I agree that if proprietary information supplied by other County vendors is provided to me, I shall keep such information confidential.

I agree to report to the above-referenced Contractor any and all violations of this agreement by myself and/or by any other person of whom I become aware. I agree to return all confidential materials to the above-referenced Contractor upon completion of this contract or termination of my services hereunder, whichever occurs first.

COPYRIGHT ASSIGNMENT AGREEMENT

I agree that all materials, documents, software programs and documentation, written designs, plans, diagrams, reports, software development tools and aids, diagnostic aids, computer processable media, source codes, object codes, conversion aids, training documentation and aids, and other information and/or tools of all types, developed or acquired by me in whole or in part pursuant to the above referenced contract, and all works based thereon, incorporated therein, or derived therefrom shall be the sole property of the County. In this connection, I hereby assign and transfer to the County in perpetuity for all purposes all my right, title, and interest in and to all such items, including, but not limited to, all unrestricted and exclusive copyrights, patent rights, trade secret rights, and all renewals and extensions thereof. Whenever requested by the County, I agree to promptly execute and deliver to County all papers, instruments, and other documents requested by the County and to promptly perform all other acts requested by the County to carry out the terms of this agreement, including, but not limited to, executing an assignment and transfer of copyright in a form substantially similar to Exhibit H1, attached hereto and incorporated herein by reference.

The County shall have the right to register all copyrights in the name of the County of Los Angeles and shall have the right to assign, license, or otherwise transfer any and all of the County's right, title, and interest, including, but not limited to, copyrights, in and to the items described above.

I acknowledge that violation of this agreement may subject me to civil and/or criminal action and that the County of Los Angeles may seek all possible legal redress.

SIGNATURE: _____ DATE: ____/____/____

PRINTED NAME: _____

POSITION: _____