

**SECOND MODIFICATION TO AUDIT SERVICES FOR STATE EMPLOYEE AND
RETIREE BENEFITS PROGRAM CONTRACT**

CATEGORY 2- DENTAL BENEFITS PLAN AUDITS

THIS SECOND MODIFICATION AGREEMENT is made as of this 1st of MAY 2014 by and between The Segal Company (Eastern States), Inc. (Contractor), and the State of Maryland, acting through the Department of Budget and Management.

IN CONSIDERATION of the promises and the covenants herein contained, the parties agree to modify the Contract (defined below) as follows:

1. Definitions

In this Modification, the following words have the meanings indicated:

- 1.1 "Contract" means Category 2, Dental Benefit Plans Audit of the Contract for Audit Services for State Employee and Retiree Benefits Program between the Contractor and the State of Maryland acting through the Department of Budget and Management dated December 20, 2010 as amended by the First Modification dated September 19, 2013.
- 1.2 "Contractor" means The Segal Company (Eastern States), Inc.
- 1.3 "Audit Cycle 5" means the fifth year of the Contract beginning July 1, 2014 through June 30, 2015, as defined in the Financial Proposal.
- 1.4 "Department" means the Maryland Department of Budget and Management.
- 1.5 "Financial Proposal" means Contractor's Best and Final Financial Proposal for Category 2- Dental Benefits Plan Audit dated August 10, 2010.
- 1.6 "Modification" means this Modification Agreement.
- 1.7 "RFP" means the Request for Proposals for Audit Services for Employee and Retiree Benefits Program, No. F10B0400010 dated April 26, 2010 including addenda, attachments and Excel worksheets, as amended through November 7, 2011.
- 1.8 "State" means the State of Maryland.
- 1.9 "Technical Proposal" means Contractor's Technical Proposal dated June 10, 2010, as supplemented and revised by the Contractor's subsequent responses to questions, requests for cure, and Best and Final Offer (BAFO) submissions through July 19, 2010.

2. Scope of Modification

This Modification amends the Contract specifically as described herein. Except as specifically revised by the terms of this Modification, all of the terms of the Contract shall remain in full force and effect.

3. Term of the Contract

The Contract shall be amended to extend Audit Cycle 5 to run from January 1, 2015 to December 31, 2015 and the twelve (12) month run-out administration period and the Contract term to run through December 31, 2016 to complete the Cycle 5 audits as referenced in RFP Attachment J. Provisions regarding run-out, audit rights, dispute resolution, and record retention shall survive the expiration of the Contract.

4. Plan Year

4.1 RFP Section 1.2(A) shall be amended to include the following definitions:

- (a) "Calendar Plan Year" means the twelve-month period of benefit coverage beginning January 1 and ending December 31 of the same calendar year.
- (b) "Fiscal Plan Year" means the twelve-month period of benefit coverage beginning July 1 and ending June 30 of the next calendar year.
- (c) "Short Plan Year" means the six-month period of benefit coverage beginning July 1, 2013 and ending December 31, 2013.

4.2 The following language in Section 1.2(A) (u) of the RFP shall be removed:

"PLAN YEAR means the 12-month period of benefit coverage beginning July 1 and ending June 30 of the next calendar year. The Plan Year for the State's benefits plans coincides with the State's fiscal year."

4.3 Section 1.2(A)(b) of the RFP shall be revised as follows:

"AUDIT CYCLE refers to the period for the successful completion of the audits in the Service Category and covers the beginning of the audit through performance of the audit, preparation and reviewing draft reports, and acceptance by the State of the final audit report. It is anticipated that each audit cycle will last only 12 months including the Short Plan year which shall be performed concurrently with the 2014 Calendar year Audits, together constituting Audit Cycle 4 as provided in §5.2 of this Modification. See RFP § 3.3.2 for a description of the scheduling and minimum tasks necessary for an audit cycle."

4.4 The 2014 Fiscal Plan Year, beginning July 1, 2013, will be converted to the Short Plan Year ending December 31, 2013.

- 4.5 The 2014 Calendar Plan Year will commence January 1, 2014 and end on December 31, 2014.
- 4.6 All references in the Contract, including documents incorporated therein, to “fiscal year”, “plan year”, or “year” with regard to plan design, administering benefits, and obligations of the Contractor impacted by the change from the Fiscal Year Plan to the Calendar Year Plan are replaced with “Calendar Plan Year,” as the case may be.
- 4.7 (a) Except with the express written consent of the Procurement Officer, payment to the Contractor for audit services required pursuant to this Contract for the Short Plan Year shall not exceed \$23,679 as described in Appendix A [Incremental Fees for Short Plan Year (7/1/2013-12/31/2013)] Audit, attached hereto as Exhibit 1 and incorporated by reference, for Category 2 for Dental Benefits Plan Audits.

Such payment ceilings include the fixed fee services and any optional audit services authorized by the State.

(b) The NTE amount in Section 4 of the Contract is modified to increase the total NTE amount as \$142,319.

5. Short Plan Year Provisions

- 5.1 All provisions in the RFP, Contract, and all documents incorporated therein specific to Audit Cycle 4, or the Fiscal Plan Year period of July 1, 2013 through June 30, 2014 shall apply to the Short Plan Year.
- 5.2 The audits for the Short plan year shall be performed concurrently with the 2014 Calendar Plan Year audits, together constituting Audit Cycle 4, in accordance with §4.3 of this Modification.

6. 2014 and 2015 Calendar Plan Year Provisions

- 6.1 The Contract Year 4 Audit Cycle Fees required by the RFP, Attachment F-4, and any and all rates quoted by the Contractor in its Financial Proposal with regard to Contract Year 4 shall apply to the 2014 Calendar Plan Year without increase, except as amended in Section 4.7 herein. All provisions in the RFP, Contract, and all documents incorporated therein specific to Contract Year 4, or the Fiscal Plan Year period of July 1, 2013 through June 30, 2014 shall apply to the 2014 Calendar Plan Year.
- 6.2 The Contract Year 5 Audit Cycle Fees required by the RFP, Attachment F-4, and any and all rates quoted by the Contractor in its Financial Proposal with regard to Contract Year 5 shall apply to the 2015 Calendar Plan Year without increase. All provisions in the RFP, Contract, and all documents incorporated therein specific to Contract Year 5, or the Fiscal Plan Year period of July 1, 2014 through June 30, 2015 shall apply to the 2015 Calendar Plan Year.

6.3 Reporting Requirements as defined in the RFP shall apply to the Calendar Plan Year as provided in the Contract and as amended herein.

6.4 For the 2014 and 2015 Calendar Plan Years, the Quarterly periods will be amended and defined as follows:

First Quarter: January-March
Second Quarter: April-June
Third Quarter: July-September
Fourth Quarter: October-December

IN WITNESS THEREOF, the parties have executed this Third Modification Agreement as of the date hereinabove set forth.

CONTRACTOR:
The Segal Company (Eastern States), Inc.

STATE OF MARYLAND:
DEPARTMENT OF BUDGET AND
MANAGEMENT

By: _____

By: T. Eloise Foster, Secretary

Date

Date

Witness

Witness

APPROVED FOR FORM AND LEGAL SUFFICIENCY

THIS 2nd DAY OF April, 2014.

ASSISTANT ATTORNEY GENERAL

APPROVED BY BPW: 4/16/2014 7-S-MOD
(Date) (BPW Item#)