

Exhibit A Scope of Work

The State Controller's Office (SCO) will conduct a program assurance project for the Public Interest Energy Research (PIER) Program of the California Energy Commission (Commission), providing fiscal reviews of PIER contracts and grants to (1) assess the adequacy of contractor accounting policies and procedures as they relate to costs invoiced to the Commission and (2) verify compliance with contract fiscal terms. In addition, SCO will provide ongoing auditing consultant services on an as-needed basis.

All terms and conditions and exhibits in the original agreement and the three amendments followed shall remain in effect. The follow amendments shall be incorporated into the following task:

Task 1: Preliminary Work for Annual Engagement Plan

Each year SCO will work with the Commission Contract Manager to prepare an annual engagement plan for the fiscal year. Preliminary work required to complete the plan will consist of either or both of the following subtasks, at the discretion and direction of the Commission Contract Manager.

Subtask 1.1: PIER Contractor Risk Assessments

SCO will work with the Commission Contract Manager to prepare an audit risk assessment of PIER contractors. Financial and operating information about each PIER contractor will be collected from third parties and the PIER contractors. Using this information, each PIER contractor will be scored against an assessment matrix designed to gauge the PIER contractor's audit risk.

Each fiscal year the Commission will provide SCO a listing of contracts awarded and other information necessary to assess PIER contractor risks. The Commission will be primarily responsible for collecting the PIER contractor information. SCO may be requested to assist in collecting PIER contractor information as well. SCO will, as necessary, validate PIER contractor supplied information during on-site engagements.

Deliverable: Updated Risk Assessment of PIER Contractors
Due Date: Annually and/or as needed, as directed by Commission
Contract Manager

Subtask 1.2: Engagement Contractor List

SCO will work with the Commission Contract Manager to prepare a list of PIER contractors for possible inclusion in the fiscal year's annual engagement plan.

Contractor selection will be based on whether the contractor has had a previous assessment, results of the previous assessment, length of time since the assessment, and whether a post-completion assessment has been performed. Other factors to consider are the type of entity, amount of the contract, composition of costs, or other information provided by the Commission staff. An analysis will also be performed based on guidelines provided by the Commission Contract Manager to determine if the contract is a candidate for a desk assessment.

Deliverable: Engagement Contractor List

Due Date: Annually and/or as needed, as directed by the Commission Contract Manager

Task 2: Annual Engagement Plan

The risk assessment ranking and/or engagement contractor list will be used to create a yearly plan for conducting on-site and desk assessments and audits. SCO will draft a proposed plan for approval by the Commission Contract Manager.

Each annual engagement plan will identify a specific number of assessments and audits to be performed. Assessments will be the primary engagement type used to monitor contractors. Audits will be scheduled as program needs dictate. Budgets for assessments will be agreed upon in writing by SCO and the Commission Contract Manager as part of the annual engagement plan development process.

Contractors will be included in the annual engagement plan based upon their risk assessment score, inclusion in the engagement contractor list, other information developed through program sources, and/or other factors (e.g., budget, location, scheduling). At mid-year, the plan may be revised to include additional assessments, new contractors, and expanded work (e.g., audits) as needed to ensure adequate program monitoring.

Both the initial and mid-year engagement plans will be developed in coordination with the Commission Contract Manager. In developing the plans, the Commission may include discretionary engagements as needed to achieve its program objectives. The Commission Contract Manager shall notify each PIER Contractor/Recipient of potential SCO engagement activities once the plans have been developed.

Deliverable: Draft Plan for Conducting On-Site Assessments and Audits

Due Date: April 30th of Each Year or Within 30 Days of Receiving Updated Engagement Information from the Commission, whichever is later.

Deliverable: Final Plan for Conducting On-Site Assessments and Audits
Due Date: Within 30 Days After Draft Plan is Submitted.

Task 3: Project Management

The Commission Contract Manager and SCO will work together to successfully manage the PIER program assurance project. SCO will manage the project from its Sacramento office using audit staff as needed to complete the required work.

Deliverable: Status reports in the given format by the Commission Contract Manager and meeting as needed.
Due Date: Monthly within the first week of the month and as needed at the discretion of the Commission Contract Manager

Task 4: Pre-Engagement Preparation

SCO shall perform preliminary work to prepare for each engagement. Preliminary work shall include, but is not limited to, reviewing terms and conditions and budget to determine specific requirements and limitations within each agreement, reviewing/analyzing invoiced expenses by cost category and task for adherence to budget and note any inconsistencies in invoicing, reviewing/analyzing original application budget (as needed) to clarify any discrepancies found. In addition, as part of the preliminary work, SCO shall prepare an assessment/audit planning memorandum (APM) for each engagement.

SCO shall be responsible for scheduling the specific arrangements for each engagement with the PIER Contractor/Recipient and sending a follow-up engagement letter.

Deliverable: Copy of the engagement letter and approved APM (and any amendments) for each engagement before the start of fieldwork.
Due Date: Ongoing, as needed.

Task 5: On-Site Engagements

SCO will provide in writing to the Commission Contract Manager the results of each assessment or audit which shall include workpapers and a report letter outlining the finding(s) and recommendation(s).

On-site assessment or audits must be pre-approved by the Commission Contract Manager.

Audits shall be completed following the auditing standards appropriate to the audit purpose and/or objective(s).

Deliverable: A report letter and copy of the supporting workpapers in a format developed in coordination with the Commission Contract Manager

Due Date: Within 45 days of the completion of the working papers by the auditor. The 45 days starts when the auditor completes and submits the initial working papers package to the audit manager for review.

PIER Contractor Training

Upon direction from the Commission Contract Manager, SCO will work with the Commission Contract Manager to provide information, advice, and assistance to PIER contractors and PIER staff about the accounting, reporting, and auditing requirements of the program.

Deliverable: None
Due Date: Ongoing

Corrective Action

The Commission staff will be primarily responsible for coordinating efforts to ensure that PIER contractors take appropriate corrective action when problems are discovered. The Commission will review SCO's assessments and audits and coordinate with PIER contractors on developing an appropriate corrective action plan.

Upon a written request from the Commission Contract Manager, SCO will assist in the corrective action process by conducting follow-up on-site assessments to determine whether the agreed upon corrective actions have been taken. SCO may also consult with the Commission about alternative solutions to problems with specific contractors or the program in general.

Deliverable: None
Due Date: Ongoing, at the direction of the Commission Contract Manager