DGS
GENERAL SERVICES

MEMORANDUM

Date: January 25, 2011 File No.: 9101

To: Jim Butler, Deputy Director
Procurement Division
707 3rd Street, 2nd Floor
West Sacramento, CA 95605

From: **Department of General Services**
Office of Audit Services

Subject: **AUDIT REPORT: OPERATIONAL AUDIT**

Attached is the final report on our operational audit of the State Financial Marketplace (SFM) program. The objective of our audit was to review SFM program operations to determine whether current systems of operational control could be improved.

The Procurement Division's (PD) written response dated January 21, 2011 to a draft copy of the report is included as an attachment to the report. The report also includes our evaluation of the response as an attachment. We are pleased with the actions being taken to address our recommendations.

As part of its operating responsibilities, the Office of Audit Services (OAS) is responsible for following up on its recommendations. Therefore, please submit a status report on the implementation of the recommendations to the OAS by July 25, 2011. The necessity of any further status reports will be determined at that time.

We greatly appreciated the cooperation and assistance provided by the PD's personnel.

If you have any questions, please call me at (916) 376-5058, or Gregg Gunderson, Audit Supervisor, at (916) 376-5061.

Rick Gillam

RICK GILLAM, CPA, CIA
Chief, Office of Audit Services

Attachment

cc: Scott Harvey, Acting Director, DGS
Kathy Hicks, Assistant Deputy Director, PD
Fran Archuleta, Purchasing Manager, PD
Pat Mullen, SFM Program Manager, PD

DGS
GENERAL SERVICES

MEMORANDUM

Date: January 25, 2011 File No. 9101

To: Jim Butler, Deputy Director
Procurement Division
707 3rd Street, 2nd Floor
West Sacramento, CA 95605

From: **Department of General Services**
Office of Audit Services

Subject: **OPERATIONAL AUDIT OF THE STATE FINANCIAL MARKETPLACE PROGRAM**

This report presents the results of our operational audit of the State Financial Marketplace (SFM) program, which is administered within the Procurement Division (PD). The primary SFM program activity is referred to as GS $Mart, which provides for the lease purchase or installment purchase (financing) of assets. The objective of our audit was to review SFM program operations to determine whether current systems of operational control could be improved. Our audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

Although overall we concluded that the SFM program has established adequate and effective operating policies and procedures, as discussed under the Review Results section of this report, we identified a number of areas for improvement in program operations. Recommendations to address the following issues are presented in this report.

- SFM program policies and procedures are not always ensuring that staff verify that the interest rate used in a transaction's final amortization schedule (commonly referred to as a Payment Schedule) is calculated in accordance with program requirements.
- A periodic survey of bond counsel firms is not being performed to ensure that service fees being charged within the program are competitive with current market rates.
- At the time of our review, SFM program policies and procedures were not ensuring that all key activities and decisions related to a transaction were documented in the transaction files.

During our review we also identified other matters requiring attention that we discussed with the PD's management but are not included in this report. However, these issues were included in a written summary of our preliminary audit findings that was provided to the SFM program manager and senior PD management during our audit fieldwork.

BACKGROUND

In brief, the SFM is a program located within PD's Strategic Sourcing and Acquisitions Branch. According to the program's website, the SFM program is designed to facilitate State of California and local government installment or lease purchases, and meets all requirements of a competitively bid process. The program's goal is to make lease purchase financing easier than financing automobiles and mortgages. The participating lenders have been qualified for doing business with the State and the financing plans have been streamlined for easy reading and understanding. Due to the cost of financing, it is highly recommended that financed transactions be $100,000 or greater. The SFM is comprised of the following three programs:

- ***GS $Mart*** – this program provides for the lease purchase or installment purchase (financing) of assets. During the period of our audit, GS $Mart transactions comprised the great majority of activity within the SFM program.
- ***Energy $Mart*** – this program provides financing for Energy Management transactions where energy improvements are made to facilities, and financed with the energy savings over a period of time.
- ***Lease $Mart*** – this program provides for operating lease or true lease opportunities for assets. There were no transactions within this program during the period of our review.

SFM program requirements provide that all financing transactions be reviewed and an Opinion of Counsel be provided by the Department of General Services' (DGS) Office of Legal Services (OLS). Further, financing transactions of less that $500,000 must be approved by the SFM program manager, from $500,000 to $999,999 must be approved by the PD Deputy Director, and $1,000,000 and over must be approved by the DGS Director.

During the 2007/08 fiscal year, the SFM program processed 45 transactions with the amount financed totaling $102,017,874. A total of 10 State departments used the program to finance their purchase of assets. During the 2008/09 fiscal year, the SFM program processed 22 transactions with the amount financed totaling $105,724,220. A total of 6 State departments used the program to finance their purchase of assets. During the two fiscal years the program was used to acquire various items of equipment including those involving: computer hardware and software; energy management; mail inserting; and, telephone systems.

The SFM program is staffed with only two people: a program manager, who has the responsibility for overseeing program operations, and a Staff EDP Analyst. In May 2008, the PD's Deputy Director requested that the Office of Audit Services perform an operational audit of the SFM program. At that time, the SFM program was being transferred to the oversight of the PD from the DGS' Office of Risk and Insurance Management.

SCOPE AND METHODOLOGY

Upon completing a preliminary survey of operations, we selected various SFM program functions and activities for in-depth review. Specifically, we reviewed operating processes that had been established to ensure that transactions were: competitively bid; properly approved in accordance with DGS/PD requirements; sufficiently documented in transaction files; and, accurately reported to the Internal Revenue Service (IRS) and State Controller's Office (SCO).

To determine the adequacy and effectiveness of the systems of operational control over SFM program operations, we performed numerous audit activities including:

- reviewing policies and procedures;
- analyzing issues contained in reports issued on SFM program operations by the Department of Finance and the Legislative Analyst's Office during the 2003 calendar year;
- observing operations;

- performing in-depth testing of 10 transactions that were primarily processed during the 2008 calendar year;
- verifying compliance with administrative requirements;
- conducting interviews of the SFM program manager, SFM staff member and OLS staff counsel;
- interviewing representatives of four lenders that participate in the program;
- verifying the timely filing and accuracy of the report filed with the IRS on the issuance of tax-exempt governmental obligations;
- verifying the accuracy of the annual fiscal year program activity report filed with the SCO; and,
- performing other tests as deemed necessary.

The following information was developed based on our fieldwork that was primarily conducted during the months of January through December 2009. We also performed limited follow-up work during the 2010 calendar year to determine the SFM program's progress in addressing our findings.

Although the finalization of our report was delayed due to other high priority assignments, as findings were observed and developed during our audit fieldwork, the SFM program manager was promptly advised of those issues. Further, at a December 2009 audit exit conference, the PD was provided a detailed written summary of issues noted during our review.

REVIEW RESULTS

Overall, we concluded that the SFM program has established adequate and effective operating policies and procedures which provide reasonable assurance that financing transactions are competitively bid; properly approved in accordance with DGS/PD requirements; sufficiently documented in transaction files; and, accurately reported to the IRS and the SCO. Further, all four lenders interviewed related to program operations expressed the view that the program was effectively operated. We also observed that the program is being conducted by knowledgeable, dedicated and hardworking employees.

Although overall we concluded that adequate and effective policies and procedures have been established within the SFM program, we identified the following areas for further improvement. Our recommendations are presented to aid management in improving systems of operational control.

- ***Acquisition Process Oversight*** – SFM program policies and procedures are not always ensuring that staff verify that the interest rate used in a transaction's final amortization schedule (commonly referred to as a Payment Schedule) is calculated in accordance with program requirements. Specifically, during our sample testing we noted three transactions where a lender did not appear to accurately revise its quoted interest rate in accordance with program requirements. In brief, SFM program provisions provide that interest rates quoted for transactions must be valid for a period of at least 30 days. However, should acceptance not occur by the agreed upon anticipated acceptance date, the payment schedule will be adjusted pro rata based on the change greater than 10 basis points to the US Treasury securities rate for the payment term from the time of rate quote to the date of acceptance.

While it was difficult to reconstruct the interest rate that should have been used due to a lack of file documentation on how the final rate was derived by the lender, our calculations showed that the final interest rate appeared to be too high for three transactions that required a recalculation of the interest rate under the above agreement provision. In each case, we concluded that the final interest rates should have been reduced due to the US Treasury securities rate going down between the original anticipated acceptance date and the final acceptance date. For example, our review determined that for one transaction the treasury rate was 3.25% on the original acceptance date and 2.91 % on the final acceptance date. Due to the complexity involved we will not attempt to explain our complete analysis in this report, however, our calculations showed that the final interest rate for the transaction apparently should have been around 3.02% and not the amount charged of 3.36%, resulting in an overcharge of approximately $19,000 over the term of the installment purchase. Based on our calculations, the State appeared to be overcharged approximately $122,000 for the three transactions.

In discussing this issue with the SFM program manager he agreed that the lender[1] appeared to have incorrectly calculated the final interest rate on the sampled transactions. Further, he indicated that he usually checks the accuracy of any adjusted interest rate but other operating priorities have at times prevented this level of oversight.

Additionally, in three instances, we found that bond tax counsel fees[2] required to be quoted by a lender as factored into its interest rate were also apparently incorrectly capitalized, i.e., included in the amount financed, in a transaction's final amortization schedule. This condition appears to show that the bond tax counsel fees, which ranged from $10,000 to $15,000, were recovered twice by the applicable lender from the State. For example, the Request for Rate Quote (RFRQ) for one transaction tested required that lenders provide financing quotes that priced the bond counsel opinion cost within the interest rate. Subsequently, the winning lender provided a quote that clearly stated that its interest rate of 3.41% included the bond counsel fee. However, the final amortization schedule prepared by the lender and agreed to by the State appeared to include those fees as part of the total financed amount. Specifically, while the interest rate remained at 3.41%, the amount financed increased from $7,958,765 to $7,973,765, a difference of $15,000 which appears to be the bond counsel fees for this transaction. The SFM program's oversight process did not identify the apparent lack of compliance by the lenders.

It should be noted that we also tested three other transactions that required a bond tax counsel opinion but allowed those costs to be separately capitalized, rather than included in the interest rate. This condition indicates a lack of consistency in pricing the costs as part of the financing package. During our review we were advised by the SFM program manager that future RFRQ's will provide that the bond counsel fee be included in the amount financed and not within a quoted interest rate.

Because of the complexity of the above issues, during our audit fieldwork we provided information to the SFM program manager on the transactions that we identified with possible overcharges. The program manager agreed to review the applicable transaction files, contact the lenders to obtain explanations of any areas of concern and work at having any overcharges returned to the State. Due to other operating priorities, it is our understanding that this review has not yet been completed by the SFM program manager.

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1 All three transactions with exceptions were with the same lender.

2 Any transaction of $5 million or more must include a bond counsel opinion to verify that the agency and lender have met all legal requirements mandated by the tax code for a tax exempt loan.

- ***Bond Counsel Selection*** – SFM program practices do not provide for the periodic survey of bond counsel firms to ensure that service fees being charged within the program are competitive with current market rates. As previously noted, any transaction of $5 million or more must include a bond counsel opinion to verify that the agency and lender have met all legal requirements mandated by the tax code for a tax exempt loan. Although the lenders are responsible for procuring the bond counsel services, in reality, they rely on the recommendation of the SFM program in selecting a firm for a specific transaction. The fees paid by the lender are then included in the financing costs of the transaction and paid by the State.

  In our sample tests of six transactions that required a bond counsel opinion, the same bond counsel firm was used by various lenders. In discussing this condition with the SFM program manager, we were advised that for many years the SFM has recommended two bond counsel firms to lenders with one firm being preferred because of its superior service and lower fees. Although we do not have any information to dispute the quality of the services provided and the reasonableness of the fees charged, which usually range from $10,000 to $15,000 but may range up to $45,000 for a large and complex transaction, we do believe that it would be in the best interest of the State for the SFM program to periodically verify the reasonableness of the fees charged by the bond counsel firms through the conduct of a market survey. This survey should be also used to identify additional firms that are willing to provide bond counsel services within the SFM program.

- ***Maintenance of Transaction Files*** – at the time of our review, SFM program policies and procedures were not ensuring that all key activities and decisions related to a transaction were documented in the transaction files. Specifically, our sample tests of 10 transactions found numerous instances where e-mail correspondence from lenders containing their bid or no-bid response to an RFRQ was not documented in the applicable transaction file. Further, we noted that documentation was not always in the files identifying what firms were sent the RFRQ proposal through e-mail by program staff. It is our understanding that staff overlooked printing hard copies of the applicable e-mails for the transaction files.

  It should be noted that during our fieldwork the SFM program manager indicated that procedures had been implemented to ensure that relevant documents are printed and hard copies maintained in the transaction files. Although we were pleased with the prompt action taken to address our concerns, we did not verify its effectiveness prior to the completion of our audit.

Recommendations

1. Implement policies and procedures that provide for the verification of the accuracy of the final interest rate when the rate is revised by a lender based on the 30 day validity program provision. As part of this process, the SFM program should consider requiring lenders to provide documentation supporting any revised interest rate.

2. Implement policies that require bond counsel fees to be included by lenders in the amount financed and not within a quoted interest rate.

3. Complete the review of the accuracy of the overcharge calculations identified above and, if the program concurs with our findings, pursue recovery from the applicable lender.

4. Periodically conduct a survey of bond counsel firms to ensure that service fees being charged within the program are competitive with current market rates. The survey should also be used to identify additional firms that are willing to provide bond counsel services.

5. Implement procedures which ensure that hard copies of e-mail correspondence are maintained in the transaction files identifying the lenders sent an RFRQ and the bid or no-bid response by the lender to that document.

CONCLUSION

The issues presented in this report should be addressed to assist in improving operational policies and procedures. It should be noted that when advised of areas for improvement during our audit fieldwork, the PD and SFM program management either took immediate action or indicated that immediate action would be taken to address our concerns. This provides an indication of management's significant commitment to improving operating policies and procedures.

Your response to each of our recommendations (Attachment I), as well as our evaluation of the response (Attachment II), are presented as attachments to this report.

We greatly appreciated the cooperation and assistance provided by the PD's personnel.

If you need further information or assistance on this report, please contact me at (916) 376-5058, or Gregg Gunderson, Audit Supervisor, at (916) 376-5061.

Rick Gillam

RICK GILLAM, CPA, CIA
Chief, Office of Audit Services

Attachments

Staff: Gregg Gunderson, Audit Supervisor
Lucy Wong

cc: Scott Harvey, Acting Director, DGS
Kathy Hicks, Assistant Deputy Director, PD
Fran Archuleta, Purchasing Manager, PD
Pat Mullen, SFM Program Manager, PD

DGS CALIFORNIA DEPARTMENT OF GENERAL SERVICES

Governor Edmund G. Brown Jr.

Date: January 21, 2011

To: Rick Gillam, Chief
Office of Audit Services
707 3rd Street, Floor
West Sacramento, CA 95605

From: Department of General Services
Procurement Division

Subject: RESPONSE TO THE OPERATIONAL AUDIT OF THE STATE FINANCIAL MARKETPLACE (SFM)

I appreciate the diligent effort of the Office of Audit Services staff to review and recommend operational control improvement for the State Financial Marketplace (SFM). The review results and recommendations provide direction for the SFM staff to achieve their goal for the program's continued success. This will enable them to move forward with standardized policies and procedures to create stronger guidelines to effectively facilitate financings with the lending community, other State departments, and local governments.

The attached response to the operational audit recommendations defines the steps the SFM has already incorporated into the policies and procedures, as well as those for future implementation.

Sincerely,

Kathy Hicks

for Jim Butler, Deputy Director
Procurement Division

Attachment

cc: Kathy Hicks, Assistant Deputy Director, PD
Gregg Gunderson, Audit Supervisor
Lucy Wong, Associate Management Auditor

Response to Operational Audit of State Financial Marketplace (SFM) Program

Recommendation #1. Implement policies and procedures that provide for the verification of the accuracy of the final interest rate when the rate is revised by a lender based on the 30-day validity program provision. As part of this process, the SFM program should consider requiring lenders to provide documentation supporting any revised interest rate.

Response to Recommendation #1:

- The SFM staff currently requires Lenders to submit the GS $Mart Payment Schedule Format, Provisions and Notes when they respond to a Request for Rate Quote (RFRQ) **(See Attachment 1)**. This document addresses the 30-day validity and procedural guidelines for assessing a rate change, if necessary. This document has been revised to clarify the parameters for rate changes and is being added to the State Financial Marketplace website.
- Bullet 3 of the revised Schedule Provisions states: "Should acceptance not occur by the agreed upon anticipated acceptance date, the payment schedule will be adjusted *pro rata*, (up or down) based on the change greater than 10 basis points if the change is positive, then the rate could move up. If the change is negative, then the rate could move down) to the U.S. Treasury securities rate for the payment term from the time of rate quote to the date of acceptance. Lender has provided rates to the State agency with any limitations clearly identified, including the possibility of a payment schedule revision. The U.S. Treasury securities rate as of the rate quote date is _______% for ________ term." The Payment Schedule Format, Provisions cite the U.S. Treasury securities rate. However, the GS $Mart Manager recognizes that Lenders may use various indexes dependent upon the institution's policies. In this case the GS $Mart Manager requires that the Lender submits clear documentation readily accessible for review. Any index source that requires a paid subscription is unacceptable.
- Bullet 4 of the revised Payment Schedule Format, Provisions states that subsequent payment schedules will not be allowed if they are not in the best interest of the State. The GS $Mart Manager reviews and renders the determination regarding the acceptance of the payment schedules.
- The GS $Mart Manager has created sample calculations as a guideline for Lenders to submit revised payment schedules **(See Attachment 2)**.

- The GS $Mart Manager and staff communicate with Lenders to ensure compliance with this requirement at the original submission and any subsequent changes in the rate regarding the 30-day validity. Additionally, the GS $Mart Policies and Procedures Manual has been revised to include the requirement that a Lender must document any revised interest rate (See Chapters 2, 5, 11, and 12).
- The GS $Mart Payment Schedule Format, Provisions and Notes and calculation samples will also be posted on the State Financial Marketplace website as soon as current website reconstruction allows.

Recommendation #2. Implement policies that require bond counsel fees to be included by lenders in the amount financed and not within a quoted interest rate.

Response to Recommendation #2:

- The SFM implemented the policy and procedure whereby Lenders are required to submit a separate line item per any other applicable costs associated with the financing – bond counsel fees, installation, freight, etc.
- This requirement appears in the revised Payment Schedule Format, Provisions and Notes **(See Attachment 1)** on the website and in the revised GS $Mart Policies and Procedures Manual in Chapters 2,5,11, and 12.

Recommendation #3. Complete the review of the accuracy of the overcharge calculations identified above, and if the program concurs with our findings, pursue recovery from the applicable lender.

Response to Recommendation #3:

- The SFM Manager has reviewed the files in question. While there is some variation in the calculations used by Audits' staff, the SFM Manager concurs that there are errors in the rates charged by the lenders for the identified transactions. Many of the lenders have discontinued their municipal leasing departments due to the economy, and the contacts are no longer with the lending institutions. However, SFM staff is outreaching to potential new contacts with these institutions. The SFM Manager has established contacts regarding most of the files, and requested they research the financing calculations and report their findings. The SFM staff will make every effort to recover any over charges.

Recommendation #4. Periodically conduct a survey of bond counsel firms to ensure that service fees being charged within the program are competitive with the current market rates. The survey should also be used to identify additional firms that are willing to provide bond counsel services.

Response to Recommendation #4:

- The SFM staff has obtained a list of qualified/approved bond counsel firms from the State Treasurer's Office (STO) The SFM staff is researching the firms to establish contact, and preparing a survey/rate request for quotes from firms that are interested to participate with the GS $Mart Program. All responses will be compiled and recorded for future use on financings that require a Bond Counsel Opinion **(See Attachment 3 for bond counsel listing).** The SFM staff will establish a rate quote process for future financings that require a Bond Counsel Opinion from those that respond to the survey and agree to participate with GS $Mart Program.

Recommendation #5. Implement procedures which ensure that hard copies of e-mail correspondence are maintained in the transaction files identifying the lenders send an RFRQ and the bid or no-bid response by the lender to that document.

Response to Recommendation #5: The SFM staff established a procedure to coordinate to ensure that all responses are captured electronically and by hard copy to the Request for Rate Quote (RFRQ) for financings. A request is sent to all participating Lenders to include both the SFM Manager and staff with their response. Additionally, the financing file includes a screen print that shows all the RFRQ recipients and completed Bid Results worksheet that lists all of the bidders whether they bid, submitted a no bid, or did not respond to a RFRQ. The hard copy of Lender responses and the Bid Results worksheet become part of the permanent file **(See Attachment 4 for file sample).** Pertinent correspondence on all transactions is currently included in the financing files.

Attachment 1

Payment Schedule Format **(Date of Proposal)**

Below is the required format of a payment schedule, which the Lender will provide as their response to a **Request for Rate Quote** (RFRQ). This payment schedule will be used for any financing plan and payment period based on the State's requirements. Scheduled Provisions and Notes (example found below) must accompany the payment schedule provided and be incorporated in the final financing contract. *All payment schedules must be subtotaled by the State's fiscal year (July 1st through June 30th).*

On the payment schedule, the Lender must list their company's name and address, their contact information, as well as the company's standard remit to address.

PAYMENT SCHEDULE

AMOUNT TO BE FINANCED:

TOTAL ASSET & SOFTWARE COSTS	$ xx,xxx,xxx.xx
OTHER COSTS (i.e., installation, freight, bond counsel fees, etc.)	$ xx,xxx,xxx.xx
SALES TAX (If To Be Financed)	$ xx,xxx,xxx.xx
Subtotal	$ xx,xxx,xxx.xx
LESS SALVAGE AMOUNT	$ xx,xxx,xxx.xx
TOTAL AMOUNT FINANCED	$ xx,xxx,xxx.xx

AMORTIZED INTEREST RATE USED: ________%

Payment No.	Payment Date	Payment Amount	Principal	Interest	Unpaid Principal Balance
Total Amount Financed					$ XX,XXX,XXX
1	XX/XX/XX	$ XX,XXX,XXX	$ XX,XXX,XXX	$ XX,XXX,XXX	$ XX,XXX,XXX
2	XX/XX/XX	$ XX,XXX,XXX	$ XX,XXX,XXX	$ XX,XXX,XXX	$ XX,XXX,XXX
...					
n	XX/XX/XX	$ XX,XXX,XXX	$ XX,XXX,XXX	$ XX,XXX,XXX	$ XX,XXX,XXX
Totals		$ XX,XXX,XXX	$ XX,XXX,XXX	$ XX,XXX,XXX	

Schedule Provisions

- Per the California Prompt Payment Act (California Government Code Section 927 et seq.), correct invoices must be submitted at least forty-five (45) days prior to the payment schedule dates. Delayed invoices may delay payments.
- If the contract requires an acceptance testing period, interest shall be owed on the accepted assets from the first day of the successful acceptance test period. If the contract does not contain an acceptance test, interest shall be owed from a date no later than the acceptance date of the asset purchased pursuant to the contract
- Should acceptance not occur by the agreed upon anticipated acceptance date, the payment schedule will be adjusted ***pro rata*** (up or down) based on the change greater than 10 basis points (if the change is positive, then the rate could move up. If the change is negative, then the rate could move down.) to the US Treasury securities rate for the payment term from the time of rate quote to the date of acceptance. Lender has provided rates to the State agency with any limitations clearly identified including the possibility of a payment schedule revision. The US Treasury securities rate as of the rate quote date is _________% for __________ term.
- Subsequent revised payment schedules for proposed refunding of the original issue will not be allowed unless it is in the best interest of the State.
- Unless otherwise specified, the interest portion for any payment will be calculated by using the following formula: Interest = (Annual Net Interest Rate/100) x (Number of Days from Last Payment/360) x (Previous Unpaid Principal Balance)

Notes

- The date of the first payment will be identified by the State agency when requesting a rate quote along with other payment information such as downpayment amount, term desired, financed amount, financing plan, and other purchase contract characteristics (e.g. whether there is an acceptance testing period and how long if there is one, the Supplier's name, the contract number, and anticipated award and acceptance dates).
- All payment schedules for a plan will be based on the plan's terms, conditions, and closing documents as described for that plan and are guaranteed for at least 30 days when provided via electronic (fax or e-mail) or written document from the Lender. Once the contract is executed with the payment schedule provided by the Lender, a commitment is made to that Lender for that lease purchase.
- For more information or additional financing plans and rates, contact the $Mart Managers.
- Payments will be fixed, approximately equal installment amounts as shown in the payment schedule (unless specified otherwise)..
- The annual amortization interest rate for the payment schedule is based on a 360-day year.
- The State has no financial obligation to pay for the purchased goods until they are accepted by the State. However, in order to offer rates, Lenders rely on the State to provide an accurate acceptance date. Should acceptance not occur as pledged to the Lender, financing costs may increase, which would require a contract revision.
- The State will only pay interest on assets that have been accepted by the State. Interest charges will commence on the date of acceptance and on the amount of the assets accepted.

Attachment 2

How to calculate changes in proposed interest rates to GS $Mart Manager.

1. Index your proposed rate to an index that is easily accessible on the internet. The index must not require a subscription. The RFRQ Response must include a reference to this index and be for the same term indicated in the RFRQ; U.S. Treasuries is the preferred index.

2. If the payment to the Contractor on the order changes by more than required by the RFRQ, and if the index changes (either up or down) by greater than 10 basis points then an adjustment will be able to be made.

3. This is the methodology which should be followed to adjust the interest rate:

Index: U.S. Treasuries (3 year)
Date of RFRQ Response: November 30, 2010
Acceptance Date in the RFRQ: December 15, 2010
Rate quoted in RFRQ: 3.75%
3 Year U.S. Treasuries on RFRQ date: 0.72
Acceptance Date changed to: January 7, 2011
3 Year U. S. Treasuries on new date: 1.02%

Basis points change: 30 basis points
Divide basis points change by old treasuries rate:
30/0.72=41.67%
Percentage of change in rates: 41.67% change
The original interest rate may be increased by no more than 41.67%
New Rate = 3.75% (old rate) x 1.4167 (1 + change in rates) = 5.3126%
Highest the interest rate can be changed to: **5.3126%**

Index: U.S. Treasuries (4 year-take the average of the three year and the 5 year)
Date of RFRQ Response: June 25, 2010
Acceptance Date in the RFRQ: August 1, 2010
Rate quoted in RFRQ: 3.25%
3 Year, 5 year <u>Avg.</u> U.S. Treasuries on RFRQ date: 1.07%(3), 1.90%(5), <u>1.485%(A)</u>
Acceptance Date changed to: September 1, 2010
3 Year, 5 year, <u>Avg.</u> U. S. Treasuries on new date: 0.75%(3), 1.41%(5), <u>1.08%(A)</u>

Basis points change: 40.5 basis points
Divide basis points change by old treasuries rate:
.405/1.485=.2727
Percentage of change in rates: 27.27% change
The original interest rate may be decreased by 27.27%
New Rate = 3.25% (old rate) x .7273 (1 - change in rates) = 2.3637%
Rate that should be charged is: **2.3637%**

Attachment 3

State Treasurer's Office
Public Finance Division
Bond Counsel Pool

Archer Norris, PC

Best Best & Krieger LLP

Chapman and Cutler LLP

Curls Bartling LLP

Dewey & LeBoeuf LLP

Edwards Angell Palmer & Dodge LLP

Foley & Lardner LLP

Fulbright & Jaworski LLP

GCR, LLP

The Gibbs Law Group, P.C.

Gilmore & Bell, P.C.

Goodwin Procter LLP

Greenberg Traurig, LLP

Hawkins, Delafield & Wood LLP

Holland & Knight LLP

Jones Day

Jones Hall A Professional Law Corporation

K & L Gates

Kronick, Moskovitz, Tiedemann & Girard

Latham & Watkins LLP

Law Offices of Alexis S. M. Chiu

Law Offices of Elizabeth C. Green

Law Offices of Joseph C. Reid, P.A

Law Offices of Leslie M. Lava

Lewis Brisbois Bisgaard & Smith LLP

Lofton & Jennings

McFarlin & Anderson LLP

McGhee & Associates

Neumiller & Beardslee

Nixon Peabody LLP

Nossaman, Guthner, Knox & Elliott, LLP

Orrick, Herrington & Sutcliffe LLP

Pillsbury Winthrop Shaw Pittman LLP

Quateman LLP

Quint & Thimmig LLP

Robinson & Pearman LLP

Sidley Austin LLP

Squire, Sanders & Dempsey L.L.P.

Stradling, Yocca, Carlson & Rauth

DMH EMC Storage
4 Annual Payments

9/9/2010

Principal	$ 1,003,654.49		
Lender	**Rate**	**Annual Payment**	**Total Interest**
HP Finance**	3.9100%	$ 246,027.40	$ 61,208.92
Verizon Credit	4.70%	$ 269,883.00	$ 75,877.51
Comerica	No Bid	No Bid	No Bid
EMC	No Bid	No Bid	No Bid
ePlus	No Bid	No Bid	No Bid
IBM Global Financing	No Bid	No Bid	No Bid
Key Government Finance	No Bid	No Bid	No Bid

Provided by the State Financial Marketplace, DGS - ORIM

__did not include financing for the sales tax.__**

ATTACHMENT 4 SAMPLES

Mullen, Patrick

From: Cahoon, Valdean [valdean.cahoon@hp.com]
Sent: Thursday, September 09, 2010 2:56 PM
To: Mullen, Patrick
Cc: Neisen, Debra
Subject: RE: Financing opportunity for Department of Mental Health
Attachments: Proposal Sept 2010 TEIS 50 mo.doc; CA Dept. of Mental Health REV Amort.xlsx

Here you go.

From: Mullen, Patrick [mailto:Patrick.Mullen@dgs.ca.gov]
Sent: Thursday, September 02, 2010 11:21 AM
To: Mullen, Patrick
Cc: Neisen, Debra
Subject: Financing opportunity for Department of Mental Health

The total dollar amount has changed, it is $1,003,654.49.

Patrick B. Mullen
Manager, State Financial Marketplace
Procurement Division
Department of General Services
(916) 375-4617

From: Mullen, Patrick
Sent: Thursday, September 02, 2010 9:59 AM
To: Mullen, Patrick
Cc: Neisen, Debra
Subject: Financing opportunity for Department of Mental Health

This RFRQ is due on September 9, 2010, at 5:00 p.m. Only e-mailed responses will be accepted, no late responses will be accepted.

Patrick B. Mullen
Manager, State Financial Marketplace
Procurement Division
Department of General Services
(916) 375-4617

HP Financial Services

invent

Val Cahoon
HP Financial Services
801-546-3331 (off)
801-497-6757 (cell)
Val.cahoon@hp.com

HEWLETT-PACKARD FINANCIAL SERVICES COMPANY
Now a part of the NEW HEWLETT PACKARD COMPANY

OVERVIEW

Hewlett-Packard Financial Services Corporation (HPFS) is the wholly owned equipment leasing and financing subsidiary of Hewlett Packard Company. Hewlett-Packard Financial Services Company began as a subsidiary of Compaq Computer Corporation formed in January 1997 to support Compaq customers worldwide with a broad array of leasing and financial asset management products and services, and to provide Compaq's authorized resellers with a valuable Compaq-branded financing resource.

It is the intent of HPFS in submitting this proposal to establish the basis upon which the final equipment lease and financing agreement may be completed. HPFS upon the consummation of any equipment leasing and financing agreement becomes bound solely to its obligations as they are specified in such agreement and its exhibits and not to any other document, including without limitation, any request for proposal or response thereto, except to the extent terms and conditions included in such documents are incorporated into the final lease and financing agreement.

PROJECT FUNDING ALTERNATIVES

There are several funding alternatives available depending on the size and complexity of the equipment rollout. The most straightforward is to fund the transaction on a series of Equipment Schedules under a Master Lease Agreement. Using this approach, a Master Lease Agreement is negotiated up front, followed by the funding of individual Equipment

Schedules under that Master Lease Agreement. These Equipment Schedules may be executed from time to time with each one capturing the Equipment that was installed and accepted during that period. Each schedule may then be managed independently, offering the District more flexibility in the end of lease options.

Other project funding alternatives include Escrow Funding and an Advanced Pricing Agreement Roll Up. These methods provide a varying degree of documentation complexity and funding flexibility and can be tailored to meet your needs.

CUSTOMIZED FINANCING FOR YOU

HPFS' Government & Education Finance unit specializes in customized financing plans and offers a variety of options. Our familiarity with some of the more requested plans will provide you with the broad parameters of the kinds of leasing and financing currently available.

There are many variations and options with each major lease plan and the ones presented herein are only examples of what we can offer to you as a Lessee. A detailed lease arrangement can be developed only after close consultation between our financing consultants and your staff. Factors such as budget requirements, equipment delivery and installation cycles, and governmental implications are carefully considered in order to structure a plan that offers the maximum benefits for the District.

FINANCE PROPOSAL FOR: State of California Department of Mental Health

Submitted: September 9, 2010

The following payment alternatives are available from HP Financial Services

Lease Quote:

Hardware/Software Costs:	$ 922,900.68
Purchase Option:	$ 1.00
Lease Term:	4 years and 2 month
Payment Frequency:	Annual in Advance
Base Payment	$ 246,027.40

HPFS LEASE PLANS

Tax Exempt Installment Sale

States and their political subdivisions, which include most public K-12 schools that wish to own the equipment, can obtain low-cost financing through our tax-exempt installment sale plan. HPFS provides financing for not only HP products, but also for most third-party product and services, with flexible payment structures (monthly, quarterly, semi-annually or annually) aligned with your annual budget. Under this plan, the customer typically has title to the equipment.

Basis of Proposal:

This letter is a proposal for discussion purposes only and does not represent either an offer or a commitment of any kind on the part of HPFS. It does not purport to be inclusive off all terms and conditions that will apply to a leasing transaction between us. Neither party to the proposed transactions shall be under any legal obligation whatsoever until, among other things, HPFS has obtained all required internal approvals (including credit approval) and both parties have agreed upon all essential terms of the proposed transaction and executed mutually acceptable definitive written documentation. This proposal can be modified or withdrawn by HPFS at any time. Either party may terminate discussions and negotiations regarding a possible transaction at any time, without cause and without any liability whatsoever.

Taxes and Maintenance

Lessee shall be responsible for any and all taxes, fees, maintenance, insurance, registration and other fees and charges relating to the purchase, lease, ownership, possession and use of the equipment.

Escrow

If necessitated by the project implementation schedule, the proceeds of the financing will be deposited in an escrow account established with a mutually acceptable bank or trust company (the "Escrow Agent"). The Escrow Agent will administer the investment of the escrow funds during the project implementation period, as directed by Lessee, and as defined by relevant law and the Escrow Agreement. Any interest earned on such investments shall be for the benefit of Lessee and may be used for project costs.

OFFER SUBJECT TO CREDIT APPROVAL: This proposal is subject to formal credit review and approval by HPFS and the execution and delivery of a lease agreement and related documents mutually acceptable to all parties. Such documentation may include terms and conditions or other matters that are not specifically covered by or made clear in this proposal. The resulting lease documents, not this proposal or any request to which it is responsive, shall govern the contractual relationship between the Lessor and Lessee. This proposal should not be construed as a commitment.

The lease pricing in this proposal is fixed through 11/30/2010 (the "Initial Rate Expiration Date"). Adjustment to the lease pricing shall be on the following basis: If the Commencement Date Yield varies by at least 10 basis points from the Initial Yield, the lease rate factor implicit yield for calculation of the lease payments will be adjusted upward or downward, as applicable, in an amount equal to the difference between the Commencement Date Yield and Initial Yield and the amount of the lease payments will be adjusted accordingly.

We appreciate the opportunity to provide you with this proposal. Please call me if you have any questions, or if I can be of further help.

Sincerely,

Val Cahoon
Financial Area Manager

CA Dept: of Mental Health 9/13/2010 8:13 AM Page 1

Compound Period: Monthly

Nominal Annual Rate: 3.910%

CASH FLOW DATA

	Event	Date	Amount	Number	Period	End Date
1	Loan	11/1/2010	922,900.68	1		
2	Payment	11/1/2010	0.00	2	Monthly	12/1/2010
3	Payment	1/2/2011	246,027.40	4	Annual	1/2/2014

AMORTIZATION SCHEDULE - Normal Amortization

	Date	Payment	Interest	Principal	Balance
Loan	11/1/2010				922,900.68
1	11/1/2010	0.00	0.00	0.00	922,900.68
2	12/1/2010	0.00	3,007.12	3,007.12-	925,907.80
2010 Totals		0.00	3,007.12	3,007.12-	
3	1/2/2011	246,027.40	3,116.43	242,910.97	682,996.83
2011 Totals		246,027.40	3,116.43	242,910.97	
4	1/2/2012	246,027.40	27,188.99	218,838.41	464,158.42
2012 Totals		246,027.40	27,188.99	218,838.41	
5	1/2/2013	246,027.40	18,477.39	227,550.01	236,608.41
2013 Totals		246,027.40	18,477.39	227,550.01	
6	1/2/2014	246,027.40	9,418.99	236,608.41	0.00
2014 Totals		246,027.40	9,418.99	236,608.41	
Grand Totals		984,109.60	61,208.92	922,900.68	

Last interest amount decreased by 0.01 due to rounding.

Mullen, Patrick

From: Chambers, Thomas D (Tom) [thomas.d.chambers@verizon.com]
Sent: Thursday, September 09, 2010 12:47 PM
To: Mullen, Patrick
Subject: FW: State of CA Response
Attachments: DMH Verizon (EMC) RFRQ VCI Response 09-09-2010.doc

Pat -

Attached please find Verizon Credit's response for the DMH RFRQ.

Please contact me with any questions. Thanks for the opportunity to bid.

Regards,

Tom

Tom Chambers
Verizon Credit Inc.
972-729-7633 office
214-587-6057 mobile

From: Meyer, Bonnie M
Sent: Thursday, September 09, 2010 2:40 PM
To: Chambers, Thomas D (Tom)
Subject: State of CA Response

Is Attached.

Bonnie Meyer
VP - Affiliate Vendor Finance
Verizon Credit Inc.
813-229-4838
www.verizon.com/credit
Verizon Credit on Insite

Payment Schedule, Dated September 9, 2010

Lender: Verizon Credit Inc.
201 North Franklin Street
Suite 3300
Tampa, FL 33602
Tom Chambers
972-729-7633 office
214-587-6057 mobile

PAYMENT SCHEDULE (Excluding Maintenance/Service Costs)

AMOUNT TO BE FINANCED:

TOTAL ASSET & SOFTWARE COSTS	$ 922,900.68
OTHER COSTS	$
SALES TAX [If To Be Financed]	$ 80,753.81
Subtotal	$1,003,654.49
LESS SALVAGE AMOUNT	($)
DOWN PAYMENT, If Applicable	($)
CAPITALIZED INTEREST, If Applicable	$
TOTAL AMOUNT FINANCED	$1,003,654.49

AMORTIZED INTEREST RATE USED: 4.70%

Payment No.	Payment Date	Payment Amount	Principal	Interest	Unpaid Principal Balance
0	12/1/2010				1,003,654.49
1	1/1/2011	269,883.00	265,952.94	3,930.06	737,701.55
2	2/1/2011	0.00	-2,888.65	2,888.65	740,590.20
3	3/1/2011	0.00	-2,899.97	2,899.97	743,490.17
4	4/1/2011	0.00	-2,911.32	2,911.32	746,401.49
5	5/1/2011	0.00	-2,922.72	2,922.72	749,324.21
6	6/1/2011	0.00	-2,934.17	2,934.17	752,258.38
Subtotal		269,883.00	251,396.11	18,486.89	
7	7/1/2011	0.00	-2,945.66	2,945.66	755,204.03
8	8/1/2011	0.00	-2,957.19	2,957.19	758,161.22
9	9/1/2011	0.00	-2,968.77	2,968.77	761,129.99
10	10/1/2011	0.00	-2,980.39	2,980.39	764,110.39
11	11/1/2011	0.00	-2,992.06	2,992.06	767,102.45
12	12/1/2011	0.00	-3,003.78	3,003.78	770,106.23
13	1/1/2012	269,883.00	266,867.46	3,015.54	503,238.77

14	2/1/2012	0.00	-1,970.56	1,970.56	505,209.33
15	3/1/2012	0.00	-1,978.27	1,978.27	507,187.60
16	4/1/2012	0.00	-1,986.02	1,986.02	509,173.62
17	5/1/2012	0.00	-1,993.80	1,993.80	511,167.42
18	6/1/2012	0.00	-2,001.60	2,001.60	513,169.02
Subtotal		**269,883.00**	**239,089.35**	**30,793.65**	
19	7/1/2012	0.00	-2,009.44	2,009.44	515,178.46
20	8/1/2012	0.00	-2,017.31	2,017.31	517,195.77
21	9/1/2012	0.00	-2,025.21	2,025.21	519,220.98
22	10/1/2012	0.00	-2,033.14	2,033.14	521,254.12
23	11/1/2012	0.00	-2,041.10	2,041.10	523,295.22
24	12/1/2012	0.00	-2,049.09	2,049.09	525,344.32
25	1/1/2013	269,883.00	267,825.88	2,057.12	257,518.43
26	2/1/2013	0.00	-1,008.38	1,008.38	258,526.81
27	3/1/2013	0.00	-1,012.33	1,012.33	259,539.14
28	4/1/2013	0.00	-1,016.29	1,016.29	260,555.43
29	5/1/2013	0.00	-1,020.27	1,020.27	261,575.70
30	6/1/2013	0.00	-1,024.26	1,024.26	262,599.96
Subtotal		**269,883.00**	**250,569.06**	**19,313.94**	
31	7/1/2013	0.00	-1,028.28	1,028.28	263,628.24
32	8/1/2013	0.00	-1,032.30	1,032.30	264,660.54
33	9/1/2013	0.00	-1,036.34	1,036.34	265,696.88
34	10/1/2013	0.00	-1,040.40	1,040.40	266,737.29
35	11/1/2013	0.00	-1,044.48	1,044.48	267,781.76
36	12/1/2013	0.00	-1,048.57	1,048.57	268,830.33
37	1/1/2014	269,883.00	268,830.33	1,052.67	0.00
38	2/1/2014	0.00	0.00	0.00	0.00
39	3/1/2014	0.00	0.00	0.00	0.00
40	4/1/2014	0.00	0.00	0.00	0.00
41	5/1/2014	0.00	0.00	0.00	0.00
42	6/1/2014	0.00	0.00	0.00	0.00
Subtotal		**269,883.00**	**262,599.96**	**7,283.04**	
Total		**1,079,532.00**	**1,003,654.49**	**75,877.51**	

Schedule Provisions

- Verizon Credit is submitting our Payment Schedule based on the Equipment Details provided with the RFRQ dated September 2, 2010. Verizon Credi will remit payment directly to Verizon Business, the vendor noted for this project.
- Verizon Credit will fund per the payment schedule provided for this project. Verizon Credit will commence lease and release funds to the vendor if, and only if, the State of California budget has been fully approved for the current budget year thereby authorizing the first annual payment due to Verizon Credit under this financing.
- Per the California Prompt Payment Act, correct invoices will be submitted at least forty-five (45) days prior to the payment schedule dates. Delayed invoices may delay payments.

- Interest shall be owed from a date no later than the acceptance date of the asset purchased. pursuant to the contract

- Should acceptance not occur by the agreed upon anticipated acceptance date, the payment schedule will be adjusted *pro rata* based on the change greater than 10 basis points to the US Treasury securities rate for the payment term from the time of rate quote to the date of acceptance. The payment schedule will be subject to a one-time adjustment equal to 54% of the variance in yield between the current U.S. Treasury Issue market yields and the respective U.S. Treasury Issue market yields on the date that VCI is in receipt of an executed certificate of acceptance for the Equipment. Lender has provided rates to the State agency with any limitations clearly identified including the possibility of a payment schedule revision. The US Treasury securities rate as of the rate quote date is 0.53% for a 24 month term.

- The State of California agrees that that (i) all payments made to Lender shall be exempt from federal income tax under Section 103 of the Internal Revenue Code, (ii) Lender will prepare and GS$Mart Manager will sign and file the 8038-G tax forms, and (iii) the Equipment will be used exclusively by the State of California for its governmental purposes.

- In the event actual funding rates differ from originally quoted funding rates, a **revised schedule** will be necessary reflecting the actual rates at which certificates are ultimately issued. Subsequent revised payment schedules for proposed refunding of the original issue will not be allowed unless it is in the best interest of the State.

- Unless otherwise specified, the interest portion for any payment will be calculated by using the following formula: Interest = (Annual Net Interest Rate/100) x (Number of Days from Last Payment/360) x (Previous Unpaid Principal Balance)

Notes

- This payment schedule will be based on the plan's terms, conditions, and closing documents as described for that plan and are guaranteed for at least 30 days when provided via electronic (fax or e-mail) or written document from the Lender. Once the contract is executed with the payment schedule provided by the Lender, a commitment is made to that Lender for that lease purchase.

- Payments will be fixed, approximately equal installment amounts as shown in the payment schedule.

- The annual amortization interest rate for the payment schedule is based on a 360-day year.

- The State has no financial obligation to pay for the purchased goods until they are accepted by the State. However, in order to offer rates, Lenders rely on the State to provide an accurate acceptance date. Should acceptance not occur as pledged to the Lender, financing costs may increase, which would require a contract revision.

- The State will only pay interest on assets that have been accepted by the State. Interest charges will commence on the date of acceptance and on the amount of the assets accepted.

Mullen, Patrick

From: dhbrown@comerica.com
Sent: Wednesday, September 08, 2010 9:48 AM
To: Mullen, Patrick
Subject: Re: Financing opportunity for Department of Mental Health due 9-9-10

Hi Pat,

We received the subject request for bid and appreciate the opportunity. Unfortunately, Comerica Leasing Corporation (CLC) is currently unable to provide the financing under the requested terms and as such must respond with a "No Bid". Should you wish to discuss CLC's position in more detail, please call or contact me at your convenience.

Thank you for including Comerica Leasing Corporation on your bid list. We look forward to future opportunities.

Thanks!

Dave

David H. Brown
Vice President, Municipal Leasing
Comerica Leasing Corporation
611 Anton Blvd., Suite 360
Costa Mesa, CA 92626
877-935-3274 ext. 3

From: "Mullen, Patrick" <Patrick.Mullen@dgs.ca.gov>
To: "Mullen, Patrick" <Patrick.Mullen@dgs.ca.gov>
Cc: "Neisen, Debra" <Debra.Neisen@dgs.ca.gov>
Date: 09/02/2010 10:21 AM
Subject: Financing opportunity for Department of Mental Health

---

The total dollar amount has changed, it is $1,003,654.49.

Patrick B. Mullen
Manager, State Financial Marketplace
Procurement Division
Department of General Services
(916) 375-4617

From: Mullen, Patrick
Sent: Thursday, September 02, 2010 9:59 AM
To: Mullen, Patrick
Cc: Neisen, Debra
Subject: Financing opportunity for Department of Mental Health

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Patrick B. Mullen
Manager, State Financial Marketplace
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Department of General Services
(916) 375-4617

[attachment "DMH Verizon (EMC) RFRQ 09-02-2010.doc" deleted by David H Brown/CA/CMA] [attachment "DMH_Avamar_31AUG10.xls" deleted by David H Brown/CA/CMA]

Mullen, Patrick

From:	Tony Balcorta [abalcort@us.ibm.com]
Sent:	Monday, September 06, 2010 11:25 AM
To:	Mullen, Patrick
Cc:	Neisen, Debra; Mullen, Patrick
Subject:	Re: Financing opportunity for Department of Mental Health
Attachments:	DMH Verizon (EMC) RFRQ 09-02-2010.doc; DMH_Avamar_31AUG10.xls

Pat, we are formally NO BIDDING this opportunity.

Thank You.

Antonio (Tony) J. Balcorta
Financial Sales Executive - Southern California
IBM Global Financing
600 Anton Blvd., 5th Floor
Costa Mesa, CA 92626
Ph: 714-472-2283, eFax: 714-472-2283 (t/l 472)
E-Mail: ABALCORT@US.IBM.COM
Cell: 714-423-8008
http://www.ibm.com/financing/americas

From:	"Mullen, Patrick" <Patrick.Mullen@dgs.ca.gov>
To:	"Mullen, Patrick" <Patrick.Mullen@dgs.ca.gov>
Cc:	"Neisen, Debra" <Debra.Neisen@dgs.ca.gov>
Date:	09/02/2010 10:24 AM
Subject:	Financing opportunity for Department of Mental Health

The total dollar amount has changed, it is $1,003,654.49.

Patrick B. Mullen
Manager, State Financial Marketplace
Procurement Division
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(916) 375-4617

From: Mullen, Patrick
Sent: Thursday, September 02, 2010 9:59 AM
To: Mullen, Patrick
Cc: Neisen, Debra
Subject: Financing opportunity for Department of Mental Health

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Patrick B. Mullen
Manager, State Financial Marketplace
Procurement Division
Department of General Services
(916) 375-4617

Neisen, Debra

From: sudeshna.banik@emc.com
Sent: Thursday, September 09, 2010 3:18 PM
To: Mullen, Patrick
Cc: Neisen, Debra
Subject: RE: Financing opportunity for Department of Mental Health

Hello Pat,

Unfortunately EMC is unable to pursue this financing opportunity at this point and therefore we are not going to provide a bid.

Thank you for your understanding.

Sudeshna Banik
Area Finance Manager
EMC corporation
2831 Mission College Blvd
Santa Clara, CA 95053
off: 408 326 4219
cell: 650 218 9704

From: Mullen, Patrick [mailto:Patrick.Mullen@dgs.ca.gov]
Sent: Thursday, September 02, 2010 10:21 AM
To: Mullen, Patrick
Cc: Neisen, Debra
Subject: Financing opportunity for Department of Mental Health

The total dollar amount has changed, it is $1,003,654.49.

Patrick B. Mullen
Manager, State Financial Marketplace
Procurement Division
Department of General Services
(916) 375-4617

From: Mullen, Patrick
Sent: Thursday, September 02, 2010 9:59 AM
To: Mullen, Patrick
Cc: Neisen, Debra
Subject: Financing opportunity for Department of Mental Health

This RFRQ is due on September 9, 2010, at 5:00 p.m. Only e-mailed responses will be accepted, no late responses will be accepted.

Neisen, Debra

From: SJeanay Bolden [sbolden@EPLUS.com]
Sent: Wednesday, September 08, 2010 2:22 PM
To: Mullen, Patrick
Cc: Neisen, Debra
Subject: FW: Opportunity--CA Department of Mental Health

Pat,
Thanks for the opportunity. ePlus-HQ opted to no-bid. However, let me know the outcome.

Regards,
SJeanay

From: Andrew Norton
Sent: Wednesday, September 08, 2010 2:10 PM
To: SJeanay Bolden; Steve Bland
Cc: Bruce Bowen
Subject: RE: Opportunity--CA Department of Mental Health

Sjeanay,

We are going to have to pass on this deal. We are not comfortable with the essential use on this deal at this time.

Andrew

From: SJeanay Bolden
Sent: Thursday, September 02, 2010 3:32 PM
To: Andrew Norton; Steve Bland
Cc: Bruce Bowen
Subject: Opportunity--CA Department of Mental Health

Request for lease rate quote, response due to Customer Thursday, 09 September, 2010

Lessee: California Department of Mental Health
Lessor: ePlus Group, inc.
Supplier: Verizon Business
Project: Enterprise business resumption and disaster recover for DMH; includes 5 state mental hospitals and 2 correctional facilities.
(Specs attached)

- Equipment is to backup existing information on computer systems.
- Equipment will be located HQ-Sacramento; one set of equipment may be deployed to one the southern CA state hospitals to be determined at a later date.
- Breakdown:
  - Hardware: 24.5%
  - Software: 69.0%
  - Personal Services: 6.5%

Est Delivery Date: October 1, 2010
Accept Test Period: November 1, 2010
Est Acceptance Date: November 1, 2010
Est First Payment Date: January 2, 2011

Neisen, Debra

From: kendall.hansen@key.com
Sent: Wednesday, September 08, 2010 1:16 PM
To: Mullen, Patrick
Cc: Neisen, Debra
Subject: Re: Financing opportunity for Department of Mental Health

Pat and Debra, we will have to "no bid" this opportunity. Thanks Kendall.

Kendall Hansen
Key Government Finance, Inc.
Kendall.Hansen@Key.com
Tel: (503) 701-8476
Fax: (216) 357-6106

"Mullen, Patrick" <Patrick.Mullen@dgs.ca.gov>

09/02/2010 10:21 AM

To "Mullen, Patrick" <Patrick.Mullen@dgs.ca.gov>
cc "Neisen, Debra" <Debra.Neisen@dgs.ca.gov>
Subject Financing opportunity for Department of Mental Health

The total dollar amount has changed, it is $1,003,654.49.

Patrick B. Mullen
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Patrick B. Mullen

Untitled Message

File Edit View Insert Format Tools Table Window Help

To: Mullen, Patrick

Cc: Neisen, Debra

Bcc: Archuleta, Fran; Anderson, Roger; Terrie Williams <Terrie.Williams@dmh.ca.gov>; Sudeshna Banik; SJeanay Willis-Bolden ; Tony Balcorta; Val Cahoon; Ann Shook ; Rebecca Lowe (rebecca.a.lowe@chase.com); Midge VanHorn; David H. Brown; Kendall Hansen

Subject: Financing opportunity for Department of Mental Health

Attach: DMH Verizon (EMC) RFRQ 09-02-2010.doc (31 KB); DMHQuote O310 Avamar BTB DB 10TB FS May10 1002958188 (3) (2).xls (48 KB)

This RFRQ is due on September 9, 2010, at 5:00 p.m. Only e-mailed responses will be accepted, no late responses will be accepted.

Patrick B. Mullen
Manager, State Financial Marketplace
Procurement Division
Department of General Services
(916) 375-4617

ATTACHMENT I Page 27 of 28

Financing opportunity for Department of Mental Health - Message (HTML)

File Edit View Insert Format Tools Actions Help

Reply | Reply to All | Forward

From: Mullen, Patrick Sent: Thu 9/2/2010 10:21 AM
To: Mullen, Patrick
Cc: Neisen, Debra
Bcc: Terrie Williams; Sudeshna Banik; SJeanay Willis-Bolden; Tony Balcorta; Val Cahoon; Ann Shook; Rebecca Lowe (rebecca.a.lowe@chase.com); Midge VanHorn; David H. Brown; Kendall Hansen
Subject: Financing opportunity for Department of Mental Health
Attachments: DMH Verizon (EMC) RFRQ 09-02-2010.doc (34 KB); DMH_Avamar_31AUG10.xls (56 KB)

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Manager, State Financial Marketplace
Procurement Division
Department of General Services
(916) 375-4617

Request For Rate Quote (RFRQ) *September 2, 2010*

Rates quoted for all GS $Mart® transactions must be valid for a period of 30 days. In the response please make sure you include a **dated amortization schedule,** following the format of the Payment Schedule Format. Provisions and Notes. The only way that an interest rate may be adjusted is if the provisions are included as part of the completed response with the blanks filled in. Your company's response (the dated amortization schedule) and the standard paragraph adding the State's designated Lender and incorporating the Terms and Conditions of GS $Mart into the contract legally bind your company to the contract.

Agency: Department of Mental Health
1600 9th Street, Room 141

City: Sacramento, Ca **Zip:** 95814
Contact Name: Pat Mullen
Title: GS $Mart Manager
Phone: 916-375-4617
E-mail: patrick.mullen@dgs.ca.gov

Equipment Description (give accurate description): (Attach an additional page if necessary)

See Attached

State why the purchase vital and mission critical: (Attach an additional page if necessary)

Enterprise business resumption and disaster recover for DMH which includes 5 state mental hospitals and 2 correctional facilities.

New/Used/Refinance: New

Estimated Delivery Date: October 1, 2010

Acceptance Test Period: November 1, 2010

Estimated Acceptance Date: November 1, 2010

Estimated First Payment Date: January 2, 2011

Estimated Finance Amount (includes sales tax): $1,003,654.49

Payment Frequency: Annually

Term (how many periods): 4

Comments/Deadline: This RFRQ is due on September 9, 2010. Only e-mailed responses will be accepted, no late responses will be accepted.

Incomplete quotes/attachments will be disqualified. If you have questions, contact me by VM or EM. DO NOT CONTACT THE CUSTOMER! Thanks.

PROCUREMENT DIVISION
OPERATIONAL AUDIT OF THE SFM PROGRAM

EVALUATION OF PD'S RESPONSE

We have reviewed the response by the Procurement Division (PD) to our draft report. The response indicates that appropriate actions are being taken to address our recommendations. We appreciate the efforts taken or being taken by the PD's personnel to improve operational controls. The promptness of these efforts continues to disclose their significant commitment to improving operating policies and procedures.