



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

August 8, 2016

Mr. Roger Knight
Vice President for Business & Administrative Services
Pearl River Community College
101 Highway 11 North
Poplarville, Mississippi 39470

Dear Mr. Knight:

Enclosed for your files is an executed Contract for Professional Services between Pearl River Community College and Herzog CPA Company, PLLC for the performance of the services as set forth in the contract for the years ending June 30, 2016 and June 30, 2017. This contract has been reviewed and signed by a representative of the Office of the State Auditor pursuant to Section 7-7-211(k), Mississippi Code of 1972 (Ann.).

Please let us know if you have any questions or need any additional information.

Sincerely,

A handwritten signature in black ink that reads "J. Thomas Vickers".

J. Thomas Vickers, CPA
Director, Contract Audit Review Section

Enclosure

C: Herzog CPA Company, PLLC
Ms. Angela T. Herzog, CPA,

CONTRACT FOR PROFESSIONAL SERVICES

This document reflects a contractual agreement entered into as of the 29th day of JUN, 2016 among the Office of the State Auditor, Pearl River Community College (herein referred to as the "College") and Herzog CPA Company, P.C. (herein referred to as the "Firm") to provide services, materials and personnel to perform the work as specified in paragraph 1. This contract is entered into pursuant to Section 7-7-211(k), Mississippi code of 1972 (Ann.).

Scope of Services

1. The College and the Office of the State Auditor desire to engage the Firm to render the following professional audit services for the College for the ~~2014-2015~~ and ~~2015-2016~~ fiscal years: 2015-2016 2016-2017
 - A. Perform a financial audit for all funds of the College.
 - B. Perform a compliance audit with applicable state and federal laws and regulations.
 - 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.

Authorized Representatives

2. The following individuals have been empowered to act as the duly authorized representatives for this contract:

Office of the State Auditor

Name: J. Thomas Vickers, CPA
 Title: Director, Contract Audit Review Section
 Address: P. O. Box 956, Jackson, MS 39205

Pearl River Community College
 Name: Mr. Roger Knight
 Title: Vice President for Business
 Address: 101 Highway 11 North
Poplarville, MS 39470

Name: Herzog CPA Company, PLLC **CPA Firm**
 Title: Angela T. Herzog, CPA
 Address: CPA/owner
P.O. Box 17986, Hattiesburg, MS 39404

Notices: All notices required or permitted to be given under this Contract must be in writing and personally delivered or sent by facsimile provided that the original of such notice is sent by certified United States mail postage prepaid, return receipt requested, or overnight courier with signed receipt, to the party to whom this notice should be given as indicated above. Notice shall be deemed given when actually received or when refused. The parties agree to promptly notify each other in writing of any change of address.

Contract Fee Consideration

3. The Firm shall receive as compensation to be paid by the College for the described auditing services a fee not to exceed:

\$ for the audit for the fiscal year ending June 30, 2015.

\$ 26,180.00 for the audit for the fiscal year ending June 30, 2016.

* 26,180.00 for the audit of the fiscal year ending June 30, 2017
The said fee is based on:

 Hours at \$ per hour for the 2015 fiscal year audit.

308 Hours at \$ 85.00 per hour for the 2016 fiscal year audit.

308 Hours at \$ 85.00 per hour for the 2017 fiscal year audit.

The Firm shall not receive as compensation an amount greater than the actual hours worked multiplied by the rate per hour for the applicable fiscal year. The Firm will receive no more than the agreed upon compensation no matter the number of hours worked except as provided in paragraph 18.

Compliance with Laws and Professional Standards

4. The professional services will be performed in conformity with the following:
- Statements of financial accounting standards as prescribed by the Financial Accounting Standards Board and the Governmental Accounting Standards Board.
 - Government Auditing Standards, as required by the U.S. Government Accountability Office (The Yellow Book).
 - Specific grant compliance matters contained in the Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*.

- D. OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and other related OMB Circulars.
- E. The Single Audit Act Amendments of 1996.
- F. Mississippi Code Annotated (1972) for compliance with applicable state laws.

Reportable Findings

- 5. The Firm shall report immediately to the College and the Office of the State Auditor any preliminary findings of possible fraud, misapplication or misappropriation of funds.

Termination of Contract

- 6. The College, with the written consent of the Office of the State Auditor, has the right to reject, at any time during the contract period, any work not meeting the terms of this contract. Should either reject any services, the College's or the Office of the State Auditor's authorized representative shall notify the Firm in writing of such rejection giving reason therefore. The right to reject services shall extend throughout the terms of this contract. However, prior to termination of this contract by the College, the College must provide written justification to the Office of the State Auditor documenting the reasons for requesting the contract be terminated. The College must obtain written approval from the Office of the State Auditor prior to terminating the contract.

Firm's Requirements of Services

- 7. The Firm shall provide a draft report and the workpapers, if requested, to the Office of the State Auditor for review and approval. This draft report must be provided to the Office of the State Auditor no later than ~~December 31, 2015~~ ^{March 13, 2016} for the fiscal year 2015-16 audit and ~~December 31, 2016~~ ^{March 13, 2017} for the fiscal year 2016-17 audit. Upon written notification by the Office of the State Auditor, the Firm shall make any necessary revisions to the report resulting from the review, and these revisions shall be made within two weeks of such notification. The records shall be maintained for at least five (5) years; however if any litigation or other legal action has begun that is not completed at the end of the five (5) year period, or if audit findings, 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.

After the appropriate revisions, if any, have been made and the revised audit report has been accepted by the Office of the State Auditor, a written notification of this acceptance will be sent to the Firm notifying the Firm that all requirements of the Office of the State Auditor have been met and the audit report, as approved, may be released.

Responsibility of Firm to Distribute Audit Report

8. Upon the Firm's receipt of the written notification of acceptance, as referred to in paragraph 7 of this agreement, the Firm shall mail copies of the approved audit report per the following schedule:
- A. Three copies should be mailed to:

Office of the State Auditor
Attn: Contract Audit Review Section
Post Office Box 956
Jackson, MS 39205
 - B. One copy should be mailed to:

Recorder of Public Documents
Mississippi Library Commission
3881 Eastwood Drive
Jackson, MS 39211
 - C. One copy should be mailed to:

Director of Internal Audit
Mississippi Department of Education
Post Office Box 771
Jackson, MS 39205-0771
 - D. Copies should be mailed to the College's levying authority or authorities, including the following:

MS State Board for Community and Junior Colleges
Attention: Deputy Executive Director for Finance and Administration
3825 Ridgewood Road
Jackson, MS 39211
 - E. The Data Collection Form (Form SF-SAC) and one copy of the approved Single Audit reporting package, as required by Section .320 of OMB Circular A-133, should be filed electronically with the Federal Audit Clearinghouse. Instructions for the filing may be accessed at <http://harvester.census.gov/fac/index.html>.
 - F. The Firm shall provide 15 copies of the approved audit report to the College.

Engagement Letter

9. The Firm's engagement letter, dated July 29, 2011, which contains the price quote, shall be incorporated as a part of this contract.

Progress Reports

10. The Firm shall keep on file monthly progress reports which detail the work completed during the month and shall make these reports available to the College and/or the Office of the State Auditor for review, if requested.

Payment

11. The Firm will be entitled to interim payments, which shall not exceed 70% of the contract amount for the applicable fiscal year, from the College. The Firm shall submit a final invoice for all work performed. This invoice shall provide the number of hours worked by each employee. The final payment of the annual contract amount will be paid by the College upon completion of the audit services and acceptance by the Office of the State Auditor and the College. The Firm will not be entitled to compensation from the College for correction of any deficient work found in the review by the Office of the State Auditor.

Approval

12. 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. No payment, including final payment, shall be construed as acceptance of defective or incomplete work and the Firm shall remain responsible and liable for full performance.

Contract Expiration

13. The contract shall expire 120 days after the final services have been rendered.

Ownership of Documents and Work Papers Upon Termination of Contract

14. The work papers remain the property of the Firm. All other files, notes, correspondence and all other data compiled during the audit shall be available without cost to the College and the Office of the State Auditor for examination and abstracting during normal business hours of any business day. The records shall be maintained for at least five (5) years as required in paragraph 7 of this contract. If, through any cause, the Firm shall fail to fulfill in a timely and proper manner, as determined by the College 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, the College, 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. However, prior to termination of this contract by the College, the College must provide written justification to the Office of the State Auditor documenting the reasons for requesting the contract be terminated. The College must obtain written approval from the Office of the State Auditor prior to terminating the contract. Furthermore, the Firm should notify the Office of the State Auditor and the College as soon as possible if the deadlines cannot be met. In the event the contract is terminated, the Firm will provide reasonable assistance to successor auditors in accordance with the applicable professional standards.

Reduction of Compensation

15. If the Firm fails to meet the submission date by less than thirty days for the draft report and/or workpapers submitted to the Office of the State Auditor for review and approval or by less than thirty days from the completion date for the final reports and/or corrections to the workpapers prescribed herein, the College may reduce the agreed compensation by an amount not to exceed ten percent of the total contract price for the applicable fiscal year. If reports and/or corrections to the workpapers are overdue by 30 days or more, the College may reduce the agreed compensation by an amount not to exceed twenty percent of the total contract price for the applicable fiscal year.

Contract Termination Compensation

16. The College, 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 above, 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. However, prior to termination of this contract by the College, the College must provide written justification to the Office of the State Auditor documenting the reasons for requesting the contract be terminated. The College must obtain written approval from the Office of the State Auditor prior to terminating the contract. In the event the contract is terminated, the Firm will provide reasonable assistance to successor auditors in accordance with the applicable professional standards. If the contract is terminated by the College and/or the Office of the State Auditor as provided herein, the Firm will be paid an amount which bears the same ratio to the total services of the Firm covered by the contract as supported by detailed invoices submitted to the College by the Firm identifying hours worked on the contract.

Termination of Contract

17. In the event the College and/or the Office of the State Auditor exercises its right to terminate this contract pursuant to paragraph 6 and/or paragraph 14 of this contract, the Firm shall bear all costs associated with the issuance of a new contract. However, prior to termination of this contract by the College, the College must provide written justification to the Office of the State Auditor documenting the reasons for requesting the contract be terminated. The College must obtain written approval from the Office of the State Auditor prior to terminating the contract. Also, the Firm shall notify the College and the Office of the State Auditor of any potential conflict of interest resulting from service to other clients. If such conflict cannot be resolved to the College's satisfaction, the College reserves the right to terminate this contract with the written consent of the Office of the State Auditor.

Modification or Renegotiation

18. The College, Office of the State Auditor, or the Firm 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 are mutually agreed upon by and between the College, or its duly authorized representative, and the Firm, shall be included in written amendments to this contract and subject to approval by the Office of the State Auditor.

Contractor Requirements

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 College.

Any person assigned by the Firm to perform the services hereunder shall be an employee or a subcontractor of the Firm who shall have the sole right to hire and discharge its employees 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 College for any purpose from said contract sum, except as permitted in paragraphs 14, 15 and 16.

Indemnification: To the fullest extent allowed by law, the Firm shall indemnify, defend, save and hold harmless, protect, and exonerate the College, its officers, employees, agents and representatives, and the State of Mississippi from and against all claims, demands, liabilities, suits, actions, damages, losses and costs of every kind and nature whatsoever, including, without limitation, court costs, investigative fees and expenses, and attorneys' fees, and claims for damage arising out of or caused by the firm and/or its partners, principals, agents, employees and/or subcontractors in the performance of or failure to perform this Contract.

Third Party Action Notification: The Firm shall notify the College in writing within five (5) business days of its receipt of liquidation or receivership proceedings or within five (5) business days of its receipt of notification of any action or suit being filed or any claim being made against the Firm or the College by any entity that may result in litigation related in any way to this Contract and/or which may affect the Firm's performance under this Contract. Failure of the Firm to provide such written notice to the College shall be considered a material breach of this Contract and the College may, at its sole discretion, pursue its rights as set forth in the Termination clauses herein and any other remedies it may have at law or in equity.

Confidential Information

20. The Firm will be granted access to all client and claimant information necessary for completion of the audit services described herein. The Firm and the Office of the State Auditor assure the College that any and all information regarding clients and claimants of the College 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 College.

Contract Governance

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. The Firm expressly agrees that under no circumstances shall the Office of the State Auditor and/or the College be obligated to pay an attorney's fee or the cost of legal action to the Firm.

Disputes and Arbitration

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 College, 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. If a resolution cannot be reached, the Firm shall mail or furnish to the College 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 Director of the Financial and Compliance Audit Division, the Director of Technical Assistance and the Director of the Contract Audit Review Section. 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.

Compliance with Laws

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.

Change in Scope of Work

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.

Assignment

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 College 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.

Failure to Enforce

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.

Availability of Funds

27. It is expressly understood by the parties hereto that the fulfillment of the obligations of the College 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 College shall not be obligated to make such payments, and all further obligations of the College under this agreement shall cease immediately, without penalty, cost or expense to the College of any kind whatsoever. In the event of such insufficiency or unavailability of funding, the College shall notify the Firm in writing, of such event, and this agreement shall be void.

Insurance Requirements

28. Firm represents that it will maintain workers' compensation insurance, if applicable, 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.

Severability

29. 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.

Entire Agreement

30. 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.

Address Changes

31. The parties agree to promptly notify each other of any change of address.

Employee Status Verification System

32. Firm represents and warrants that it will ensure its compliance with the Mississippi Employment Protection Act (Senate Bill 2988 from the 2008 Regular Legislative Session) 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. Firm agrees to maintain records of such compliance and, upon request of the State, to provide a copy of each such verification to the State. Firm 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. Firm understands and agrees that any breach of these warranties may subject Firm to the following: (a) termination of the 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 firm 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, Firm would also be liable for any additional costs incurred by the State due to contract cancellation or loss of license or permit."

Representation Regarding Contingent Fees

33. 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).

Representation Regarding Gratuities

34. 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."

Certification of Independent Price Determination

35. 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.

Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transactions

36. 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.

Whistleblower Protection

37. Section 1553 of Division A, Title XV of the American Recovery and Reinvestment Act of 2009, P.L. 111-5, provides protections for certain individuals who make specified disclosures relating to Recovery Act funds. Any non-federal employer receiving recovery funds is required to post a notice of the rights and remedies provided under this section of the Act.

Reporting Requirements

38. The firm is notified that this contract may be paid in full or part with American Recovery and Reinvestment Act of 2009 (hereinafter, "ARRA") Funds. The Firm shall ensure that all subcontracts and other contracts for goods and services for an ARRA-funded project have the mandated provisions of this directive in their contracts. Pursuant to Title XV, Section 1512 of the ARRA, the Agency shall require that the contractor provide reports and other employment information as evidence to document the number of jobs created or jobs retained by this contract from the Firm's own workforce and any subcontractors. No direct payment will be made for providing said reports, as the cost for same shall be included in the various items in the contract.

Required Contract Provision to Implement ARRA Section 902

39. Section 902 of the ARRA requires that each contract awarded using ARRA funds must include a provision that provides the U.S. Comptroller General and his representatives with the authority to:
- A. Examine any records of the Firm or any of its subcontractors, or any State or local agency administering such contract, that directly pertain to, and involve transactions relating to, the contract or subcontract; and
 - B. Interview any officer or employee of the firm or any of its subcontractors, or of any State or local government agency administering the contract, regarding such transactions.

Accordingly, the Comptroller General and his representatives shall have the authority and rights prescribed under Section 902 of the ARRA with respect to contracts funded with recovery funds made available under the ARRA. Section 902 further states that nothing in 902 shall be interpreted to limit or restrict in any way any existing authority of the Comptroller General.

Authority of the Inspector General Provision

40. Section 1515(a) of the ARRA provides authority for any representatives of the United States Inspector General to examine any records or interview any employee or officers working on this contract. The Firm is advised that representatives of the Inspector General have the authority to examine any record and interview any employee or officer of the Firm, its subcontractors or other firms working on this contract. Section 1515(b) further provides that nothing in this section shall be interpreted to limit or restrict in any way any existing authority of an Inspector General.

Availability and Use of Funds

41. The Firm understands and acknowledges that any and all payment of funds or the continuation thereof is contingent upon funds provided solely by ARRA or required state matching funds. Pursuant to Section 1604 of the ARRA, contractors agree not to undertake or make progress toward any activity using recovery funds that will lead to the development of such activity as casinos or other gambling establishments, aquariums, zoos, golf courses, swimming pools or any other activity specifically prohibited by the Recovery Act.

Federal, State and Local Tax Obligations

42. The Firm asserts and self-certifies that all Federal, State and local tax obligations have been or will be satisfied prior to receiving recovery funds.

Anti-Discrimination and Equal Opportunity

43. Pursuant to Section 1.7 of the guidance memorandum issued by the United States Office of Management and Budget on April 3, 2009, ARRA Recovery funds must be distributed in accordance with all anti-discrimination and equal opportunity statutes, regulations, and Executive Orders pertaining to the expenditure of funds.

Additional Requirements

44. The Firm agrees to comply with additional requirements imposed by ARRA regulations upon notification.

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

COLLEGE REPRESENTATIVE

Pearl River Community College
COLLEGE:

NGM
SIGNED:

Laura Chiodo
WITNESS:

Vice President for Business
TITLE

DATE: 8/4/16

FIRM REPRESENTATIVE

Herzog CPA Company, PLLC
CPA FIRM:

Step 1 Herzog, CPA
SIGNED:

J. N. Herzog
WITNESS:

CPA/owner
TITLE:

DATE: 7/29/16

OFFICE OF THE STATE AUDITOR

J. J. Thomas
SIGNED:

L. R.
WITNESS:

TITLE: Director, Contract Audit Review Section

DATE: 8/8/2016

HERZOG CPA COMPANY, PLLC

Angela T. Herzog, CPA

12 98 Place Boulevard • P.O. BOX 17986 • Hattiesburg, Mississippi 39404

Phone 601-271-8860 • Fax 601-271-8921

July 29, 2016

Pearl River Community College
Mr. Roger Knight
101 Highway 11 North
Poplarville, MS 39470

This letter will confirm our understanding of the arrangements for our audit of the financial statements of Pearl River Community College for the years ending June 30, 2016 and 2017. We will audit only the financial statements of the college for the years ending June 30, 2016 and 2017 for the purpose of expressing our opinion of them.

We will conduct our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, and will include those tests of the accounting records and other procedures we consider necessary to enable us to express an unqualified opinion that the financial statements present fairly, in all material respects, the financial position of Pearl River Community College as of June 30, 2016 and 2017, and the results of operations and cash flows for the year ended in conformity with generally accepted accounting principles. If our opinion is other than unqualified for other reasons, we will fully discuss the reasons with you in advance.

If we are required to perform a Single Audit, then our audit will be conducted in accordance with the Single Audit Act Amendments of 1996 and the provisions of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. OMB Circular A-133 requires that we plan and perform the audit to obtain reasonable assurance about whether the college has complied with certain provisions of laws, regulations, contracts, and grants. Our procedures will consist of applicable procedures described in the OMB's compliance supplement. The purpose of our audit will be to express an opinion on the college's compliance with requirements applicable to major programs and to perform tests of controls to evaluate the effectiveness of the design and operations of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each of the college's major federal programs. Our tests of controls will be less in scope than would be necessary to render an opinion on these controls and, accordingly, no opinion will be expressed.

The fourth general auditing standard requires that we have an appropriate internal quality control system in place and that we undergo an external quality control review. The review is conducted at least once every three years by a team of independent qualified reviewers, and a written report is prepared communicating the results of the external quality control review.

As required by the fourth general auditing standard, we have provided you at the beginning of our audit engagement a copy of our most recent external quality control report.

This report documents whether the required internal quality control system is in place and operating effectively to provide reasonable assurance that established policies and procedures and applicable auditing standards are being followed.

Governmental reporting standards state that we should inform the auditee about information relating to certain audit responsibilities. Therefore, we have provided you at the beginning of our audit engagement a written report called: "Our Responsibilities as Your Entity's Auditor." These responsibilities involve testing and reporting on internal controls and compliance with laws and regulations.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Because of the concept of reasonable assurance, and because we will not perform a detailed examination of all transactions, there is a risk that a material misstatement may exist and not be detected by us. In addition, an audit is not designed to detect errors, fraud, or other illegal acts that are immaterial to the financial statements. However, we will inform you of any material errors or any fraud that comes to our attention. We will also inform you of any other illegal acts that come to your attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to matters that might arise during any later periods for which we are not engaged as auditors.

Our procedures that will be applied to the accounting records of the college will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected customers, creditors, legal counsel, and financial institutions. If we are required to perform a Single Audit, then additional test of transactions related to federal major programs for compliance with applicable laws and regulations will be made. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also request certain written representations from you about the financial statements and related matters.

We understand that you will provide us with the basic information required for our audit and that you are responsible for the accuracy and completeness of that information. We may prepare or assist in the preparation of your financial statements, but the responsibility for the financial statements remains with you. This responsibility includes the maintenance of adequate records and related internal control policies and procedures, the selection and application of accounting principles, and the safeguarding of assets. Management is also responsible for identifying and ensuring that the college complies with applicable laws and regulations.

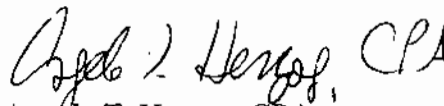
In addition to our independent auditor's report on the financial statements, we will publish various special reports which include our findings of any opinion qualifications, state law violations, weaknesses in internal control, and any other compliance violations that may have come to our attention during the course of the audit. The college's management will be allowed to respond to our comments on any of the above findings prior to the publication of our report. Responses should be limited to fifty words for each finding. Responses will then be included in the published audit report.


Our fee for these services will be \$ 26,180 for the 2016 fiscal year audit and \$26,180 for the 2017 fiscal year audit. The estimate is based on historical costs and the assumption that unexpected circumstances and difficulties will not be encountered during the audit. However, if audit requirements change, the actual fee may be higher or lower than our original estimate. We may have to expand our audit requirements for the following reasons:

1. Condition or auditability of financial records.
2. Single Audit requirements
3. Errors and irregularities discovered during the course of the audit.
4. Lack of cooperation and assistance from personnel and computer assistance when needed.

We ask that you please acknowledge acceptance of the terms of this letter of engagement by signing in the space provided below.

Sincerely,


Angela T. Herzog, CPA



~~Dean of Business Services~~
V/P for Business



SYSTEM REVIEW REPORT

July 31, 2015

To the Member
Herzog CPA Company, PLLC
and the Peer Review Committee of the Mississippi Society of
Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Herzog CPA Company, PLLC (the firm) in effect for the year ended January 31, 2015. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under Government Auditing Standards.

In our opinion, the system of quality control for the accounting and auditing practice of Herzog CPA Company, PLLC in effect for the year ended January 31, 2015, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. Herzog CPA Company, PLLC has received a peer review rating of pass.

Grantham, Poole, Powell, Peitans, Arrington & Cunningham, PLLC