

**STATE OF MINNESOTA** (RFN 10/16/2013)

**Professional Technical Services Master Contract --Encumbrance Form (For State Use Only)**

<b>RECS Project ID.:</b>	N/A	<b>Project Mgr.:</b>	<b>Gordon Christofferson</b>	<b>Contract Specialist:</b>	<b>Talia Landucci Owen</b>
		<b>Control No.</b>	<b>48071</b>	<b>RFP Event ID (if applicable)</b>	<b>2-1931</b>
<b>Project Name : Construction Audit Master Contract</b>					

<b>Total Amount of Contract:</b>	N/A	<b>Amount of Contract First FY:</b>		<b>Vendor Number:</b>	<b>0000851082</b>
<b>Category Code:</b>		<b>Category Code:</b>		<b>Category Code:</b>	
<b>Account:</b>		<b>Account:</b>		<b>Account:</b>	
<b>Amount:</b>	N/A	<b>Amount:</b>		<b>Amount:</b>	

<b>Accounting Distribution 1:</b>	<b>Accounting Distribution 2:</b>	<b>Accounting Distribution 3:</b>
<b>Business Unit:</b>	<b>Business Unit:</b>	<b>Business Unit:</b>
<b>Accounting Date:</b>	<b>Accounting Date:</b>	<b>Accounting Date:</b>
<b>Fund:</b>	<b>Fund:</b>	<b>Fund:</b>
<b>DeptID:</b>	<b>DeptID:</b>	<b>DeptID:</b>
<b>AppropID:</b>	<b>AppropID:</b>	<b>AppropID:</b>
<b>Project ID:</b> N/A	<b>Project ID:</b>	<b>Project ID:</b>
<b>Activity:</b>	<b>Activity:</b>	<b>Activity:</b>
<b>Amount:</b> N/A	<b>Amount:</b>	<b>Amount:</b>

SWIFT Contract No: <sup>14ACA</sup> ~~T#1402A~~ / **71818**      SWIFT Order: \_\_\_\_\_  
 Number/Date/Entry Initials      Number / Date/ See Signature Page

*[Individual signing SWIFT Order or Contract certifies that funds have been encumbered as required by Minn. Stat. §§ 16A.15 and 16C.05]*

**NOTICE TO CONSULTANT:** You are required to provide your social security number or Federal employer tax identification number and Minnesota tax identification number if you do business with the State of Minnesota.

**Contractor Name and Address:** **Honkamp Krueger & Co.**  
**111 West Port Plaza,**  
**6th Floor**  
**St. Louis, MO 63146**

**Contract Execution Date:** 01/14/2014  
**Contract End Date:** 11/30/2015

(\*Note: According to Minn. Stat. 16C.08 Subd. 3(5), the combined contract and amendment cannot exceed five years, unless otherwise provided for by law.)

**Contact Person:** **Ryan Hauber**  
**Contact Person Phone:** **479.295.7530**  
**Contact Person Fax:** **563.556.8462**  
**Contact Person Email:** **rhauber@honkamp.com**

**STATE OF MINNESOTA  
PROFESSIONAL AND TECHNICAL SERVICES  
MASTER CONTRACT  
CONSTRUCTION AUDITING SERVICES**

This master contract is between the State of Minnesota, acting through its Commissioner of Administration ("State") and Honkamp Krueger & Co., P.C. (HK), 111 West Port Plaza, 6<sup>th</sup> Floor, St. Louis, MO 63146 ("Consultant").

**Recitals**

1. Under Minnesota Statute§ 15.061 the State is empowered to engage such assistance as deemed necessary.
2. The State is in need of construction auditing services.
3. The Consultant represents that it is duly qualified and agrees to perform all services described in this master contract and performed under work order contracts to the satisfaction of the State.

**Master Contract**

**1 Term of Master Contract**

- 1.1 **Effective Date:** The date the State obtains all required signatures under Minnesota Statute§ 16C.05, subd. 2. **The Consultant must not accept work under this master contract until this master contract is fully executed and the Consultant has been notified by the State's Authorized Representative that it may begin accepting Work Order Contracts.**
- 1.2 **Work Order Contracts.** The term of work under work order contracts issued under this master contract may not extend beyond the expiration date of this master contract.
- 1.3 **Expiration Date:** November 30, 2015.
- 1.4 **Survival of Terms.** The following clauses survive the expiration or cancellation of this master contract and all work order contracts: 8. Indemnification; 9. State Audits; 10. Government Data Practices and Intellectual Property; 13. Publicity and Endorsement; 14. Governing Law, Jurisdiction, and Venue; and 18. Data Disclosure.

**2 Scope of Work**

The Consultant, who is not a state employee, may be requested to perform any of the following services under individual work order contracts:

The Scope of Work for this master contract may include one or all of the following as described. A complete detailed description of required work will be furnished in each work order contract issued.

**A. Contract Compliance Audit:**

1. Test and monitor controls per the base contract, the State's General Conditions, and any applicable amendments.
2. Review payment applications.
3. Test for contract compliance
4. Test and evaluate change orders
5. Identify potential over-charges and recommend action to the Owner
6. Recommend control improvements during the audit process
7. Visit the site at least every three months during periods of major activity.

**B. Contract Compliance Audit services should include but are not limited to:**

1. Verification of all project costs incurred by the Consultant, including proper payroll, overhead, and administrative costs.
  - Craft & Staff Labor hours, wages and / or stipulated rates charged to the construction project (including compliance with Davis-Bacon Act prevailing wage laws).

- Labor Burden costs such as employee benefits, Federal & State Unemployment Insurance, workers' compensation, and other labor burden cost elements charged to the project.
  - Materials & Equipment costs charged to the project.
  - Subconsultants' costs charged to the project.
  - Consultant Owned Equipment Rentals charged to the project.
  - Small Tools and other construction costs charged to the project.
  - General Liability and other insurance costs charged to the project.
  - Home Office Overhead costs charged to the project.
  - Fees and mark-ups of any kind charged to the project.
  - Bond expenses
2. Verification of proper sales and use tax charges.
  3. Verification of proper math and methods used by the Consultant to develop the final billing, including proper credits for discounts or refundable deposits.
  4. Verification that proper bidding procedures were followed for subconsultants.
  5. Reconciliation of all alternates and allowances.
  6. Verification that all cost charged to the job were incurred for this job and that any unused materials or tools are properly credited to the owner.
  7. Reconciliation of the "guaranteed-maximum" and "savings that accrue to the Owner" per the contract.
  8. Verification of all change order costs to confirm that:
    - None are base scope-related;
    - All change order calculations are applied accurately per the terms of the contract
    - When appropriate, calculations are based upon actual costs, not "estimates".
  9. Verification of proper contingency use and documentation per the contract
  10. Final project cost reconciliation.
  11. Support during negotiation for adjustments based on audit findings.
  12. Review financial reports submitted by the CM.

C. Project Close-Out Audit:

1. Determine if obligations to subconsultants and suppliers have been satisfied
2. Review back-charges and buy-outs
3. Identify potential over-charges and recommend action to the Owner
4. Reconcile final billing and verify final billing accuracy
5. Provide final report to the owner with any recommendations for action

D. Special Tasks

1. Tasks that utilize the special skills and experience of the construction auditor. This may include, but are not limited to:
  - Review of specific construction cost proposals (Supplemental Agreements). May be a part of a project that otherwise is not being reviewed by construction auditor.
  - Review of construction contracts and cost control procedures for the purpose of refining or special tailoring of requirements so as to facilitate auditing and construction cost control after those documents are put into use.
  - Review of any other costs charged by a consultant or vendor.
  - Assistance with negotiations over proposed costs.

E. Other related services

The Consultant understands that only the receipt of a fully executed work order contract authorizes the Consultant to begin work under this master contract. Any and all effort, expenses, or actions taken before the work order contract is

fully executed is not authorized under Minnesota Statutes and is under taken at the sole responsibility and expense of the Consultant. A sample work order contract is attached and incorporated into this master contract as Exhibit A.

The Consultant understands that this master contract is not a guarantee of a work order contract. The State has determined that it may have need for the services under this master contract, but does not commit to spending any money with the Consultant.

### 3 Time

The Consultant must comply with all the time requirements described in work order contracts. In the performance of work order contracts, time is of the essence.

### 4 Consideration and Payment

4.1 **Consideration.** The State will pay for all services satisfactorily performed by the Consultant for all work order contracts issued under this master contract. The total compensation of all work order contracts may not exceed \$2,000,000.00. All costs will follow the Consultant's fee schedule attached as Exhibit B and incorporated into this agreement. The Consultant may revise its fee schedule once a year after June 30, 2015. However, hourly rates may not exceed a 3% increase each year. Revised fee schedules meeting the requirements of this section will be effective on the date received by the State.

**Travel Expenses.** There are no allowable travel or other reimbursable expenses. All such expenses are included in the Consultant's fee schedule of hourly rates.

If included in hourly rates, travel and subsistence expenses actually and necessarily incurred by the Consultant as a result of any work order contract will be in same manner and in no greater amount than provided in the current "Commissioner's Plan" promulgated by the commissioner of Employee Relations. A copy of the Commissioner's Plan is available on the web at: <http://www.mmb.state.mn.us/comp-commissioner> (click on "Commissioner's Plan" in the right side column). The Consultant will not be reimbursed for travel and subsistence expenses incurred outside Minnesota unless it has received the State's prior written approval for out of state travel. Minnesota will be considered the home state for determining whether travel is out of state. If during the course of the work, it is determined that subconsultant(s) are needed, their costs, when approved by the State's Project Manager, will be negotiated as an additional service at one (1.0) times Responder's cost.

#### 4.2. Payment

(A) **Invoices.** The State will promptly pay the Consultant after the Consultant presents an itemized invoice for the services actually performed and the State's Authorized Representative accepts the invoiced services. Invoices must be submitted timely no more frequently than monthly.

(B) **Retainage.** Under Minnesota Statute § 16C.08, subdivision 5(b), no more than 90 percent of the amount due under any work order contract may be paid until the final product of the work order contract has been reviewed by the State's agency head. The balance due will be paid when the State's agency head determines that the Consultant has satisfactorily fulfilled all the terms of the work order contract.

### 5 Conditions of Payment

All services provided by the Consultant under a work order contract must be performed to the State's satisfaction, as determined at the sole discretion of the State's Authorized Representative and in accordance with all applicable federal, state, and local laws, ordinances, rules, and regulations. The Consultant will not receive payment for work found by the State to be unsatisfactory or performed in violation of federal, state, or local law.

### 6 Authorized Representatives and Project Managers

The State's Authorized Representative for this master contract is Talia Landucci Owen, Contracts Specialist, 651.201.2372 or Gordon Christofferson, Project Operations Manager, 651.201.2380, or his/her successor, and has the responsibility to monitor the Consultant's performance.

The State's Project Manager will be identified in each work order contract.

The Consultant's Authorized Representative is Ryan Hauber, Partner, 479.295.7530. If the Consultant's Authorized Representative changes at any time during this master contract, the Consultant must immediately notify the State.

The Consultant's Project Manager will be identified in each work order contract.

**7 Assignment, Amendments, Waiver, and Contract Complete**

7.1 **Assignment.** The Consultant may neither assign nor transfer any rights or obligations under this master contract or any work order contract without the prior consent of the State and a fully executed Assignment Agreement, executed and approved by the same parties who executed and approved this master contract, or their successors in office.

7.2 **Amendments.** Any amendment to this master contract or any work order contract must be in writing and will not be effective until it has been executed and approved by the same parties who executed and approved the original contract, or their successors in office.

7.3 **Waiver.** If the State fails to enforce any provision of this master contract or any work order contract, that failure does not waive the provision or its right to enforce it.

7.4 **Contract Complete.** This master contract and any work order contract contain all negotiations and agreements between the State and the Consultant. No other understanding regarding this master contract or work order contract, whether written or oral, may be used to bind either party.

**8 Indemnification**

In the performance of this contract by Consultant, or Consultant's agents or employees, the Consultant must indemnify, save, and hold harmless the State, its agents, and employees, from any claims or causes of action, including attorney's fees incurred by the state, to the extent caused by Consultant's:

- 1) Intentional, willful, or negligent acts or omissions; or
- 2) Actions that give rise to strict liability; or
- 3) Breach of contract or warranty.

The indemnification obligations of this section do not apply in the event the claim or cause of action is the result of the State's sole negligence. This clause will not be construed to bar any legal remedies the Consultant may have for the State's failure to fulfill its obligation under this contract.

**9 State Audits**

Under Minnesota Statute § 16C.05, subdivision 5, the Consultant's books, records, documents, and accounting procedures and practices relevant to any work order contract are subject to examination by the State and/or the State Auditor or Legislative Auditor, as appropriate, for a minimum of six years from the end of this master contract.

**10 Government Data Practices and Intellectual Property**

10.1 **Government Data Practices.** The Consultant and State must comply with the Minnesota Government Data Practices Act, Minnesota Statute Ch. 13, as it applies to all data provided by the State under any work order contract, and as it applies to all data created, collected, received, stored, used, maintained, or disseminated by the Consultant under the work order contract. The civil remedies of Minnesota Statute § 13.08 apply to the release of the data referred to in this clause by either the Consultant or the State.

If the Consultant receives a request to release the data referred to in this Clause, the Consultant must immediately notify the State. The State will give the Consultant instructions concerning the release of the data to the requesting party before the data is released.

#### 10.2. *Intellectual Property Rights*

(A) *Intellectual Property Rights.* The State owns all rights, title, and interest in all of the intellectual property rights, including copyrights, patents, trade secrets, trademarks, and service marks in the Works and Documents *created and paid for under work order contracts*. Works means all inventions, improvements, discoveries (whether or not patentable), databases, computer programs, reports, notes, studies, photographs, negatives, designs, drawings, specifications, materials, tapes, and disks conceived, reduced to practice, created or originated by the Consultant, its employees, agents, and subConsultants, either individually or jointly with others in the performance of this master contract or any work order contract. Works includes "Documents." Documents are the originals of any databases, computer programs, reports, notes, studies, photographs, negatives, designs, drawings, specifications, materials, tapes, disks, or other materials, whether in tangible or electronic forms, prepared by the Consultant, its employees, agents, or subConsultants, in the performance of a work order contract. The Documents will be the exclusive property of the State and all such Documents must be immediately returned to the State by the Consultant upon completion or cancellation of the work order contract. To the extent possible, those Works eligible for copyright protection under the United States Copyright Act will be deemed to be "works made for hire." The Consultant assigns all right, title, and interest it may have in the Works and the Documents to the State. The Consultant must, at the request of the State, execute all papers and perform all other acts necessary to transfer or record the State's ownership interest in the Works and Documents.

#### (B) *Obligations*

1. *Notification.* Whenever any invention, improvement, or discovery (whether or not patentable) is made or conceived for the first time or actually or constructively reduced to practice by the Consultant, including its employees and subConsultants, in the performance of the work order contract, the Consultant will immediately give the State's Authorized Representative written notice thereof, and must promptly furnish the Authorized Representative with complete information and/or disclosure thereon.

2. *Representation.* The Consultant must perform all acts, and take all steps necessary to ensure that all intellectual property rights in the Works and Documents are the sole property of the State, and that neither Consultant nor its employees, agents, or subConsultants retain any interest in and to the Works and Documents. The Consultant represents and warrants that the Works and Documents do not and will not infringe upon any intellectual property rights of other persons or entities. Notwithstanding Clause 8, the Consultant will indemnify; defend, to the extent permitted by the Attorney General; and hold harmless the State, at the Consultant's expense, from any action or claim brought against the State to the extent that it is based on a claim that all or part of the Works or Documents infringe upon the intellectual property rights of others. The Consultant will be responsible for payment of any and all such claims, demands, obligations, liabilities, costs, and damages, including but not limited to, attorney fees. If such a claim or action arises, or in the Consultant's or the State's opinion is likely to arise, the Consultant must, at the State's discretion, either procure for the State the right or license to use the intellectual property rights at issue or replace or modify the allegedly infringing Works or Documents as necessary and appropriate to obviate the infringement claim. This remedy of the State will be in addition to and not exclusive of other remedies provided by law.

### 11 **Affirmative Action Requirements for Contracts in Excess of \$100,000 and if the Consultant has More than 40 Full-time Employees in Minnesota or its Principal Place of Business**

The State intends to carry out its responsibility for requiring affirmative action by its Consultants.

11.1 *Covered Contracts and Consultants.* If the Contract exceeds \$100,000 and the Consultant employed more than 40 full-time employees on a single working day during the previous 12 months in Minnesota or in the

state where it has its principle place of business, then the Consultant must comply with the requirements of Minnesota Statute § 363A.36 and Minnesota Rule Parts 5000.3400-5000.3600. A Consultant covered by Minnesota Statute § 363A.36 because it employed more than 40 full-time employees in another state and does not have a certificate of compliance, must certify that it is in compliance with federal affirmative action requirements.

- 11.2 **Minnesota Statute § 363A.36.** Minnesota Statute § 363A.36 requires the Consultant to have an affirmative action plan for the employment of minority persons, women, and qualified disabled individuals approved by the Minnesota Commissioner of Human Rights (“Commissioner”) as indicated by a certificate of compliance. The law addresses suspension or revocation of a certificate of compliance and contract consequences in that event. A contract awarded without a certificate of compliance may be voided.
- 11.3 **Minnesota Rule Parts 5000.3400-5000.3600.**
- (A) *General.* Minnesota Rule Parts 5000.3400-5000.3600 implement Minnesota Statute § 363A.36. These rules include, but are not limited to, criteria for contents, approval, and implementation of affirmative action plans; procedures for issuing certificates of compliance and criteria for determining a Consultant’s compliance status; procedures for addressing deficiencies, sanctions, and notice and hearing; annual compliance reports; procedures for compliance review; and contract consequences for non-compliance. The specific criteria for approval or rejection of an affirmative action plan are contained in various provisions of Minnesota Rule Parts 5000.3400-5000.3600 including, but not limited to, parts 5000.3420-5000.3500 and 5000.3552-5000.3559.
- (B) *Disabled Workers.* The Consultant must comply with the following affirmative action requirements for disabled workers.
- (1) The Consultant must not discriminate against any employee or applicant for employment because of physical or mental disability in regard to any position for which the employee or applicant for employment is qualified. The Consultant agrees to take affirmative action to employ, advance in employment, and otherwise treat qualified disabled persons without discrimination based upon their physical or mental disability in all employment practices such as the following: employment, upgrading, demotion or transfer, recruitment, advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship.
  - (2) The Consultant agrees to comply with the rules and relevant orders of the Minnesota Department of Human Rights issued pursuant to the Minnesota Human Rights Act.
  - (3) In the event of the Consultant's noncompliance with the requirements of this clause, actions for noncompliance may be taken in accordance with Minnesota Statutes Section 363A.36, and the rules and relevant orders of the Minnesota Department of Human Rights issued pursuant to the Minnesota Human Rights Act.
  - (4) The Consultant agrees to post in conspicuous places, available to employees and applicants for employment, notices in a form to be prescribed by the commissioner of the Minnesota Department of Human Rights. Such notices must state the Consultant's obligation under the law to take affirmative action to employ and advance in employment qualified disabled employees and applicants for employment, and the rights of applicants and employees.
  - (5) The Consultant must notify each labor union or representative of workers with which it has a collective bargaining agreement or other contract understanding, that the Consultant is bound by the terms of Minnesota Statutes Section 363A.36, of the Minnesota Human Rights Act and is committed to take affirmative action to employ and advance in employment physically and mentally disabled persons.
- (C) *Consequences.* The consequences for the Consultant’s failure to implement its affirmative action plan or make a good faith effort to do so include, but are not limited to, suspension or revocation of a

certificate of compliance by the Commissioner, refusal by the Commissioner to approve subsequent plans, and termination of all or part of this contract by the Commissioner or the State.

- (D) *Certification.* The Consultant hereby certifies that it is in compliance with the requirements of Minnesota Statute§ 363A.36 and Minnesota Rule Parts 5000.3400-5000.3600 and is aware of the consequences for noncompliance.

## 12 Workers' Compensation and Other Insurance

Consultant certifies that it is in compliance with all insurance requirements specified in Exhibit D1.

Further, the Consultant certifies that it is in compliance with Minnesota Statute§ 176.181, subdivision 2, pertaining to workers' compensation insurance coverage. The Consultant's employees and agents will not be considered State employees. Any claims that may arise under the Minnesota Workers' Compensation Act on behalf of these employees or agents and any claims made by any third party as a consequence of any act or omission on the part of these employees or agents are in no way the State's obligation or responsibility.

## 13 Publicity and Endorsement

13.1 *Publicity.* Any publicity regarding the subject matter of a work order contract must identify the State as the sponsoring agency and must not be released without prior written approval from the State's Authorized Representative. For purposes of this provision, publicity includes notices, informational pamphlets, press releases, research, reports, signs, and similar public notices prepared by or for the Consultant individually or jointly with others, or any subconsultants, with respect to the program, publications, or services provided resulting from a work order contract.

13.2 *Endorsement.* The Consultant must not claim that the State endorses its products or services.

## 14 Governing Law, Jurisdiction, and Venue

Minnesota law, without regard to its choice-of-law provisions, governs this master contract and all work order contracts. Venue for all legal proceedings out of this master contract and/or any work order contracts, or its breach, must be in the appropriate state or federal court with competent jurisdiction in Ramsey County, Minnesota.

## 15 Payment to Subconsultants

(If applicable) As required by Minnesota Statute§ 16A.1245, the prime Consultant must pay all subconsultants, less any retainage, within 10 calendar days of the prime Consultant's receipt of payment from the State for undisputed services provided by the subconsultant(s) and must pay interest at the rate of one and one-half percent per month or any part of a month to the subconsultant(s) on any undisputed amount not paid on time to the subconsultant(s).

## 16 Minnesota Statute§ 181.59 The vendor will comply with the provisions of Minnesota Statute§ 181.59 which requires:

Every contract for or on behalf of the state of Minnesota, or any county, city, town, township, school, school district, or any other district in the state, for materials, supplies, or construction shall contain provisions by which the Consultant agrees: (1) That, in the hiring of common or skilled labor for the performance of any work under any contract, or any subcontract, no Consultant, material supplier, or vendor, shall, by reason of race, creed, or color, discriminate against the person or persons who are citizens of the United States or resident aliens who are qualified and available to perform the work to which the employment relates; (2) That no Consultant, material supplier, or vendor, shall, in any manner, discriminate against, or intimidate, or prevent the employment of any person or persons identified in clause (1) of this section, or on being hired, prevent, or conspire to prevent, the person or persons from the performance of work under any contract on account of race, creed, or color; (3) That a violation of this section is a misdemeanor; and (4) That this contract may be canceled or terminated

by the state, county, city, town, school board, or any other person authorized to grant the contracts for employment, and all money due, or to become due under the contract, may be forfeited for a second or any subsequent violation of the terms or conditions of this contract.

**17 Termination**

17.1 **Termination by the State.** The State or commissioner of Administration may cancel this master contract and any work order contracts at any time, with or without cause, upon 30 days' written notice to the Consultant. Upon termination, the Consultant will be entitled to payment, determined on a pro rata basis, for services satisfactorily performed.

17.2 **Termination for Insufficient Funding.** The State may immediately terminate this master contract and any work order contract if it does not obtain funding from the Minnesota legislature or other funding source; or if funding cannot be continued at a level sufficient to allow for the payment of the services covered here. Termination must be by written or fax notice to the Consultant. The State is not obligated to pay for any services that are provided after notice and effective date of termination. However, the Consultant will be entitled to payment, determined on a pro rata basis, for services satisfactorily performed to the extent that funds are available. The State will not be assessed any penalty if the master contract or work order is terminated because of the decision of the Minnesota legislature or other funding source, not to appropriate funds. The State must provide the Consultant notice of the lack of funding within a reasonable time of the State's receiving that notice.

**18 Data Disclosure**

Under Minnesota Statute § 270C.65, Subdivision 3 and other applicable law, the Consultant consents to disclosure of its social security number, federal employer tax identification number, and/or Minnesota tax identification number, already provided to the State, to federal and state agencies and state personnel involved in the payment of state obligations. These identification numbers may be used in the enforcement of federal and state laws which could result in action requiring the Consultant to file state tax returns, pay delinquent state tax liabilities, if any, or pay other state liabilities.

**19 E-Verify Certification (In accordance with Minn. Stat. §16C.075)**

For services valued in excess of \$50,000, Consultant certifies that as of the date of services performed on behalf of the State, Consultant and all its subconsultants will have implemented or be in the process of implementing the federal E-Verify program for all newly hired employees in the United States who will perform work on behalf of the State. Consultant is responsible for collecting all subconsultant certifications and may do so utilizing the E-Verify Subconsultant Certification Form available at <http://www.mmd.admin.state.mn.us/doc/VerifySubCertForm.doc>. All subconsultant certifications must be kept on file with Consultant and made available to the State upon request.

**20 Schedule of Exhibits**

The following exhibits are attached and incorporated into this Master Contract.

- Exhibit A: Sample Work Order
- Exhibit B: Fee Schedule
- Exhibit C: Consultant's Qualifications
- Exhibit D1: State Insurance Requirements
- Exhibit E: Affirmative Action Certification
- Exhibit F: Certification Regarding Lobbying
- Exhibit G: Not Used
- Exhibit H: Not Used
- Exhibit I: Affidavit of Noncollusion

SWIFT Contract No. 71818

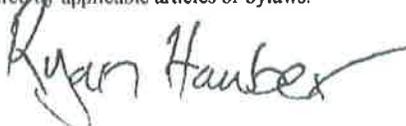
T-Number: ~~1402A~~ 14ACA

Control Number: 48071

IN WITNESS WHEREOF State has caused this Agreement to be duly executed in its behalf and the Consultant has caused the same to be duly executed on its behalf.

**1. CONSULTANT - Honkamp Krueger & Co.**

The Consultant certifies that the appropriate person(s) have executed the contract on behalf of the Consultant as required by applicable articles or bylaws.



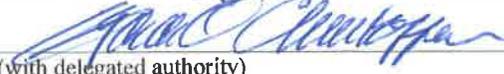
By: \_\_\_\_\_

Printed Name: Ryan J. Hauber

Title: Partner

Date: 12/10/13

**2. STATE AGENCY - Department of Administration**

By:   
(with delegated authority)

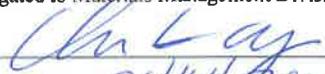
Printed Name: Gordon Christofferson

Title: Project Operations Manager

Date: 1/10/14

**3. COMMISSIONER OF ADMINISTRATION**

As delegated to Materials Management Division

By: 

Date: 01/14/2014

#36860

## Exhibit A

### SAMPLE STATE OF MINNESOTA PROFESSIONAL AND TECHNICAL SERVICES WORK ORDER CONTRACT

This work order contract is between the State of Minnesota, acting through its \_\_\_\_\_ ("State") and \_\_\_\_\_ ("Consultant"). This work order contract is issued under the authority of Master Contract T-Number \_\_\_\_\_, SWIFT Number \_\_\_\_\_, and is subject to all provisions of the master contract which is incorporated by reference.

#### Work Order Contract

#### 1 Term of Contract

1.1 **Effective date:** \_\_\_\_\_, or the date the State obtains all required signatures under Minnesota Statute § 16C.05, subdivision 2, whichever is later.

**The Consultant must not begin work under this contract until this contract is fully executed and the Consultant has been notified by the State's Authorized Representative to begin the work.**

1.2 **Expiration date:** \_\_\_\_\_, or until all obligations have been satisfactorily fulfilled, whichever occurs first.

#### 2 Consultant's Duties

The Consultant, who is not a state employee, will: \_\_\_\_\_.

#### 3 Consideration and Payment

3.1 **Consideration.** The State will pay for all services performed by the Consultant under this work order contract as follows:

(A) **Compensation.** The Consultant will be paid \_\_\_\_\_.

(B) **Travel Expenses.** Reimbursement for travel and subsistence expenses actually and necessarily incurred by the Consultant as a result of this work order contract will not exceed \$N/A \_\_\_\_\_.

(C) **Total Obligation.** The total obligation of the State for all compensation and reimbursements to the Consultant under this work order contract will not exceed \$\_\_\_\_\_.

3.2. **Invoices.** The State will promptly pay the Consultant after the Consultant presents an itemized invoice for the services actually performed and the State's Authorized Representative accepts the invoiced services. Invoices must be submitted timely and according to the following schedule:

#### 4 Project Managers

The State's Project Manager is \_\_\_\_\_. The State's Authorized Representative will certify acceptance on each invoice submitted for payment.

The Consultant's Project Manager is \_\_\_\_\_. If the Consultant's Project Manager changes at any time during this work order contract, the Consultant must immediately notify the State.

**SIGNATURES AS REQUIRED BY THE STATE.**

1) REQUIRED FORMS

A) RESPONDER'S FEE SCHEDULE

The responder is required to submit an hourly fee schedule. The fee schedule must show the hourly rates for each of the Responder's employees. The hourly rate must include all, travel expenses, and other project related expenses, which include but are not limited to mileage, meals, lodging, telephone/fax, printing, computer discs, and photographs. A range of fees for a position is not acceptable. **The highest hourly rate on the fee schedule will be used in the evaluation.**

Reimbursable Expenses: The State reserves the right to modify the allowable reimbursable expenses prior to execution of Work Order Contracts. In the event expenses are reimbursed, they shall be reimbursed in the same manner and in no greater amount than provided in the current "Commissioner's Plan" promulgated by the Commissioner of Minnesota Management and Budget. A copy of the Commissioner's Plan is available on the web at: <http://www.mmb.state.mn.us/comp-commissioner> (click on "Commissioner's Plan" in the right side column. The Contractor will not be reimbursed for travel and subsistence expenses incurred outside Minnesota unless it has received the State's prior written approval for out of state travel. Minnesota will be considered the home state for determining whether travel is out of state.

Sub consultant costs, when approved by the State's Project Manager, will be negotiated as an additional service at one (1.0) times Responder's cost. There are no other allowable reimbursable expenses. A fee schedule may be revised once a year after June 30, 2015. However, hourly rates may not exceed a 3% increase each year. Revised fee schedules meeting the requirements of this section will be effective on the date received by the State.

Below we have included an hourly rate schedule, which includes the hourly rates for each of the proposed team members. Please note that the hourly rate includes all travel expenses and other project related expenses. The highest hourly rate has been included for each position, for your review.

TEAM MEMBER	POSITION	HOURLY RATE
Ryan J. Hauber	Partner	\$175.00
Matt R. Gardner	Practice Leader	\$150.00
Shannon D. Wiese	Team Member	\$150.00
Richard (Dick) J. Epping	Team Member	\$150.00

## EXHIBIT C - QUALIFICATIONS PROPOSAL

<p style="text-align: center;"><b>STATE OF MINNESOTA REAL ESTATE AND CONSTRUCTION SERVICES (State) Qualifications and General Requirements Information</b></p>	<p><b>1. PROJECT:</b> Construction Auditing Services</p>
<p><b>2. RESPONDER'S NAME &amp; ADDRESS (include 9-digit zip code):</b>                  Honkamp Krueger &amp; Co., P.C. (HK)                  111 West Port Plaza, 6th Floor                  St. Louis, MO 63146</p> <p><b>2a. COUNTY OF RESPONDER'S LOCATION:</b> St. Louis</p> <p><b>2b. RESPONDER'S STATE VENDOR NO. :</b> <small>HK will complete this vendor registration process upon receipt of a signed engagement</small></p> <p><b>2c. DATE FIRM ESTABLISHED:</b> 1947</p>	<p><b>2d. NAME, TITLE &amp; TELEPHONE NUMBER PERSON SIGNING PROPOSAL (see Section 8):</b>                  Ryan J. Hauber                  Partner                  479-295-7530</p> <p><b>2e. RESPONDER'S (CONTACT) TELEPHONE NO.:</b> 479-295-7530</p> <p><b>2f. RESPONDER'S FAX NUMBER:</b> 563-556-8462</p> <p><b>2g. RESPONDER'S EMAIL ADDRESS:</b> rhauber@honkamp.com</p>
<p><b>3. RESPONDER'S STATEMENT OF INTEREST TO PERFORM THE SERVICES AS INDICATED IN THE RFP:</b>                  HK expresses it's interest in establishing a long term business relationship with RECS and performing the detailed Construction Audit Services in the RFP.</p>	<p><b>3a. RESPONDER'S STATEMENT ON AVAILABILITY TO START WORK PROMPTLY UPON EXECUTION OF CONTRACT AND TO PROMPTLY DELIVER SERVICES:</b>                  HK and its team members are available and will be dedicated to RECS to start work promptly upon execution of contract and to promptly deliver services.</p>

4. TEAM PROPOSED FOR THIS PROJECT

NAME	POSITION (Also, identify if working with team as sub consultant or on contract basis)	HAS PERSON WORKED WITH RESPONDER BEFORE?
A. Ryan J. Hauber, MBA, CFE, CCA, CCP	Partner	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
B. Matt R. Gardner, CCA, CICA	Practice Leader	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
C. Shannon D. Wiese, CCA, CIA, CGAP, CFE, CRMA	Team Member	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
D. Richard J. Epping, MBA, CCA, CIA, CPA	Team Member	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO

5. RESPONDENT'S TEAM QUALIFICATIONS

Team member "A" from Section 4, above.

Name of Individual Ryan J. Hauber, MBA, CFE, CCA, CCP

Number of audits for projects with construction cost exceeding \$5 Million dollars 34

List at least four audits completed within the last five years that exceed the above construction cost, that are for public or large institutional clients. Also list Construction Cost, Owner, Duration of Audit, Contracting Model (CM at Risk, Design/Build, Design/Bid/Build, Other - Describe)

1. Project MCTC - Workforce Program Renovation  
Owner Minnesota State Colleges and Universities System  
Construction Cost \$11,000,000  
Duration of Audit 9 Months  
Contracting Model CM at Risk
2. Project HTC - Learning Resource Center & Student Service Center Renovation  
Owner Minnesota State Colleges and Universities System  
Construction Cost \$10,500,000  
Duration of Audit 11 Months  
Contracting Model Design/Bid/Build
3. Project 47 Store Renovation - Pilot 1  
Owner Walgreen Co.  
Construction Cost \$39,000,000  
Duration of Audit 5 Months  
Contracting Model Design/Bid/Build
4. Project Sonoran Boulevard: 23rd Avenue to Cave Creek Road  
Owner City of Phoenix  
Construction Cost \$42,500,000  
Duration of Audit 2 Months  
Contracting Model CM at Risk

Team member "B" from Section 4, above.

Name of Individual Matt R. Gardner, CCA, CICA

Number of audits for projects with construction cost exceeding \$5 Million dollars 27

List at least four audits completed within the last five years that exceed the above construction cost, that are for public or large institutional clients. Also list Construction Cost, Owner, Duration of Audit, Contracting Model (CM at Risk, Design/Build, Design/Bid/Build, Other – Describe)

1. Project Sonoran Boulevard: 23rd Avenue to Cave Creek Road  
Owner Minnesota State Colleges and Universities System  
Construction Cost \$11,000,000  
Duration of Audit 9 Months  
Contracting Model CM at Risk
2. Project L'Auberge - Hotel and Casino Development  
Owner Pinnacle Entertainment, Inc  
Construction Cost \$368,000,000  
Duration of Audit 24 Months  
Contracting Model Design/Build
3. Project Candler School of Theology Phase II  
Owner Emory University  
Construction Cost \$22,000,000  
Duration of Audit 2 Months  
Contracting Model Design/Bid/Build
4. Project Umrath Hall  
Owner Washington University  
Construction Cost \$11,000,000  
Duration of Audit 9 Months  
Contracting Model Design/Bid/Build

Use additional pages if more team members.

Team member "B" from Section 4, above.

Name of Individual Shannon D. Wiese, CCA, CIA, CGAP, CFE, CRMA

Number of audits for projects with construction cost exceeding \$5 Million dollars 23

List at least four audits completed within the last five years that exceed the above construction cost, that are for public or large institutional clients. Also list Construction Cost, Owner, Duration of Audit, Contracting Model (CM at Risk, Design/Build, Design/Bid/Build, Other – Describe)

1. Project Sonoran Boulevard: 23rd Avenue to Cave Creek Road  
Owner City of Phoenix  
Construction Cost \$42,500,000  
Duration of Audit 2 Months  
Contracting Model CM at Risk
2. Project MCTC - Workforce Program Renovation  
Owner Minnesota State Colleges and Universities System  
Construction Cost \$11,000,000  
Duration of Audit 9 Months  
Contracting Model CM at Risk
3. Project HTC - Learning Resource Center & Student Service Center Renovation  
Owner Minnesota State Colleges and Universities System  
Construction Cost \$10,500,000  
Duration of Audit 11 Months  
Contracting Model Design/Bid/Build
4. Project Connecticut and Veazey Flagship Store  
Owner Walgreen Co.  
Construction Cost \$9,000,000  
Duration of Audit 4 Months  
Contracting Model Design/Build

Use additional pages if more team members.

Team member "B" from Section 4, above.

Richard J. Epping, MBA, CCA, CIA, CPA

Name of Individual

Number of audits for projects with construction cost exceeding \$5 Million dollars 6

List at least four audits completed within the last five years that exceed the above construction cost, that are for public or large institutional clients. Also list Construction Cost, Owner, Duration of Audit, Contracting Model (CM at Risk, Design/Bid/Build, Design/Bid/Build, Other - Describe)

- 1. Project Office and Health Center  
 Owner Walgreen Co.  
 Construction Cost \$17,000,000  
 Duration of Audit 3 Months  
 Contracting Model Design/Bid/Build
- 2. Project 47 Store Renovation - Pilot 1  
 Owner Walgreen Co.  
 Construction Cost \$39,000,000  
 Duration of Audit 5 Months  
 Contracting Model Design/Bid/Build
- 3. Project Sonoran Boulevard: 23rd Avenue to Cave Creek Road  
 Owner City of Phoenix  
 Construction Cost \$42,500,000  
 Duration of Audit 2 Months  
 Contracting Model CM at Risk
- 4. Project HTC - Learning Resource Center & Student Service Center Renovation  
 Owner Minnesota State Colleges and Universities System  
 Construction Cost \$10,500,000  
 Duration of Audit 11 Months  
 Contracting Model Design/Bid/Build

Use additional pages if more team members.



3. What is the largest, in terms of construction cost, audit that person "B", as cited in Exhibit C, Section 4, has participated in? *(Please provide project details, challenges, how challenges were approached, and the outcome of the overall audit.)*

Ryan Hauber and his construction audit team were hired by Wal-Mart Stores, Inc to perform a cost recovery review for 8 stores in the state of Pennsylvania. Costs audited totaled \$64 million across all 8 stores. The objective of the review was broken out into two phases:

- Phase 1 – Determine whether Wal-Mart was correctly billed for costs, both in terms of accuracy (dollar amount) and nature of the charges based on the established contract terms.
- Phase 2 – Review and assess all portions of the contract agreements and determine whether opportunities exist for possible improvements for the Retail – Project Management group.

For this review, auditing 100% of all costs across all 8 stores and working with the largest organization in the world presented many challenges and was a large undertaking. We have outlined our challenges and our approach to these challenges below:

- Challenge - Access to project management team at Wal-Mart was limited to assist with contract interpretations
  - o Approach – Utilized our experience in contract reviews to determine the intent of the specific clause and/or requirement and applied it to the costs under review
- Challenge – 100% of all invoices and charges were reviewed in detail creating a great undertaking under strict scheduling requirements enforced by Wal-Mart.
  - o Approach – Utilized system audit tools (i.e. Audit Command Language) to determine where to review potential problematic charges and focused our efforts on those high risk areas first and foremost.
- Challenge – Travel budget was limited therefore making it difficult to effectively evaluate whether charges were appropriate and the charge in question actually occurred.
  - o Approach – We utilized our experience in evaluating design documents to understand the construction process and the materials to be included during the construction phase. This was performed remotely resulting in significant travel cost savings for Wal-Mart.

4. What is the most challenging audit that person "B", as cited in Exhibit C, Section 4, has worked on? *(Please describe what made this project most challenging, how challenges were approached)*

One of the most challenging audits ever encountered by Matt Gardner and his project team involved the Pinnacle Entertainment L'Auberge Casino & Hotel project noted above due to the fluctuating river levels on the Mississippi river. Significant delays were incurred as river levels were not high enough to float the barges in place to begin the structure for the casino. Due to these delays significant costs were accumulated and ultimately resulting in delays on other areas of work. The general contractor and owner project manager attempted to fill in downtime due to the delay in the casino structure by starting on other work, however ultimately leading to greater inefficiencies and excess change orders.

Matt and his project team were requested by the owner to specifically review the change orders related to the cost incurred for the delay in work due to the lower than normal river levels. Upon their review of the contract and its amendments it was determined weather delay days were included in the contract, however, this was determined as an 'Act of God' rather than weather related which was an extremely rare and unusual construction audit situation. While charges due to the delay were properly owed by the owner Matt and his team did identify costs included on those specific change orders that were deemed not relevant and not covered by the 'Act of God' clause in the contract. These costs were related to:

- Overtime charges for supplemental work
- Charges for equipment that was idle during the delay
- Charges for meetings with the Core of Engineers that was in the originally bid.

Approximately \$98,000.00 was credited to the owner and not considered allowable costs based upon the review of these select change orders.

## 7. UNIQUE QUALIFICATIONS

Construction projects are among the largest, most complex financial expenditures undertaken by an organization. HK helps you strengthen the financial and operational controls over the construction process, ensuring compliance with the contract and adherence to industry standards and best practices. Our experienced team provides assurance that contractual terms are being adhered to by validating critical contractor compliance and costs. In our experience, potential identified overcharges are typically a multiple ranging from two up to six times greater than the fee for our services, depending on size and type of contract audited.

Managing the financial and risk aspects of a major construction-related capital project requires unique knowledge and expertise. We have what it takes. We know the construction industry ins and outs, including the risk inherent to each type of construction contract including fixed price, guaranteed maximum price, stipulated sum, cost-plus reimbursable, time-and-material, and unit price contracts.

We have assembled a deeply experienced audit team to perform construction cost recovery, compliance, and consulting audits. Our team consists of senior level construction audit professionals because we believe Construction Audit Service (CAS) engagements require the highest level of attention and expertise. HK's National Construction Audit Practice currently holds the distinction of having more licensed CCAs and CCPs than any other firm in the USA (NACA – May 2012). The team's significant construction audit experience allows them to conduct these reviews efficiently and, most importantly, identify cost recovery opportunities, in addition to providing recommendations on improvement of internal controls as well as contract templates.

With over 50 years of combined construction audit experience, we have specialized expertise managing construction audit engagements for a wide variety of government agencies as well as private and public companies. This includes various construction cost recovery engagements for colleges and universities (Washington University in St. Louis, University of Missouri – Columbia, etc.), the world's largest retail organizations (Wal-Mart Stores, Inc. and Walgreen Co.), and several other Fortune 100 companies throughout the U.S.

HK's team of senior level construction audit professionals are regular lecturers and trainers at various professional organization events, including the Association of College & University Auditors (ACUA), The Institute of Internal Auditors (IIA), the Association of Audit Committee Members, Inc. (AACMI) and the National Retail Federation (NRF). We have also been featured in numerous national publication articles. All of our team members are members of the National Association of Construction Auditors (NACA), an organization committed to the advancement, education, and implementation of professional standards for the profession.

A construction audit is a highly complex process – it requires more than reviewing and auditing to a checklist. It requires the specialized knowledge and expertise from seasoned professionals to efficiently and effectively identify and resolve the high-risk areas in your construction project. You can relax knowing experienced HK construction audit professionals are protecting your interests.

Specifically, HK adds value in the following five areas;

1. Identifying overcharges, non-allowable and other miscellaneous disputable charges – We are typically able to identify overcharges of between one and five percent of the project cost, depending on the size and type of contract audited.
2. Cost avoidance – HK can help you negotiate a favorable contract, identifying critical tasks for your internal team. Our involvement during the planning stage can result in more savings than if we perform a stand-alone, close-out audit.
3. Identifying and managing risks – We identify and prioritize risks, and provide recommendations for managing those risks.
4. Developing and maintaining financial controls – We establish policies and procedures to monitor both owner and contractor controls.
5. Avoiding litigation – We help you avoid the time-consuming and costly litigation process, since well-managed and controlled projects result in fewer conflicts.

8. PLEASE ANSWER THE QUESTIONS LISTED BELOW, TO CONFIRM SPECIFIC ELIGIBILITY REQUIREMENTS.

- a. I have read and agree to the State's Standard Professional / Technical Services Contract  Yes  No
- b. A Certificate of insurance will be provided in accordance with State's Standard Professional/Technical Services Contract, if awarded project  Yes  No
- c. A signed Affidavit of Non-collusion is attached.  Yes  No
- d. A completed and signed Affirmative Action Data Page is included with this proposal  Yes  No
- e. Foreign outsourcing  will  will not be involved in the delivery of contract services.

<p>Authorized Signature: <u>Ryan Hauber</u>                  (Signature of person identified in Section 2)</p> <p>( ) corporate officer* <input checked="" type="checkbox"/> partner* ( ) sole proprietor                  *provide copy of corporate resolution or by-laws</p> <p>Firm is registered in Minnesota as a:</p> <p>( ) Corporation ( ) LLP <input checked="" type="checkbox"/> Other <small>HK is registered in the State of Iowa</small></p> <p>MN Tax ID No. _____ FED Tax ID No. <u>42-0946155</u>  <small>HK will apply for a MN Tax ID No. if awarded this contract</small></p> <p>MN Vendor No. <u>0000851082</u>                  (required for contract)</p>	<p>Ryan J. Hauber <span style="float: right;">11-4-2013</span>                  (Typed Name) <span style="float: right;">Date:</span></p> <p>Partner _____                  (Typed Title)</p>
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END OF EXHIBIT C

### 3) ADDITIONAL INFORMATION

In addition to the required information and form, HK has provided the following additional information for your review & consideration, which includes:

- HK's detailed approach to providing the required scope of services
- Various relevant case studies for recently completed reviews
- Professional biographies for the proposed team members noted in Exhibit C
- Map of HK's recent national speaking engagements
- Recent Forbes article featuring HK from March 2013

# APPROACH

## APPROACH TO PROVIDING THE REQUIRED SCOPE OF SERVICES

The proposing firm must describe its approach to providing the required Scope of Services, including how to determine the need for site visits, when to review invoices and pro-actively communicate with the RECS outside of the required reporting structure. The firm must describe its proposed approach to data management and the firm's proposed quality control approach and procedures.

Below we have provided a detailed account of HK's Construction Audit Service Solution.

## OBJECTIVE

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The objective of the engagement is to identify construction costs and/or construction techniques not supported by the GMP contract established between RECS and their third-party construction service providers, (which includes, but is not limited to, project management (PM), design, general contractors (GC), construction managers (CM), subcontractors, and suppliers), resulting in a recovery of costs paid by RECS and/or a quantifiable improvement to RECS in the products and services being provided.

Additionally, HK will perform detailed reviews of RECS's contracts and internal project management processes and procedures, associated with the construction project(s) under review. The methodology for conducting the review will be based on the construction delivery approach taken, the contract secured by RECS, and RECS's and HK's professional judgment. This includes a review of the contract to identify areas of potential weakness or risk, contradictory language, lack of key clauses, and overall solidity and owner protection.

## PLANNING

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Prior to commencing onsite fieldwork, HK's Construction Audit Services (CAS) team will coordinate with the appropriate members of RECS's staff to review background information, obtain any relevant contact information, and discuss logistics for the engagement. Through these discussions, we will be able to evaluate RECS's specific needs and propose a tailored audit approach that meets, and ideally exceeds, the scope of the review. While performing each engagement we will utilize technology as much as possible, using telephone and video conferences and our experience with Project Management Information Systems to efficiently obtain pertinent project information and minimize travel expenses.

HK intends to coordinate with RECS through the following approach:

- Identify the project management team members and their associated responsibilities
- Clarify and document the project's specific scope, objectives, deliverables, as well as estimate final observation log and report completion dates
- Identify location of and/or, where practical, obtain a copy of all project contract documents, including all addenda, appendixes, and exhibits
- Detailed review and evaluation of necessary agreements and contracts to assure an understanding of the related construction risk
- Document and remediate areas of weakness within current contract language to ensure owner protection on an ongoing basis
- Gain an understanding of any scope changes occurring after the contract signing that lead to adjustments in contractual terms or project conditions

- Data Analytics
  - We make every attempt to obtain documentation in an electronic format, which allows us to review 100% of the information when possible. This approach allows us to study in detail:
    - Labor
    - Labor Burden
    - Equipment
    - Expenses
    - Materials
- Prepare Control Schedules and schedule onsite visit
  - Summarize all project-related charges included in the scope of the engagement
  - Schedule onsite visit to contractor's offices and subcontractor's offices (if applicable), as deemed necessary

## FIELD WORK

Our fieldwork will be performed on a monthly basis (at a minimum) or at a mutually agreed upon time, and will minimally consist of the following:

- Review of standard construction contract language to identify the following:
  - Areas of potential weakness or risk
  - Contradictory language
  - Lack of key clauses
  - Overall solidity and owner protection in the contract
  - Review of key vendor contracts and cost outside of the CM at Risk contract
- Verifying accuracy and integrity of payment applications, including a detailed review of the following:
  - Payroll supporting documentation and compliance with labor wage laws
  - Payroll burden supporting calculations
  - Construction material supporting documentation
  - Third-party equipment rental rate verification
  - Contractor-owned equipment rental rates
  - Job-owned equipment and small tool credits
  - Fees, insurance, bonds, and permits
  - Sales and use tax
  - Job cost reports
  - General condition costs
  - Home office expenses
  - Expenses (i.e. travel, meals, lodging, fuel, etc.)
  - Construction manager and subcontractor lien waivers
  - Handling of allowances, substitutions, back-charges, and trade/cash discounts
  - Contingency funds
  - Lien waivers
  - Retainage calculations
- Assist with the settlement of any overcharges identified

- Verifying accuracy and integrity of change orders and supporting documentation, including a detailed review of the following:
  - Fee, insurance, and bond calculations, if applicable, by the construction manager and subcontractor(s)
  - Mathematical accuracy of the change order
  - Reimbursable and non-reimbursable charges
  - Labor rates and burden to ensure alignment with contract requirements
  - Material and equipment rental charges
  - Sales and use taxes
  - Substitutions or eliminations in scope
  - Scope of work in contrast to original contract for potential duplication
  - Appropriate use and approval of contingency funds
  - Closeout fieldwork will minimally consist of the following:
    - Reconciliation of insurance costs
    - Reconciliation of bond costs
    - Reconciliation of fee calculations
    - Reconciliation of alternates and allowances
    - Reconciliation of contract savings
    - Reconciliation of owner and/or construction manager contingency funds
    - Review of all final lien waivers
    - Verification of completeness of scope and receipt of final design documents
    - Assist with the settlement of cost recovery opportunities identified

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## REPORTING

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At the conclusion of our construction audit procedures, we will conduct an exit meeting with RECS to discuss the audit findings and associated recommendations. Additionally, HK will create a comprehensive audit report summarizing the findings of the engagement to be utilized during construction manager/general contractor, consultant and RECS discussions and negotiations. Included with the report will be claim submittal detail with supporting documentation. The report will also contain the following information, which will be presented to RECS management:

- An Executive Summary describing the background of the project, audit steps completed, any significant scope limitations encountered, and a summary of identified cost recovery opportunities as well as control improvement and cost avoidance observations/recommendations
- Detail of identified cost recovery opportunities and associated supporting documentation
- Construction manager/general contractor responses to the findings identified
- Detail of control improvement and cost avoidance observations/recommendations in regards to the Design and Construction administration process, contract terms/conditions, bidding review and selection, and jobsite inspection and monitoring procedures identified during the course of the review(s)
- Recommendations and updated contract language suggestions to ensure all future contracts contain appropriate cost containment and risk management clauses

All audit programs and supporting working papers will be made available to RECS upon request.

## ESTIMATED TIMELINE

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For each project selected for review, it is expected that fieldwork will be performed every other pay app (at a minimum) to cover all costs incurred on the project during that time. HK will attempt to obtain all relevant and pertinent project documentation electronically to review detailed job costs remotely and limit travel expenses. Additionally, HK's CAS team will visit the jobsite at least every three months during periods of major activity.

## CASE STUDY #1 – WALGREEN CO.: PILOT 1

1. CLIENT NAME:	Walgreen Co.
2. PROJECT NAME:	47 Store Renovations – Pilot 1
3. PROJECT LOCATION:	Indianapolis, IN area
4. PROJECT DESCRIPTION:	Renovation of 47 Walgreen Co. Stores
5. PROJECT COST:	\$39,000,000.00
6. AUDIT DURATION:	5 Months
7. AUDIT BASIS (MONTHLY, PER PHASE, RETROACTIVE, ETC.):	Audit was performed once the final pay application was received (Retroactive).
8. AUDIT APPROACH AND SCOPE:	

Performed a detailed construction audit for the renovation of 47 Walgreens stores including a review of bidding procedures, pay applications, change orders, lien waivers, bond/insurance, materials, labor/labor burden and design documents for 8 general contractors. The audit was performed closely with the Walgreens project team and general contractors. This audit included all standard scopes of work for a construction review and due to the volume of issues uncovered included heavy involvement with the owner project and internal audit teams to ensure visibility in the progress of the reviews.

### 9. ISSUES AND HK'S APPROACH TO RESOLVING ISSUES IDENTIFIED:

ISSUE	APPROACH
Change orders were primarily priced using the lump sum change order process, however, no activities were conducted to ensure labor rates and burdens were based on actual costs as dictated by the contract. Typically, the change order support only provided an hourly rate, without detailing what was included in the rate (labor, burden, overhead, profit).	We utilized local union labor rates for the Indianapolis area for all craft trades. Information was gathered from the local unions as well as other general contractors and subcontractors who did not work on the job. With this information we were able to determine if any variances existed between actual rates charged on the job and the labor and labor burden likely incurred. Our analysis indicated rates charged on change orders were significantly in excess of the actual labor costs incurred.
The contract indicated project management costs as it relates to change order work is covered in the markup percentage. Our review indicated change order costs included separate charged for project management costs.	We reviewed change orders in detail to determine if change order costs included any project oversight charges in excess of contract requirements. Our review noted over \$77,000.00 in charges for project management not allowed by contract.
The contract indicated subcontractor markup percentages, as it relates to change orders, are held to a maximum of 5% on change orders. Subcontractor markup percentages ranged from 10% to 21%.	We reviewed change orders in detail and recalculated markup percentages applied by subcontractors to determine compliance with the contracted markup requirements. Our analysis indicated a total of approximately \$62,000.00 of excessive markup applied to change orders.

CLIENT PROJECT MANAGER'S NAME: Audit Contact – Manisha Thakker

CLIENT PROJECT MANAGER'S PHONE: (847) 315-5826

CLIENT PROJECT MANAGER'S EMAIL: [Manisha.Thakker@walgreens.com](mailto:Manisha.Thakker@walgreens.com)

## CASE STUDY #2 – WALGREEN CO.: STATE & RANDOLPH FLAGSHIP STORE

1. CLIENT NAME:	Walgreen Co.
2. PROJECT NAME:	State & Randolph Flagship Store
3. PROJECT LOCATION:	Chicago, IL
4. PROJECT DESCRIPTION:	New construction of a flagship store in Chicago, IL
5. PROJECT COST:	\$9,000,000.00
6. AUDIT DURATION:	3 Months
7. AUDIT BASIS (MONTHLY, PER PHASE, RETROACTIVE, ETC.):	Audit was performed once the final pay application was received (retroactive).

### 8. AUDIT APPROACH AND SCOPE:

Performed a detailed construction audit for the new construction of a flagship store located in downtown Chicago, IL featuring high end fixtures and unique consumer product offerings and displays. The review included a review of bidding procedures, pay applications, change orders, lien waivers, bond/insurance, materials, labor/labor burden and design documents. The audit was performed closely with the Walgreens project team and general contractor.

### 9. ISSUES AND HK'S APPROACH TO RESOLVING ISSUES IDENTIFIED:

ISSUE	APPROACH
Labor build ups included SUTA and FUTA at full regulatory rates, not the actual rate incurred (Regulatory rate times wages to maximum subject to tax divided by total wages).	We obtained certified payroll records and were able to recalculate the labor burden build ups and concluded the actual rates charged were at full regulatory rates, not the actual rate incurred resulting in an approximate overbilling of \$69,000.00.
Subcontractor marked up materials, equipment and labor for overhead and profit on change orders at a rate exceeding 7%; amount stipulated as the maximum in the contract.	Reviewed all change orders submitted by the general contractor and recalculated all overhead and profit percentages to determine if the markup was in line with contract requirements. Our analysis indicated approximately \$62,000.00 in excessive markup.
Subcontractor, for the term of the project, billed labor costs for an apprentice at the journeyman labor rate.	We obtained certified payroll records to detect the employee being charged at the journeyman labor rate was in fact an apprentice. Based on the time cards and certified payroll records provided we were able to determine approximately \$31,000.00 of labor charges were in excess of the apprentice rate agreed upon.

CLIENT PROJECT MANAGER'S NAME: Audit Contact – Manisha Thakker

CLIENT PROJECT MANAGER'S PHONE: (847) 315-5826

CLIENT PROJECT MANAGER'S EMAIL: [Manisha.Thakker@walgreens.com](mailto:Manisha.Thakker@walgreens.com)

## CASE STUDY #3 – MINNESOTA STATE COLLEGES AND UNIVERSITIES: LEARNING RESOURCE CENTER AND STUDENT SERVICE CENTER RENOVATION

1. CLIENT NAME:	Minnesota State Colleges and Universities
2. PROJECT NAME:	Learning Resource Center and Student Service Center Renovation
3. PROJECT LOCATION:	Minneapolis, MN
4. PROJECT DESCRIPTION:	Renovation of two Hennepin Technical College Campuses
5. PROJECT COST:	\$8,137,000.00
6. AUDIT DURATION:	6 Months (ongoing until project completion – expected 3 <sup>rd</sup> quarter 2013)
7. AUDIT BASIS (MONTHLY, PER PHASE, RETROACTIVE, ETC.):	Audit was performed in two phases; 50% complete and a close out audit to be performed at 100% completion prior to final payment.

### 8. AUDIT APPROACH AND SCOPE:

Performed a detailed construction audit for the renovation of two Hennepin Technical College campuses for the Minnesota State Colleges and Universities system. The review included a review of bidding procedures, pay applications, change orders, lien waivers, bond/insurance, materials, labor/labor burden and design documents. The audit was performed closely with the Hennepin Technical College project team and general contractor.

### 9. ISSUES AND HK'S APPROACH TO RESOLVING ISSUES IDENTIFIED:

ISSUE	APPROACH
Change orders were primarily priced using the lump sum change order process, however, no activities were conducted to ensure labor rates and burdens were based on actual costs as dictated by the contract.	We analyzed the contract and determined that non itemized change order proposals were to be provided prior to approval and execution of the work proposed. The calculation of non itemized change order proposals resulted in an overbilling of approximately \$40,000.00.
A change order proposal for altering electrical requirements was issued and processed twice on two separate change orders.	We reviewed the available change order logs as well as the owner accounts payable reports showing all payments made for the project which indicated the change order was processed twice in error resulting in a \$12,5000.00 overbilling.
Labor rates provided on change order proposals were inclusive of items to be covered by the mark up percentages allowed (i.e. project manager time, travel expenses to/from the jobsite, cell phone, truck fuel, etc)	We reviewed the contract in detail to determine if the questionable labor costs charged to the project indeed were considered unallowable. Our analysis determined approximately \$6,000.00 in costs charged that were considered unallowable.

CLIENT PROJECT MANAGER'S NAME:	Audit Contact – Eric Wion
CLIENT PROJECT MANAGER'S PHONE:	(651) 201-1798
CLIENT PROJECT MANAGER'S EMAIL:	<a href="mailto:Eric.Wion@so.mnscu.edu">Eric.Wion@so.mnscu.edu</a>

# HK PROPOSED TEAM MEMBER BIOGRAPHIES

## RYAN J. HAUBER, MBA, CFE, CCA, CCP

### *About Ryan*



Ryan has over 15+ years of professional business experience including years of progressive internal auditing experience focused primarily on cost recovery and construction auditing initiatives.

Ryan serves as the Partner-In-Charge of Honkamp Krueger's Construction Audit Services and will be responsible for the oversight of each engagement with RECS as well as ensuring the expectations of RECS have been met and ideally exceeded. Ryan possesses deep experience and knowledge in contract auditing across many different industries. He is currently a member of the National Association of Construction Auditors (NACA), which is committed to providing resources, information, and leadership to ensure the highest standard of construction controls possible.

Ryan has extensive experience with construction auditing, fraud, forensic, internal controls, investigative engagements, and internal audit management. He has been a frequent lecturer for the past 10 years on important industry topics at national and international venues with the Association of College & University Auditors (ACUA), the National Retail Federation (NRF), Association of Audit Committee Members, Inc. (AACMI), the Association of Certified Fraud Examiners (ACFE), and the Institute of Internal Auditors (IIA). He has also been featured in national publications including *Retail Merchandiser* magazine and *Smart Business* magazine, and he has served on the board of directors for two private companies located in Michigan and Minnesota.

### *Ryan's Career Background*

- Facilitated and conducted related construction audit work for a major capital expansion program at an Omaha distribution center.
- Provided Construction and Contract Auditing Services for multiple Fortune 50 organizations throughout the course of his career.
- Directed the internal audit function for a multi-billion dollar Fortune 500 retailer.
- Conducted audits for the World's largest retail organization, performing review of all applicable time and material, lump sum, and guaranteed maximum price contracts.
- Conducted numerous construction audits resulting in significant cost recoveries and procedural improvements.
- Subject Matter Expert Trainer for organizations such as:
  - Institute to Internal Auditors June 2013 Atlanta Chapter Meeting on the topic "Construction Auditing Risk and Cost Segregation Strategies for 2013 and Beyond".
  - Institute of Internal Auditors April 2013 Chicago Chapter's Annual Seminar on the topic "Growing Concern and Economic Uncertainty with a focus on Construction Auditing".
  - Association of College & University Auditors (ACUA) annual conference on the topic "Construction Audit Risks in 2012 and Beyond and Addressing the Overall Threats of Fraud in Your Organization".

### *Education and Certifications*

Ryan earned a Bachelor of Science in Accounting, along with a Master's of Business Administration from the University of Wisconsin school system of colleges. In addition to Ryan's undergraduate and graduate degrees, he has also attained the following certifications; Certified Fraud Examiner (CFE), Certified Construction Auditor (CCA), and Construction Control Professional (CCP).

# MATT R. GARDNER, CCA, CICA

## About Matt

Matt is the Practice Leader for Construction Audit Services for HK. Matt has significant expertise managing a wide variety of private and public companies in the risk advisory suite of services. This includes managing and performing cost recovery engagements for various healthcare companies, colleges and universities, the World's largest organization (Wal-Mart Stores, Inc.) and several other Fortune 100 companies (Walgreen Co.), throughout the US, Mexico, and Europe. After starting his career with a Fortune 50 company, Matt has since spent the last several years as a construction audit specialist primarily focused on leading construction engagements and providing related guidance to clients across several industries, which include healthcare, colleges and universities, retail, manufacturing, entertainment, and transportation.



## Matt's Career Background

- Commissioned as on-going support to a large university providing an array of construction-related guidance, including construction cost accounting, project management training, and development of internal policy & procedure manuals.
- Subject Matter Expert Trainer for organizations such as:
  - Association of College & University Auditors (ACUA) September 2013 Annual Conference on the topic "Construction Auditing Risks Capital Project Cost Recovery Strategies for 2013 and Beyond".
  - Institute of Internal Auditors June 2013 Atlanta Chapter's meeting on the topic "Construction Auditing Risks & Cost Segregation Studies for 2013 and Beyond".
  - Institute of Internal Auditors April 2013 Chicago Chapter's Annual Seminar on the topic "Growing Concern and Economic Uncertainty with a focus on Construction Auditing".
  - Institute of Internal Auditors December 2012 New York Chapter's meeting on the topic "Construction Audit Risks for 2013 and Beyond – What, Why, and How This Will Impact my Organization".
- Lead auditor on numerous construction audit engagements, including a \$50M ambulatory care center, \$200M casino, and several construction projects for a large retail company.
- Implemented and managed a construction audit pilot program for a university system with over \$700M in annual construction costs.
- Lead auditor for a cost recovery and project life cycle review on a \$30M dollar manufacturing facility in Mexico built for a \$2B international manufacturing conglomerate.
- Trained numerous internal audit staff members with various backgrounds on the methodology to successfully perform construction audit, contract compliance, and cost recovery engagements.
- Performed risk assessments as well as documented, evaluated, and tested controls and processes surrounding construction practices and principals in order to verify compliance with construction contract terms for several construction audit engagements.
- Redesigned contracts to be favorable to the owner, enhance enforceable terms, and protect owner's interests for healthcare facilities, universities, casinos, and retail stores.
- Responsible for all activities related to managing internal audit functions for multiple clients including organizational risk assessments, development of risk based audits, training and development of resources, budgeting, scheduling, and quality assurance.

## Education and Certifications

Matt earned a Bachelor of Science in Finance from Saint Louis University. He is a Certified Construction Auditor (CCA) and Certified Internal Controls Auditor (CICA). Matt is an active member of both The Institute of Internal Auditors (IIA) and the National Association of Construction Auditors (NACA).

## About Shannon



Shannon is a manager of Construction Audit Services for HK. He is an accomplished Construction Audit professional with 13 years experience working with some of the largest organizations in the world, including Wal-Mart Stores, Inc., Walgreen Co., and Siemens. A majority of his career has been spent in quality oversight positions within various Internal Audit departments.

Shannon began his career with Allstate Insurance in the internal audit department where he moved up quickly into a leadership role and where he spent considerable time auditing third-party contracts. Since that time, he has worked in a construction consultancy role with a wide range of clients in multiple industries located throughout the country, with a particular focus on healthcare, colleges and universities, governmental, and non-profit clients.

## Shannon's Career Background

- Performed numerous construction audit reviews for a Fortune 50 retailer with nearly 9,000 individual properties making up their property portfolio. Construction project expenditures ranged from \$5M to \$40M.
- Performed cost recovery reviews for the World's largest retailer. Recommended improvements to their contracts which resulted in over \$10M in cost savings for the organization.
- Oversaw projects focused on internal compliance to construction best practice standards for multiple universities located throughout the US.
- Subject Matter Expert Trainer for organizations such as:
  - Association of College & University Auditors (ACUA) September 2013 Annual Conference on the topic "*Construction Auditing Risks Capital Project Cost Recovery Strategies for 2013 and Beyond*".
  - Institute of Internal Auditors August 2013 Northwest Chicago Chapter's meeting on the topic "*Construction Audit Services & Common Area Maintenance Reviews*".
- Implemented and managed a construction audit pilot program for a university system with over \$700M in annual construction costs.
- Participated and managed audits requiring LEED Certification of Silver standing and above.
- Specialized expertise serving as the owner's advocate relating to contract terms for hospitals, casinos, universities, government agencies, retail stores, and public utilities.
- Implemented significant process improvements and control enhancements for a fraud detection unit in regards to capital projects.
- Accomplished sweeping organization changes for a non-profit organization with an annual spend over \$30M, including restructuring of the executive management, implementing a new organization wide budgeting process, and strengthening the controls around the development of 100+ external contracts with various vendors.

## Education and Certifications

Shannon earned a Bachelor of Science in Accountancy from Northern Illinois University. He is a Certified Internal Auditor (CIA), a Certified Government Audit Professional (CGAP), a Certified Fraud Examiner (CFE), a Certified Construction Auditor (CCA), and has received the Certified Risk Management Assurance (CRMA) designation. He is also the Budget and Finance Committee Chair for the St. Louis Chapter Institute of Internal Auditors and an active member of the Association of Certified Fraud Examiners.

# RICHARD J. EPPING, MBA, CCA, CIA, CPA

## *About Dick*

Dick is a team leader for Construction Audit Services for HK.

Dick is a highly experienced professional with over 30 years of construction audit experience. Dick's experience includes public accounting/consulting roles, as well as, industry roles. He has worked within a number of industries including higher education, energy, and utilities. Dick's experience includes budgeting, project control, contract development, estimating, forecasting, material management, procurement, and the reporting of capital projects. Dick has performed contract audits, compliance reviews, and due diligence reviews evaluating the risk associated with long-term construction contracts.



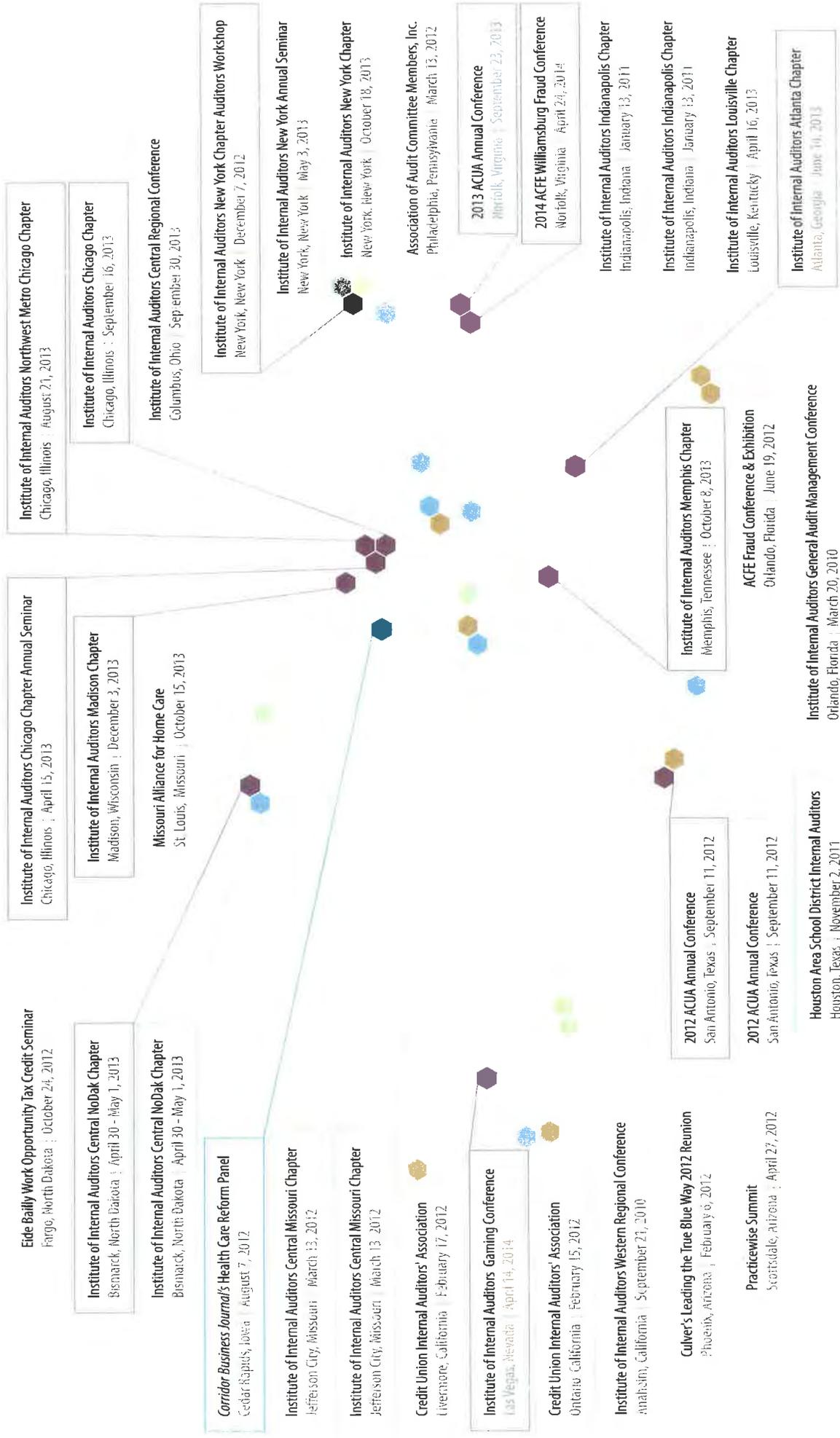
## *Dick's Career Background*

- Performed numerous construction audit reviews for a Fortune 50 retailer with nearly 9,000 individual properties making up their property portfolio. Construction project expenditures ranged from \$5M to \$40M.
- Performed contract reviews of construction maintenance and service contracts resulting in recoveries of \$500K to \$2M annually; consistently exceeding department goals.
- Supervised contract review process for construction, maintenance and service contracts resulting in recoveries of \$500K to \$3M annually for 6-10 contract reviews.
- Presented a training session on auditing construction contracts at IIA Mid Atlantic Regional Conference.
- Improved time processes and sent invoices resulting in improved cash flow and coordinated changes in informational needs in an effort to provide timely and more informative data to the owners committee.
- Managed 8-10 auditors who conducted reviews of internal controls, financial processes, and contracts of business units and recommended improvements to current processes.
- Instituted business risks and controls self-assessment program.
- Served as senior auditor for Big 4 accounting firm.

## *Education and Certifications*

Dick has a Bachelor of Arts in Accounting from Thomas More College and a Master of Business Administration from Xavier University. He is a Certified Internal Auditor (CIA), a Certified Public Accountant (CPA), and a Certified Construction Auditor (CCA).

## National Speaking Engagements



Tax Credit Consulting

Health Care Consulting

Construction Audit & Cost Segregation Services

Fraud & Forensic Services

Internal Audit & Quality Assessment Services

## Beyond Traditional CPA Role – Honkamp Krueger Is Year-Round Business Partner

**W**hy did owners and managers of small to mid-size entities (SMEs) give themselves “high fives” when *Accounting Today* ranked Honkamp Krueger & Co., P.C. the nation’s 88th largest CPA and business advisory firm? “Why not?” asks managing partner Gregory C. Burbach, CPA, CFP®. “They helped design our services by telling us what they needed to enhance their profitability and gain market share.”

Supporting start-up companies, sole proprietorships and established corporations has been a tradition for Honkamp Krueger since its founding in Dubuque, Iowa in 1947. Through the years, it has added to its core accounting services in response to the changing demands of SMEs who were searching for new ways to boost financial performance, but who didn’t have in-house resources in such fields as budgeting, HR, marketing, IT, and more. As a result, Honkamp Krueger has become the second fastest growing accounting firm in the Midwest and the largest independent CPA firm headquartered in the state of Iowa,



with thousands of clients nationwide. The company serves privately-held organizations, *Fortune* 500 multinationals, franchisor organizations across all industry sectors, government agencies, individuals and not-for-profits.

Honkamp Krueger breaks the mold of accountants who make their appearance only during tax season and at audit time. “We bring value to the table by becoming our clients’ trusted partner for year-round, long-term issues,” explains Burbach, a 30-year veteran of the tax and management advisory industry. “Senior executives can concentrate more on their mission critical activities because our professionals work as a team to offer truly customized support at whatever level a client needs. We provide practical, proactive solutions and guidance to help them stay on course with their business and financial goals. Clients feel free to call us whenever they have a question or concern. We go above and beyond the expected to become true partners.”

“As entrepreneurs with a diverse portfolio, our companies are spread out in many different industries. It was very important for us to partner with a vendor who understands all of our different businesses and their demands,” says Chintan, a multiunit franchiser. “Honkamp Krueger has always been able to deliver the results that I require in order to be better able to ‘juggle all of my hats.’ From quick and responsive turnaround to personalized attention, HK delivers the best service in the industry.”



GREGORY C. BURBACH

**The Honkamp Krueger Family of Companies offers 30+ services to meet your comprehensive needs including:**

- Accounting & Audit
- Business Advisory & Strategic Planning
- Business Valuations & Litigation Support
- Construction Audits
- Franchise Services
- Human Capital & Training
- Internal Audit
- Marketing Consulting
- M&A
- Not-for-Profit & Government Services
- Risk Advisory
- Software Solutions
- Talent Outsourcing
- Tax Credits
- Tax Planning & Preparation
- Wealth Management
- Workforce Management



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**Exhibit D1**  
**State/Consultant Basic Services**  
**Insurance Requirements**

A. Contractor shall not commence work under the contract until they have obtained all the insurance described below and the State of Minnesota has approved such insurance. Contractor shall maintain such insurance in force and effect throughout the term of the contract.

B. Contractor is required to maintain and furnish satisfactory evidence of the following insurance policies:

1. **Workers' Compensation Insurance:** Except as provided below, Contractor must provide Workers' Compensation insurance for all its employees and, in case any work is subcontracted, Contractor will require the subcontractor to provide Workers' Compensation insurance in accordance with the statutory requirements of the State of Minnesota, including Coverage B, Employer's Liability. Insurance **minimum** limits are as follows:

\$100,000 – Bodily Injury by Disease per employee  
\$500,000 – Bodily Injury by Disease aggregate  
\$100,000 – Bodily Injury by Accident

If Minnesota Statute 176.041 exempts Contractor from Workers' Compensation insurance or if the Contractor has no employees in the State of Minnesota, Contractor must provide a written statement, signed by an authorized representative, indicating the qualifying exemption that excludes Contractor from the Minnesota Workers' Compensation requirements.

If during the course of the contract the Contractor becomes eligible for Workers' Compensation, the Contractor must comply with the Workers' Compensation Insurance requirements herein and provide the State of Minnesota with a certificate of insurance.

2. **Commercial General Liability Insurance:** Contractor is required to maintain insurance protecting it from claims for damages for bodily injury, including sickness or disease, death, and for care and loss of services as well as from claims for property damage, including loss of use which may arise from operations under the Contract whether the operations are by the Contractor or by a subcontractor or by anyone directly or indirectly employed by the Contractor under the contract. Insurance **minimum** limits are as follows:

\$2,000,000 – per occurrence  
\$2,000,000 – annual aggregate  
\$2,000,000 – annual aggregate – Products/Completed Operations

The following coverages shall be included:

Premises and Operations Bodily Injury and Property Damage  
Personal and Advertising Injury  
Blanket Contractual Liability  
Products and Completed Operations Liability  
Other; if applicable, please list \_\_\_\_\_  
State of Minnesota named as an Additional Insured

3. **Commercial Automobile Liability Insurance:** Contractor is required to maintain insurance protecting it from claims for damages for bodily injury as well as from claims for property damage resulting from the ownership, operation, maintenance or use of all owned, hired, and non-owned autos which may arise from operations under this contract, and in case any work is subcontracted the contractor will require the subcontractor to maintain Commercial Automobile Liability insurance. Insurance **minimum** limits are as follows:

## Exhibit D1

\$2,000,000 – per occurrence Combined Single limit for Bodily Injury and Property Damage

In addition, the following coverages should be included:

Owned, Hired, and Non-owned Automobile

#### 4. **Professional/Technical, Errors and Omissions, and/or Miscellaneous Liability Insurance [EXCLUDED]**

This policy will provide coverage for all claims the contractor may become legally obligated to pay resulting from any actual or alleged negligent act, error, or omission related to Contractor's professional services required under the contract.

Contractor is required to carry the following **minimum** limits:

\$2,000,000 – per claim or event

\$2,000,000 – annual aggregate

Any deductible will be the sole responsibility of the Contractor and may not exceed \$50,000 without the written approval of the State. If the Contractor desires authority from the State to have a deductible in a higher amount, the Contractor shall so request in writing, specifying the amount of the desired deductible and providing financial documentation by submitting the most current audited financial statements so that the State can ascertain the ability of the Contractor to cover the deductible from its own resources.

The retroactive or prior acts date of such coverage shall not be after the effective date of this Contract and Contractor shall maintain such insurance for a period of at least three (3) years, following completion of the work. If such insurance is discontinued, extended reporting period coverage must be obtained by Contractor to fulfill this requirement.

#### C. Additional Insurance Conditions:

- Contractor's policy(ies) shall be primary insurance to any other valid and collectible insurance available to the State of Minnesota with respect to any claim arising out of Contractor's performance under this contract;
- If Contractor receives a cancellation notice from an insurance carrier affording coverage herein, Contractor agrees to notify the State of Minnesota within five (5) business days with a copy of the cancellation notice, unless Contractor's policy(ies) contain a provision that coverage afforded under the policy(ies) will not be cancelled without at least thirty (30) days advance written notice to the State of Minnesota;
- Contractor is responsible for payment of Contract related insurance premiums and deductibles;
- If Contractor is self-insured, a Certificate of Self-Insurance must be attached;
- Contractor's policy(ies) shall include legal defense fees in addition to its liability policy limits, with the exception of B.4 above;
- Contractor shall obtain insurance policy(ies) from insurance company(ies) having an "AM BEST" rating of A- (minus); Financial Size Category (FSC) VII or better, and authorized to do business in the State of Minnesota; and

## **Exhibit D1**

- An Umbrella or Excess Liability insurance policy may be used to supplement the Contractor's policy limits to satisfy the full policy limits required by the Contract.
- D. The State reserves the right to immediately terminate the contract if the contractor is not in compliance with the insurance requirements and retains all rights to pursue any legal remedies against the contractor. All insurance policies must be open to inspection by the State, and copies of policies must be submitted to the State's authorized representative upon written request.
- E. The successful responder is required to submit Certificates of Insurance acceptable to the State of MN as evidence of insurance coverage requirements prior to commencing work under the contract.



**BOX A – For companies which have employed more than 40 full-time employees within Minnesota on any single working day during the previous 12 months. All other companies proceed to BOX B.**

Your response will be rejected unless your business:

- has a current Certificate of Compliance issued by the Minnesota Department of Human Rights (MDHR) ~~–or–~~
- has submitted an affirmative action plan to the MDHR, which the Department received prior to the date and time the responses are due.

Check one of the following statements if you have employed more than 40 full-time employees in Minnesota on any single working day during the previous 12 months:

- We have a current Certificate of Compliance issued by the MDHR. **Proceed to BOX C. Include a copy of your certificate with your response.**
- We do not have a current Certificate of Compliance. However, we submitted an Affirmative Action Plan to the MDHR for approval, which the Department received on \_\_\_\_\_ (date). [If the date is the same as the response due date, indicate the time your plan was received: \_\_\_\_\_ (time). **Proceed to BOX C.**
- We do not have a Certificate of Compliance, nor has the MDHR received an Affirmative Action Plan from our company. **We acknowledge that our response will be rejected. Proceed to BOX C. Contact the Minnesota Department of Human Rights for assistance.** (See below for contact information.)

**Please note:** Certificates of Compliance must be issued by the Minnesota Department of Human Rights. Affirmative Action Plans approved by the Federal government, a county, or a municipality must still be received, reviewed, and approved by the Minnesota Department of Human Rights before a certificate can be issued.

**BOX B – For those companies not described in BOX A**

Check below.

- We have not employed more than 40 full-time employees on any single working day in Minnesota within the previous 12 months. Proceed to BOX C.**

**BOX C – For all companies**

By signing this statement, you certify that the information provided is accurate and that you are authorized to sign on behalf of the responder. You also certify that you are in compliance with federal affirmative action requirements that may apply to your company. (These requirements are generally triggered only by participating as a prime or subcontractor on federal projects or contracts. Contractors are alerted to these requirements by the federal government.)

Name of Company: Hollamp Krueger & Co., P.C. Date 12/10/13  
 Authorized Signature: *Ryan Hauber* Telephone number: (479) 295-7530  
 Printed Name: Ryan J. Hauber Title: Partner

**For assistance with this form, contact:**

Minnesota Department of Human Rights, Compliance Services Section

Mail: 190 East 5<sup>th</sup> St., Suite 700 St. Paul, MN 55101 TC Metro: (651) 296-5663 Toll Free: 800-657-3704  
 Web: www.humanrights.state.mn.us Fax: (651) 296-9042 TTY: (651) 296-1283  
 Email: employerinfo@therightsplace.net

# Exhibit F

## CERTIFICATION REGARDING LOBBYING For State of Minnesota Contracts and Grants over \$100,000

The undersigned certifies, to the best of his or her knowledge and belief that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, A Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, Disclosure Form to Report Lobbying in accordance with its instructions.

(3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by 31 U.S.C. 1352. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

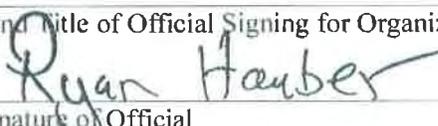
Honkamp Krueger & Co., P.C.

Organization Name

Ryan J. Hauber - Partner

Name and Title of Official Signing for Organization

By:

  
Signature of Official

11-4-2013

Date

# Affidavit of Noncollusion

**State of Minnesota**  
Request for Proposals

Firm Name: Honkamp Krueger & Co., P.C.

Instructions: Please return your completed form as part of the Response submittal.

**I swear (or affirm) under the penalty of perjury:**

1. That I am the Responder (if the Responder is an individual), a partner in the company (if the Responder is a partnership), or an officer or employee of the responding corporation having authority to sign on its behalf (if the Responder is a corporation).
2. That the attached proposal submitted in response to the <insert name> Request for Proposals has been arrived at by the Responder independently and has been submitted without collusion with and without any agreement, understanding or planned common course of action with, any other Responder of materials, supplies, equipment, or services described in the Request for Proposals, designed to limit fair and open competition.
3. That the contents of the proposal have not been communicated by the Responder or its employees or agents to any person not an employee or agent of the Responder and will not be communicated to any such persons prior to the official opening of the proposals.
4. That I am fully informed regarding the accuracy of the statements made in this affidavit.

**Authorized Signature**

Responder's firm name: Honkamp Krueger & Co., P.C.  
Print authorized representative name: Ryan J. Hauber Title: Partner  
Authorized signature: Ryan Hauber Date (mm/dd/yyyy): 11-4-2013

**Notary Public**

Subscribed and sworn to before me this:  
4 day of November, 2013

Laurie Fleming  
Notary Public signature

03/07/15  
Commission expires (mm/dd/yyyy)

