

CONTRACT FOR PROFESSIONAL AUDIT SERVICES OF FISCAL
YEARS 2016, 2017 AND 2018

This Contract, entered into as of this 6th day of April, 2016, by and between the Public Employees' Retirement System of Mississippi, hereinafter referred to as the "PERS" the Office of the State Auditor hereinafter referred to as the "OSA", and Eide Bailly LLP hereinafter referred to as the "Firm."

WHEREAS, PERS and the OSA desire to engage the Firm to render certain professional audit services.

NOW, THEREFORE, the parties hereto mutually agree as follows:

- I. PERS and the OSA hereby engages the Firm and the Firm hereby agrees to perform the professional services set forth in this Contract and in the attached Audit Services Schedule with respect to PERS's fiscal years 2016, 2017, and 2018 financial statements.
- II. Scope of Services. During the term of this Contract, the Firm shall satisfactorily perform the professional audit services hereinafter set forth:
 - A. The Firm is not required to audit management's discussion and analysis and supporting schedules. However, the Firm will provide an "in-relation-to" report on the analysis and supporting schedules based on the auditing procedures applied during the audit of the basic financial statements.
 - B. The Firm will be responsible for performing certain limited procedures involving management's discussion and analysis and required supplementary information required by the Governmental Accounting Standards Board ("GASB").
 - C. The Firm will provide a report and opinion on the schedule of employer allocations and schedule of collective pension amounts for the cost-sharing plan as prescribed in the GASB pension standards and as mandated by generally accepted auditing standards of the AICPA.
 - D. PERS' Internal Auditor Department will perform procedures to test completeness and accuracy of census data for employers of the cost-sharing plan, agent-multiple employer plans, and single employer plans as required by the American Institute of Certified Public Accountants ("AICPA"). The Firm will work with the Internal Auditor Department and perform the necessary procedures to rely on the above procedures relating to the census data.
 - E. The Firm will perform any additional procedures such as reviewing note disclosures and actuarial work in connection with the implementation of GASB pension standards.

F. The Firm will perform the following procedures at the request of the OSA:

1. Examine the June 30 Generally Accepted Accounting Principles ("GAAP") reporting packages and underlying records for completeness and accuracy for inclusion in the State of Mississippi's comprehensive annual financial report.
2. Review adjusting entries to the trial balances prepared by the Mississippi Department of Finance and Administration ("DFA") based on PERS' GAAP packages in order to adjust the trial balances.
3. Obtain the prior year's notes to the statewide financial statements related to PERS. The CPA firm should:
 - a. "update" and "fill in" current year amounts and information and provide supporting documentation obtained during the Firm's audit of PERS to support these amounts, and
 - b. review the notes for compliance with applicable GASB statements and notify the State Auditor's authorized representative of noncompliance and errors.
4. Perform audit work pertaining to GASB Statement 40- 'Deposit and Risk Investment Disclosures, an amendment to GASB Statement 3, including:
 - a. review in accordance with GASB Statement 40 all deposits and investments of the agency being audited in the notes to the statewide financial statements, and
 - b. provide sufficient documentation obtained during the Firm's audit of PERS to support the disclosures of the risks pertaining to these deposits and investments.
5. Prepare management letters in accordance with instructions provided by the OSA.
6. Conduct an exit conference upon giving prior notice to the OSA.
7. Obtain a plan of corrective action from PERS in accordance with instructions provided by the OSA.
8. Submit to the OSA a letter of representation.

- G. Auditing services will be performed and all reports prepared in accordance with:
1. Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants and the standards for financial audits set forth in the U.S. General Accounting Office's *Government Auditing Standards*.
 2. Special items or reports prescribed by the State Auditor's Office, copies of which will be furnished from the State Auditor.
 3. Compliance with applicable state laws.
- H. Following the completion of the audit of the fiscal year's financial statements, the Firm shall issue:
1. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles.
 2. A report on any deficiencies in the design or operation of the internal control structure which could adversely affect PERS ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements. In addition, the auditor will report significant opportunities for improvements in internal control or increased efficiencies requiring action by PERS management or the Board.
 3. Control deficiencies that were not considered significant enough to be communicated as significant deficiencies or material weaknesses shall be reported in a separate letter to management, which shall be referred to in the report on internal controls.
 4. Management Letter
 - a. In accordance with *Government Auditing Standards*, the Firm will also issue a management letter to communicate violations of provisions of contracts or abuses that have an effect on the financial statements that is less than material but more than inconsequential that comes to their attention. The management letter will detail audit findings and recommendations regarding financial statements, internal controls, accounting, information systems, legality of actions, instances of noncompliance with laws and regulations, and any other material matters the auditor believes to be of potential benefit to the entity or has been requested to communicate.

- b. The management letter will be reviewed in draft form with the Internal Auditor, Deputy Administrator, Administrative Services, and other appropriate management in order to determine that the observations reflect an accurate understanding of PERS' policies and procedures.
- 5. The Firm will immediately prepare a written report to the PERS Executive Director of any material irregularities and/or illegal acts or indications of illegal acts of which they become aware.
- 6. The Firm shall review the following information fully with PERS management and also assure themselves that the Audit Committee is informed of each of the following:
 - a. The auditor's responsibility under generally accepted auditing standards
 - b. Significant accounting policies
 - c. Management judgments and accounting estimates
 - d. Significant audit adjustments
 - e. Disagreements with management
 - f. Any material irregularities and/or illegal acts
 - g. Major issues discussed with management prior to retention
 - h. Difficulties encountered in performing the audit
- 7. Because the financial statements of PERS are included as a component unit of the financial statements of the State of Mississippi. The auditor will be required to provide special assistance to the State of Mississippi's auditors.
- 8. PERS will send its Comprehensive Annual Financial Report to the Government Finance Officers Association of the United States and Canada for review in its Certificate of Achievement for Excellence in Financial Reporting program. The Firm will provide all reasonable assistance to PERS to meet the requirements of that program.

9. The Firm shall provide a draft copy of the 2016 audit report to PERS and OSA by November 21, 2016. This date may be extended by agreement of the parties due to delays which are not the fault of the Firm, including changes that may be necessary upon review of the Actuary's report. Upon the acceptance of the draft by PERS and OSA, the Firm shall deliver the original report to Pat Robertson, Executive Director, and three copies to PERS Director of Finance at 429 Mississippi Street, Jackson, Mississippi by November 30, 2016. Draft copies of the report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards* and the management letter will be provided no later than November 11, 2016.

IV. Responsibilities of PERS.

- A. PERS management is responsible for preparing the financial statements and the contents of the statements are the assertions of management. PERS management is also responsible for the establishment and monitoring of the system's internal controls that provide reasonable assurance that the system's assets are safeguarded, fraud risks are identified and mitigated, transactions are executed and recorded in accordance with management's authorization, proper records are maintained and relevant and reliable financial information is produced.
- B. PERS shall provide the Firm with the following:
 1. access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 2. additional information that the Firm may request from management for purposes of the audit; and
 3. unrestricted access to persons within the entity from whom the Firm determines it necessary to obtain audit evidence. As required by auditing standards generally accepted in the United States of America, the Firm will make specific inquiries of management of PERS about the representations embodied in the financial statements and the effectiveness of internal control, and obtain a representation letter from certain members of PERS's management about these matters. The responses to the Firm's inquiries, the written representations, and the results of audit tests, among other things, comprise the evidential matter the Firm will rely upon in forming an opinion on the financial statements.

- C. PERS is responsible for adjusting the financial statements to correct material misstatements and for affirming to the Firm in the representation letter that the effects of any uncorrected misstatements aggregated by the Firm during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements being reported upon, taken as a whole.
- D. To facilitate audit planning, in accordance with *Government Auditing Standards*, management of PERS agrees to identify and provide copies of reports, if applicable, of previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented, prior to June 30, 2016.
- E. To be responsible for the distribution of the reports issued by the Firm.

V. Term of Agreement. This Contract between the parties shall become effective March 15, 2016, and shall expire on March 30, 2019, or one hundred twenty (120) days after the delivery of the report on compliance and on internal control over financial reporting based on an audit of the June 30, 2018 financial statements performed in accordance with *Government Auditing Standards* and the management letter, whichever is later, so that any questions raised during the audit may be resolved. PERS has the option to renew this Contract for up to two additional one-year periods upon 30 days written notice to the Firm.

VI. Compensation.

- A. As full and complete compensation for the services to be provided hereunder, PERS will pay the Firm \$195,000 for the Fiscal Year (FY) 2016 audit; \$200,750 for the FY 2017 audit; and \$206,500 for the FY 2018 audit. The total amount paid during the initial three-year contract period shall not exceed \$602,250. It is further understood that the consideration expressed herein constitutes full and complete compensation for all services performed under this Contract 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 PERS for any purpose from said contract sum.
- B. If it should become necessary for PERS to request the Firm to render additional services not contemplated by this agreement such additional work shall be performed only if set forth in a written amendment to the Contract and agreed to by PERS, the OSA, and the Firm.

- C. If the Firm, during the course of the engagement, encounters any circumstances that would require to perform additional services not contemplated by this Contract or the Request for Proposals (RFP) for Professional Auditing Services, the Firm will immediately notify PERS and such additional work shall be performed only if set forth in a written amendment to the Contract and agreed to by PERS, the OSA, and the Firm.
- D. The State of Mississippi requires the Firm to submit invoices electronically throughout the term of the Contract. Vendor invoices shall be submitted to PERS using the processes and procedures identified by the State. Payments by PERS using the statewide accounting system shall be made and remittance information provided electronically as directed by the State. These payments shall be deposited into the bank account of the Firm's choice. The Firm understands and agrees that the State is exempt from the payment of taxes. All payments shall be in United States currency.
- E. Payments by state agencies using the State's automated accounting system shall be made and remittance information provided electronically as directed by the State. These payments shall be deposited into the bank account of the Firm's choice. The State may, at its sole discretion, require the Firm to submit invoices and supporting documentation electronically at any time during the term of this Contract. The Firm understands and agrees that the State is exempt from the payment of taxes. All payments shall be in United States currency.
- F. The Firm's invoices will outline the work performed and the number of hours worked. PERS will pay ninety percent (90%) of each invoice and will retain the remaining ten percent (10%) until final payment is made. The Firm agrees to accept all payments in United State currency via the State of Mississippi's payment and remittance vehicle. PERS agrees to make payment in accordance with Mississippi law and "Timely Payments for Purchases by Public Bodies," which generally provides for payment of undisputed amounts by the agency within forty-five (45) days of receipt of invoice. (Miss. Code Ann. Section 31-7-301 et seq., 1972, as amended). The final payment, including retained amounts, subject to paragraph E of this section, shall be made after completion and acceptance of the audit services. In no instance will a payment be made in excess of the contract amount.
- G. The Firm acknowledges that PERS and OSA are relying on the timely completion of this contract in its scheduling and budgeting and that time is of the essence. If the Firm fails to meet the completion date prescribed herein, the Chairman of the Audit Committee and/or OSA may, at their option, reduce the agreed compensation by an amount not to exceed ten percent (10%) of the total contract amount as liquidated damages for the failure to complete the contract by the completion date provided the failure to meet the report delivery deadline is not the result of System delays.

- VII. Progress Reports. If requested by PERS, the Firm shall submit a monthly progress report which details the work completed the preceding month to the Chairman of the Audit Committee of the PERS Board of Trustees, PERS's Internal Audit Department and the OSA authorized representatives. The report shall be delivered within ten (10) days after the end of the preceding month.
- VIII. Confidentiality. The Firm shall treat all PERS data and information to which it has access by its performance under this Contract as confidential and shall not disclose such data or information to a third party except as provided for in this Contract without specific written consent of PERS. The Firm shall protect such personal and confidential information against unauthorized use, disclosure, modification or loss. This provision shall survive the termination or completion of this Contract and shall continue in full force and effect and shall be binding upon the Firm and its agents, employees, successors, assigns, subcontractors or any party or entity claiming an interest in this Contract on behalf of, or under the rights of the Firm following any termination or completion of the Contract. Any breach of this provision may result in termination of the Contract and demand for return of all personal information. PERS grants the Firm the right to retain one copy of personal information for work product documentation, such copy will be destroyed under the Firm's record retention policy. The Firm agrees to indemnify and hold harmless PERS for any damages related to Firm's unauthorized use of personal information.
- IX. Ownership of Documents and Work Products.
- A. All data collected by the Firm and all documents, notes, programs, data bases (and all applications thereof), files, reports, studies and/or other material collected and prepared by the Firm in connection with this Contract shall be the property of PERS upon termination of this Contract. The Firm is prohibited from the use of the above described information and/or materials without the express written approval of PERS except as otherwise provided in this Agreement.
- B. All work papers and reports including but not limited to, any financial records, supporting documents, statistical records, and all other records pertinent to the services performed under this contract in accordance with the Firm's policies and procedures or professional regulatory requirements will be retained at the Firm's expense for a minimum of five years unless the firm is notified in writing by PERS of the need to extend the retention period. The Firm will be required to make the work papers available upon request of representatives of federal and state agencies, including the State Auditor's Office, and of PERS. In addition, the firm will respond to the reasonable inquiries of successor auditors and allow successor auditors to review work papers relating to matters of continuing accounting significance.

- X. Modification or Amendment. Modifications, changes or amendments to this Contract may be made only 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 both parties hereto.
- XI. Assignment. The Firm shall not assign or otherwise transfer the obligations incurred on its part pursuant to the terms of this Contract without the prior written consent of PERS and the OSA. Any attempted assignment or transfer of its obligation without such consent shall be wholly void.
- XII. Compliance with Laws. The Firm understands that the State of Mississippi is an equal opportunity employer and therefore maintains a policy which prohibits unlawful discrimination based on race, color, creed, sex, age, national origin, physical handicap, disability, genetic information, or any other consideration made unlawful by federal, state, or local laws. All such discrimination is unlawful and the Firm agrees during the term of the agreement that the Firm will strictly adhere to this policy in its employment practices and provision of services. The Firm shall comply with, and all activities under this contract shall be subject to, all applicable federal, State of Mississippi, and local laws and regulations, policies and procedures as now existing and as may be amended or modified. PERS will assist the Firm in identifying the policies and procedures promulgated by the State of Mississippi or any agency or political subdivision thereof that impact the services.
- XIII. Indemnification. To the fullest extent allowed by law, the Firm agrees to indemnify, defend, save and hold harmless PERS its Board of Trustees, officers, employees, agents, and representatives 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 attorney's fees, arising out of or caused by the bad faith, fraud, gross negligence, or willful misconduct of the Firm, and/or its partners, principals, agents, employees and/or subcontractors in the performance of or failure to perform this Contract. In the State's sole discretion, Contractor may be allowed to control the defense of any such claim, suit, etc. In the event the Firm defends said claim, suit, etc., the Firm shall use legal counsel acceptable to the State. The Firm shall be solely responsible for all costs and/or expenses associated with such defense, and the State shall be entitled to participate in said defense. The Firm shall not settle any claim, suit, etc. without the State's concurrence, which the State shall not unreasonably withhold.
- XIV. Insurance. Without limiting the indemnification obligations provided herein, for the duration of this Contract the Firm shall provide and maintain, at its own expense, errors and omissions/professional liability insurance policies that shall protect PERS against losses from negligent acts, errors, or omission of the Firm, workers' compensation insurance which shall inure to the benefit of all the Firm's personnel provided hereunder, and, where applicable, employee fidelity bond insurance, and shall provide evidence of such to the Board.

- XV. Severability. If any term or provision of this Contract is prohibited by 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.
- XVI. Failure to Enforce. Failure of any party hereto, at any time, to strictly enforce any provision of this Contract shall not be construed as a waiver of any such provision. Such failure to enforce shall not affect the validity of the Contract or any part thereof or the right of any party to enforce any provision at any time in accordance with its terms.
- XVII. Entire Agreement. This Contract, together with all attachments and addenda hereto, 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. This Contract shall be binding on the parties, their successors, and assigns. The RFP for Professional Auditing Services and the Firm's technical proposal for professional services are hereby incorporated into and made a part of this Agreement.
- A. The Contract made by and between the parties hereto shall consist of, and precedence is hereby established by the order of the following:
1. This Contract signed by the parties hereto;
 2. RFP for Professional Auditing Services, and
 3. The Firm's technical proposal, as accepted by PERS and the OSA, in response to RFP for Professional Auditing Services.
- B. The intent of the above-listed documents is to include all items necessary for the proper execution and completion of services by the Firm. The documents are complementary, and what is required by one shall be binding as if required by all. A higher order document shall supersede a lower order document to the extent necessary to resolve any conflict or inconsistency arising under the various provisions thereof; provided, however, in the event an issue is addressed in one of the above mentioned documents, but is not addressed in another of such documents, no conflict or inconsistency shall be deemed to occur by reason thereof. The documents listed above are shown in descending order of priority, that is, the highest document begins with the first listed document ("1. This Contract") and the lowest document is listed last ("3. The Firm's Technical Proposal").
- XVIII. Dispute Resolution and Governing Law. Any dispute concerning a question of fact arising under this contract shall be disposed of by good faith negotiation between duly authorized representatives of PERS, the OSA 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 PERS and the OSA a written request for review. The Firm shall be afforded an opportunity to be heard and to offer

evidence in support of 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 Contract Audit Review Section. The decision of the arbitration panel of the OSA 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 PERS or the OSA has a dispute or claim with 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 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 PERS or OSA be obligated to pay attorney fees or the cost of legal action to the Firm.

XIX. Availability of Funds. It is expressly understood and agreed that the obligation of System to proceed under this Contract is conditioned upon the appropriation of funds by the Mississippi State Legislature and the receipt of state and/or federal funds. If the funds anticipated for the continuing fulfillment of the Contract are, at any time, not forthcoming or insufficient, either through the failure of the federal government to provide funds or of the State of Mississippi to appropriate funds or the discontinuance or material alteration of the program under which funds were provided or if funds are not otherwise available to PERS, PERS shall have the right upon ten (10) working days written notice to the Firm to terminate this Contract without damage, penalty, cost or expenses to PERS of any kind whatsoever. The effective date of termination shall be as specified in the notice of termination.

XX. Rejection of Services. PERS with the written consent of the OSA's authorized representative is empowered to accept or reject the services furnished by the Firm in compliance with the material provisions of this contract and the attached Audit Services schedule. However, any rejection of services must be based solely on the Firm's failure to comply with the material terms of this contract, and cannot be based on the nature of the Firm's opinion on the financial status of PERS in its audit report. However, prior to termination of this contract by PERS, PERS must provide written justification to the OSA documenting the reasons for requesting the contract be terminated. PERS must obtain written approval from the OSA prior to terminating the contract.

XXI. Termination.

- A. Termination for Cause. Upon the failure of either party to perform any obligation or observe any covenant required hereunder, the non-defaulting party, with the written consent of the OSA, shall have the right to send a written notice to the defaulting party specifying such failure and demanding cure within ten (10) days of receipt of such notice. If the defaulting party has not remedied such failure within the cure period, or has not made substantial progress toward remedying such failure within the cure period, then the non-defaulting party may terminate the contract immediately by sending a written notice of termination to the defaulting party. However, prior to termination of this contract by PERS, PERS must provide written justification to the OSA documenting the reasons for requesting the contract be terminated. PERS must obtain written approval from the OSA prior to terminating the contract. In the event of termination for cause by PERS and/or the OSA, in addition to other remedies provided herein or available at law or in equity, the Firm shall bear all costs associated with the issuance of a new contract for audit services, including, but not limited to, the cost of reissuing another request for proposals and any additional costs resulting from an acceleration of services necessary for the timely completion of such auditing services.
- B. Termination by System. PERS with the written consent of the OSA may terminate this contract, with or without cause, by providing a thirty (30) day written notice of termination to the Firm. However, prior to termination of this contract by PERS, PERS must provide written justification to the OSA documenting the reasons for requesting the contract be terminated. PERS must obtain written approval from the OSA prior to terminating the contract.

In the event of termination, the Firm will be entitled to payment for services in an amount which bears the same ratio to the total compensation as the services actually performed bear to the total services of the Firm covered by the contract, less payments previously made. Subject to Section IX, all reports and letters delivered by the Firm to PERS or the OSA under this contract shall become the property of PERS.

- C. Termination by Firm. The Firm may terminate this contract, with or without cause, by providing a thirty (30) day written notice of termination to PERS and the OSA.

XXII. Compliance with Mississippi Employment Protection Act (MEPA). If applicable, the Firm represents and warrants that it will ensure its compliance with the Mississippi Employment Protection Act of 2008, and will register and participate in the status verification system for all newly hired employees. See, Mississippi Code Annotated §§71-11-1, *et seq.* (1972, as amended). The term "employee" as used herein means any person who 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. The

Firm agrees to maintain records of such compliance. Upon request of the State and after approval of the Social Security Administration or Department of Homeland Security when required, the Firm agrees to provide a copy of each such verification. The Firm further represents and warrants that any person assigned to perform services hereafter meets the employment eligibility requirements of all immigration laws. The breach of which may subject the Firm to the following:

- A. termination of this Contract 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;
- B. the loss of any license, permit, certification or other document granted to the 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 (A) and (B).

In the event of such termination/cancellation, the Firm shall also be liable for any additional costs incurred by the State or PERS due to the cancellation of the Contract or loss of license or permit to do business in the State.

XXIII. Independent Contractor. 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 PERS or the OSA. Any person assigned by the Firm to perform the services hereunder shall be the employee of the Firm, who shall have the sole right to hire and discharge its employees. The Firm shall pay when due, all salaries and wages of its employees and accepts exclusive responsibility for the payment of federal income tax, state income tax, social security, unemployment compensation and any other withholdings that may be required.

XXIV. No Waiver of Breach. No assent, expressed or implied, by the parties hereto to the breach of the conditions of this Contract shall be deemed or taken to be a waiver of any succeeding breach of the same or any other provision or condition and shall not be construed to be a modification of the terms of the Contract.

XXV. Transparency. This Contract, including any accompanying exhibits, attachments, and appendices, is subject to the "Mississippi Public Records Act of 1983," and its exceptions. See Miss. Code Ann. § 25-61-1 *et seq.*, (1972, as amended). In addition, this Contract is subject to the provisions of the Mississippi Accountability and Transparency Act of 2008. See, Miss. Code Ann. § 27-104-151, *et seq.* (1972, as amended). Unless exempted from

disclosure due to a court-issued protective order, a copy of this executed Contract is required to be posted to the Department of Finance and Administration's independent Agency contract website for public access at <http://www.transparency.mississippi.gov>. Information identified by the Firm as trade secrets, or other proprietary information including confidential vendor information or any other information which is required confidential by state or federal law or outside the applicable freedom of information statutes, will be redacted.

- XXVI. Notice. Any notices required or authorized under this contract shall be delivered to the persons at the addresses designated in this paragraph. Each party may change the person and address designated by delivering written notice to the other party. Any notice shall be effective when actually delivered to the designated address.

For System:

Greg Gregory
Public Employees' Retirement System
429 Mississippi Street
Jackson, Mississippi 39201-1005
Telephone: (601) 359-2217
Facsimile: (601) 359-2285

For Firm:

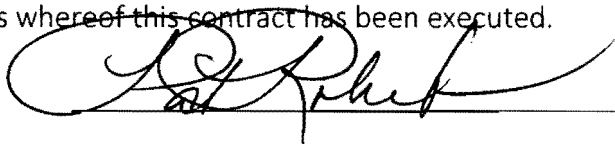
Lealan Miller, Partner
Eide Bailly LLP
877 W. Main Street, Suite 800
Boise, Idaho 83702
Telephone: (208)344-7150

For OSA:

Patrick Dendy
Director, Department of Audit
State Auditor's Office
501 North West Street, 801 Woolfolk Building
Jackson, MS 39201
Telephone: (601) 576-2673
Facsimile: (601) 576-2687

In witness whereof this contract has been executed.

SIGNED:



TITLE:

Executive Director

AGENCY:

Public Employees' Retirement System of Mississippi

DATE:

4/8/16

SIGNED:



TITLE:

PARTNER

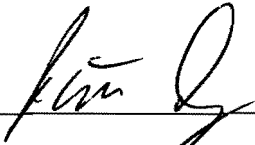
FIRM:

Eide Bailly LLP

DATE:

APRIL 16, 2016

SIGNED:



TITLE:

Director, Department of Audit

FIRM:

State Auditor's Office

DATE:

4/14/16

AUDIT SERVICES SCHEDULE

Procedure:

The following procedures must be performed by the Firm after a contract has been awarded:

- If requested, hold an entrance conference with the Firm's auditor-in-charge, Audit Committee, Internal Audit Staff, Executive Director, and OSA's authorized representatives prior to commencement of any work in order to determine the scope of services, sample sizes and other related factors.
- Hold an entrance conference with all Deputy Administrators and key department heads (giving prior notice to the OSA's authorized representatives so that the OSA may have an opportunity to participate).
- Express an opinion on the fair presentation of PERS's financial statements in conformity with accounting principles generally accepted in the United States of America.
- Perform certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.
- Provide a copy of the Firm's most recent peer review report, as required by *Government Auditing Standards*.

The Firm shall perform the following procedures at the request of the OSA:

- Read and provide comments on the June 30, 2016 GAAP reporting packages and underlying records for completeness and accuracy for inclusion in the State of Mississippi's *Comprehensive Annual Financial Report*.
- Read and provide comments on adjusting entries to the trial balances prepared by the Department of Finance and Administration (DFA) based on PERS's GAAP packages in order to adjust the trial balances on DFA forms.
- Obtain the notes to the statewide financial statements related to PERS. The Firm should: a) read and provide comments on current year amounts and information and, b) read and provide comments on the notes for compliance with applicable GASB statements and notify the OSA's authorized representatives of noncompliance and errors.
- Perform audit work pertaining to GASB Statement 40 - Deposit and Risk Investment Disclosures, an amendment to GASB Statement 3. Upon request by OSA, the Firm will provide sufficient supporting documentation obtained during the Firm's audit of PERS to support the footnote disclosures related to GASB 40.

- Prepare management letters in accordance with instructions provided by the OSA.
- Conduct an exit conference upon giving prior notice to the OSA.
- Obtain a plan of corrective action from PERS in accordance with instructions provided by the OSA.
- Submit to the OSA a, completed "Request for Representations from Other Auditor."
- Perform subsequent events testing between date of the auditor's report and December 31, of each year, 2016, 2017, and 2018 and submit to OSA a memo detailing the results noted.

Following the completion of the audit of the fiscal year's financial statements, the Firm shall issue:

- A report on the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America.
- A report, *Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards* (GAGAS report), on the Firm's consideration of internal control over financial reporting and tests of compliance made as part of its audit of the financial statements. Management of PERS is responsible for providing the Firm with written responses in accordance with *Government Auditing Standards* to the findings included in the GAGAS report within 30 days of being provided with draft findings. If such information is not provided on a timely basis prior to release of the report, the GAGAS report will indicate the status of management's responses.

While the objective of the Firm's audit of the financial statements is not to report on PERS's internal control and the Firm is not obligated to search for material weaknesses or significant deficiencies as part of its audit of the financial statements, this report will include any material weaknesses and significant deficiencies to the extent they come to the Firm's attention. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. This report will also include instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the financial statements or other financial data significant to the audit objectives and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements that has a material effect on the

determination of financial statement amounts or other financial data significant to the audit objectives; or abuse that is material, either quantitatively or qualitatively. The report will describe its purpose and will state that it is not suitable for any other purpose.

- A Management Letter

In accordance with *Government Auditing Standards*, the Firm will also issue a management letter to communicate instances of noncompliance with provisions of contracts or grant agreements or abuse that have an effect on the financial statements that is less than material but warrant the attention of those charged with governance. The management letter will detail audit findings and recommendations regarding financial statements, internal controls, accounting, information systems, legality of actions, instances of noncompliance with laws and regulations, and any other matters the auditor believes to be of potential benefit to the entity or has been requested to communicate.

The management letter will be reviewed in draft form with the Internal Auditor and management in order to determine that the observations reflect an accurate understanding of PERS's policies and procedures.

- A report on fraud and illegal acts, if applicable

In accordance with *Government Auditing Standards*, the Firm is also required in certain circumstances to report fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse directly to parties outside the auditee.

Upon receipt of the final audit reports PERS's Audit Committee will:

- review the work,
- approve or reject the work,
- approve or reject final payment for services rendered.

Upon completion of the audit services, the audit conclusion memoranda and any other required reports should be submitted to the OSA's authorized representatives in accordance with the contractual provisions. All final documentation of services shall be submitted no later than the date specified.

System's Authorized Representatives:

Pat Robertson, Executive Director
Public Employees' Retirement System
429 Mississippi Street
Jackson, Mississippi 39201-1005
Phone: 359-2296

State Auditor's Authorized Representative:

The State Auditor has empowered the following to act as his duly authorized representative:

Patrick Dendy, CPA
State Auditor's Office
501 North West Street
801 Woolfolk Building
Jackson, MS 39201
Phone: 576-2672