



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

MEMORANDUM

To: Chris Halliwell
From: Bill Doss *WRD*
Date: May 14, 2014
Subject: IHL Contract for Audit Services

Chris,
Included in the packet I am returning to you is the IHL Contract and related Exhibits A, B, and C for audit services for fiscal years 2014, 2015, 2016 and 2017. Please return a copy of the completely executed contract once it is signed by the Commissioner. I have copies of the other related documents so there is no need to include those when returning the signed contract.

Thanks for your assistance with this matter.

Bill Doss

MEMORANDUM

TO: BILL DOSS
FROM: CHRIS HALLIWELL (TH)
SUBJECT: CONTRACT DOCUMENTS
DATE: MAY 12, 2014
CC:

It's good to finally get to this stage. Back on April 24, 2014, the IHL Board approved our request to enter into a four year agreement with KPMG to provide annual financial and A-133 audits of the IHL System for Fiscal Years ending June 30, 2014, 2015, 2016 and 2017. KPMG's lead engagement partner signed the agreement late last week. I have included all relevant contract documents in this package, now ready for your signature. While there are four components to this agreement, only one document, the "Contract of Professional Services" requires signature from OSA. I have marked the signature line accordingly. When you have signed the agreement, please return the complete document and send to my attention. I will then continue on with the signature phase and get the IHL Commissioner's approval. After all three signatures are complete; I will make a full copy and send to your attention.

If you have any questions about this process, any of the documents or otherwise, please don't hesitate to give me a call or email. Thanks again.

CONTRACT FOR PROFESSIONAL SERVICES

This document reflects a contractual agreement among the Office of the State Auditor, the Board of Trustees of State Institutions of Higher Learning (hereinafter referred to as the "IHL Board") and KPMG LLP (hereinafter referred to as the "Firm") to provide services, materials and personnel to perform the work as specified in paragraph 1.

1. The IHL Board and the Office of the State Auditor desire to engage the Firm to render the following professional audit services for the IHL Board for the 2014, 2015, 2016 and 2017 fiscal years:
 - A. Perform an audit of the combined financial statements for all funds of the IHL Board, including the eight state universities and the University of Mississippi Medical Center, as specifically described in Attachment "A" to this contract.
 - B. Perform a compliance audit with applicable state and federal laws and regulations as specifically described in Attachment "A" to this contract.
 - C. Perform Items A and B above in conformity with professional standards, laws, rules, regulations and guidelines as contained in, but not limited to, the documents identified in paragraph 4 of this contract.
 - D. The IHL Board and its institutions will provide the pre-audited financial data to the Firm in a compilation format only. It will be the sole responsibility of the Firm to produce the audited financial schedules, note disclosures, opinion letters, and all other elements required by professional standards, laws, rules, regulations and guidelines as contained in, but not limited to, the documents identified in paragraph 4 of this contract.
2. The following people have been empowered to act as the duly authorized representatives for this contract:

Office of the State Auditor

Name: William R. Doss, CPA

Title: Director, Financial and Compliance Audit Division

IHL Board

Name: Dr. Hank Bounds

Title: Commissioner of Higher Education

Mississippi State Institutions of Higher Learning

KPMG LLP

Name:

Eileen N. McGinn

Title:

Partner

3. The Firm shall receive as compensation to be paid by the IHL Board for the described auditing services a fee to include:
 - A. Audit fees equal to \$711,000 for the 2014 audit year, \$732,300 for the 2015 audit year, \$739,600 for the 2016 audit year, and audit fees of \$746,600 for the 2017 audit year. These fees are all-inclusive (audit service, travel, meals, lodging, and other out of pocket costs). There will be no additional fees attached to this contract beyond those described above, (except for the possible additional fees related to OMB Circular A-133 and the SF-SAC federal report discussed below) unless mutually agreed upon by the IHL Board, the Office of the State Auditor and the Firm in writing. The Firm's fee commitment assumes that the IHL will qualify as a low risk auditee under OMB Circular A-133, and that the major programs which currently exist (as outlined in the Firm's proposal) will not have findings which will increase the needed frequency of the IHL's audit requirements. If new major programs are identified or existing programs require audits more frequently, \$15,000 to \$25,000 will be charged per additional major program based on the level of complexity and time spent auditing the program.
 - B. The Firm will be contracted to prepare the federal Data Collection Form (SF-SAC) which must be submitted annually to the federal clearinghouse. The Firm will be paid \$5,000 annually for the preparation of this report. This form must be completed in time for its submission to the federal clearinghouse by its mandated deadline (March 31).
 - C. IF the Firm is charged by any institution for expenses related to background checks or other facility charges as part of conducting the audit, the Firm will request reimbursement for these expenses.

The Firm will receive no more than the agreed upon compensation no matter the number of hours worked except as provided in paragraphs 18 and/or 24.

4. The professional services will be performed in conformity with the following:
 - A. The standards for financial audits set forth in the U.S. Government Accountability Office's *Government Auditing Standards* 2011 which includes generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants (AICPA).
 - B. Statements of financial accounting standards as prescribed by the Governmental Accounting Standards Board (GASB).

- C. Specific grant compliance matters in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement, and other related OMB circulars.
 - D. Single Audit Act Amendments of 1996, and the Office of Management and Budget (OMB) Circular A-133, Audits of States and Local Governments, and Non-Profit Organizations.
 - E. Mississippi Code Annotated (1972) for compliance with applicable state laws.
 - F. Special items or reports as forth in Attachment A.
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- 5. The Firm shall report immediately to the IHL Board and the Office of the State Auditor any preliminary findings of possible fraud, misapplication or misappropriation of funds.
 - 6. The IHL Board with the written consent of the Office of the State Auditor has the right to reject any work not meeting the terms of this contract. Should either reject any services, the IHL Board's or the Office of the State Auditor's authorized representative shall notify the Firm in writing of such rejection, giving reason therefor. The Firm shall have the right to remedy or cure such work within thirty (30) days of such notice. The right to reject services shall extend throughout the terms of this contract. However, prior to termination of this contract by the IHL Board, the IHL Board must provide written justification to the Office of the State Auditor documenting the reasons for requesting the contract be terminated. The IHL Board must obtain written approval from the Office of the State Auditor prior to terminating the contract.
 - 7. The work papers remain the property of the Firm. All other files, notes, correspondence and all other data compiled during the course of the audit shall be available, without cost, to the IHL Board and the Office of the State Auditor for examination and abstracting during the normal business hours of any business day. The records shall be maintained for at least five (5) years; however, if any litigation or other legal action relating to this engagement is begun that is not completed at the end of the five (5) year period, or if such litigation or other legal action has not been resolved at the end of the five (5) year period, the records shall be retained until resolution.
 - 8. The Firm shall provide to the IHL Board twenty-five (25) copies and to the Office of the State Auditor six (6) copies of each of the three completed signed deliverable reports required by paragraphs 1A. and 1B. of this contract. The three required deliverable reports are also specified below in paragraph 9, as "Deliverables 1, 2 and 3." In addition, the Firm shall also provide to the IHL Board and the Office of State Auditor an electronic file of each report required by paragraphs 1A. and 1B. of this contract. The electronic report shall be in Adobe Acrobat (.pdf) format.

9. The deadline for the three deliverables required by paragraphs 1A. and 1B. of this contract are as follows:

Deliverable 1 (see Attachment A for additional description)

The IHL System is included in the State of Mississippi's CAFR as a major component unit of the state. A draft of the IHL System information necessary for presentation in the CAFR will be due to the Mississippi Department of Finance and Administration on, or about November 5th each year. The audit FIRM will be required to issue an opinion on the IHL System's "Statement of Net Position" and on the IHL System's "Statement of Activities" and related note disclosures as presented in the State of Mississippi CAFR. This report must be dated prior to the issuance of the State of Mississippi CAFR. It should be expected that the finalized Mississippi CAFR will be issued by the State on or around December 15th of each year.

Deliverable 2 (see Attachment A for additional description)

This deliverable must be dated prior to the issuance of the State of Mississippi CAFR (see deliverable #1 above). The State CAFR is typically issued on or around December 15th each year. An approximate due date no later than December 15th for the issuance of the IHL System Financial Audit each year should be anticipated. However, coordination with the Mississippi Department of Finance and Administration will be necessary to ensure that the Independent Auditor's Report for the IHL System audit precedes the State CAFR audit opinion date.

Specific to this section, expected performance from the FIRM would include all audit services necessary to issue an Independent Auditor's Report on the Financial Statements in accordance with applicable professional standards, industry guidelines and regulations. The FIRM also agrees to perform subsequent events testing/inquiry for the period between the date of the auditor's report on the IHL System and the expected date of the opinion on the State of Mississippi CAFR for consideration by the Mississippi Department of Finance and Administration and the Mississippi Office of the State Auditor.

Deliverable 3 (see Attachment A for additional description)

This report deliverable is necessary to satisfy the requirements of the Single Audit Act in accordance with OMB Circular A-133. The work performed must be completed and report issued on or around March 15th each year (approximately 8 months after the IHL System's annual report period-end).

The Firm is dependent upon the timely completion of work performed by other professionals as described in Attachment "A". The Firm shall have no responsibility for the failure to meet its deadlines, if such failure is due solely to the failure of other professionals, which are not employed or engaged by the Firm, to provide Firm with information/data required in order for Firm to meet its deadlines under this contract, and the exhibits attached hereto. In any event, the Firm will make every effort to meet the deadlines set forth in this contract and the exhibits hereto.

10. The Firm's Professional Services Proposal, dated March 21, 2014, attached hereto as Exhibit "A", shall be incorporated as a part of this contract. Additionally, the IHL Board's Request for Proposal, dated February 21, 2014, attached hereto as Exhibit "B", shall be incorporated as part of this contract. Additionally, the engagement letter, dated April 24, 2014, attached hereto as Exhibit "C", shall be incorporated as part of this contract. The representations and terms set out within Exhibits "A", "B" and "C" hereto is considered terms of this contract. In the event of any conflict, this Contract for Professional Services shall take precedence, followed by Exhibit C, Exhibit A and Exhibit B. The IHL understands that a new engagement letter shall be submitted for review at the beginning of each fiscal year audit.
11. The Firm shall keep on file monthly progress reports which detail the work completed during the period and shall make these reports available to the IHL Board and/or the Office of the State Auditor for review, if requested.
12. The Firm will be entitled to submit monthly invoices to the IHL Board with supporting documentation of costs incurred. Each invoice shall provide the number of hours worked at each individual IHL institution including the IHL Board Office. The Firm shall submit a final invoice for all work performed. The final payment of the annual contract amount will be paid by the IHL Board upon completion of the audit services and acceptance by the Office of the State Auditor and the IHL Board.

Pursuant to Paragraph 6, the authorized representative of the Office of the State Auditor is empowered to accept and approve, or reject the services furnished by the Firm in compliance with the provisions of this contract and the attached Exhibits. However, any rejection of services must be based solely on the Firm's failure to comply with the terms of this contract, and cannot be based on the nature of the Firm's opinion on the financial statements of IHL or its audit reports.

13. The contract shall expire 120 days after the final services have been rendered.
14. If, through any cause other than the work of the Other Professionals, the Firm shall fail to fulfill in a timely and proper manner, as determined by the IHL Board and/or the Office of the State Auditor, its obligations under this contract, or if the Firm shall violate any of the covenants, agreements, or stipulations of this contract after 30-day notice and reasonable opportunity to cure, the IHL Board with the written consent of the Office of the State Auditor shall thereupon have the right to terminate this contract by giving written notice to the Firm of such termination and specifying the effective date of such termination. The IHL Board shall provide reasonable written notice and opportunity to cure any deficiency that forms the basis for termination under this paragraph. Furthermore, the Firm is considered to have an ethical duty to notify the Office of the State Auditor as soon as possible if the deliverable report deadlines cannot be met. In the event of contract termination, the Firm will provide reasonable assistance to successor auditors in accordance with the applicable professional standards.

15. So long as the IHL Board shall have complied with all of its obligations under this Agreement, if the Firm fails (solely attributable to its own fault) to meet the expected due dates for the final deliverable reports described in paragraph 9, the IHL Board may, at its option, reduce the agreed compensation by an amount not to exceed ten percent (10%) of the total annual contract amount as liquidated damages for the failure to complete the contract by the required completion dates.
16. The IHL Board with the written consent of the Office of the State Auditor may terminate this contract at any time, for any reason other than those reasons contained in paragraph 14, by giving written notice to the Firm of such termination and specifying the effective date thereof, at least ten days before the effective date of such termination. In that event, all finished and unfinished documents and other materials as described in paragraph 9 shall become the IHL Board's property. If the contract is terminated by the IHL Board with the written consent of the Office of the State Auditor as provided herein, the Firm will be paid an amount equal to fees which have been earned as of the termination date based on the hours worked to date. The IHL Board must obtain written approval from the Office of the State Auditor prior to terminating the contract.
17. In the event the IHL Board with the written consent of the Office of the State Auditor exercises its right to terminate this contract pursuant to paragraph 14 of this contract, the Firm shall bear all costs associated with the issuance of a new contract, including, but not limited to, the costs of reissuing another request for proposal (RFP) and additional costs resulting from an acceleration of services necessary for the timely completion of such auditing services.
18. The IHL Board and/or the Office of the State Auditor may request changes in the scope of services to be performed by the Firm. Such changes, including any increase or decrease in the amount of the Firm's compensation, which must be mutually agreed upon by and between the IHL Board, or its duly authorized representative, and the Firm, and shall be included in written amendments to this contract and subject to approval by the Office of the State Auditor.
19. The Firm shall, during the entire term of this contract, be construed to be an independent contractor. Nothing in this contract is intended to nor shall be construed to create an employer-employee relationship, or a joint venture relationship.

The Firm represents that it is qualified to perform the duties to be performed under this contract and that it has, or will secure, if needed, at its own expense, applicable personnel who are qualified to perform the duties required under this contract. Such personnel shall not be deemed in any way, directly or indirectly, expressly or by implication, to be employees of the IHL Board.

Any person assigned by the Firm to perform the services hereunder shall be the employee or a subcontractor of the Firm, who shall have the sole right to hire and discharge its employee or subcontractors.

The Firm or its subcontractors shall pay, when due, all salaries and wages of their employees and accepts exclusive responsibility for the payment of federal income tax, social security, unemployment compensation and any other withholdings that may be required.

Neither the Firm, its subcontractors, nor their employees are entitled to state retirement or leave benefits.

It is further understood that the consideration expressed herein constitutes full and complete compensation for all services and performance hereunder, and that any sum due and payable to the Firm shall be paid as a gross sum with no withholdings or deductions being made by the IHL Board for any purpose from said contract sum, except as permitted in paragraphs 14, 15 and 16.

20. The Firm will be granted timely access to all client and claimant information necessary for completion of the audit services described herein. The Firm assures the IHL Board that any and all information regarding clients and claimants of the IHL Board will be kept strictly confidential. Any use or release of client or claimant information for purposes other than to fulfill the Firm's or the Office of the State Auditor's responsibilities under this contract must have the prior written approval of the IHL Board.

Notwithstanding any provision to the contrary contained herein, it is recognized that the IHL Board is a public agency of the state of Mississippi, subject to the Mississippi Public Records Act, Section 25-61-1, et seq., Miss. Code Ann. If a public records request is made for any information provided to the IHL Board pursuant to this Agreement, the IHL Board shall promptly notify the Firm of such request. The Firm shall promptly institute appropriate legal proceedings to protect its information. Neither party shall be liable to the other Party for disclosures of information required by court order or required by law.

In compliance with the Mississippi Transparency and Accountability Act, Section 27-104-151, et seq., Miss. Code Ann., all payments made by the IHL Board will be posted on a public website. The information posted will include date of payment, vendor name, vendor's city and state, and payment amount. The Firm agrees that the release of this information is allowed under this Agreement and any non-disclosure or confidentiality clause shall be subordinate to this clause.

21. This contract shall be construed and governed in accordance with the laws of the State of Mississippi, and venue for the resolution of any dispute shall be Jackson, Hinds County, Mississippi. If the Firm is required to give advice, testimony or other such activity that is not within the scope of rendering, confirming or justifying a report of audit services rendered, such arrangements shall be set forth in a separate arrangement letter. In the event that pursuant to subpoena that the IHL Board receives or other legal process, and the IHL Board requests the Firm to produce documents relating to this engagement in judicial or administrative proceedings to which the Firm is not a party, the IHL Board shall reimburse the Firm at reasonable

billing rates for its professional time and expenses to be negotiated with and agreed to in writing by IHL Board in the event such services are required.

22. Any dispute concerning a question of fact arising under this contract shall be disposed of by good faith negotiation between duly authorized representatives of the IHL Board, the Office of the State Auditor, and the Firm. Such a resolution shall be reduced to writing and a copy thereof mailed or furnished to the Firm and shall be final and conclusive, unless within ten (10) days from the date of such resolution, the Firm mails or furnishes to the IHL Board and the Office of the State Auditor a written request for review. The Firm shall be afforded an opportunity to be heard and to offer evidence in support of his/her/its position on the issue in dispute and under review. The review will be handled under a three (3) person panel for arbitration composed of the Deputy State Auditor, the Director of Technical Assistance and the Director of the Financial and Compliance Audit Division. The decision of the arbitration panel of the Office of the State Auditor on the review shall be final and conclusive unless determined by a court of competent jurisdiction in Hinds County, State of Mississippi, to have been fraudulent, capricious, or so grossly erroneous as necessarily to imply bad faith, or not be supported by substantial evidence. Pending final decision of a dispute hereunder, the Firm shall proceed diligently with the performance of the duties and obligations of the contract. In the event that the IHL Board or the Office of the State Auditor has a dispute or claim with the Firm's services, the parties shall participate in non-binding mediation prior to commencing litigation in a Hinds County, Mississippi court of competent jurisdiction. This agreement shall be construed and governed in accordance with the laws of the State of Mississippi and venue for the resolution of any dispute shall be Jackson, Hinds County, Mississippi. The Firm expressly agrees that under no circumstances shall the IHL Board be obligated to pay attorney fees or the cost of legal action to the Firm, in connection with such dispute.
23. The Firm shall comply with all applicable laws, regulations, policies and procedures, and grant requirements (if applicable) of the United States of America or any agency thereof, the State of Mississippi or any agency thereof and any local governments or political subdivisions that may affect the performance of services under this contract. Specifically, but not limited to, the Firm shall not discriminate against any employee nor shall any party be subject to discrimination in the performance of this contract because of race, creed, color, sex, age, national origin or disability.
24. Modification, changes or amendments to this contract may be made upon mutual agreement of the parties hereto. However, any change, supplement, modification or amendment of any term, provision or condition of this contract must be in writing and signed by all parties hereto.
25. The Firm shall not assign or otherwise transfer the obligation incurred on its part pursuant to the terms of this contract without the prior written consent of the IHL Board and the Office of the State Auditor. Any attempted assignment or transfer of its obligations without such consent shall be null and void. All obligations and duties of either party under this contract shall be binding on all successors in interest or assigns of such party.

26. Failure of any party hereto to insist upon strict compliance with any of the terms, covenants and conditions hereof shall not be deemed a waiver or relinquishment of any similar right or power hereunder at any subsequent time or of any other provision hereof, nor shall it be construed to be a modification of the terms of this contract.
27. The Firm agrees to indemnify, defend, save and hold harmless, the IHL Board and the Office of the State Auditor from and against all claims, demands, liabilities, suits, damages and costs of every kind and nature whatsoever, including court costs and attorney fees, arising out of or caused by the Firm and/or its partners, principals, agents, employees or subcontractors in the performance of this contract. The Firm agrees to indemnify, defend, save and hold harmless the IHL Board and Office of the State Auditor from and against all claims, liabilities, damages and losses, including but not limited to attorney's fees, arising out of or caused by gross negligence or intentionally wrongful act of the Firm, its officers or employees in the performance of services under this contract.

The foregoing obligation to define, indemnify and hold the IHL Board and Office of the State Auditor harmless shall not extend or apply to any claim alleging that the IHL's financial statements are inaccurate or incomplete or were not prepared in accordance with generally accepted accounting principles and in no event will the Firm indemnify, defend, or hold the IHL Board or Office of the State Auditor harmless against any such claim. Further, in no event will the Firm defend, indemnify or hold the IHL Board or Office of the State Auditor harmless against any claims resulting from the IHL Board's or Office of the State Auditors' own acts.

28. It is expressly understood by the parties hereto that the fulfillment of the obligations of the IHL Board under this agreement is conditioned upon the availability and receipt of funds. In the event that funds are insufficient or otherwise unavailable to satisfy payment due under this agreement, the IHL Board shall not be obligated to make such payments, and all further obligations of the IHL Board under this agreement shall cease immediately, without penalty, cost or expense to the IHL Board of any kind whatsoever. In the event of such insufficiency or unavailability of funding, the IHL Board shall promptly notify the Firm, in writing, of such event, and this agreement shall be void. The IHL Board represents to the Firm that the IHL Board currently has funds available to fulfill its obligations pursuant to this Agreement.
29. The Firm represents that it and its subcontractors will maintain workers' compensation insurance which shall inure to the benefit of all Firm's personnel provided hereunder, comprehensive general liability or professional liability insurance, and where applicable, employee fidelity bond insurance.
30. If any term or provision of this contract is prohibited by the laws of the State of Mississippi or declared invalid or void by a court of competent jurisdiction, the remainder of this contract shall not be affected thereby and each term and provision of this contract shall be valid and enforceable to the fullest extent permitted by law.

31. This contract constitutes the entire agreement of the parties with respect to the subject matter contained herein and supersedes and replaces any and all prior negotiations, understandings and agreements, written or oral, between the parties relating thereto.
32. The parties agree to promptly notify each other of any change of address.
33. Contractor/Seller represents and warrants that it will ensure its compliance with the Mississippi Employment Protection Act, Section 71-11-1, et seq., of the Miss. Code Ann. (Supp 2008), and will register and participate in the status verification system for all newly hired employees. The term "employee" as used herein means any person that is hired to perform work within the State of Mississippi. As used herein, "status verification system" means the Illegal Immigration Reform and Immigration Responsibility Act of 1996 that is operated by the United States Department of Homeland Security, also known as the E-Verify Program, or any other successor electronic verification system replacing the E-Verify Program. Contractor/Seller agrees to maintain records of such compliance and, upon request of the State and approval of the Social Security Administration or Department of Homeland Security, where required, to provide a copy of each such verification to the State. Contractor/Seller further represents and warrants that any person assigned to perform services hereunder meets the employment eligibility requirements of all immigration laws of the State of Mississippi. Contractor/Seller understands and agrees that any breach of these warranties may subject Contractor/Seller to the following: (a) termination of this Agreement and ineligibility for any state or public contract in Mississippi for up to three (3) years, with notice of such cancellation/termination being made public, or (b) the loss of any license, permit, certification or other document granted to Contractor/Seller by an agency, department or governmental entity for the right to do business in Mississippi for up to one (1) year, or (c) both. In the event of such termination/cancellation, Contractor/Seller would also be liable for any additional costs incurred by the State due to contract cancellation or loss of license or permit.
34. The Firm represents that it has not retained a person to solicit or secure a State contract upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, except as disclosed in the contractor's bid or proposal (if applicable).
35. The Firm represents that it has not violated, is not violating, and promises that it will not violate the prohibition against gratuities set forth in Section 7-204 (Gratuities) of the "Mississippi Personal Service Contract Procurement Regulations."
36. The Firm certifies that the price submitted in response to the solicitation has been arrived at independently and without – for the purpose of restricting competition – any consultation, communication, or agreement with any other bidder or competitor relating to the price, the intention to submit a bid, or the methods or factors used to calculate the price bid.
37. The Firm certifies to the best of its knowledge and belief, that it and its principals:

- a. Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal department or agency;
- b. Have not within a three-year period preceding this contract been convicted or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State, or local) transaction or contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
- c. Are not presently indicted or otherwise criminally or civilly charged by a government entity (Federal, State or local) with commission of any of the offenses enumerated in item b. of this certification; and
- d. Have not within a three-year period preceding this contract had one or more public transactions (Federal, State or local) terminated for cause or default.

Where the Firm is unable to certify to any of the statements in this certification, an explanation should be attached.

With regards to 37.d.: KPMG LLP, a Delaware limited liability partnership ("KPMG"), is a nationwide professional services firm which works on thousands of engagements each year across the country. We do not formally track contract terminations. As is the case with other major accounting firms, from time to time KPMG may receive a question or complaint from a client about the conduct of a particular engagement. KPMG attempts to promptly address and resolve issues with clients, so that clients do not invoke contractual termination or default clauses. KPMG is not aware of any significant issues, relating to contracts with other clients in the last 3 years, or any terminations of those contracts, which would present any concerns with respect to KPMG's ability to successfully perform the services contemplated by this contract.

In witness whereof, this contract has been entered into and executed by the parties hereto in triplicate originals.

IHL BOARD REPRESENTATIVE

SIGNED: _____ WITNESS _____

TITLE: _____

DATE: _____

FIRM REPRESENTATIVE

CPA FIRM: KPMG LLP

SIGNED: Eileen M. McHugh WITNESS _____

TITLE: Partner

DATE: 5/9/14

OFFICE OF THE STATE AUDITOR

SIGNED: William R. Don WITNESS J. Thomas Vickers

TITLE: Director Financial Compliance Auditor

DATE: 5/13/2014

ATTACHMENT A - AUDIT SERVICES SCHEDULE

The following audit work must be performed and applicable reports issued by the audit FIRM within the time frame listed below after a contract has been awarded:

1. **Independent Auditor's Report and Information necessary for inclusion in the fiscal years ending June 30th "State of Mississippi Comprehensive Annual Financial Reports (CAFR)"**

The IHL System is included in the State of Mississippi CAFR as a major component unit of the state. Because the IHL System is treated as a component unit for financial reporting purposes, a consolidated single column presentation of the IHL System's financial operations is made in the State of Mississippi's CAFR. Included with this presentation are audited figures from significant and material affiliated entities of the IHL System. At this time it is anticipated that the main development foundations for Mississippi State University, the University of Mississippi and the University of Southern Mississippi will be discretely disclosed in the IHL System's presentation. These three organizations will be separately audited by other CPA firms under different contracts. The audit FIRM for this contractual agreement will be required to issue an opinion of the IHL System's "Statement of Net Position" and on the "Statement of Activities" and related note disclosures as presented in the Mississippi CAFR. A draft of the information necessary for the CAFR will be due to the Mississippi Department of Finance and Administration on, or about November 5th each year. A finalized report and associated audit opinion must be dated prior to the issuance of the Mississippi CAFR, which is expected to be finalized on or around December 15th each year.

2. **Independent Auditor's Report on the financial statements of the State of Mississippi IHL University System for the fiscal years ending June 30th and an Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards**

Perform the audit services necessary to issue an Independent Auditor's Report on the Financial Statements in accordance with applicable guidelines and regulations as listed in *Part II – Work Statement* of this document for the fiscal year endings June 30th. These reports must be dated prior to the issuance of the State of Mississippi CAFR (see deliverable #1). The CAFR is typically issued on or around December 15th each year. Therefore an approximate date of December 15th for the issuance of the IHL System financial audits each year ending should be anticipated. However, coordination with the Mississippi Department of Finance and Administration will be necessary to ensure that the date of the Independent Auditor's Report for the IHL System Audit precedes the State's CAFR Audit Opinion date.

3. **Independent Auditor's Report on the Schedule of Expenditures of Federal Awards, an Independent Auditor's report on Compliance with Requirements Applicable to Each Major Program and, an Independent Auditor's Report on Internal Control Over Compliance in Accordance with OMB Circular A-133**

Perform the audit services necessary and in accordance with applicable guidelines and regulations as listed in *Part II – Work Statement* of this document for the fiscal year financial statements of the IHL System in order to issue:

- a. an Independent Auditor's Report on the Schedule of Expenditures of Federal Awards,
- b. an Independent Auditor's report on Compliance with Requirements Applicable to Each Major Program and,
- c. an Independent Auditor's Report on Internal Control Over Compliance in Accordance with *OMB Circular A-133*.

These are the reports necessary to satisfy the requirements of the Single Audit Act Amendments of 1996 in accordance with OMB Circular A-133. This work will need to be completed and report issued on or around March 15th each year (8 ½ months after the reporting period end). In addition, the audit FIRM must work with the IHL Board Office staff to ensure that the Data Collection Form required for submission to the Federal Audit Clearinghouse of the Office of Management and Budget is completed and submitted prior to the March 31st federal deadline for such submission.

The only portions of the three deliverables noted above that are separately contracted to other CPA firms and are not included in this RFP are as follows:

- Audited financial statements of the university foundations that are necessary for inclusion in deliverables 1 and 2 above. It is anticipated that this will include the inclusion of the main development foundations at Mississippi State University, the University of Mississippi, and the University of Southern Mississippi.
- The University of Mississippi Medical Center Educational Building Corporation
- The IHL System's self-insured Tort Claims Fund
- The IHL System's self-insured Workers Compensation Fund
- The University of Mississippi Medical Center Tort Claims Fund