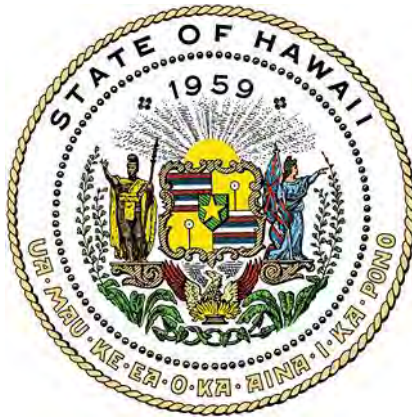


Employees' Retirement System of the State of Hawai'i

Request for Proposals RFP 2027-01 for

INTERNAL AUDIT SERVICES for EMPLOYEES' RETIREMENT SYSTEM



Issue Date: October 2, 2026

All changes to the RFP will be issued by an Addendum to the RFP and posted on the ERS website at (<https://ers.ehawaii.gov/resources/procurement>)

Table of Contents

		Page
Section I	Administrative Overview	1
Section 2	Scope of Work	14
Section 3	Proposal Format	19
Section 4	Proposal Evaluation	24
Exhibit A	ERS Examples of Internal Audit Projects	28
Attachment A	State of Hawaii Agreement for Goods and Services	
Attachment B	Offeror Forms 1, 2 and 3	

SECTION 1 ADMINISTRATIVE OVERVIEW

1.1 Introduction

The Employees' Retirement System of the State of Hawaii (ERS) administers a defined benefit retirement plan for the State and county government employees of the State of Hawaii. ERS provides retirement, disability, and death benefits for its members. ERS is a qualified defined benefit public pension plan under Section 401 (a) of the Internal Revenue Code. Administration of the ERS falls under the policy and executive direction of the Board of Trustees with certain areas of administrative control vested in the state Department of Budget and Finance.

The ERS is issuing this Request for Proposals (RFP) from qualified firms to assist the ERS in continuing to implement and perform an internal audit function. A more detailed description of these services are set forth in Section 2, Scope of Work.

1.2 Background

The ERS was established by the Legislature in 1925 to provide retirement, disability and survivor benefits for State and county employees, including teachers, professors, police officers, firefighters, judiciary employees, judges, and elected officials.

The ERS is a qualified defined benefit public pension plan covered under Section 401 (a) of the Internal Revenue Code. Hawaii Revised Statutes Chapter 88 and Hawaii Administrative Rules Title 6, Chapters 20 – 29 contain the language governing the pension trust. Chapter 88 mandates that the pension plan include employer and employee contributions.

Internal Audit Overview

As one of the 100 largest public pension funds in the United States, with pension assets in excess of \$26 billion and over 162,000 members, retirees and beneficiaries, the ERS is committed to performing the internal audit function of our operations.

ERS uses Optro (formerly AuditBoard), a Governance, Risk, and Compliance (GRC) software as a service (SaaS), application to support ERS' risk management and internal audit activities, to implement, define and streamline the process of identifying, assessing, managing, monitoring, and reporting on strategic risks associated with ERS operations and compliance risks managed by executive leadership.

Membership and Benefits Overview

The ERS Pension Trust is comprised of three pension classes for membership purposes and considered to be a single plan for accounting purposes because all assets of the ERS may legally be used to pay the benefits of any of the ERS members or beneficiaries, as defined by the terms of the ERS. The ERS provides retirement, survivor, and disability benefits under the Contributory, Hybrid and Noncontributory classes. The most recent revision to the benefit structure became effective July 1, 2012, for new Contributory and Hybrid class members.

Generally, all full-time employees of State and counties of Hawaii are required to be members of the ERS. Some positions of the State and counties of Hawaii are not eligible for ERS membership and may be covered by another separate retirement program. Membership of the plan and the benefits provided are based on the individual's employment group and ERS membership date.

A member may belong to only one membership class (contributory, noncontributory or hybrid) based on their latest employment. A member may change classes in certain situations due to a change in their membership date or job classification. If a member earns service in different classes or benefit structures, the member's retirement benefit is calculated based on the applicable membership service earned (such as service credits and benefit multiplier percentage of each membership service). Since January 1, 1988, member contributions are tax deferred under Section 414(h)(2) of the Internal Revenue Code.

The two major employment groups applicable to employer and member contribution rates, vesting requirements, and benefit provisions are (a) Police and Firefighters and (b) All Other Employees. There are four major benefit structures for contributory class members based on employment group and membership date while there are two benefit structures for hybrid class members based on their membership date as discussed below. The noncontributory class has one benefit structure.

Investments Overview

The ERS investment portfolio is valued at over \$26 billion as of June 30, 2026, and is managed by over 60 investment firms in a combination of separate and commingled accounts. Investments are governed pursuant to Sections 88-119 and 88-119.5 of the HRS. The investment decisions are further dictated by the Investment Policy Statement, internal investment policies and asset allocation established by the Board.

The Board of Trustees adopted a functional risk allocation framework that currently utilizes two high-level strategic classes (Broad Growth and Diversifying Strategies) for allocating assets and managing risk within the total portfolio. Both of these strategic classes contain sub-components that in-turn utilize asset classes and/or specific strategies for implementation. The Broad Growth class utilizes three sub-components (Global Equity, Global Credit, and Real Assets) which are ultimately invested in public and private equity, and private credit, real estate, agriculture, timber, and infrastructure. The Diversifying Strategies class is designed to be uncorrelated to the Broad Growth class and it utilizes two sub-components (Liquid Defensive/ Diversifying, and Illiquid Diversifying). The Diversifying Strategies class utilizes a multitude of asset classes and strategies, including US defensive return capture, discretionary alpha, intermediate and long duration, systematic trend following, idiosyncratic return capture, and insurance linked assets, among others. The ERS may also hold opportunities and other investments if they are determined to be additive to the portfolio's risk/return posture.

Additional information regarding the ERS is available on the ERS website at: <https://ers.ehawaii.gov>.

- ERS Investment Policy Guidelines and Procedures Manual are available under the Investments link <https://ers.ehawaii.gov/investments/program>.
- Annual Comprehensive Financial Report (ACFR), Actuarial Valuations and other financial reports for ERS from FY 2001 are available under the link <https://ers.ehawaii.gov/resources/financials>.

1.3 Authority

This RFP is issued under the provisions of Hawaii Administrative Rules (HAR) 3-122-46. This solicitation is issued under the provisions of Hawaii Revised Statutes (HRS) Chapter 103D, Chapter 88 and its administrative rules thereof. All applicants are charged with presumptive knowledge of all requirements of the cited authorities. Submission of a valid executed proposal by any prospective offeror shall constitute a warranty and representation of such knowledge on the part of such prospective offeror.

1.4 RFP Organization

This RFP is organized into five sections:

- Section 1** Administrative Overview — provides offerors with general information on the objectives of this RFP, procurement schedule and procurement overview.
- Section 2** Scope of Work — provides offerors with a general description of the tasks to be performed.
- Section 3** Proposal — describes the required format and content for the offerors' proposals.
- Section 4** Proposal Evaluation — describes how proposals will be evaluated.
- Section 5** State of Hawaii Agreement for Goods or Services Based Upon Competitive Sealed Proposals — provides offerors the terms and conditions under which the work will be performed.

1.5 Procurement Officer and Contract Administrator

This RFP is issued by the Employees' Retirement System of the State of Hawaii. The individual listed below is the Procurement Officer and Contract Administrator for this procurement.

Mr. Kalbert K. Young, Executive Director,
Employees' Retirement System of the State of Hawaii
City Financial Tower
201 Merchant Street, Suite 1400
Honolulu, HI 96813
Telephone: (808) 586-1700, Fax: (808) 586-1677

The ERS Point of Contact for all matter relating to this RFP is:

Name: Geraldine Konishi
Telephone: (808) 586-1705
Email: Geraldine.Konishi@hawaii.gov with a copy to
dbf.ers.procure@hawaii.gov

1.6 Procurement Timetable

Listed below are the important RFP activities and corresponding dates by which the activities are scheduled to be completed. Offerors are advised that these dates are estimates and are subject to change at the discretion of ERS. The ERS reserves the right to change any date(s) specified when it is deemed to be in the best interest of the State. Any changes to the below noted dates will be provided via an addendum posted with this solicitation on the ERS website (ers.ehawaii.gov). All times noted below are HST.

Activity	Date
Release of Request for Proposals	October 2, 2026
Closing date to Submit Questions via Email	October 12, 2026
ERS Response to Questions posted via an addendum	October 19, 2026
Closing Date for Receipt of Hardcopy Proposals	November 3, 2026
Proposal Evaluations	November 4-10, 2026
Presentations in Honolulu, HI (optional)	November 17-18, 2026
Best and Final Offers (if any) due	November 25, 2026
Estimated Notice to Award	December 2-4, 2026
Contract Start Date	February 1, 2027

*Best estimates at this time. ** Time due for each date is 4:30 p.m. (H.S.T.)

If ERS decides to provide a Best and Final Offer (BAFO) consideration, the effected BAFO response will be due back to ERS via email to geraldine.konishi@hawaii.gov with cc to: dbf.ers.procure@hawaii.gov by per the Procurement Timetable above. The approximate date of contractor selection and award date remains the same as stated in above timetable.

1.7 Communications and Questions with the ERS

Offerors and potential offerors (including agents of offerors or potential offerors) shall not contact any member of the ERS Board of Trustees or any member of the ERS staff concerning this Request for Proposal.

ERS is accepting questions concerning this RFP (see Section 1.6, Procurement Timetable). Questions are being accepted by ERS for this RFP in accordance with Section 1.6, Procurement Timetable.

Questions are to be emailed to ERS Point of Contact, to include the following:

- subject line - “Internal Audit Services RFP 2027-01”
- to - Geraldine Konishi (Geraldine.Konishi@hawaii.gov) with cc to: dbf.ers.procure@hawaii.gov.

Questions will be responded by a written addendum posted on the ERS website, in the procurement section, (<https://ers.ehawaii.gov/resources/procurement>) in accordance with Section 1.6, Procurement Timetable

1.8 Submission of Proposals

Offerors are required to carefully read, examine and understand the solicitation, terms, conditions, forms and other documents, laws and rules, as noted in this RFP including addendum(s) as applicable, before submitting a proposal.

The submission of a proposal shall be a warranty and representation that the offeror has made a careful examination, has read, understands the specifications, terms and conditions of this RFP and agrees to provide and perform per same.

All offers/proposals become the property of the State of Hawaii.

Proposal Due Date and Time:

Refer to Section 1.6, Procurement Timetable for the proposal due date and time.

Hardcopy Responses:

This is a Hardcopy Response RFP which requires each qualified offeror to have delivered a hardcopy response to the below mailing address in accordance with Section 1.6, Procurement Timetable. Each Offeror will submit only one (1) proposal. Alternate proposals will not be considered or accepted and offerors may be a party in only one proposal. NO FAXED OR E-MAILED proposals will be considered or accepted.

Cost Proposal:

Concerning the cost proposal, the offered pricing for services shall be firm and fixed including all fees, labor and otherwise expenditures provided by the Offeror to fulfill the terms and conditions of this RFP.

Proposal Delivery Format:

Each Offeror shall submit (1) one single-sided original, unbound and (8) eight copies of the bound proposal with contents indexed to be delivered to Employees' Retirement System of the State of Hawaii at City Financial Tower, 201 Merchant Street, Suite 1400, Honolulu, HI 96813. The Offeror shall provide in the shipping container with the proposals (1) one, USB drive with the electronic version of the proposal in PDF format with bookmarks.

Offeror shall clearly identify on the outside cover of the package containing the proposals the following:

Employees' Retirement System of the State of Hawaii
City Financial Tower,
201 Merchant Street, Suite 1400
Honolulu, HI 96813
Attention: Procurement Officer

Proposal Submitted by:

Offeror Company Name: _____ Submitted by: _____
Response to Internal Audit Services RFP 2027-01

1.9 Receipt, Opening and Recording of Proposals; Late Proposals

Proposals shall be date and time-stamped upon receipt at ERS and held in a secure place by the Procurement Officer or designee, until the established RFP opening date and time. Proposals may be modified or withdrawn prior to the deadline for submission of proposals.

Any Proposal received after this time will be deemed late and not considered for evaluation. shall not be opened or considered and shall be returned to Offeror. Proposals may be modified or withdrawn prior to the deadline for submission of proposals.

- **Modifications** — Should any offeror need to modify any submitted proposal, the modification must be submitted prior to the RFP closing date and time.
- A written notice shall be sent by the offeror and received by the Procurement Officer stating that a modification to a submitted proposal is being provided by the offeror. The written notice must accompany the actual modification securely sealed in a separate envelope or container and received by the RFP closing date and time.
- **Withdrawal** — Should any proposal need to be withdrawn by an offeror, a written notice shall be sent by the offeror and received by the Procurement Officer. The withdrawal shall state that the offeror wishes to withdraw a proposal that has already been received by the Procurement Officer.

Proposal Opening:

Proposals shall not be opened publicly, but shall be opened in the presence of two or more procurement officials. Proposals and modifications shall be shown only to personnel having a need to know.

After the date established for receipt of proposals, a register of proposals shall be prepared which shall include the name of each offeror, and the number of modifications received. The register of proposals shall be open to public inspection only after award of the contract.

Any notice of withdrawal, notice of modification of a proposal with the actual modification, or any proposal received by the Procurement Officer after the time and date set for receipt and opening of proposals is late and will not be considered for award.

An offeror may withdraw and resubmit a proposal prior to the final submission date and time. No withdrawals or re-submissions will be allowed after the final submission date and time.

1.10 Best and Final Offer

The priority-listed offeror's best and final offers must be received by the Procurement Officer no later than the due date and time in accordance with Section 1.6, Procurement Timetable. If a best and final offer is not submitted, the previous submittal will be construed as the best and final offer. One (1) single-sided unbound original and ten (10) copies of the best and final offer must be submitted. After best and final offers are received, final evaluations will be conducted for an award.

1.11 Mistakes in Proposals

Mistakes shall not be corrected after the award of the contract. When the Procurement Officer knows or has reason to conclude before award that a mistake has been made, the Procurement Officer will email request to the offeror to confirm the proposal.

If the offeror alleges mistake, the proposal may be corrected pursuant to this section via email and the procurement officer shall provide the time frame for such correction.

Correction shall be made by the Offeror within the Procurement Officer's designated time frame or the Offeror will be considered non-responsive and request by the Procurement Officer to the Offeror's to confirm proposal or offer correction will be withdrawn.

ERS reserves the right to waive or permit cure for minor informalities, errors or omissions, when it is in the best interests of the State.

1.12 COSTS FOR PROPOSAL PREPARATION

Any costs incurred by an offeror in preparing or submitting a proposal are the offeror's sole responsibility. Travel and expenses to and from the State of Hawaii are also the sole responsibility of the organization submitting the response.

1.13 DISQUALIFICATION OF PROPOSALS

The ERS reserves the right to consider as acceptable only those proposals submitted in accordance with all requirements set forth in this RFP and which demonstrate an understanding of the scope of work. Any proposal offering any other set of terms and conditions, or terms or conditions contradictory to those included in this RFP, may be disqualified without further notice.

An offeror will be disqualified and the proposal automatically rejected for any one or more of the following non-exclusive reasons:

- Proof of collusion among offerors, in which case all proposals and offerors involved in the collusive action will be rejected.
- The offeror's lack of responsibility and cooperation as shown by past work.
- The proposal shows any noncompliance with applicable law.
- The proposal is conditional, incomplete, or irregular in such a way as to make the proposal incomplete, indefinite, or ambiguous as to its meaning.
- The proposal has any provision reserving the right to accept or reject award, or to enter into an agreement pursuant to an award, or provisions contrary to those required in the solicitation.
- The delivery of the proposal after the deadline specified in the timetable.
- The offeror's being in arrears on existing contracts with the State or having defaulted on previous contracts.
- The offeror's lack of sufficient experience to perform the work contemplated.
- The offeror's conflicts of interest or lack of independence in judgment.

1.14 RFP Amendments and Addendum

ERS may modify any part of the RFP, prior to the date fixed for final submission of responses, by issuance of an addendum which shall be posted on ERS website (ers.ehawaii.gov). Addenda will be numbered consecutively.

1.15 Cancellation of Request for Proposals/Rejection of Proposals

This RFP may be cancelled and any or all proposals may be rejected in whole or in part, when it is determined to be in the best interests of the State.

1.16 Uncertainties Beyond Control of the ERS

The ERS recognizes that circumstances beyond the control of the ERS may arise that may significantly affect the ability of the contractor to provide the services described in this RFP or as proposed by the contractor. Accordingly, the ERS reserves the right to modify the agreement to address such circumstances.

1.17 Proposal Bonds; Bid, Performance or Payment Bonds

No bid bond is required to be submitted with the proposal, and no performance or payment bond will be required for the contract awarded pursuant to this RFP.

1.18 Acceptance of Proposals and Execution of Contract

Acceptance of a proposal, if any, will be made as provided in the Procurement Timetable. The offeror must have the ability to provide and perform as specified in this RFP and in the contract. The ERS shall be the sole judge of capability. The successful offeror will be notified by letter that its proposal has been accepted and that the offeror is being awarded the contract.

ERS reserves the right to award a contract based upon the written responses received and without prior discussion or negotiations.

Attachment A is a sample contract used by the ERS internal audit services. In submitting a proposal, the offeror will be deemed to have agreed to each provision set forth in Attachment A unless the offeror identifies the provision to which objection is made and submits alternative language. The ERS reserves the right to accept or reject the offerors alternate language. The contract awarded pursuant to this RFP shall consist of the RFP and any amendments thereto, and the specific terms and conditions of the contract.

The ERS shall forward a contract to the successful offeror for execution. The contract shall be signed by the successful offeror and returned within ten calendar days after receipt by the offeror or within such further time as may be allowed.

No contract shall be considered binding upon the ERS until the contract has been fully and properly executed by all parties thereto.

If the offeror to whom a contract is awarded shall fail or neglect to enter into the contract within ten calendar days after such award or within such further time as may be allowed, the Procurement Officer may consider the next best ranked offeror or may call for new proposals, if it is deemed to be in the best interests of the State.

1.19 Debriefing

The offerors' proposal which has not been selected may submit a written request for debriefing to the Procurement Officer or designee within five working days after the posting of the award of the contract. The debriefing will be held by the Procurement Officer or designee, within seven working days after receipt by the Procurement Officer or designee of the first request for debriefing and will be conducted virtually via TEAMS video teleconference. The Procurement officer will email a TEAMS meeting notice to the Offeror requesting the debriefing to schedule the event.

1.20 Requirements for Doing Business in the State of Hawaii

Offeror is advised that in order to be awarded a contract under this solicitation, Offeror will be required to be compliant with all laws governing entities doing business in the State, including the following chapters and pursuant to HRS §103D-310(c):

- 1) Chapter 237, tax clearance
- 2) Chapter 383, unemployment insurance
- 3) Chapter 386, workers' compensation
- 4) Chapter 392, temporary disability insurance
- 5) Chapter 393, prepaid health care
- 6) HRS §103D-310(c), Certificate of Good Standing (COGS) for entities doing business in the State.

And one of the following:

- 1) Be registered and incorporated or organized under the laws of the State, or
- 2) Be registered to do business in the State.

Proof of compliance with the foregoing requirements are to be provided through the Hawaii Compliance Express (HCE), which allows vendors, contractors and service providers doing business with the State to register online through a simple wizard interface at <http://vendors.ehawaii.gov> to acquire a "Certificate of Vendor Compliance." The HCE provides current compliance status as of the date the Certificate of Vendor Compliance is issued. The Certificate of Vendor Compliance indicating that offeror or contractor's status is compliant with the requirements of HRS Chapter 103D-310(c), will be accepted for both contracting purposes and final payment.

Vendors/contractors/service providers are advised to register on HCE as soon as possible. If a vendor/contractor/service provider is not compliant at the time of award of the contract, an Offeror will not receive the award.

The Offerors are encouraged to place a HCE Compliant certificate in their proposal package to ensure the State's ability to verify vendor compliance.

The contractor must maintain such compliance during the term of the contract and for final payment. The ERS may conduct periodic checks to confirm that a contractor maintains compliance with the foregoing requirements throughout the term of the contract, including any extensions. If a contractor's Certificate of Vendor Compliance shows that the contractor's status is "Not Compliant" or "Expired", the ERS has the right to withhold any and all payments to the contractor until the contractor's Certificate of Vendor Compliance shows that the contractor's status is "Compliant." Such withholding shall not be considered or constitute a breach of contract and shall not be a basis or excuse for nonperformance of the contract by the contractor, or entitle contractor to claim interest for a late payment.

1.21 Commencement of Work After Contract Execution

The successful offeror must begin substantive actions on the project immediately upon receipt of notice to proceed, which will be given upon the execution of the contract. The contractor will be in default if delays occur in the commencement of substantive work. If default occurs, ERS reserves the right to cancel the contract, and award the contract to another contractor.

SECTION 2 SCOPE OF WORK

2.1 Introduction

Under this RFP, the ERS seeks a qualified consulting firm to assist the ERS in continuing to implement and perform an internal audit function. (Please review RFP Exhibit A, which includes sample projects).

The scope of services for the qualified consultant will include operational, compliance, data and information system reviews to assist the Board of Trustees and its Administrative & Audit Committee to assess the adequacy and effectiveness of the ERS's internal control systems.

2.2 General Requirements

2.2.1 Contract Period

It is anticipated that the term of the Contract awarded under this RFP will commence on or around February 1, 2027, and expire on January 31, 2032, for a base term of five (5) years. The term of the Contract may be extended, at the ERS's option for two additional (1) one year terms until January 31, 2034.

Funds are not presently available for performance under the Contract beyond the current fiscal year. The ERS's obligation for performance of the Contract beyond the fiscal year is contingent upon the availability of funds from which payment for contract purposes can be made. No legal liability on the part of the ERS for any payment may arise for performance under the Contract beyond the current fiscal year until funds are made available for performance of the Contract.

2.2.2 Scope of Work

For the purposes of quoting fees under this RFP, the fees quoted are to be based on the scope of work and all specifications as set forth below, and in Section 3.10. Offerors shall also provide an hourly rate quote for ancillary work.

The CONTRACTOR shall provide the following services:

1. Objectives. The CONTRACTOR understands that the objectives of the work to be performed under this Contract are:
 - A. To determine whether the ERS's internal controls over financial and operating data and information are adequate and effective to provide reasonable assurance that such data and information is accurate, reliable, and secure.
 - B. To determine whether the ERS's internal controls over compliance with laws, regulations, contracts, policies, and procedures are adequate and effective to ensure that proper compliance actually occurs.
 - C. To determine whether the ERS's internal controls over assets provide ERS reasonable assurance that assets exist and are properly safeguarded against loss or theft.
 - D. To determine whether controls over ERS operations provide reasonable assurance that ERS resources are used efficiently and economically.

- E. To determine whether controls over ERS operations and programs are effective to provide reasonable assurance that the operations and programs are being carried out as planned and that the results of operations are consistent with the ERS's goals and objectives.
- F. To identify where controls over ERS operations and programs are non-existent or lacking and to assist the ERS to develop and document such controls. Whenever necessary identify best practices or industry standards as comparable improvements to ERS programs, processes, or controls.

2. Scope of Work. the CONTRACTOR shall:

- A. Review the Internal Audit Plan and propose any needed modifications to the Administrative & Audit Committee and Board for their approval. Without limitation, proposed modifications may relate to the auditable areas in the Internal Audit Plan, the processes or procedures reviewed, and the timing and number of hours involved in the reviews.
- B. Perform the operational, compliance and other reviews set forth in the Internal Audit Plan, as modified with the approval of the Administrative & Audit Committee and Board. The reviews shall: (1) make findings that identify areas where ERS policies, procedures, or controls are deficient, weak, or non-existent; (2) identify the potential impact of such findings; and (3) make recommendations to address the deficiencies and weaknesses found; (4) when practical, identify best practices or industry standards.

- C. Provide recommendations based on “best practices” in instances where ERS policies, procedures, processes, or controls do not exist and/or could be improved on.
- D. Present oral and written reports on the reviews to the Administrative & Audit Committee and Board, and follow-up on ERS actions to address identified deficiencies and weaknesses.
- E. From time to time, identify and propose reviews of other additional auditable areas based on risks identified by the CONTRACTOR or the Administrative & Audit Committee and Board during the term of the Contract.
- F. From time to time, perform consulting services to the ERS at the direction of the Administrative & Audit Committee, in accordance with the approved Internal Audit Charter. Examples may include facilitation, consultation on internal control improvement initiatives, training, and advisory services.
- G. Based on the work performed, provide the Administrative & Audit Committee and Board with oral and written reports that identify and outline procedures, processes, and policies that the ERS's internal audit function should possess, including without limitation, goals and objectives of the internal audit function, a risk assessment framework, and responsibilities with respect to annual planning and administrative activities.

- H. Prior to completion of the existing internal audit plan, perform an internal risk assessment for the ERS, and based on the results, propose an internal audit plan for the next period.
- I. ERS Business Hours - Contractor must be able to meet with ERS Board and staff during ERS business hours; Monday – Friday 7:30 AM to 4:30 PM, Hawaii Standard Time (HST).

In the past internal audit cycle, the Administrative & Audit Committee has undertaken a review of approximately 4-6 review projects annually.

2.3 Multi-Term Solicitation

As indicated by the terms stated in Section 2.2.1, this solicitation is for a multi-term contract. The multi-term contract will be cancelled only if funds are not appropriated or otherwise made available to support continuation of performance in any fiscal period succeeding the first; however, this does not affect the State's rights or the contractor's rights under any termination clause of the contract. The head of the purchasing agency must notify the contractor on a timely basis that the funds are, or are not, available for the continuation of the contract for each succeeding fiscal period. Offerors must submit prices for the entire time of performance only. In the event of cancellation, the contractor will be reimbursed unamortized reasonably incurred nonrecurring costs, if applicable.

SECTION 3 PROPOSAL FORMAT

3.1 INTRODUCTION

The offeror shall prepare a written proposal that will fully describe the qualifications and availability of the offeror to provide and perform the services specified under this RFP and the compensation the offeror proposes in response to this RFP. Offeror proposal to include the following, without limitation:

- Cover Letter
- Internal Audit Practice - Qualifications and Expertise
- Project Team
- Internal Audit Methodology
- Proposed Timeline, in Gantt style format with attributes.
- Tools and Technology
- References
- Proposed Fee
- Offer Forms

3.2 CONFIDENTIAL INFORMATION

Offeror shall designate those portions of the proposal that contain trade secrets or other proprietary data/information that should remain confidential. This information is to be clearly marked and readily separable from the body of the document to facilitate public inspection of the non-confidential portions. The entire proposal cannot be considered confidential and the fee section of the proposal is not considered confidential.

Any request for public inspection is subject to the requirements of Chapter 92F, Hawaii Revised Statutes.

3.3 COVER LETTER

The RFP response must include a cover letter addressed to the Procurement Officer. The letter, which will be considered an integral part of the Proposal, must contain the following:

Offeror's Vital Information

The cover letter shall include the offeror's name, address, telephone/fax numbers, and e-mail address.

Include the name and contact information responsible for this solicitation.

Terms and Conditions of RFP

A statement that the offeror understands and will comply with all terms and conditions in the RFP

The offeror must include written acknowledgement of receipt of any and all amendments or addenda made to this RFP.

Legal Entity

A statement indicating that the offeror is an individual, a partnership, a limited liability company or a corporation. If the offeror is a corporation, a partnership or other legal entity, include a statement indicating the jurisdiction where the offeror is organized.

Authorized Signature

The cover letter must be signed by an individual or individuals authorized to legally bind the offeror. If the offeror is a corporation, evidence in the form of a certified copy of a corporate resolution or certified copy of articles of incorporation or bylaws shall be submitted showing the individual's authority to bind the corporation. If the Offeror is a partnership or joint venture, each member of the partnership or joint venture must sign the proposal letter, or evidence (in the form of a partnership agreement or joint venture agreement) must be submitted showing that the individuals signing the proposal letter have the authority to bind the partnership or the joint venture. The fully executed proposal letter must be submitted along with the proposal.

Federal Tax ID No.

The cover letter shall include the offeror's federal tax identification number.

Hawaii General Excise Tax ID No.

A Hawaii General Excise Tax (GET) ID must be provided or a representation that a Hawaii General Excise Tax ID will be obtained prior to commencement of the work.

Current Licenses

A statement that the offeror maintains active and current licenses or certifications necessary to provide project management services, and a statement of the offeror's specialty, if any. In addition, an offeror must provide evidence that the offeror is registered to do business in the State of Hawaii. True and accurate copies of the offeror's license(s) and certificates must be provided.

Nondiscrimination

A statement of affirmative action that the offeror does not discriminate in employment practices with regard to race, color, religion, age (except as provided by law), sex, marital status, political affiliation, national origin, handicap or disability.

State Approval of Offeror's Recommendations

A statement that the offeror understands that the State reserves the right to disapprove offeror recommendations without penalty when they conflict with the policy or fiscal interests of the ERS, as determined by the ERS.

Minimum Qualifications

Affirm that the offeror meets each of the minimum qualifications and state where supporting evidence is in your proposal.

ERS Approval of Offeror's Recommendations

A statement that the offeror understands that the ERS reserves the right to disapprove offeror recommendations without penalty when they conflict with the policy or fiscal interests of the ERS, as determined by the ERS.

Availability

This section shall describe the offeror's availability and shall include a discussion of any conflict of interest the offeror may have in providing the services described in this RFP and any problems or concerns that the offeror wishes to bring to the State's attention. OFFERORS SHOULD NOTE THAT CONFLICTS OF INTEREST MAY BE GROUNDS FOR DISQUALIFICATION FROM CONSIDERATION.

Terms and Conditions of Contract

Briefly affirm that the provisions of the sample contract in Attachment A are acceptable or state any proposed modifications. ERS reserves the right to decline or classify as “unresponsive” any substantive changes, modifications, or revisions to the provisions of the sample contract.

In addition to the Cover Letter described above, the Offeror's proposal to include the following information as requested in RFP sections 3.4 - 3.10 herein

3.4 Internal Audit Practice - Qualifications and Expertise

1. Provide an overview of your internal audit practice, capabilities, experience and range of services provided.
2. Provide a description of how your firm would bring value to our business.
3. Describe how your firm’s internal audit approach leverages leading practices, proven approaches and tools.
4. Describe how your firm identifies and evaluates risk and the process used to address such risk while reducing the overall cost of compliance.
5. Describe similar projects completed by your firm within the past three (3) years.

3.5 Project Team

Describe the team assigned to work on this project. Include the resumes of each team member, describing their education, training, qualifications and provide a copy of their industry certifications. Provide each team member's responsibilities in support of this RFP to the ERS and summarize their skill sets

3.6 Internal Audit Methodology

1. Describe your internal audit methodology and differentiating factors that provide enhanced value to clients.
2. Describe the policies and practices your firm maintains in order to ensure accuracy, consistency and confidentiality in the work performed.
3. Describe your policies and practices with respect to ownership and retention of audit work papers and other material related to client work.

3.7 Proposed Timeline

Offeror to provide in their proposal a proposed timeline in Gantt Style format which will describe the Offeror's plan to implement ERS's Internal Audit Work Plan and provide the proposed number of audit hours to complete each project in the work plan.

The timeline must provide for completion of all projects within the contract term. The completion date may be extended if the term of the contract is extended, at ERS' option, for two additional one (1) year terms.

3.8 Tools and Technology

1. Offeror to include an overview of the technology platform and tools that Offeror's internal audit team shall use in performance under this contract.
2. Offeror to include an overview of any software tools and technologies that shall be used to perform the internal audit risk assessment process, develop and manage the audit plan, implement audit programs, document results, and track and report open audit issues.
3. ERS requests access to the Offeror's audit resources during the term of the contract.

3.9 References

Provide the names of three (3) references, including the telephone, email address and address of the company or agency, and the name of the key contact on Offeror Form OF-2. If Offeror shall utilize a sub-contractor, the sub-contractor shall also fill in the OF-2 form.

3.10 Proposed Fees

1. Offeror to include a **detailed fee proposal** which shall be an inclusive quote, fully encumbered, firm and fixed, including all costs, travel, fees and taxes in or associated with the provision and performance of the services provided by Offeror per the terms and conditions of this RFP specification. Provide details of expected staff travel during the project such as number of trips and/or, rates, and other costs, if applicable.
2. Offeror to include the hourly rate per hour by staff level for all base and option years.
3. If the Offeror intends to perform Internal Audit services that are considered out of scope of this RFP, the Offeror to describe those services and the fees thereof for ERS consideration.
4. Offeror to include on a separate line item the fee for the optional two (2) one year term extension, if ERS extends the option to the offeror.
5. Proposal Evaluation
For the purposes of proposals evaluation; the offeror's proposal fees are to be based **on 4-6 projects per year with an annual budget of 2600 hours annually.**
 - Offeror to prepare proposal fees, firm and fixed for each year using these parameters, for the Offeror to provide and perform under the terms and conditions of the specifications
 - Offerors to refer to RFP Section 4.4 for Evaluation criteria.

SECTION 4 PROPOSAL EVALUATION

4.1 Introduction

The evaluation of proposals received in response to this RFP will be conducted comprehensively, fairly, and impartially.

4.2 Evaluation Organization

A Selection Committee will review and evaluate all proposals submitted by the deadline as specified in this RFP.

The evaluation will be conducted in the following phases:

4.3 Phase 1 — Evaluation of Mandatory Requirements

The evaluation of mandatory requirements shall be done to ensure that the offeror's proposal is sufficiently responsive to the mandatory requirements described in Section 3 to permit a complete evaluation. To meet the mandatory requirements, the offeror must submit a proposal that includes all of the items described in Section 3, including responses to all of the questions in subsections 3.4 through 3.9. Only those proposals that meet the minimum mandatory requirements will be classified as “potentially acceptable or acceptable” and shall be considered in Phase 2.

The minimum requirements are:

1. Offeror to be a certified public accountant firm, licensed to do business in the State of Hawaii.
2. Offeror to be in business for a minimum of five (5) years.
3. Offeror must provide internal audit services to a minimum of one (1) large complex organization, of similar scope, scale and complexity as ERS, preferably in public pension plans
4. Offeror to have an office in Hawaii, and be able to meet with ERS Board and staff during ERS's normal working hours; M-F 7:45 a.m. – 4:30 p.m., (HST).
5. The primary consultant assigned to the ERS account shall have a minimum of seven (7) years of experience providing audit services to a large complex organization, of similar scope, scale and complexity as ERS, preferably in public pension plans

4.4 Phase 2 — Evaluation Criteria, Evaluation of Proposals, and Establishment of Priority Listed Offerors

All offerors who pass Phase 1 are eligible for evaluation in Phase 2. The Selection Committee will evaluate the proposals and rank the proposals based on the highest total number of points received from the criteria in Paragraph 4.7.6. The Selection Committee may limit the number of proposals for the Priority Listed Offerors to the top three (3) point earners.

The order, priority and points to be applied to each evaluation criteria are

Criteria	Points
Professional qualifications and expertise	30
Stability and relevant experience of the firm and the team proposed for the ERS	30
Methodology, process, soundness of approach and understanding the needs of the ERS	25
Fees (for 5-year base term) *	10
Client references	5
Total	100

*Formula for determining allocation of points for fee: The Offeror proposing the lowest evaluated price will be assigned the maximum points. Points allocated to higher-priced proposals shall equal the lowest evaluated proposal price multiplied by the maximum points available for price, divided by the higher evaluated proposal price, or:

allocated points = (\$ amount of the lowest fee proposal x 10.0) ÷ \$ amount of the fee proposal being evaluated, per Section 3.10 Proposed Fees.

4.5 Phase 3 — Discussion with Priority Listed Offerors

During this phase, the evaluation committee will schedule and conduct discussions with the Priority-Listed Offerors. The evaluation committee shall establish the time and date for discussions. At a minimum, the Priority-Listed Offerors shall be required to have the listed project manager, or other person(s) deemed necessary by the evaluation committee attend the discussions.

4.6 Phase 4 – Submission of Best and Final Offers (BAFO)

The evaluation committee shall request the Priority-Listed Offerors to submit their best and final offers in accordance with Section 1.7, Procurement Timetable. If any of Priority-Listed Offerors do not submit a notice of withdrawal or another best and final offer, their immediate previous offer will be construed as their best and final offer. After best and final offers are received, final evaluations will be conducted for an award.

4.7 Phase 5 — Final Evaluation

During this phase, the evaluation committee shall conduct final evaluations on the offerors' proposals based on the evaluation criteria in RFP Section 4.2, Phase 2 — Evaluation Criteria, Evaluation of Proposals, and Establishment of Priority Listed Offerors.

4.8 PHASE 6 — RECOMMENDATION FOR AWARD

The evaluation committee will make its recommendation to the Procurement Officer to award the contract to the responsive and responsible offeror whose proposal is determined to be the most advantageous to the ERS based on the evaluation factors of the RFP.

Exhibit A

ERS Examples of Internal Audit Projects.

Annually, ERS anticipates the completion of 3-4 assurance projects and 1-2 consulting projects. Additionally, an internal audit work plan will be developed each year as part of the annual risk assessment update process to address the current risks of the organization.

ASSURANCE PROJECTS

1. Employer Communication & Reporting Review

Review and evaluate the design and effectiveness of ERS' processes related to the communication and transfer of information between the ERS and Employers including, but not limited to, the accuracy, timeliness and completeness of member information, member and employer contributions, and compliance of retirement benefits reported to the ERS as provided in its policies, in addition to the HRS.

2. Investment Governance Structure & Oversight Review

Review and assess the design of the ERS' updated investment governance structure, established policies and procedures, approval matrices, and related processes to ensure effective governance and accountability by the Board of Trustees, Executive Management, and the Investment Office.

3. Contracting & Procurement Review

Assess and review the processes and controls related to contracting and procurement. This includes the review of policies and procedures, management and prioritization of procurement requests, internal controls on the preparation and finalization of procurements and associated contracting, and maintenance and retention of documentation. As applicable, evaluate the ERS' compliance with applicable HAR, HRS and Administrative Directives.

4. Cloud Risk and Security Assessment - Phase 2

The Cloud Risk and Security Assessment will be executed in two phases that will assist ERS in identifying and understanding organizational risk with their cloud-based implementations. Phase 2 will assess the effectiveness of cloud-based controls, the organizational risk of the cloud based implementation, and the ability to manage and monitor risk within the cloud environment.

5. Business Continuity & Disaster Recovery Plan - Testing -

To facilitate a tabletop exercise of the recently approved Business Continuity Plan and Disaster Recovery Plan with the ERS.

CONSULTING PROJECTS

1. IT Governance Content Development

To assist the ERS with IT governance content development, Contractor:

- Works with ERS to identify and document the topics, naming convention and hierarchy for the governance documents.
- Identify and understand the life cycle for review, approval, periodic refresh and signature authorities needed for each document.
- Assist ERS in writing its information security policies and developing an information security program.

2. Continuous Monitoring Tool (IDEA) Development

Design a continuous control monitoring tool utilizing IDEA software to analyze and query financial and investment-related transactions, and member and retiree data to assess the effectiveness of the respective functions.

3. IA Recommendation & Implementation Assistance

Assist ERS in implementing prior year internal audit report recommendations that have not been cleared due to lack of sufficient resources to address them in a timely manner. Contractor will be collaborating with ERS' various departments to implement low, medium, and high risks recommendations.

FUNCTION ADMINISTRATION

- 1. Risk Assessment Re-Evaluation & Audit Plan (In Progress - Estimated Completion: October 2026)**
- 2. Reporting, Communication, and Other Administration**

ATTACHMENT A

STATE OF HAWAII AGREEMENT FOR GOODS OR SERVICES
BASED UPON COMPETITIVE SEALED PROPOSALS;
STANDARDS OF CONDUCT DECLARATION; GENERAL CONDITIONS



RECITALS

Federal \$

NOW, THEREFORE, in consideration of the promises contained in this Contract, the STATE and the CONTRACTOR agree as follows:

1. Scope of Services. The CONTRACTOR shall, in a proper and satisfactory manner as determined by the STATE, provide all the goods or services, or both, set forth in the request for competitive sealed proposals number _____ ("RFP") and the CONTRACTOR'S accepted proposal ("Proposal"), both of which, even if not physically attached to this Contract, are made a part of this Contract, and in accordance with the Scope of Services, Attachment 1, which is attached to and made part of this Contract.
2. Compensation. The CONTRACTOR shall be compensated for goods supplied or services performed, or both, under this Contract in a total amount not to exceed _____ DOLLARS (\$ _____), including approved costs incurred and taxes, at the time and in the manner set forth in the RFP and CONTRACTOR'S Proposal, and the Compensation and Payment Schedule, Attachment 2, which is attached to and made part of this Contract.
3. Time of Performance. The services or goods required of the CONTRACTOR under this Contract shall be performed and completed in accordance with the Time of Performance, Attachment 3, which is attached to and made part of this Contract.
4. Bonds. The CONTRACTOR ☐ is required to provide or ☐ is not required to provide: ☐ a performance bond, ☐ a payment bond, ☐ a performance and payment bond in the amount of _____ DOLLARS (\$ _____).
5. Standards of Conduct Declaration. The Standards of Conduct Declaration of the CONTRACTOR is attached to and made a part of this Contract.
6. Other Terms and Conditions. The General Conditions and any Special Conditions are attached to and made a part of this Contract. In the event of a conflict between the General Conditions and the Special Conditions, the Special Conditions shall control. In the event of a conflict among the documents, the order of precedence shall be as follows: (1) this Contract, including all attachments and addenda; (2) the RFP, including all attachments and addenda; and (3) the Proposal.
7. Liquidated Damages. Liquidated damages shall be assessed in the amount of _____ DOLLARS (\$ _____) per day, in accordance with the terms of paragraph 9 of the General Conditions.
8. Notices. Any written notice required to be given by a party to this Contract shall be (a) delivered personally, or (b) sent by United States first class mail, postage prepaid. Notice to the STATE shall be sent to the HOPA'S address indicated in the Contract. Notice to the CONTRACTOR shall be sent to the CONTRACTOR'S address indicated in the Contract. A notice shall be deemed to have been received three (3) days after mailing or at the time of actual receipt, whichever is earlier. The CONTRACTOR is responsible for notifying the STATE in writing of any change of address.

IN VIEW OF THE ABOVE, the parties execute this Contract by their signatures, on the dates below, to be effective as of the date first above written.

FUNDING AGENCY
(if other than contracting agency)

(Name of Funding Agency)

(Signature)

(Print Name)

(Print Title)

(Date)

STATE

(Signature)

(Print Name)

(Print Title)

(Date)

CONTRACTOR

(Name of Contractor)

(Signature)

(Print Name)

(Print Title)

(Date)

*

APPROVED AS TO FORM:

Deputy Attorney General

* Evidence of authority of the CONTRACTOR'S representative to sign this Contract for the CONTRACTOR must be attached.



STATE OF HAWAII
SCOPE OF SERVICES



STATE OF HAWAII

COMPENSATION AND PAYMENT SCHEDULE



STATE OF HAWAII
TIME OF PERFORMANCE



STATE OF HAWAII

**CERTIFICATE OF EXEMPTION
FROM CIVIL SERVICE**

1. By Heads of Departments Delegated by the Director of the Department of Human Resources Development ("DHRD").*

Pursuant to a delegation of the authority by the Director of DHRD, I certify that the services to be provided under this Contract, and the person(s) providing the services under this Contract are exempt from the civil service, pursuant to § 76-16, Hawaii Revised Statutes (HRS).

(Signature)

(Date)

(Print Name)

(Print Title)

* This part of the form may be used by all department heads and the heads of attached agencies to whom the Director of DHRD expressly has delegated authority to certify § 76-16, HRS, civil service exemptions. The specific paragraph(s) of § 76-16, HRS, upon which an exemption is based should be noted in the contract file. If an exemption is based on § 76-16(b)(15), the contract must meet the following conditions:

- (1) It involves the delivery of completed work or product by or during a specific time;
- (2) There is no employee-employer relationship; and
- (3) The authorized funding for the service is from other than the "A" or personal services cost element.

NOTE: Not all attached agencies have received a delegation under § 76-16(b)(15). If in doubt, attached agencies should check with the Director of DHRD prior to certifying an exemption under § 76-16(b)(15). Authority to certify exemptions under §§ 76-16(b)(2), and 76-16(b)(12), HRS, has not been delegated; only the Director of DHRD may certify §§ 76-16(b)(2), and 76-16(b)(12) exemptions.

2. By the Director of DHRD, State of Hawaii.

I certify that the services to be provided under this Contract, and the person(s) providing the services under this Contract are exempt from the civil service, pursuant to § 76-16, HRS.

(Signature)

(Date)

(Print Name)

(Print Title, if designee of the Director of DHRD)



STATE OF HAWAII

CONTRACTOR'S STANDARDS OF CONDUCT DECLARATION

For the purposes of this declaration:

"Agency" means and includes the State, the legislature and its committees, all executive departments, boards, commissions, committees, bureaus, offices; and all independent commissions and other establishments of the state government but excluding the courts.

"Controlling interest" means an interest in a business or other undertaking which is sufficient in fact to control, whether the interest is greater or less than fifty per cent (50%).

"Employee" means any nominated, appointed, or elected officer or employee of the State, including members of boards, commissions, and committees, and employees under contract to the State or of the constitutional convention, but excluding legislators, delegates to the constitutional convention, justices, and judges. (Section 84-3, HRS).

On behalf of _____, CONTRACTOR, the undersigned does declare as follows:

1. CONTRACTOR ☐ is* ☐ is not a legislator or an employee or a business in which a legislator or an employee has a controlling interest. (Section 84-15(a), HRS).
2. CONTRACTOR has not been represented or assisted personally in the matter by an individual who has been an employee of the agency awarding this Contract within the preceding two years and who participated while so employed in the matter with which the Contract is directly concerned. (Section 84-15(b), HRS).
3. CONTRACTOR has not been assisted or represented by a legislator or employee for a fee or other compensation to obtain this Contract and will not be assisted or represented by a legislator or employee for a fee or other compensation in the performance of this Contract, if the legislator or employee had been involved in the development or award of the Contract. (Section 84-14 (d), HRS).
4. CONTRACTOR has not been represented on matters related to this Contract, for a fee or other consideration by an individual who, within the past twelve (12) months, has been an agency employee, or in the case of the Legislature, a legislator, and participated while an employee or legislator on matters related to this Contract. (Sections 84-18(b) and (c), HRS).

CONTRACTOR understands that the Contract to which this document is attached is voidable on behalf of the STATE if this Contract was entered into in violation of any provision of chapter 84, Hawaii Revised Statutes, commonly referred to as the Code of Ethics, including the provisions which are the source of the declarations above. Additionally, any fee, compensation, gift, or profit received by any person as a result of a violation of the Code of Ethics may be recovered by the STATE.

* Reminder to Agency: If the "is" block is checked and if the Contract involves goods or services of a value in excess of \$10,000, the Contract must be awarded by competitive sealed bidding under section 103D-302, HRS, or a competitive sealed proposal under section 103D-303, HRS. Otherwise, the Agency may not award the Contract unless it posts a notice of its intent to award it and files a copy of the notice with the State Ethics Commission. (Section 84-15(a), HRS).

CONTRACTOR

By _____
(Signature)

Print Name _____

Print Title _____

Name of Contractor _____

Date _____

GENERAL CONDITIONS

Table of Contents

	<u>Page(s)</u>
1. Coordination of Services by the STATE.....	2
2. Relationship of Parties: Independent Contractor Status and Responsibilities, Including Tax Responsibilities.....	2
3. Personnel Requirements	3
4. Nondiscrimination	3
5. Conflicts of Interest	3
6. Subcontracts and Assignments	3
7. Indemnification and Defense.....	4
8. Cost of Litigation.....	4
9. Liquidated Damages	4
10. STATE'S Right of Offset.....	4
11. Disputes	4
12. Suspension of Contract.....	4
13. Termination for Default.....	5
14. Termination for Convenience	6
15. Claims Based on the Agency Procurement Officer's Actions or Omissions.....	8
16. Costs and Expenses	8
17. Payment Procedures; Final Payment; Tax Clearance	9
18. Federal Funds	9
19. Modifications of Contract.....	9
20. Change Order.....	10
21. Price Adjustment	11
22. Variation in Quantity for Definite Quantity Contracts	11
23. Changes in Cost-Reimbursement Contract.....	11
24. Confidentiality of Material	12
25. Publicity.....	12
26. Ownership Rights and Copyright	12
27. Liens and Warranties	12
28. Audit of Books and Records of the CONTRACTOR.....	13
29. Cost or Pricing Data	13
30. Audit of Cost or Pricing Data	13
31. Records Retention.....	13
32. Antitrust Claims.....	13
33. Patented Articles.....	13
34. Governing Law	14
35. Compliance with Laws	14
36. Conflict between General Conditions and Procurement Rules	14
37. Entire Contract.....	14
38. Severability	14
39. Waiver	14
40. Pollution Control	14
41. Campaign Contributions.....	14
42. Confidentiality of Personal Information.....	14

GENERAL CONDITIONS

1. Coordination of Services by the STATE. The head of the purchasing agency ("HOPA") (which term includes the designee of the HOPA) shall coordinate the services to be provided by the CONTRACTOR in order to complete the performance required in the Contract. The CONTRACTOR shall maintain communications with HOPA at all stages of the CONTRACTOR'S work, and submit to HOPA for resolution any questions which may arise as to the performance of this Contract. "Purchasing agency" as used in these General Conditions means and includes any governmental body which is authorized under chapter 103D, HRS, or its implementing rules and procedures, or by way of delegation, to enter into contracts for the procurement of goods or services or both.
2. Relationship of Parties: Independent Contractor Status and Responsibilities, Including Tax Responsibilities.
 - a. In the performance of services required under this Contract, the CONTRACTOR is an "independent contractor," with the authority and responsibility to control and direct the performance and details of the work and services required under this Contract; however, the STATE shall have a general right to inspect work in progress to determine whether, in the STATE'S opinion, the services are being performed by the CONTRACTOR in compliance with this Contract. Unless otherwise provided by special condition, it is understood that the STATE does not agree to use the CONTRACTOR exclusively, and that the CONTRACTOR is free to contract to provide services to other individuals or entities while under contract with the STATE.
 - b. The CONTRACTOR and the CONTRACTOR'S employees and agents are not by reason of this Contract, agents or employees of the State for any purpose, and the CONTRACTOR and the CONTRACTOR'S employees and agents shall not be entitled to claim or receive from the State any vacation, sick leave, retirement, workers' compensation, unemployment insurance, or other benefits provided to state employees.
 - c. The CONTRACTOR shall be responsible for the accuracy, completeness, and adequacy of the CONTRACTOR'S performance under this Contract. Furthermore, the CONTRACTOR intentionally, voluntarily, and knowingly assumes the sole and entire liability to the CONTRACTOR'S employees and agents, and to any individual not a party to this Contract, for all loss, damage, or injury caused by the CONTRACTOR, or the CONTRACTOR'S employees or agents in the course of their employment.
 - d. The CONTRACTOR shall be responsible for payment of all applicable federal, state, and county taxes and fees which may become due and owing by the CONTRACTOR by reason of this Contract, including but not limited to (i) income taxes, (ii) employment related fees, assessments, and taxes, and (iii) general excise taxes. The CONTRACTOR also is responsible for obtaining all licenses, permits, and certificates that may be required in order to perform this Contract.
 - e. The CONTRACTOR shall obtain a general excise tax license from the Department of Taxation, State of Hawaii, in accordance with section 237-9, HRS, and shall comply with all requirements thereof. The CONTRACTOR shall obtain a tax clearance certificate from the Director of Taxation, State of Hawaii, and the Internal Revenue Service, U.S. Department of the Treasury, showing that all delinquent taxes, if any, levied or accrued under state law and the Internal Revenue Code of 1986, as amended, against the CONTRACTOR have been paid and submit the same to the STATE prior to commencing any performance under this Contract. The CONTRACTOR shall also be solely responsible for meeting all requirements necessary to obtain the tax clearance certificate required for final payment under sections 103-53 and 103D-328, HRS, and paragraph 17 of these General Conditions.
 - f. The CONTRACTOR is responsible for securing all employee-related insurance coverage for the CONTRACTOR and the CONTRACTOR'S employees and agents that is or may be required by law, and for payment of all premiums, costs, and other liabilities associated with securing the insurance coverage.

- g. The CONTRACTOR shall obtain a certificate of compliance issued by the Department of Labor and Industrial Relations, State of Hawaii, in accordance with section 103D-310, HRS, and section 3-122-112, HAR, that is current within six months of the date of issuance.
- h. The CONTRACTOR shall obtain a certificate of good standing issued by the Department of Commerce and Consumer Affairs, State of Hawaii, in accordance with section 103D-310, HRS, and section 3-122-112, HAR, that is current within six months of the date of issuance.
- i. In lieu of the above certificates from the Department of Taxation, Labor and Industrial Relations, and Commerce and Consumer Affairs, the CONTRACTOR may submit proof of compliance through the State Procurement Office's designated certification process.

3. Personnel Requirements.

- a. The CONTRACTOR shall secure, at the CONTRACTOR'S own expense, all personnel required to perform this Contract.
- b. The CONTRACTOR shall ensure that the CONTRACTOR'S employees or agents are experienced and fully qualified to engage in the activities and perform the services required under this Contract, and that all applicable licensing and operating requirements imposed or required under federal, state, or county law, and all applicable accreditation and other standards of quality generally accepted in the field of the activities of such employees and agents are complied with and satisfied.

4. Nondiscrimination. No person performing work under this Contract, including any subcontractor, employee, or agent of the CONTRACTOR, shall engage in any discrimination that is prohibited by any applicable federal, state, or county law.

5. Conflicts of Interest. The CONTRACTOR represents that neither the CONTRACTOR, nor any employee or agent of the CONTRACTOR, presently has any interest, and promises that no such interest, direct or indirect, shall be acquired, that would or might conflict in any manner or degree with the CONTRACTOR'S performance under this Contract.

6. Subcontracts and Assignments. The CONTRACTOR shall not assign or subcontract any of the CONTRACTOR'S duties, obligations, or interests under this Contract and no such assignment or subcontract shall be effective unless (i) the CONTRACTOR obtains the prior written consent of the STATE, and (ii) the CONTRACTOR'S assignee or subcontractor submits to the STATE a tax clearance certificate from the Director of Taxation, State of Hawaii, and the Internal Revenue Service, U.S. Department of Treasury, showing that all delinquent taxes, if any, levied or accrued under state law and the Internal Revenue Code of 1986, as amended, against the CONTRACTOR'S assignee or subcontractor have been paid. Additionally, no assignment by the CONTRACTOR of the CONTRACTOR'S right to compensation under this Contract shall be effective unless and until the assignment is approved by the Comptroller of the State of Hawaii, as provided in section 40-58, HRS.

- a. Recognition of a successor in interest. When in the best interest of the State, a successor in interest may be recognized in an assignment contract in which the STATE, the CONTRACTOR and the assignee or transferee (hereinafter referred to as the "Assignee") agree that:

- (1) The Assignee assumes all of the CONTRACTOR'S obligations;
- (2) The CONTRACTOR remains liable for all obligations under this Contract but waives all rights under this Contract as against the STATE; and
- (3) The CONTRACTOR shall continue to furnish, and the Assignee shall also furnish, all required bonds.

- b. Change of name. When the CONTRACTOR asks to change the name in which it holds this Contract with the STATE, the procurement officer of the purchasing agency (hereinafter referred to as the "Agency procurement officer") shall, upon receipt of a document acceptable or satisfactory to the

Agency procurement officer indicating such change of name (for example, an amendment to the CONTRACTOR'S articles of incorporation), enter into an amendment to this Contract with the CONTRACTOR to effect such a change of name. The amendment to this Contract changing the CONTRACTOR'S name shall specifically indicate that no other terms and conditions of this Contract are thereby changed.

- c. Reports. All assignment contracts and amendments to this Contract effecting changes of the CONTRACTOR'S name or novations hereunder shall be reported to the chief procurement officer (CPO) as defined in section 103D-203(a), HRS, within thirty days of the date that the assignment contract or amendment becomes effective.
 - d. Actions affecting more than one purchasing agency. Notwithstanding the provisions of subparagraphs 6a through 6c herein, when the CONTRACTOR holds contracts with more than one purchasing agency of the State, the assignment contracts and the novation and change of name amendments herein authorized shall be processed only through the CPO's office.
7. Indemnification and Defense. The CONTRACTOR shall defend, indemnify, and hold harmless the State of Hawaii, the contracting agency, and their officers, employees, and agents from and against all liability, loss, damage, cost, and expense, including all attorneys' fees, and all claims, suits, and demands therefore, arising out of or resulting from the acts or omissions of the CONTRACTOR or the CONTRACTOR'S employees, officers, agents, or subcontractors under this Contract. The provisions of this paragraph shall remain in full force and effect notwithstanding the expiration or early termination of this Contract.
8. Cost of Litigation. In case the STATE shall, without any fault on its part, be made a party to any litigation commenced by or against the CONTRACTOR in connection with this Contract, the CONTRACTOR shall pay all costs and expenses incurred by or imposed on the STATE, including attorneys' fees.
9. Liquidated Damages. When the CONTRACTOR is given notice of delay or nonperformance as specified in paragraph 13 (Termination for Default) and fails to cure in the time specified, it is agreed the CONTRACTOR shall pay to the STATE the amount, if any, set forth in this Contract per calendar day from the date set for cure until either (i) the STATE reasonably obtains similar goods or services, or both, if the CONTRACTOR is terminated for default, or (ii) until the CONTRACTOR provides the goods or services, or both, if the CONTRACTOR is not terminated for default. To the extent that the CONTRACTOR'S delay or nonperformance is excused under paragraph 13d (Excuse for Nonperformance or Delay Performance), liquidated damages shall not be assessable against the CONTRACTOR. The CONTRACTOR remains liable for damages caused other than by delay.
10. STATE'S Right of Offset. The STATE may offset against any monies or other obligations the STATE owes to the CONTRACTOR under this Contract, any amounts owed to the State of Hawaii by the CONTRACTOR under this Contract or any other contracts, or pursuant to any law or other obligation owed to the State of Hawaii by the CONTRACTOR, including, without limitation, the payment of any taxes or levies of any kind or nature. The STATE will notify the CONTRACTOR in writing of any offset and the nature of such offset. For purposes of this paragraph, amounts owed to the State of Hawaii shall not include debts or obligations which have been liquidated, agreed to by the CONTRACTOR, and are covered by an installment payment or other settlement plan approved by the State of Hawaii, provided, however, that the CONTRACTOR shall be entitled to such exclusion only to the extent that the CONTRACTOR is current with, and not delinquent on, any payments or obligations owed to the State of Hawaii under such payment or other settlement plan.
11. Disputes. Disputes shall be resolved in accordance with section 103D-703, HRS, and chapter 3-126, Hawaii Administrative Rules ("HAR"), as the same may be amended from time to time.
12. Suspension of Contract. The STATE reserves the right at any time and for any reason to suspend this Contract for any reasonable period, upon written notice to the CONTRACTOR in accordance with the provisions herein.
- a. Order to stop performance. The Agency procurement officer may, by written order to the CONTRACTOR, at any time, and without notice to any surety, require the CONTRACTOR to stop all or any part of the performance called for by this Contract. This order shall be for a specified

period not exceeding sixty (60) days after the order is delivered to the CONTRACTOR, unless the parties agree to any further period. Any such order shall be identified specifically as a stop performance order issued pursuant to this section. Stop performance orders shall include, as appropriate: (1) A clear description of the work to be suspended; (2) Instructions as to the issuance of further orders by the CONTRACTOR for material or services; (3) Guidance as to action to be taken on subcontracts; and (4) Other instructions and suggestions to the CONTRACTOR for minimizing costs. Upon receipt of such an order, the CONTRACTOR shall forthwith comply with its terms and suspend all performance under this Contract at the time stated, provided, however, the CONTRACTOR shall take all reasonable steps to minimize the occurrence of costs allocable to the performance covered by the order during the period of performance stoppage. Before the stop performance order expires, or within any further period to which the parties shall have agreed, the Agency procurement officer shall either:

- (1) Cancel the stop performance order; or
 - (2) Terminate the performance covered by such order as provided in the termination for default provision or the termination for convenience provision of this Contract.
- b. Cancellation or expiration of the order. If a stop performance order issued under this section is cancelled at any time during the period specified in the order, or if the period of the order or any extension thereof expires, the CONTRACTOR shall have the right to resume performance. An appropriate adjustment shall be made in the delivery schedule or contract price, or both, and the Contract shall be modified in writing accordingly, if:
- (1) The stop performance order results in an increase in the time required for, or in the CONTRACTOR'S cost properly allocable to, the performance of any part of this Contract; and
 - (2) The CONTRACTOR asserts a claim for such an adjustment within thirty (30) days after the end of the period of performance stoppage; provided that, if the Agency procurement officer decides that the facts justify such action, any such claim asserted may be received and acted upon at any time prior to final payment under this Contract.
- c. Termination of stopped performance. If a stop performance order is not cancelled and the performance covered by such order is terminated for default or convenience, the reasonable costs resulting from the stop performance order shall be allowable by adjustment or otherwise.
- d. Adjustment of price. Any adjustment in contract price made pursuant to this paragraph shall be determined in accordance with the price adjustment provision of this Contract.

13. Termination for Default.

- a. Default. If the CONTRACTOR refuses or fails to perform any of the provisions of this Contract with such diligence as will ensure its completion within the time specified in this Contract, or any extension thereof, otherwise fails to timely satisfy the Contract provisions, or commits any other substantial breach of this Contract, the Agency procurement officer may notify the CONTRACTOR in writing of the delay or non-performance and if not cured in ten (10) days or any longer time specified in writing by the Agency procurement officer, such officer may terminate the CONTRACTOR'S right to proceed with the Contract or such part of the Contract as to which there has been delay or a failure to properly perform. In the event of termination in whole or in part, the Agency procurement officer may procure similar goods or services in a manner and upon the terms deemed appropriate by the Agency procurement officer. The CONTRACTOR shall continue performance of the Contract to the extent it is not terminated and shall be liable for excess costs incurred in procuring similar goods or services.
- b. CONTRACTOR'S duties. Notwithstanding termination of the Contract and subject to any directions from the Agency procurement officer, the CONTRACTOR shall take timely, reasonable, and

necessary action to protect and preserve property in the possession of the CONTRACTOR in which the STATE has an interest.

- c. Compensation. Payment for completed goods and services delivered and accepted by the STATE shall be at the price set forth in the Contract. Payment for the protection and preservation of property shall be in an amount agreed upon by the CONTRACTOR and the Agency procurement officer. If the parties fail to agree, the Agency procurement officer shall set an amount subject to the CONTRACTOR'S rights under chapter 3-126, HAR. The STATE may withhold from amounts due the CONTRACTOR such sums as the Agency procurement officer deems to be necessary to protect the STATE against loss because of outstanding liens or claims and to reimburse the STATE for the excess costs expected to be incurred by the STATE in procuring similar goods and services.
- d. Excuse for nonperformance or delayed performance. The CONTRACTOR shall not be in default by reason of any failure in performance of this Contract in accordance with its terms, including any failure by the CONTRACTOR to make progress in the prosecution of the performance hereunder which endangers such performance, if the CONTRACTOR has notified the Agency procurement officer within fifteen (15) days after the cause of the delay and the failure arises out of causes such as: acts of God; acts of a public enemy; acts of the State and any other governmental body in its sovereign or contractual capacity; fires; floods; epidemics; quarantine restrictions; strikes or other labor disputes; freight embargoes; or unusually severe weather. If the failure to perform is caused by the failure of a subcontractor to perform or to make progress, and if such failure arises out of causes similar to those set forth above, the CONTRACTOR shall not be deemed to be in default, unless the goods and services to be furnished by the subcontractor were reasonably obtainable from other sources in sufficient time to permit the CONTRACTOR to meet the requirements of the Contract. Upon request of the CONTRACTOR, the Agency procurement officer shall ascertain the facts and extent of such failure, and, if such officer determines that any failure to perform was occasioned by any one or more of the excusable causes, and that, but for the excusable cause, the CONTRACTOR'S progress and performance would have met the terms of the Contract, the delivery schedule shall be revised accordingly, subject to the rights of the STATE under this Contract. As used in this paragraph, the term "subcontractor" means subcontractor at any tier.
- e. Erroneous termination for default. If, after notice of termination of the CONTRACTOR'S right to proceed under this paragraph, it is determined for any reason that the CONTRACTOR was not in default under this paragraph, or that the delay was excusable under the provisions of subparagraph 13d, "Excuse for nonperformance or delayed performance," the rights and obligations of the parties shall be the same as if the notice of termination had been issued pursuant to paragraph 14.
- f. Additional rights and remedies. The rights and remedies provided in this paragraph are in addition to any other rights and remedies provided by law or under this Contract.

14. Termination for Convenience.

- a. Termination. The Agency procurement officer may, when the interests of the STATE so require, terminate this Contract in whole or in part, for the convenience of the STATE. The Agency procurement officer shall give written notice of the termination to the CONTRACTOR specifying the part of the Contract terminated and when termination becomes effective.
- b. CONTRACTOR'S obligations. The CONTRACTOR shall incur no further obligations in connection with the terminated performance and on the date(s) set in the notice of termination the CONTRACTOR will stop performance to the extent specified. The CONTRACTOR shall also terminate outstanding orders and subcontracts as they relate to the terminated performance. The CONTRACTOR shall settle the liabilities and claims arising out of the termination of subcontracts and orders connected with the terminated performance subject to the STATE'S approval. The Agency procurement officer may direct the CONTRACTOR to assign the CONTRACTOR'S right, title, and interest under terminated orders or subcontracts to the STATE. The CONTRACTOR must still complete the performance not terminated by the notice of termination and may incur obligations as necessary to do so.

- c. Right to goods and work product. The Agency procurement officer may require the CONTRACTOR to transfer title and deliver to the STATE in the manner and to the extent directed by the Agency procurement officer:

- (1) Any completed goods or work product; and
- (2) The partially completed goods and materials, parts, tools, dies, jigs, fixtures, plans, drawings, information, and contract rights (hereinafter called "manufacturing material") as the CONTRACTOR has specifically produced or specially acquired for the performance of the terminated part of this Contract.

The CONTRACTOR shall, upon direction of the Agency procurement officer, protect and preserve property in the possession of the CONTRACTOR in which the STATE has an interest. If the Agency procurement officer does not exercise this right, the CONTRACTOR shall use best efforts to sell such goods and manufacturing materials. Use of this paragraph in no way implies that the STATE has breached the Contract by exercise of the termination for convenience provision.

- d. Compensation.

- (1) The CONTRACTOR shall submit a termination claim specifying the amounts due because of the termination for convenience together with the cost or pricing data, submitted to the extent required by chapter 3-122, HAR, bearing on such claim. If the CONTRACTOR fails to file a termination claim within one year from the effective date of termination, the Agency procurement officer may pay the CONTRACTOR, if at all, an amount set in accordance with subparagraph 14d(3) below.
- (2) The Agency procurement officer and the CONTRACTOR may agree to a settlement provided the CONTRACTOR has filed a termination claim supported by cost or pricing data submitted as required and that the settlement does not exceed the total Contract price plus settlement costs reduced by payments previously made by the STATE, the proceeds of any sales of goods and manufacturing materials under subparagraph 14c, and the Contract price of the performance not terminated.
- (3) Absent complete agreement under subparagraph 14d(2) the Agency procurement officer shall pay the CONTRACTOR the following amounts, provided payments agreed to under subparagraph 14d(2) shall not duplicate payments under this subparagraph for the following:
 - (A) Contract prices for goods or services accepted under the Contract;
 - (B) Costs incurred in preparing to perform and performing the terminated portion of the performance plus a fair and reasonable profit on such portion of the performance, such profit shall not include anticipatory profit or consequential damages, less amounts paid or to be paid for accepted goods or services; provided, however, that if it appears that the CONTRACTOR would have sustained a loss if the entire Contract would have been completed, no profit shall be allowed or included and the amount of compensation shall be reduced to reflect the anticipated rate of loss;
 - (C) Costs of settling and paying claims arising out of the termination of subcontracts or orders pursuant to subparagraph 14b. These costs must not include costs paid in accordance with subparagraph 14d(3)(B);
 - (D) The reasonable settlement costs of the CONTRACTOR, including accounting, legal, clerical, and other expenses reasonably necessary for the preparation of settlement claims and supporting data with respect to the terminated portion of the Contract and for the termination of subcontracts thereunder, together with reasonable storage, transportation, and other costs incurred in connection with the protection or disposition of property allocable to the terminated portion of this Contract. The total sum to be paid the CONTRACTOR under this subparagraph shall not exceed the

total Contract price plus the reasonable settlement costs of the CONTRACTOR reduced by the amount of payments otherwise made, the proceeds of any sales of supplies and manufacturing materials under subparagraph 14d(2), and the contract price of performance not terminated.

- (4) Costs claimed, agreed to, or established under subparagraphs 14d(2) and 14d(3) shall be in accordance with Chapter 3-123 (Cost Principles) of the Procurement Rules.

15. Claims Based on the Agency Procurement Officer's Actions or Omissions.

- a. Changes in scope. If any action or omission on the part of the Agency procurement officer (which term includes the designee of such officer for purposes of this paragraph 15) requiring performance changes within the scope of the Contract constitutes the basis for a claim by the CONTRACTOR for additional compensation, damages, or an extension of time for completion, the CONTRACTOR shall continue with performance of the Contract in compliance with the directions or orders of such officials, but by so doing, the CONTRACTOR shall not be deemed to have prejudiced any claim for additional compensation, damages, or an extension of time for completion; provided:
- (1) Written notice required. The CONTRACTOR shall give written notice to the Agency procurement officer:
- (A) Prior to the commencement of the performance involved, if at that time the CONTRACTOR knows of the occurrence of such action or omission;
- (B) Within thirty (30) days after the CONTRACTOR knows of the occurrence of such action or omission, if the CONTRACTOR did not have such knowledge prior to the commencement of the performance; or
- (C) Within such further time as may be allowed by the Agency procurement officer in writing.
- (2) Notice content. This notice shall state that the CONTRACTOR regards the act or omission as a reason which may entitle the CONTRACTOR to additional compensation, damages, or an extension of time. The Agency procurement officer, upon receipt of such notice, may rescind such action, remedy such omission, or take such other steps as may be deemed advisable in the discretion of the Agency procurement officer;
- (3) Basis must be explained. The notice required by subparagraph 15a(1) describes as clearly as practicable at the time the reasons why the CONTRACTOR believes that additional compensation, damages, or an extension of time may be remedies to which the CONTRACTOR is entitled; and
- (4) Claim must be justified. The CONTRACTOR must maintain and, upon request, make available to the Agency procurement officer within a reasonable time, detailed records to the extent practicable, and other documentation and evidence satisfactory to the STATE, justifying the claimed additional costs or an extension of time in connection with such changes.
- b. CONTRACTOR not excused. Nothing herein contained, however, shall excuse the CONTRACTOR from compliance with any rules or laws precluding any state officers and CONTRACTOR from acting in collusion or bad faith in issuing or performing change orders which are clearly not within the scope of the Contract.
- c. Price adjustment. Any adjustment in the price made pursuant to this paragraph shall be determined in accordance with the price adjustment provision of this Contract.

16. Costs and Expenses. Any reimbursement due the CONTRACTOR for per diem and transportation expenses under this Contract shall be subject to chapter 3-123 (Cost Principles), HAR, and the following guidelines:

- a. Reimbursement for air transportation shall be for actual cost or coach class air fare, whichever is less.
- b. Reimbursement for ground transportation costs shall not exceed the actual cost of renting an intermediate-sized vehicle.
- c. Unless prior written approval of the HOPA is obtained, reimbursement for subsistence allowance (i.e., hotel and meals, etc.) shall not exceed the applicable daily authorized rates for inter-island or out-of-state travel that are set forth in the current Governor's Executive Order authorizing adjustments in salaries and benefits for state officers and employees in the executive branch who are excluded from collective bargaining coverage.

17. Payment Procedures; Final Payment; Tax Clearance.

- a. Original invoices required. All payments under this Contract shall be made only upon submission by the CONTRACTOR of original invoices specifying the amount due and certifying that services requested under the Contract have been performed by the CONTRACTOR according to the Contract.
- b. Subject to available funds. Such payments are subject to availability of funds and allotment by the Director of Finance in accordance with chapter 37, HRS. Further, all payments shall be made in accordance with and subject to chapter 40, HRS.
- c. Prompt payment.
 - (1) Any money, other than retainage, paid to the CONTRACTOR shall be disbursed to subcontractors within ten (10) days after receipt of the money in accordance with the terms of the subcontract; provided that the subcontractor has met all the terms and conditions of the subcontract and there are no bona fide disputes; and
 - (2) Upon final payment to the CONTRACTOR, full payment to the subcontractor, including retainage, shall be made within ten (10) days after receipt of the money; provided that there are no bona fide disputes over the subcontractor's performance under the subcontract.
- d. Final payment. Final payment under this Contract shall be subject to sections 103-53 and 103D-328, HRS, which require a tax clearance from the Director of Taxation, State of Hawaii, and the Internal Revenue Service, U.S. Department of Treasury, showing that all delinquent taxes, if any, levied or accrued under state law and the Internal Revenue Code of 1986, as amended, against the CONTRACTOR have been paid. Further, in accordance with section 3-122-112, HAR, CONTRACTOR shall provide a certificate affirming that the CONTRACTOR has remained in compliance with all applicable laws as required by this section.

18. Federal Funds. If this Contract is payable in whole or in part from federal funds, CONTRACTOR agrees that, as to the portion of the compensation under this Contract to be payable from federal funds, the CONTRACTOR shall be paid only from such funds received from the federal government, and shall not be paid from any other funds. Failure of the STATE to receive anticipated federal funds shall not be considered a breach by the STATE or an excuse for nonperformance by the CONTRACTOR.

19. Modifications of Contract.

- a. In writing. Any modification, alteration, amendment, change, or extension of any term, provision, or condition of this Contract permitted by this Contract shall be made by written amendment to this Contract, signed by the CONTRACTOR and the STATE, provided that change orders shall be made in accordance with paragraph 20 herein.
- b. No oral modification. No oral modification, alteration, amendment, change, or extension of any term, provision, or condition of this Contract shall be permitted.

- c. Agency procurement officer. By written order, at any time, and without notice to any surety, the Agency procurement officer may unilaterally order of the CONTRACTOR:
 - (A) Changes in the work within the scope of the Contract; and
 - (B) Changes in the time of performance of the Contract that do not alter the scope of the Contract work.
 - d. Adjustments of price or time for performance. If any modification increases or decreases the CONTRACTOR'S cost of, or the time required for, performance of any part of the work under this Contract, an adjustment shall be made and this Contract modified in writing accordingly. Any adjustment in contract price made pursuant to this clause shall be determined, where applicable, in accordance with the price adjustment clause of this Contract or as negotiated.
 - e. Claim barred after final payment. No claim by the CONTRACTOR for an adjustment hereunder shall be allowed if written modification of the Contract is not made prior to final payment under this Contract.
 - f. Claims not barred. In the absence of a written contract modification, nothing in this clause shall be deemed to restrict the CONTRACTOR'S right to pursue a claim under this Contract or for a breach of contract.
 - g. Head of the purchasing agency approval. If this is a professional services contract awarded pursuant to section 103D-303 or 103D-304, HRS, any modification, alteration, amendment, change, or extension of any term, provision, or condition of this Contract which increases the amount payable to the CONTRACTOR by at least \$25,000.00 and ten per cent (10%) or more of the initial contract price, must receive the prior approval of the head of the purchasing agency.
 - h. Tax clearance. The STATE may, at its discretion, require the CONTRACTOR to submit to the STATE, prior to the STATE'S approval of any modification, alteration, amendment, change, or extension of any term, provision, or condition of this Contract, a tax clearance from the Director of Taxation, State of Hawaii, and the Internal Revenue Service, U.S. Department of Treasury, showing that all delinquent taxes, if any, levied or accrued under state law and the Internal Revenue Code of 1986, as amended, against the CONTRACTOR have been paid.
 - i. Sole source contracts. Amendments to sole source contracts that would change the original scope of the Contract may only be made with the approval of the CPO. Annual renewal of a sole source contract for services should not be submitted as an amendment.
20. Change Order. The Agency procurement officer may, by a written order signed only by the STATE, at any time, and without notice to any surety, and subject to all appropriate adjustments, make changes within the general scope of this Contract in any one or more of the following:
- (1) Drawings, designs, or specifications, if the goods or services to be furnished are to be specially provided to the STATE in accordance therewith;
 - (2) Method of delivery; or
 - (3) Place of delivery.
- a. Adjustments of price or time for performance. If any change order increases or decreases the CONTRACTOR'S cost of, or the time required for, performance of any part of the work under this Contract, whether or not changed by the order, an adjustment shall be made and the Contract modified in writing accordingly. Any adjustment in the Contract price made pursuant to this provision shall be determined in accordance with the price adjustment provision of this Contract. Failure of the parties to agree to an adjustment shall not excuse the CONTRACTOR from proceeding with the Contract as changed, provided that the Agency procurement officer promptly and duly makes the provisional adjustments in payment or time for performance as may be reasonable. By

proceeding with the work, the CONTRACTOR shall not be deemed to have prejudiced any claim for additional compensation, or any extension of time for completion.

- b. Time period for claim. Within ten (10) days after receipt of a written change order under subparagraph 20a, unless the period is extended by the Agency procurement officer in writing, the CONTRACTOR shall respond with a claim for an adjustment. The requirement for a timely written response by CONTRACTOR cannot be waived and shall be a condition precedent to the assertion of a claim.
- c. Claim barred after final payment. No claim by the CONTRACTOR for an adjustment hereunder shall be allowed if a written response is not given prior to final payment under this Contract.
- d. Other claims not barred. In the absence of a change order, nothing in this paragraph 20 shall be deemed to restrict the CONTRACTOR'S right to pursue a claim under the Contract or for breach of contract.

21. Price Adjustment.

- a. Price adjustment. Any adjustment in the contract price pursuant to a provision in this Contract shall be made in one or more of the following ways:
 - (1) By agreement on a fixed price adjustment before commencement of the pertinent performance or as soon thereafter as practicable;
 - (2) By unit prices specified in the Contract or subsequently agreed upon;
 - (3) By the costs attributable to the event or situation covered by the provision, plus appropriate profit or fee, all as specified in the Contract or subsequently agreed upon;
 - (4) In such other manner as the parties may mutually agree; or
 - (5) In the absence of agreement between the parties, by a unilateral determination by the Agency procurement officer of the costs attributable to the event or situation covered by the provision, plus appropriate profit or fee, all as computed by the Agency procurement officer in accordance with generally accepted accounting principles and applicable sections of chapters 3-123 and 3-126, HAR.
- b. Submission of cost or pricing data. The CONTRACTOR shall provide cost or pricing data for any price adjustments subject to the provisions of chapter 3-122, HAR.

22. Variation in Quantity for Definite Quantity Contracts. Upon the agreement of the STATE and the CONTRACTOR, the quantity of goods or services, or both, if a definite quantity is specified in this Contract, may be increased by a maximum of ten per cent (10%); provided the unit prices will remain the same except for any price adjustments otherwise applicable; and the Agency procurement officer makes a written determination that such an increase will either be more economical than awarding another contract or that it would not be practical to award another contract.

23. Changes in Cost-Reimbursement Contract. If this Contract is a cost-reimbursement contract, the following provisions shall apply:

- a. The Agency procurement officer may at any time by written order, and without notice to the sureties, if any, make changes within the general scope of the Contract in any one or more of the following:
 - (1) Description of performance (Attachment 1);
 - (2) Time of performance (i.e., hours of the day, days of the week, etc.);
 - (3) Place of performance of services;

- (4) Drawings, designs, or specifications when the supplies to be furnished are to be specially manufactured for the STATE in accordance with the drawings, designs, or specifications;
 - (5) Method of shipment or packing of supplies; or
 - (6) Place of delivery.
- b. If any change causes an increase or decrease in the estimated cost of, or the time required for performance of, any part of the performance under this Contract, whether or not changed by the order, or otherwise affects any other terms and conditions of this Contract, the Agency procurement officer shall make an equitable adjustment in the (1) estimated cost, delivery or completion schedule, or both; (2) amount of any fixed fee; and (3) other affected terms and shall modify the Contract accordingly.
 - c. The CONTRACTOR must assert the CONTRACTOR'S rights to an adjustment under this provision within thirty (30) days from the day of receipt of the written order. However, if the Agency procurement officer decides that the facts justify it, the Agency procurement officer may receive and act upon a proposal submitted before final payment under the Contract.
 - d. Failure to agree to any adjustment shall be a dispute under paragraph 11 of this Contract. However, nothing in this provision shall excuse the CONTRACTOR from proceeding with the Contract as changed.
 - e. Notwithstanding the terms and conditions of subparagraphs 23a and 23b, the estimated cost of this Contract and, if this Contract is incrementally funded, the funds allotted for the performance of this Contract, shall not be increased or considered to be increased except by specific written modification of the Contract indicating the new contract estimated cost and, if this contract is incrementally funded, the new amount allotted to the contract.
24. Confidentiality of Material.
- a. All material given to or made available to the CONTRACTOR by virtue of this Contract, which is identified as proprietary or confidential information, will be safeguarded by the CONTRACTOR and shall not be disclosed to any individual or organization without the prior written approval of the STATE.
 - b. All information, data, or other material provided by the CONTRACTOR to the STATE shall be subject to the Uniform Information Practices Act, chapter 92F, HRS.
25. Publicity. The CONTRACTOR shall not refer to the STATE, or any office, agency, or officer thereof, or any state employee, including the HOPA, the CPO, the Agency procurement officer, or to the services or goods, or both, provided under this Contract, in any of the CONTRACTOR'S brochures, advertisements, or other publicity of the CONTRACTOR. All media contacts with the CONTRACTOR about the subject matter of this Contract shall be referred to the Agency procurement officer.
26. Ownership Rights and Copyright. The STATE shall have complete ownership of all material, both finished and unfinished, which is developed, prepared, assembled, or conceived by the CONTRACTOR pursuant to this Contract, and all such material shall be considered "works made for hire." All such material shall be delivered to the STATE upon expiration or termination of this Contract. The STATE, in its sole discretion, shall have the exclusive right to copyright any product, concept, or material developed, prepared, assembled, or conceived by the CONTRACTOR pursuant to this Contract.
27. Liens and Warranties. Goods provided under this Contract shall be provided free of all liens and provided together with all applicable warranties, or with the warranties described in the Contract documents, whichever are greater.

28. Audit of Books and Records of the CONTRACTOR. The STATE may, at reasonable times and places, audit the books and records of the CONTRACTOR, prospective contractor, subcontractor, or prospective subcontractor which are related to:
- a. The cost or pricing data, and
 - b. A state contract, including subcontracts, other than a firm fixed-price contract.
29. Cost or Pricing Data. Cost or pricing data must be submitted to the Agency procurement officer and timely certified as accurate for contracts over \$100,000 unless the contract is for a multiple-term or as otherwise specified by the Agency procurement officer. Unless otherwise required by the Agency procurement officer, cost or pricing data submission is not required for contracts awarded pursuant to competitive sealed bid procedures.
- If certified cost or pricing data are subsequently found to have been inaccurate, incomplete, or noncurrent as of the date stated in the certificate, the STATE is entitled to an adjustment of the contract price, including profit or fee, to exclude any significant sum by which the price, including profit or fee, was increased because of the defective data. It is presumed that overstated cost or pricing data increased the contract price in the amount of the defect plus related overhead and profit or fee. Therefore, unless there is a clear indication that the defective data was not used or relied upon, the price will be reduced in such amount.
30. Audit of Cost or Pricing Data. When cost or pricing principles are applicable, the STATE may require an audit of cost or pricing data.
31. Records Retention.
- (1) Upon any termination of this Contract or as otherwise required by applicable law, CONTRACTOR shall, pursuant to chapter 487R, HRS, destroy all copies (paper or electronic form) of personal information received from the STATE.
 - (2) The CONTRACTOR and any subcontractors shall maintain the files, books, and records that relate to the Contract, including any personal information created or received by the CONTRACTOR on behalf of the STATE, and any cost or pricing data, for at least three (3) years after the date of final payment under the Contract. The personal information shall continue to be confidential and shall only be disclosed as permitted or required by law. After the three (3) year, or longer retention period as required by law has ended, the files, books, and records that contain personal information shall be destroyed pursuant to chapter 487R, HRS or returned to the STATE at the request of the STATE.
32. Antitrust Claims. The STATE and the CONTRACTOR recognize that in actual economic practice, overcharges resulting from antitrust violations are in fact usually borne by the purchaser. Therefore, the CONTRACTOR hereby assigns to STATE any and all claims for overcharges as to goods and materials purchased in connection with this Contract, except as to overcharges which result from violations commencing after the price is established under this Contract and which are not passed on to the STATE under an escalation clause.
33. Patented Articles. The CONTRACTOR shall defend, indemnify, and hold harmless the STATE, and its officers, employees, and agents from and against all liability, loss, damage, cost, and expense, including all attorneys fees, and all claims, suits, and demands arising out of or resulting from any claims, demands, or actions by the patent holder for infringement or other improper or unauthorized use of any patented article, patented process, or patented appliance in connection with this Contract. The CONTRACTOR shall be solely responsible for correcting or curing to the satisfaction of the STATE any such infringement or improper or unauthorized use, including, without limitation: (a) furnishing at no cost to the STATE a substitute article, process, or appliance acceptable to the STATE, (b) paying royalties or other required payments to the patent holder, (c) obtaining proper authorizations or releases from the patent holder, and (d) furnishing such security to or making such arrangements with the patent holder as may be necessary to correct or cure any such infringement or improper or unauthorized use.

34. Governing Law. The validity of this Contract and any of its terms or provisions, as well as the rights and duties of the parties to this Contract, shall be governed by the laws of the State of Hawaii. Any action at law or in equity to enforce or interpret the provisions of this Contract shall be brought in a state court of competent jurisdiction in Honolulu, Hawaii.
35. Compliance with Laws. The CONTRACTOR shall comply with all federal, state, and county laws, ordinances, codes, rules, and regulations, as the same may be amended from time to time, that in any way affect the CONTRACTOR'S performance of this Contract.
36. Conflict Between General Conditions and Procurement Rules. In the event of a conflict between the General Conditions and the procurement rules, the procurement rules in effect on the date this Contract became effective shall control and are hereby incorporated by reference.
37. Entire Contract. This Contract sets forth all of the agreements, conditions, understandings, promises, warranties, and representations between the STATE and the CONTRACTOR relative to this Contract. This Contract supersedes all prior agreements, conditions, understandings, promises, warranties, and representations, which shall have no further force or effect. There are no agreements, conditions, understandings, promises, warranties, or representations, oral or written, express or implied, between the STATE and the CONTRACTOR other than as set forth or as referred to herein.
38. Severability. In the event that any provision of this Contract is declared invalid or unenforceable by a court, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining terms of this Contract.
39. Waiver. The failure of the STATE to insist upon the strict compliance with any term, provision, or condition of this Contract shall not constitute or be deemed to constitute a waiver or relinquishment of the STATE'S right to enforce the same in accordance with this Contract. The fact that the STATE specifically refers to one provision of the procurement rules or one section of the Hawaii Revised Statutes, and does not include other provisions or statutory sections in this Contract shall not constitute a waiver or relinquishment of the STATE'S rights or the CONTRACTOR'S obligations under the procurement rules or statutes.
40. Pollution Control. If during the performance of this Contract, the CONTRACTOR encounters a "release" or a "threatened release" of a reportable quantity of a "hazardous substance," "pollutant," or "contaminant" as those terms are defined in section 128D-1, HRS, the CONTRACTOR shall immediately notify the STATE and all other appropriate state, county, or federal agencies as required by law. The Contractor shall take all necessary actions, including stopping work, to avoid causing, contributing to, or making worse a release of a hazardous substance, pollutant, or contaminant, and shall promptly obey any orders the Environmental Protection Agency or the state Department of Health issues in response to the release. In the event there is an ensuing cease-work period, and the STATE determines that this Contract requires an adjustment of the time for performance, the Contract shall be modified in writing accordingly.
41. Campaign Contributions. The CONTRACTOR is hereby notified of the applicability of 11-355, HRS, which states that campaign contributions are prohibited from specified state or county government contractors during the terms of their contracts if the contractors are paid with funds appropriated by a legislative body.
42. Confidentiality of Personal Information.
- a. Definitions.
- "Personal information" means an individual's first name or first initial and last name in combination with any one or more of the following data elements, when either name or data elements are not encrypted:
- (1) Social security number;
 - (2) Driver's license number or Hawaii identification card number; or

- (3) Account number, credit or debit card number, access code, or password that would permit access to an individual's financial information.

Personal information does not include publicly available information that is lawfully made available to the general public from federal, state, or local government records.

"Technological safeguards" means the technology and the policy and procedures for use of the technology to protect and control access to personal information.

b. Confidentiality of Material.

- (1) All material given to or made available to the CONTRACTOR by the STATE by virtue of this Contract which is identified as personal information, shall be safeguarded by the CONTRACTOR and shall not be disclosed without the prior written approval of the STATE.
- (2) CONTRACTOR agrees not to retain, use, or disclose personal information for any purpose other than as permitted or required by this Contract.
- (3) CONTRACTOR agrees to implement appropriate "technological safeguards" that are acceptable to the STATE to reduce the risk of unauthorized access to personal information.
- (4) CONTRACTOR shall report to the STATE in a prompt and complete manner any security breaches involving personal information.
- (5) CONTRACTOR agrees to mitigate, to the extent practicable, any harmful effect that is known to CONTRACTOR because of a use or disclosure of personal information by CONTRACTOR in violation of the requirements of this paragraph.
- (6) CONTRACTOR shall complete and retain a log of all disclosures made of personal information received from the STATE, or personal information created or received by CONTRACTOR on behalf of the STATE.

c. Security Awareness Training and Confidentiality Agreements.

- (1) CONTRACTOR certifies that all of its employees who will have access to the personal information have completed training on security awareness topics relating to protecting personal information.
- (2) CONTRACTOR certifies that confidentiality agreements have been signed by all of its employees who will have access to the personal information acknowledging that:
 - (A) The personal information collected, used, or maintained by the CONTRACTOR will be treated as confidential;
 - (B) Access to the personal information will be allowed only as necessary to perform the Contract; and
 - (C) Use of the personal information will be restricted to uses consistent with the services subject to this Contract.

d. Termination for Cause. In addition to any other remedies provided by this Contract, if the STATE learns of a material breach by CONTRACTOR of this paragraph by CONTRACTOR, the STATE may at its sole discretion:

- (1) Provide an opportunity for the CONTRACTOR to cure the breach or end the violation; or
- (2) Immediately terminate this Contract.

In either instance, the CONTRACTOR and the STATE shall follow chapter 487N, HRS, with respect to notification of a security breach of personal information.

e. Records Retention.

- (1) Upon any termination of this Contract or as otherwise required by applicable law, CONTRACTOR shall, pursuant to chapter 487R, HRS, destroy all copies (paper or electronic form) of personal information received from the STATE.
- (2) The CONTRACTOR and any subcontractors shall maintain the files, books, and records that relate to the Contract, including any personal information created or received by the CONTRACTOR on behalf of the STATE, and any cost or pricing data, for at least three (3) years after the date of final payment under the Contract. The personal information shall continue to be confidential and shall only be disclosed as permitted or required by law. After the three (3) year, or longer retention period as required by law has ended, the files, books, and records that contain personal information shall be destroyed pursuant to chapter 487R, HRS or returned to the STATE at the request of the STATE.

ATTACHMENT B
OFFER FORMS 1, 2, 3

**OFFER FORM OF-1 Pricing, Cost of Services.
OFFEROR TO COMPLETE ITEMS & SIGN**

1. BASE CONTRACT TERM Pricing (from 2/1/2027-1/31/2032)

A-Annual Cost

Item:	Description:	Base Yr 1 2/1/2027 to 1/31/2028	Base Yr 2 2/1/2028 to 1/31/2029	Base Year 3 2/1/2029 to 1/31/2030	Base Year 4 2/1/2030 to 1/31/2031	Base Year 5 2/1/2031 to 1/31/2032
A-1	Internal Audit Services – Hours for year	2,600	2,600	2,600	2,600	2,600
A-2	Hourly Rate (*Specify if different rates apply*)	\$	\$	\$	\$	\$
A-3	TOTAL HOURLY COST (Line A-1 x A-2)					
A-4	Other fees and taxes (identify and break out)					
A-5	Annual Price (Line A-4 + A-5)	\$	\$	\$	\$	\$
A-6	TOTAL 5-Years Base Term, PRICE, FIRM and FIXED. Sum the Annual Price for 5-years from Line A-5 (BY1 +BY2 +BY3 + BY4 + BY5). **				\$	

** The amount entered in A-6 Total 5-Year Base Term Price firm and fixed is the value to be judged, as noted on RFP specification section 4.4 Evaluation Criteria-Fees and used for the formula calculation.

B-Ancillary Pricing

Offerors shall also provide an hourly rate quote for additional ancillary work.

Item:	Description:	Base Yr 1 2/1/2027 to 1/31/2028	Base Yr 2 2/1/2028 to 1/31/2029	Base Year 3 2/1/2029 to 1/31/2030	Base Year 4 2/1/2030 to 1/31/2031	Base Year 5 2/1/2031 to 1/31/2032
B-1	Internal Audit Services hourly rates – list					

(Continued on next page.)

**OFFER FORM OF-1 Pricing, Cost of Services.
OFFEROR TO COMPLETE ITEMS & SIGN**

2. OPTION YEARS FOR CONTRACT TERM Pricing (from 2/1/2032-1/31/2034)

A - Annual Price

Item:	Description:	Option Year 1 2/1/2032 to 1/31/2033	Option Year 2 2/1/2033 to 1/31/2034
OP -1	Internal Audit Services – Hours for year	2,600	2,600
OP -2	Hourly Rate (*Specify if different rates apply*)	\$	\$
OP-3	TOTAL HOURLY COST (Line B-1 x B-2)		
OP -4	Other fees and taxes (identify and break out)		
OP-5	Annual Price (Line OP-4 + OP-5)	\$	\$
OP-6	OPTION YEARS TOTAL SUM for 2 Years, BID PRICE, FIRM and FIXED. Sum the Annual Price for 2-years (OY1 +OY2) from Line OP-5		\$

B - Ancillary Pricing

Offerors shall also provide an hourly rate quote for ancillary work.

Item:	Description:	Option Year 1 2/1/2032 to 1/31/2033	Option Year 2 2/1/2033 to 1/31/2034
OP- AP-1	Internal Audit Services hourly rates – list	\$	\$

3. Additional attachments have been included (check here). _____

4. Quote No: _____ 5. Quote is valid for
(60) calendar days). _____

6. All quotes to be signed and dated by an authorized signatory of the company.

Signature _____ Date _____

Name _____ Title _____

**OFFER FORM OF-2
OFFEROR'S IDENTIFICATION**

Procurement Officer
Employees' Retirement System
201 Merchant Street, Suite 1400
Honolulu, Hawaii 96813

Dear Procurement Officer:

The undersigned has carefully read and understands the terms and conditions specified in the Specifications and the attached General Conditions and agrees to same. Offeror hereby submits the following offer to perform the work as specified in this specification, in accordance with the true intent and meaning thereof. The undersigned further understands and agrees that by submitting this offer, 1) he/she is declaring his/her offer is not in violation of Chapter 84, Hawaii Revised Statutes, concerning prohibited State contracts, and 2) he/she is certifying that the price quote submitted was independently arrived at without collusion.

Offeror is:

☐ Corporation ☐ Limited Liability Company ☐ Limited Partnership
☐ Other: _____

State of Incorporation/Organization: _____

Exact Legal Name of Entity: ** _____

Doing Business As (dba): _____

Federal Employer ID #: _____ Hawaii Tax No.: _____

Payment address
(if different than business address): _____

City, State, Zip Code: _____

Business address: _____

City, State, Zip Code: _____

Respectfully submitted:

Date: _____ (x) _____
Authorized (Original) Signature

Telephone No.: _____

Fax No.: _____ Name and Title (Please Type or Print) _____

Email Address: _____

****If Offeror is a "dba" or a "division" of a corporation, furnish the exact legal name of the corporation under which the awarded Contract will be executed.**

OFFER FORM OF-3
Professional References

Offeror to provide internal audit services during the past five (5) years to a minimum of one (1) large complex organization, of similar scope, scale and complexity as ERS, preferably a public pension plan.

Offeror Name _____

(1) Client Name _____

Contact Person _____

Telephone No. _____ Facsimile No. _____

Email Address: _____

Description of Service Provided: _____

Contract Period of Service Provided: _____

(2) Client Name _____

Contact Person _____

Telephone No. _____ Facsimile No. _____

Email Address: _____

Description of Service Provided: _____

Contract Period of Service Provided: _____

(3) Client Name _____

Contact Person _____

Telephone No. _____ Facsimile No. _____

Email Address: _____

Description of Service Provided: _____

Contract Period of Service Provided: _____

OFFER FORM OF-3 (continued)
References

SUB-CONTRACTOR: Offeror's sub-contractor to provide internal audit services during the past five (5) years to a minimum of one (1) large complex organization, of similar scope, scale and complexity as ERS. preferably a public pension plan.

_____ Mark here if no subcontractor used.

Offeror Name _____

Sub-contractor Name _____

(1) Client Name _____

Contact Person _____

Telephone No. _____ Facsimile No. _____

Email Address: _____

Description of Service Provided: _____

Contract Period of Service Provided: _____

(2) Client Name _____

Contact Person _____

Telephone No. _____ Facsimile No. _____

Email Address: _____

Description of Service Provided: _____

Contract Period of Service Provided: _____

(3) Client Name _____

Contact Person _____

Telephone No. _____ Facsimile No. _____

Email Address: _____

Description of Service Provided: _____

Contract Period of Service Provided: _____