



# Request For Proposal

**Issued by:**

Office of the State Auditor  
Jackson, Mississippi

Stephanie Palmertree

Director, Financial and Compliance Division

**Submitted by:**

Carr, Riggs & Ingram, LLC  
282 Commerce Park Drive  
Ridgeland, MS 39157

Contact: W. Greg Derrick, Partner

Phone: 601-853-7050  
Email: [gderrick@cricpa.com](mailto:gderrick@cricpa.com)

## TRANSMITTAL LETTER



July 14, 2017

Office of the State Auditor  
Attention: Jason Ashley  
501 North West Street, Suite 801  
Jackson, MS 39201

Dear Mr. Ashley:

Carr, Riggs & Ingram, LLC (CRI) appreciates the opportunity to propose on auditing services to Mississippi Department of Environmental Quality (the "MDEQ"). We are genuinely excited about the prospect of serving you and establishing a long-term relationship. We pride ourselves on getting to know our clients and illuminating solutions by providing innovative **IDEAS** to move them from compliance to providing them a competitive advantage.

**I** **nvestment in You.** We believe in developing long-term, mutually beneficial relationships and quickly demonstrating value with a fee structure and service solutions that provide immediate and continued savings. Our investment starts on "Day 1" as your assigned team begins with our proven, streamlined process that minimizes your time and disruption during the service provider change and continues throughout the relationship.

**D** **edicated Team.** CRI's team consists of more than 1,600 professionals, which allows us to tailor your service team by aligning their industry, service, and specialty skills with your needs. Our dedicated teams deliver the highest level of business acumen and knowledge to your organization; our commitment to consistent staffing allows you to maximize savings and remain focused on your needs.

**E** **quilibrium.** CRI delivers big firm expertise with small firm service. Of approximately 45,000 public accounting firms in the United States, CRI currently ranks among the top 25. Additionally, as a part of PrimeGlobal, an association of independent accounting firms, we have access to international resources as – and when – needed. Leveraging these resources while maintaining local decision-making authority means that simplified solutions are only a phone call away. And we believe that's the best of both worlds for our clients.

**A** **ctive Partner Participation.** Collectively, our partners deliver expertise derived from more than 6,200 years of business experience. With this level of talent, we thoughtfully choose a partner that aligns with your business' needs and industry. Our hands-on, working partners "show up" to convey our genuine commitment to your success. They strive to earn trusted advisor roles by digging in, proactively learning your business, and producing long-term value for you.

**S** **implified Solutions.** Our 500+ different cumulative partner certifications is an impressive statistic, success is measured by translating complex concepts into client solutions. While accounting is the language of business, we're here to decipher the jargon and help you make educated decisions. CRInnovate embraces agility and invention. The **CRI vSTAR™ process**, our inaugural initiative delivering a virtual audit, is designed to provide you with maximized efficiencies, reduced workload, and an improved experience.





CRI has earned the reputation as a leading innovator in the accounting profession while working extensively with local governments. CRI has assisted governments ranging in revenues under \$100,000 to budgets in excess of \$4 billion. CRI also audits more non-profit entities than any other firm in the Southeast (many subject to government accounting standards).

#### ***Understanding Your Needs***

Based on our work with similar entities, we believe we understand the needs and the challenges that your organization faces now and will face in the future:

- ***Industry Expertise*** – CRI works with many Mississippi agencies. More specifically, CRI has performed audits of the Mississippi Department of Human Services, Mississippi Development Authority, Mississippi Division of Medicaid, and the Mississippi Department of Rehabilitation Services, among others.
- ***An Efficient and Effective Audit*** - CRI's audit approach is based on a methodology that focuses on identifying the risks that affect your operations and financial statements. We will allocate our resources on the basis of that risk assessment to produce a focused and cost-effective audit: one that addresses your concerns, results in constructive business suggestions and minimizes costs to MDEQ. Our experience with similar programs will help us to provide the most efficient audit and accounting services. *We commit to meet the deadlines specified in the Request for Proposal.* We understand that continuity is important to you, and therefore, we commit to continuing to maintain continuity of our team selected to serve MDEQ to the maximum degree possible.
- ***Assistance With Current Issues*** - We will be proactive in keeping you abreast of the changing financial reporting environment, as we have with similar clients. We will assist MDEQ in the implementation of GASB statements which substantially impact the accounting and reporting of MDEQ. Our engagement partners have experience with the implementation of new standards for our clients and bring the benefit of their experiences to MDEQ.

#### ***Cost-Effectiveness***

We recognize that the nature of your organization dictates that you control costs, and that fees from auditors must also be challenged. CRI will provide the necessary level of assurance for reasonable and affordable fees. We will challenge our approach to ensure that we implement the latest technology and minimize audit fees while ensuring that our procedures address any concerns management may have.

CRI utilizes several computerized audit tools to support our staff in increasing efficiency and cost-effectiveness which will yield tangible benefits our clients. Our windows-based audit software is considered one of the most advanced software products in the profession.

In submitting this proposal, CRI commits the best resources to assist MDEQ in meeting future challenges and opportunities. We will ensure that MDEQ receives top-level attention and has prompt access to our most qualified resources. Our entire client service team looks forward to this responsibility with enthusiasm. This proposal is a firm and irrevocable offer for two months. CRI is committed to performing the work within the time period prescribed.



We welcome the opportunity to demonstrate to you the same teamwork, expertise, innovation, and responsiveness that have made us one of the fastest growing public accounting firms in the United States. Again, we appreciate your consideration.

Sincerely,

W. Greg Derrick, CPA  
Partner

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## **Firm Qualifications and Experience**

CRI is a regional certified public accounting and consulting firm with over 1,600 professionals throughout Mississippi, Alabama, Florida, Georgia, Kentucky, Louisiana, North Carolina, Tennessee and Texas. CRI is currently ranked by Public Accounting Report as one of the top 25 largest accounting firms in the United States. We are the largest regional firm with a presence in the State of Mississippi. Professionals of diverse backgrounds and experience have joined CRI and enable us to serve clients from start-ups to global organizations. The CRI-Jackson office would perform the engagement for the services provided to MDEQ.

We maintain membership in numerous professional organizations, including:

- The AICPA Alliance for CPA Firms
- The Center for Audit Quality of the AICPA
- The Governmental Quality Center of the AICPA
- Employee Benefit Plan Audit Quality Center of the AICPA

Members of the above organizations are select CPA firms recognized in the profession to be of the highest caliber. As a result, we are subject to stricter quality control standards than firms that choose not to take this voluntary step to improve the quality of their practices.

## **Internal Quality Control Reviews and External Reviews**

Experienced partners and professional staff of CRI conduct quality control reviews of our audits. Our partners' work is reviewed annually, and the inspection process includes periodic testing of the effectiveness of our quality controls and a continuous improvement program.

Peer reviews are performed every three years by another independent public accounting firm. The most recent review of CRI was performed in 2013 by EideBailly, whose report was the most favorable possible. Our peer review encompassed quality reviews of government specific engagements.

We also confirm that no disciplinary actions have been taken or are pending against our office during the last three years with federal or state regulatory bodies or professional organizations.

CRI is a part of PrimeGlobal, an association of independent accounting firms, which provides us access to international resources as – and when – needed. Leveraging these resources while maintaining local decision-making authority means that simplified solutions are only a phone call away. And we believe that's the best of both worlds for our clients.

The Jackson, Mississippi practice unit of CRI is comprised of over 60 people, approximately half of whom are professionals experienced in auditing governmental entities. The Jackson practice unit has ten partners and seven managers. Our professionals are articulate, intelligent and highly trained individuals with diverse backgrounds and skills. There are many accounting firms in our market area; however, we believe no other firm is more focused, more energetic, more innovative or more committed to its clients than CRI.



## PROPOSAL NARRATIVE

### **Independence**

We confirm that we are independent with respect to the Mississippi Department of Environmental Quality (MDEQ), the State of Mississippi and all component units as defined by the Comptroller General of the United States in *Government Auditing Standards* and by generally accepted auditing standards as to relationships between MDEQ and its management and CRI and with regard to any other work performed by CRI for MDEQ which might impair CRI's independence and objectivity. Upon notification of our appointment as your auditors, we will ensure that all of our partners and professional staff meet all independence standards. In addition, CRI meets the independence requirements of the American Institute of Certified Public Accountants (AICPA). In compliance with such guidelines, CRI will maintain professional objectivity and independence with respect to any services performed for MDEQ. At this time, we are not aware of any potential conflicts of interest, past or present, with regard to MDEQ.

Should such issues arise at any point in the future, we have well-established internal procedures for resolving them to the satisfaction of all parties involved. Any concerns that MDEQ's management may have on this or any other issue will receive a prompt and sensitive airing at the executive level of our organization, as befitting MDEQ's status as one of our valued clients. MDEQ will be notified of any professional relationship entered into with MDEQ during the period of this agreement.

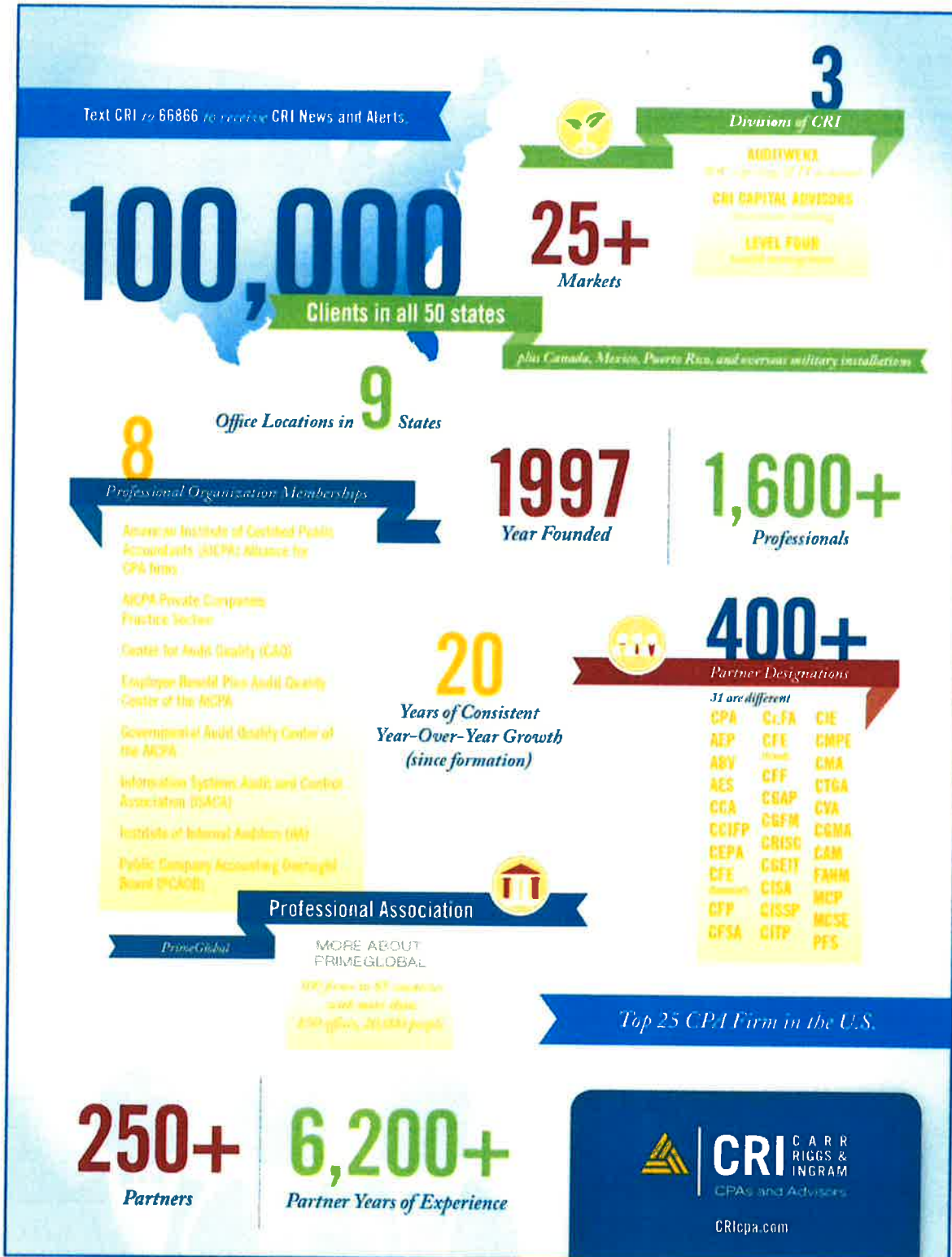
### **Federal Identification Number:**

Carr, Riggs & Ingram, LLC federal identification number is 72-1396621.





## Firm Profile





## PROPOSAL NARRATIVE



We have served many Mississippi governmental clients over the years and we are excited about this opportunity to provide you with information about CRI. The Jackson office of CRI has been performing audits of Mississippi state agencies for over fifteen years.

The “bread and butter” of our practice is clearly financial statement and compliance audits, reviews and tax services relating to the entities we serve. Our Jackson office performs financial statement attestations for over 200 entities on an annual basis. Our Jackson office takes pride in having provided recent audits to notable clients such as Mississippi Division of Medicaid, Mississippi Health Care Trust, Mississippi Institutions of Higher Learning, Mississippi Department of Rehabilitation Services, Mississippi Military Department, Mississippi Prepaid Affordable College Tuition Program, Mississippi Affordable College Savings Plan, Blue Cross & Blue Shield of Mississippi, Hope Enterprise Corporation, University of Mississippi Medical Center Research Development Foundation, First Tower Corporation, Magnolia State Bank, Delta State University Foundation, South Mississippi Electric Power Association, Ivey Construction Company, Hope Community Credit Union, United Way of the Capital Area, YMCA of the Metropolitan Area, The Blossman Companies, Inc., and Southland Oil Company.

Locally your client service team is comprised of professionals experienced in the financial services and employee benefits industries, as well as, governmental and non-profit entities. Many of our not-for-profit audit engagements are performed in accordance with government auditing standards.



The following is a listing of recent CRI audits served by the partners assigned to the audit of MDEQ, along with the experience derived from prior audits that will be applicable to the audits of MDEQ:

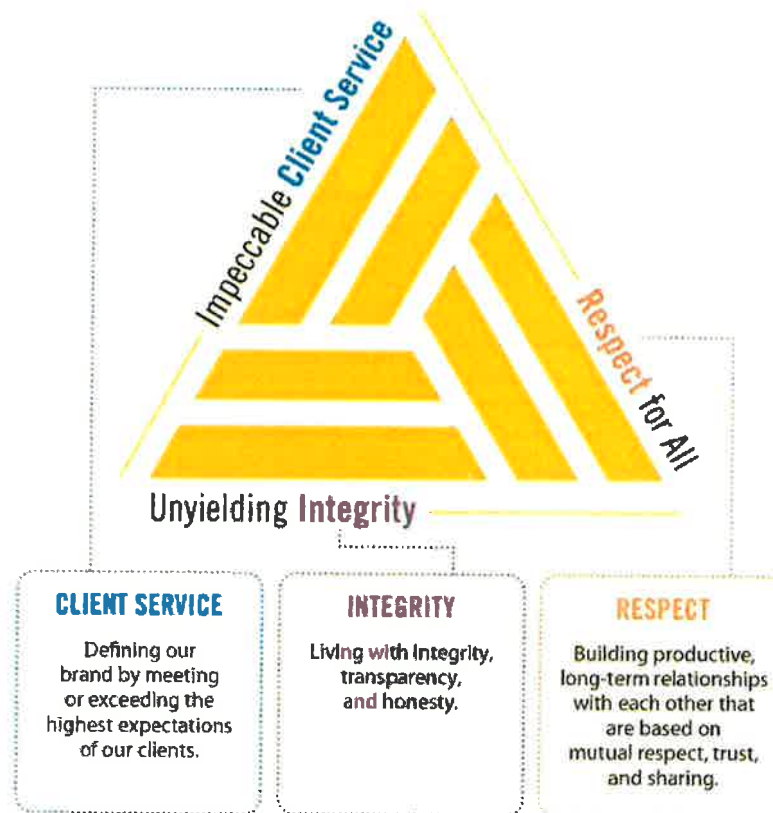
Associated General Contractors of Mississippi – non-profit entity  
Blue Cross & Blue Shield of Mississippi Foundation - non-profit entity  
Comptrust AGC of MS – a non-profit self-inured entity  
Healthcare Employers Resource Exchange – a non-profit self-insured entity  
Hope Enterprise Corporation - non-profit entity subject to federal funding audit under government auditing standards  
Hope Federal Credit Union – non-profit entity subject to federal funding audit  
MINACT, Inc. – government job corps center contractor  
Mississippi Organ Recovery Agency – non-profit entity  
Mississippi Department of Human Services – government agency federal funding audit  
Mississippi Department of Insurance – government agency  
Mississippi Department of Rehabilitation Services – government agency federal funding audit  
Mississippi Development Authority – government agency federal funding audit  
Mississippi Division of Medicaid – government agency federal funding audit  
Mississippi Institutions of Higher Learning – government agency federal funding audit  
Mississippi Military Department – government agency federal funding audit  
Mississippi Trucking Association– non-profit entity  
Mississippi Trucking, Food & Fuel Self-insured Fund – a non-profit self-insured entity  
Mississippi Workers Compensation Commission – government agency  
Retirement Systems of Alabama – government agency  
South Mississippi Electric Power Assn – non-profit entity subject to federal funding audit  
City of Hattiesburg, Mississippi – government entity federal funding audit  
City of Clinton, Mississippi – government entity federal funding audit  
Choctaw Residential Center – government entity providing healthcare subject to federal funding audit  
Mississippi Band of Choctaw Indians – government entity federal funding audit

CRI's strong commitment to the public sector means that MDEQ will be served by individuals who are knowledgeable about governmental accounting issues. At the most basic level, this experience means that work for MDEQ will progress smoothly and efficiently with no last-minute surprises. More important, however, these skilled individuals have the breadth of experience to provide workable, practical solutions to issues affecting MDEQ.



## Sharing CRI's Values with You

We are proud of our hands-on, service-centric, and results-oriented approach. Combining that approach with quality controls and superior talent allows us to help you achieve your goals and strengthen your management systems and processes. This approach is further emphasized through our three core values which guide our team's behavior and function as the foundation for interactions with our clients and each other.





### **Specialized Government Training**

Our firm's strong commitment to continuing education means that you will be served by individuals who are knowledgeable about governmental accounting and tax issues. CRI's continuing professional education (CPE) requirements comply with the requirements of the AICPA Division for CPA Firms. All professional staff, including partners, must have a minimum of 40 hours of qualifying CPE each calendar year. In addition, our professionals involved in governmental auditing are required to meet the Yellow Book requirements of 80 credit hours, 24 of which must be in governmental accounting and auditing for each two-year period. Additionally, our firm has committed significant resources to the development of the CRI Leadership Academy in order to continually develop the interpersonal skills of our professionals throughout their career.

We also have in-depth training and expertise relative to comprehensive annual financial reporting requirements and GFOA certification requirements.

CRI recognizes the critical importance of providing specialized training to our professional staff who are involved in particular industries such as state and local government. As demonstrated by our educational requirement, CRI has a significant interest in committing the necessary time and resources to the government industry.



## Government Credentials







## Delivering Quality to You

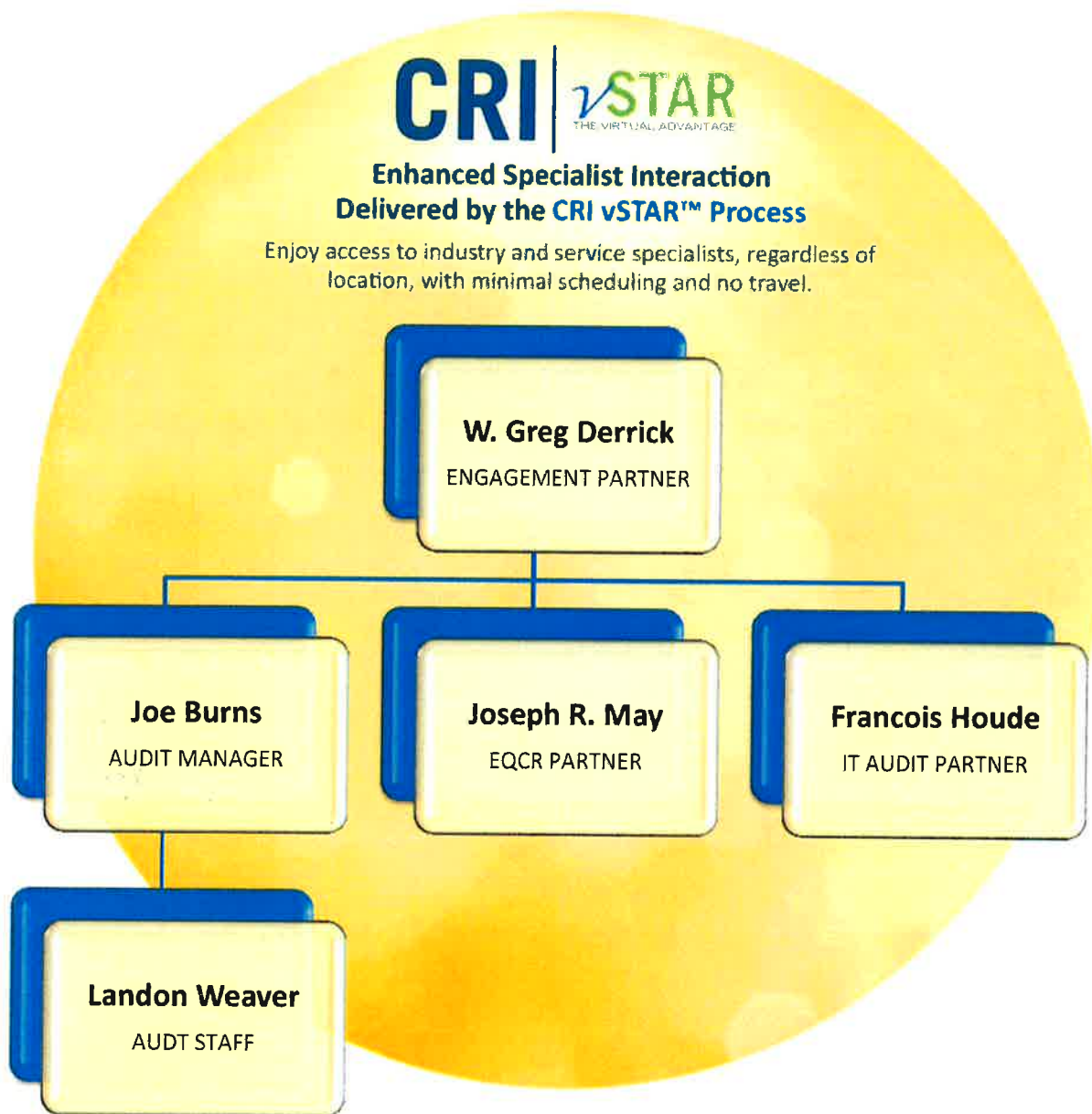




## Your Engagement Team

We have assembled a team of professionals who will ensure the highest level of personal dedication and professional excellence to you. Our team delivers exceptional services through a balanced blend of skills (service-driven, industry-specific, technical, and business) and experience that we know are important to you.

Brief profiles of each member of the team identified below follow on subsequent pages.





## PROPOSAL NARRATIVE



**Greg Derrick**  
Engagement Partner

(601) 499-2530 phone  
(601) 573-8603 mobile

gderrick@cricpa.com

### Representative Clients

- Mississippi Department of Wildlife, Fisheries & Parks
- City of Clinton
- Mississippi Prepaid Affordable College Tuition Plan
- Mississippi Affordable College Savings Program
- University of Mississippi Medical Center
- Hope Enterprise Corporation
- Morgan White Group, Inc.
- First Baptist Church of Madison
- Galaxie Corporation
- H-H Corporation
- Auto Electric & Carburetor, Inc.
- Capitol Street Corporation
- The Blossman Companies, Inc.
- BankFirst Financial Services
- Charter Bank
- Hope Federal Credit Union
- The Grand Lodge of Mississippi, F. & A.M.

### Experience

Greg is a partner with CRI and has over 20 years of public accounting and audit experience. He has a significant amount of governmental experience including serving as the lead auditor for the audits of the Mississippi Department of Wildlife, Fisheries, & Parks, City of Clinton, the University of Mississippi Medical Center, Mississippi Prepaid Affordable College Tuition Program and Mississippi Affordable College Savings Plan. This prior experience and knowledge base will prove invaluable in continuing to provide a seamless and efficient audit effort.

### Education, Licenses & Certifications

- Bachelor of Science in Business Administration, Mississippi College
- Certified Public Accountant
- Certified Global Management Accountant

### Professional Affiliations

- American Institute of Certified Public Accountants (AICPA)
- Mississippi Society of Certified Public Accountants



Joseph May  
ECQR Partner

(601) 499-2511 phone

jmay@cricpa.com

## Representative Clients

- Mississippi Band of Choctaw Indians
- Mississippi Department of Rehabilitation Services
- Mississippi Development Authority
- Mississippi Insurance Department
- Mississippi Military Department
- Mississippi Institutions of Higher Learning
- Amfed National Insurance Company
- Amfed Casualty Insurance Company
- Gulf Guaranty Insurance Company
- Gulf Guaranty Life Insurance Company
- Mississippi Guaranty Title Insurance Company
- USA Insurance Company
- Blue Cross Blue Shield of Mississippi
- HMO of Mississippi
- Whitestone Insurance Company
- New Mexico Office of Insurance Regulation
- Florida Office of Insurance Regulation
- Louisiana Department of Insurance
- Pennsylvania Insurance Department

## Experience

Joe is a partner of the firm with over 20 years of experience in auditing and financial analysis including over seven years of experience working in various capacities with governmental agencies, including the Mississippi Department of Insurance and the State Auditor's Office. Joe's experience includes working on numerous other governmental entities, including Uniform Guidance audits. Specifically, he is partner in charge of both Treasury fund and Federal Compliance audits of Mississippi Development Authority – Disaster Recovery Division, the Mississippi Military Department and the Mississippi Department of Rehabilitation Services. Joe's extensive experience in governmental auditing and specific experience in working with Mississippi state agencies will ensure that MDEQ receives the highest level of client service.

## Education, Licenses & Certifications

- Millsaps College, M.B.A.
- University of Southern Mississippi, B.S. in Accounting
- Certified Public Accountant
- Certified Insurance Examiner
- Certified in Financial Forensic
- Certified Financial Examiner - Insurance
- Certified Management Accountant
- Fellow in the Academy for Healthcare Management

## Professional Affiliations

- American Institute of Certified Public Accountants
- Mississippi Society of Certified Public Accountants
- Institute of Certified Management Accountants
- Society of Financial Examiners - Insurance
- Insurance Regulatory Examiners' Society
- Academy for Healthcare Management



**Joseph Burns**  
**Audit Manager**

(601) 853-7050 phone

[jburns@cricpa.com](mailto:jburns@cricpa.com)

## **Representative Clients**

- Mississippi Band of Choctaw Indians
- Mississippi Children's Museum
- Mississippi Department of Wildlife Fisheries and Parks
- Mississippi Military Department
- Mississippi Department of Rehabilitation Services
- Mississippi Development Authority
- Mississippi Department of Human Services

## **Experience**

Joseph has 5 years of public accounting experience. Joseph has recently joined CRI after having worked with another large regional CPA firm in New Orleans, Louisiana. Joseph will serve as a lead contact on fieldwork matters and will be actively involved in the audit on a day-to-day basis.

## **Education, Licenses & Certifications**

- Mississippi State University, Master of Professional Accountancy
- Mississippi State University, Bachelor of Science in Accounting
- Certified Public Accountant

## **Professional Affiliations**

- American Institute of Certified Public Accountants (AICPA)
- Mississippi Institute of Certified Public Accountants (MSCPA)



**Landon Weaver**  
**Audit Staff**

(601) 499-2515 phone

[lweaver@cricpa.com](mailto:lweaver@cricpa.com)

## **Representative Clients**

- Mississippi Department of Wildlife, Fisheries & Parks
- Ivey Mechanical, LLC
- Neel-Schaffer, Inc.
- Mississippi Children's Museum
- Eutaw Construction Company, Inc.
- Sullivan Enterprises, Inc.
- Buford Plumbing Company, Inc.
- Rutledge Contractors, Inc.
- Probity Contracting Group, LLC
- SOL Engineering Services, LLC

## **Experience**

Landon has 3 years of public accounting experience with CRI. Landon's experience primarily consists of working as a staff accountant on engagements for construction entities, but he has experience with various other privately held and not-for-profit entities as well. He will serve as staff accountant for the audit and will be involved with all aspects of fieldwork.

## **Education, Licenses & Certifications**

- Bachelors in Accountancy, Mississippi State University
- Master of Professional Accountancy, Mississippi State University
- Certified Public Accountant



Francois Houde  
IT Systems Partner

(601) 499-2510 phone  
(601) 594-8696 mobile

fhoude@cricpa.com

## Representative Clients

- State of Mississippi Institutions of Higher Learning
- Mississippi Division of Medicaid
- Mississippi Public Service Commission
- Blue Cross & Blue Shield of Mississippi
- Mississippi Insurance Department
- Pennsylvania Insurance Department
- Mississippi Military Department
- Mississippi Department of Rehabilitation Services
- Mississippi Development Authority
- Alabama State University

## Experience

Francois has over 16 years of experience in public accounting. Francois has invaluable experience with non-profit and governmental audits and has supervised various engagements in this regard including the State of Mississippi Institutions of Higher Learning and the Mississippi Department of the Military. He is involved in the Blue Cross & Blue Shield of Mississippi audit as well as many insurance regulatory examinations for health care, life and casualty insurance companies for various state insurance departments, including Mississippi, Pennsylvania, New Mexico and Florida. Francois is also a Certified Information Systems Auditor and will serve as the technology specialist on the engagement. Prior to joining CRI, Francois served as a technology consultant supervising a system implementation of a large U.S. financial institution.

Francois has been leading the co-sourcing of the internal audit department and the TeamMate implementation of the State of Mississippi Institutions of Higher Learning since 2012.

## Education, Licenses & Certifications

- B.S., Accounting, Universite du Quebec a Montreal
- DESS, Accounting, Universite du Quebec a Montreal
- Chartered Professional Accountant
- Certified Information Systems Auditor
- Automated Examination Specialist
- Certified Financial Examiner

## Professional Affiliations

- American Institute of Certified Public Accountants
- Information Systems Audit and Control Association
- Society of Financial Examiners
- CPA Canada





### **Staff Continuity**

We recognize the importance of staff continuity. Turnover is not only disruptive to our clients but also affects our ability to perform efficiently.

Our goal in staffing is to strike a balance and to provide continuity of our staff. We want to provide for as great a degree of continuity as possible at the engagement management level. This means less time (and money) getting acquainted with your business.

Your organization operates in a complex, highly visible environment. MDEQ needs an accounting firm that does not just “audit” but is a business advisor that contributes to moving MDEQ forward. We will be available to assist you in dealing with the many business issues you may face.

Our approach to serving a complex organization like MDEQ is to:

- Appoint a highly qualified client service team with skills, capabilities and experiences to meet your needs
- Conduct extensive client service planning in concert with management
- Execute an audit plan specifically designed to meet your unique requirements

Our team will meet regularly to brainstorm creative ideas for your consideration. Ideas developed at these sessions will be brought to your attention. This approach will work for MDEQ, because we will obtain a thorough understanding of your requirements and your regulatory issues.

Our unique perspective allows us to see trends, anticipate opportunities, provide knowledgeable assistance, make strong recommendations and perform audits of your entity, with a minimum of disruption to management and staff. Our service to similar entities ideally positions us to serve you in the future.

### **Conclusion**

We do not merely make promises - we deliver results - and we have the track record to prove it. We meet deadlines, we are accessible and we are creative on your behalf. We will take the initiative to identify improvement opportunities and to develop plans for capturing them. We bring highly qualified people to your service and invite you to utilize their talents to benefit MDEQ. In short, we will be fully responsive to your needs, while providing the highest-quality service.



## Transitioning You

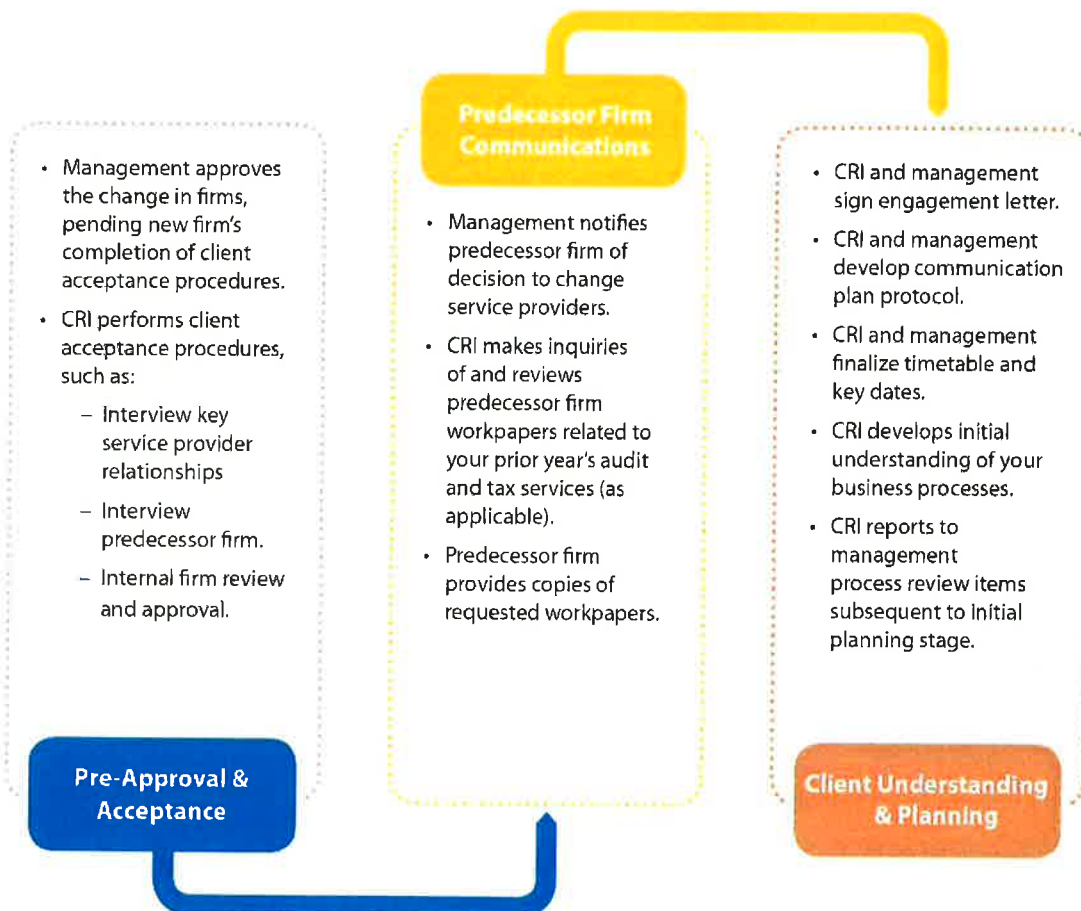
When choosing to change firms, the time involved in working with new accounting professionals is often a concern. CRI's well-defined efficient, seamless transition process is designed to:

- Provide you with value from the very first encounter,
- Avoid interruption of service,
- Minimize disruption and investment of management's time,
- Raise the standard of service, and
- Establish ongoing channels of communication with MDEQ's management.

The transition plan is comprised of the following key activities and can occur within approximately two weeks, depending on the availability of the parties involved:

"As a CPA and former auditor myself, I know that changing auditors can often be difficult and time consuming due to learning curves and new processes. Fortunately, I quickly found that CRI's partners and staff make the transition simple and relatively painless. The significant involvement of the firm's partners is one of the main reasons for this result. CRI's partners are responsive to our needs and professionally handle the entire engagement from beginning to end."

*Ed Oliphant, Chief Financial Officer  
Regional Transportation Authority*







## Relevant Experience

### Similar Engagements with Other Entities

CRI delivers a depth of resources that ensures our understanding of your challenges and innovative solutions for overcoming them. Our governmental team's 1,100+ years of combined experience is derived from providing audit and accounting outsourcing services to a client base that includes:

- 420+ governmental entity clients across the South totaling approximately \$22 billion in total revenues,
- Perform single audits for approximately 30% of all governmental clients, and
- Municipality clients of up to \$1.2 billion in total revenues.

We parlay this vast experience and derived best practices into proven solutions that benefit you.

Below we share specific, relevant client references; we encourage you to consult with them.

RELATIONSHIP	TIMELINE	SERVICE DESCRIPTION	RELEVANT POINTS TO CONSIDER
<b>Mississippi Department of Insurance</b> Mark Haire Deputy Commissioner of Insurance 601. 359.3572	2002 - Current	Numerous governmental and other consulting engagements	<ul style="list-style-type: none"> <li>• Approximately 3,000 hours annually</li> <li>• Client Service Partner: Joseph May, Elton Sims</li> </ul>
<b>Mississippi Development Authority</b> Kevin Collins Chief Financial Officer 601.853.5100	2007 – Current	Audit of annual financial statements, Uniform Guidance audits	<ul style="list-style-type: none"> <li>• Approximately 1,600 hours annually</li> <li>• Client Service Partner: Joseph May</li> </ul>
<b>Mississippi Military Department</b> Angie Plunkett Deputy Administrator for Finance 601.359.6155	2007 - 2016	Audit of annual financial statements, Uniform Guidance audits	<ul style="list-style-type: none"> <li>• Approximately 300 hours annually</li> <li>• Client Service Partner: Elton Sims, Joseph May</li> </ul>
<b>Mississippi Department of Wildlife, Fisheries and Parks</b> Brian Ferguson, Director Of Support Services 1505 Eastover Drive Jackson, MS 39211	2017	Audit of annual financial statements, Uniform Guidance audits	<ul style="list-style-type: none"> <li>• Approximately 200 hours annually</li> <li>• Client Service Partner: Elton Sims, Greg Derrick</li> </ul>

## PROPOSAL NARRATIVE



RELATIONSHIP	TIMELINE	SERVICE DESCRIPTION	RELEVANT POINTS TO CONSIDER
<b>State of Mississippi Institutions of Higher Learning</b> Jackson, Mississippi John Pearce Associate Commissioner of Finance and Administration 601.432.6122	2012 - Current	Co-sourcing of the office of internal audit function	<ul style="list-style-type: none"> <li>Approximately 3,600 hours annually</li> <li>Client Service Partners: Randy Eure and Elton Sims</li> </ul>
	2007 - 2009	Full-scope financial governmental entity under government auditing standards	<ul style="list-style-type: none"> <li>Approximately 11,000 hours annually</li> <li>Client Service Partners: Elton Sims</li> </ul>



For an example of our team's expertise, watch a CRI video blog by partner Brian Barksdale discussing **Government-Wide Statement of Activities**. Just snap this QR code with your mobile phone to download or visit [CRIcpa.com](http://CRIcpa.com) to view one of our 100+ videos.



## Specific Audit Approach

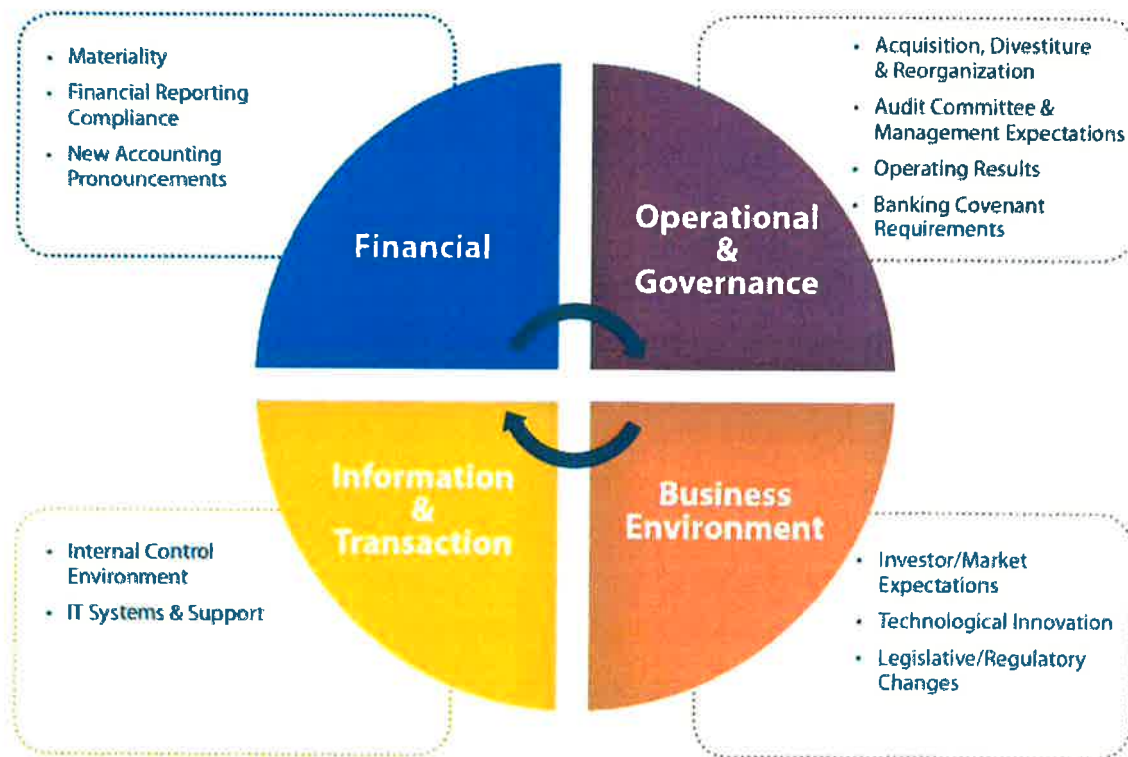
### CRI Audit Framework

Our proposed services require a coordinated effort between us and MDEQ's team. Planning and continual communication are essential to developing the appropriate procedures, working collaboratively to resolve any identified issues, and meeting your timelines.

CRI's audit approach occurs within a framework of our client's business and industry; therefore, we assess risk by:

- Understanding management's perspectives and goals, and
- Considering business conditions and threats that could prevent management from achieving its business objectives.

We assess risks in the following areas:





### CRI Audit Framework

Our ultimate intent is to drill down from these broad risks to specific financial reporting risks. We understand both these risks and management's processes and procedures for mitigating them (i.e. internal controls) in order to develop our procedures to carry out our audit responsibilities.

Although our audits are conducted through a structured, risk-based model, we focus on understanding the client's needs, requirements, and expectations. We work collaboratively with management and the Audit Committee (or similar function) to develop a communication and work plan to continuously improve client service, by doing so we help in moving your team from simple **compliance** to providing you with a **competitive advantage**.

In planning, we concentrate on "key risks," (items with a greater risk of a material misstatement, a material weakness in internal controls, or other matters resulting in the issuance of an inappropriate audit report). We focus on "material" items (i.e. those items that would be important to the user of your financial statements). When evaluating materiality of identified misstatements, certain quantitative and qualitative factors must be considered—which may include:

- Impact on operating trends (revenue/income, expenses, net income, etc.).
- Nature of the misstatement (i.e., did the misstatement result from an unlawful transaction?).
- Impact on liquidity, capital/surplus, earnings capacity, etc.
- Impact to loan covenants and contractual and regulatory requirements.

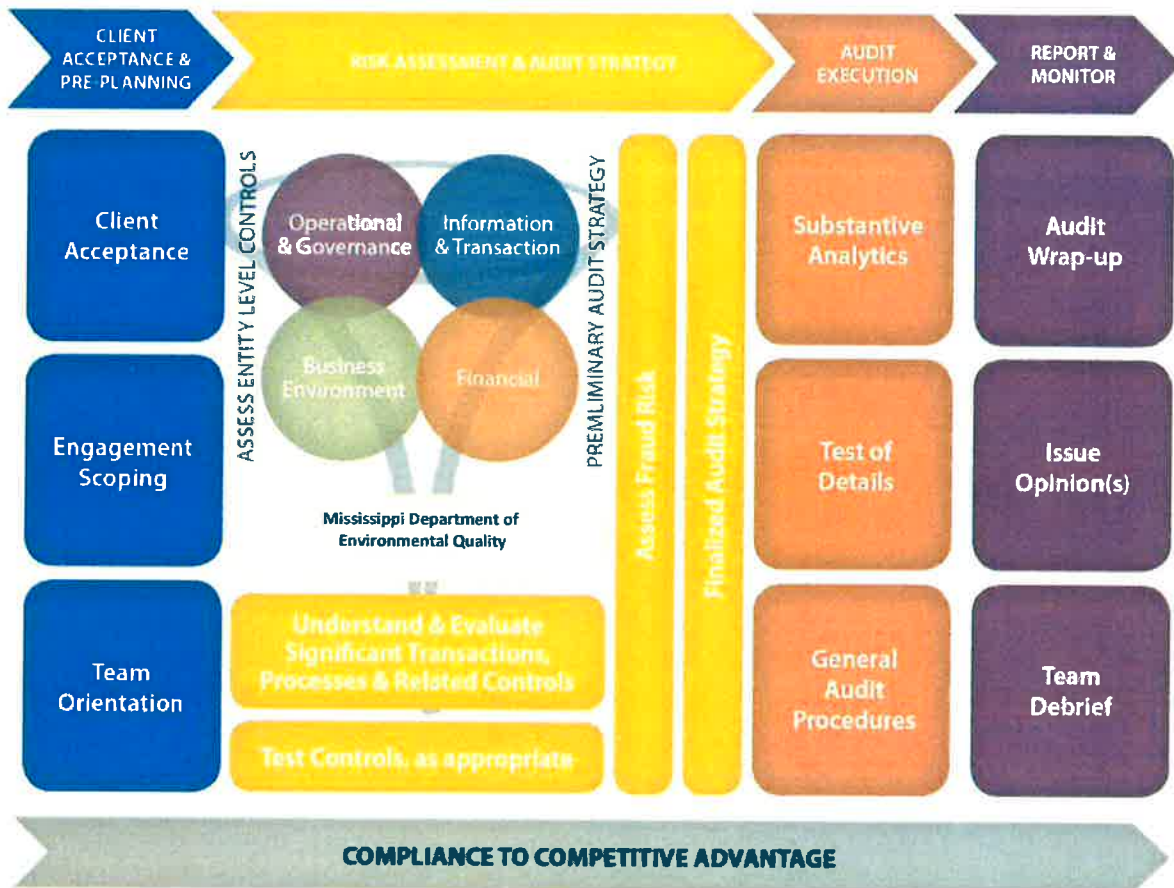
Consistent communication is a key to completion of the audit. By ensuring constant involvement, we are in a better position to respond to your issues timely and efficiently. Therefore, we plan to meet with your management to:

- Set-up the audit by reviewing the mapping of MDEQ's financial information (financial statements and notes) to significant processes and IT systems to ensure that all significant account balances, transactions, procedures, and systems are tested as deemed necessary.
- Discuss ongoing changes—specifically new accounting pronouncements and key business transactions in their early stages, enabling us to agree on the resolution of various complex business issues on a timely basis.

## PROPOSAL NARRATIVE

### CRI Audit Approach

Our audit approach is a four stage approach, as depicted in the summary below. Our client acceptance and risk assessment procedures (as noted on the previous page) occur during detailed conversations and observations with your team. The results of those procedures allow us to tailor an audit program to your specific risks and needs. We then execute the audit, report the results, and evaluate continuous improvement opportunities for ongoing service and benefit to you.







## CRI Audit Approach

### Stage 1: Client Acceptance & Pre-planning

- Perform client acceptance procedures where necessary.
- Collaborate with management to agree to expectations and scope.
- Assign appropriate staff to engagement based on client needs and assessed risk.

### Stage 2: Risk Assessment & Audit Strategy

- Interview client personnel and others, as necessary to understand client-specific objectives and risks.
- Assess environmental and other external risks and potential impact on the audit planning.
- Assess entity level controls including: control environment, risk assessment, information & communication, and monitoring controls.
- Assess management's fraud and IT risk assessment models. Develop independent fraud and IT risk assessment.
- Assess IT General Computer (ITGC) controls, such as IT Environment, Developing & Delivering IT, and Operating IT & Monitoring IT.
- Assess materiality.
- Perform preliminary analytical procedures.
- Map financial statements to significant transactions, processes, IT systems and related controls.
- Develop understanding of significant processes and related controls.
- Determine existence of/reliance on SSAE 16 (formerly SAS 70(s)).
- Test controls including ITGC, as and if deemed appropriate. Tests will include a mix of:
  - inquiry,
  - observation,
  - examination and
  - re-performance.
- Determine reliance on Internal Audit, if applicable (e.g. controls or detailed tests).
- Determine reliance on specialist(s), if applicable (e.g. valuations, pension costs, etc.).
- Finalize risk assessments and develop final audit strategy.

### Stage 3: Audit Execution

- Where possible, develop detailed analytical procedures to use as substantive tests to reduce tests of details. Examples include:
  - ratio analysis,
  - regression analysis,
  - trend analysis,
  - predictive tests or
  - reasonableness tests.
- Where possible utilize Computer-Assisted Audit Techniques (CAATs), such as IDEA or ACL to automate testing for more coverage and less disruption to the client.
- Where possible, perform targeted testing (also known as "coverage" testing) of account balances to tests large portions of account balances.
- Perform tests of details, including sampling, if applicable or necessary.
- Perform general audit procedures, as and if applicable, such as tests related to:
  - commitments and contingencies,
  - legal letters,
  - management representations,
  - reviews of Board minutes,
  - related party transactions,
  - debt covenants and
  - going concern.
- Perform other tests for compliance such as Yellow Book or Single Audit Tests.

### Stage 4: Report & Monitor

- Continually monitor the audit and provide feedback as agreed during scoping or more frequently, as deemed appropriate.
- Conclude the audit (i.e. issue opinions and/or reports).
- Develop and present required communications, including management letter comments.
- Perform an internal team de-briefing to identify areas for improvement.
- Welcome the opportunity for an external de-briefing with our clients to improve.

# PROPOSAL NARRATIVE

## Proposed Audit Strategy

In certain complex areas, we may use functional specialists (e.g. information technology [IT], valuation of investments, and review of actuarial assumptions and calculations) to assist in the evaluation of complicated transactions and judgmental account balances. Additionally, we will review the financial statement disclosures and evaluate the overall transparency of MDEQ's financial reporting.

Taking into account various items related to MDEQ, such as—but not limited to—industry expertise, knowledge of your organization, preliminary risk assessments, materiality, and the judgmental nature of the accounts, we have outlined below the key areas of audit focus and our proposed strategy.

PROPOSED AUDIT STRATEGY						
Significant Areas	Level of Risk	Test of Controls	Substantive Procedures			Notes
			Analytics	Test of Details	Use of CAATs	
Initial audit procedures	High	✓	✓	✓	✓	<ul style="list-style-type: none"> <li>- First time audit - all areas will be impacted.</li> <li>- We also will perform the requisite predecessor/successor communications.</li> </ul>
Fraud risks	Medium	✓	✓	✓	✓	<ul style="list-style-type: none"> <li>- Will meet AICPA requirements of fraud testing.</li> <li>- Fraud is considered an intentional act that results in a material misstatement of the financial statements.</li> <li>- We will gather information to identify risks of material misstatement due to fraud, and evaluate processes that address fraud.</li> </ul>
Financial reporting	Medium	✓	✓	✓	✓	<ul style="list-style-type: none"> <li>- Period-end financial reporting is critical; financial reporting compiles/reconciles detailed information from underlying processes and systems.</li> </ul>
Other estimates and contingencies	Medium	✓	✓	✓		<ul style="list-style-type: none"> <li>- Compensated absences – we will perform tests of details and substantive analytics to substantiate accuracy of account balance.</li> </ul>
Manual journal entries	Medium	✓		✓	✓	<ul style="list-style-type: none"> <li>- Manual journal entries are risky.</li> </ul>
Entity level controls	Medium	✓	✓	✓	✓	<ul style="list-style-type: none"> <li>- We will gain an understanding of the control environment, risk assessment, monitoring, information and communication channels to determine the nature, timing, and extent of reliance on and tests of controls; we use all of the above to build the audit approach.</li> <li>- Our goal is to leverage management's processes to the degree possible, which increases efficiency.</li> </ul>
IT systems	High	✓	✓	✓	✓	<ul style="list-style-type: none"> <li>- Underlying financial and operational systems supporting the key business cycles play a critical role in the ability to generate and compile complete and accurate financial data.</li> <li>- The IT security, computer operations and program change controls for financially significant applications are vital.</li> </ul>



## PROPOSAL NARRATIVE



PROPOSED AUDIT STRATEGY						
Significant Areas	Level of Risk	Test of Controls	Substantive Procedures			Notes
			Analytics	Test of Details	Use of CAATs	
Accounts payable and related expenditures	Medium	✓	✓	✓	✓	- Accounts payable are significant due to the account balance and number of transactions impacting accounts payable and the related expense accounts.
Payroll, related liabilities and payroll expenditures	Medium	✓	✓	✓	✓	- Payroll liability accounts and related expenditures are significant due to the account balance and payroll expenditures comprise a significant portion of the Entity's expenditures.
Deferred revenue	Medium	✓	✓	✓		- Deferred revenue is significant due to the size of account balance.
Revenue recognition	High	✓	✓	✓	✓	- We will test revenue systems and processes and perform a combination of substantive analytical procedures and tests of details to test this area.
Cash and cash equivalents	Low	✓		✓		- Cash is significant because of the large account balance and number of transactions impacting account.
Accounts receivable	High	✓	✓	✓	✓	- Accounts receivable are significant due to the account balance, number of transactions and issues related to estimates associated with the allowance for doubtful accounts.

# PROPOSAL NARRATIVE



## Proposed Audit Timing

The following graphs depict the timing and key elements of our typical audit process.

PHASE	2017					
	JULY	AUG	SEPT	OCT	NOV	DEC
<b>Client Acceptance &amp; Pre-Planning</b>						
Appointment of audit firm						
Ongoing consultation on major issues and developments						
Meet with management to discuss business risks and scope.						
Hold CRI engagement team planning meetings						
<b>Risk Assessment &amp; Audit Strategy</b>						
Gain understanding of significant processes and key controls						
Perform testing of key controls to reduce substantive testing						
Determine nature, timing and extent of substantive procedures						
Perform selected substantive procedures						
Finalize and communicate plan to management/governance						
<b>Audit Execution</b>						
Conduct remaining substantive tests based on the results of audit procedures performed to date						
Discuss results of audit work with management						
<b>Report &amp; Monitor</b>						
Review annual report						
Meet with management/governance to discuss results of audit						
Issue audited financial statements						



### **Why CRI?**

We strive to continue to be a dynamic firm, one whose public sector professionals are eager to continue working with the management and administration to address difficult challenges. We believe that we can provide unmatched service for these reasons:

- We have developed a strong understanding of auditing large governmental entities.
- Our engagement team of public sector professionals has four certified public accountants that have an aggregate of over 70 years of accounting experience. We will devote considerable management time to this engagement. The level of attention and expertise will result in responsive and quality service.
- Our leading-edge technology provides us with a risk-based, paperless audit approach that is extremely effective and efficient.

## PROPOSAL NARRATIVE



### Your Services & Fees

We value creating mutually-rewarding, long-term relationships with our clients. Our goal is to provide high quality, responsive service that yields returns far greater than your investment in our professional fees. Please find below our proposal of fees to provide the requested services for the upcoming fiscal year.

SERVICE
<b>Mississippi Department of Environmental Quality</b>
<p>The work for this RFP includes performing all procedures necessary to issue a program specific audit of the Mississippi Department of Environmental Quality (MDEQ) (funds 3358100000, 3358400000, 3358600000, 5358600000, 5358900000, 2247100000, and accrued compensated absences) financial statement reports on certain general funds/general long-term debt obligations for the State fiscal year ending June 30, 2017.</p> <p>Adjusting entries will be prepared, if necessary, to the trial balances generated by the DFA. These adjusting entries will be prepared on the DFA adjusting entry standardized forms and submitted to MDEQ for approval and SAO for review and processing within the due dates specified by SAO. It is anticipated that the financial statements will be available in September 2017.</p> <p>Financial statement audits will be required for: (1) GAAP reporting packages of the selected funds for the state fiscal year 2017, including a conclusion on the fair presentation of the GAAP reporting packages in conformity with generally accepted accounting principles in the USA, (2) a conclusion on compliance and internal controls based on an audit of the GAAP reporting packages for the selected funds performed in accordance with <u>Government Auditing Standards</u>, and (3) the schedule of analysis of changes in accrued compensated absences.</p> <p>In addition, we will perform other Audit Services as detailed in Part VII of the RFP, as applicable.</p>

CRI FEES – Year Ending June 30, 2017			
Classification	Hours	Rate Per Hour	Total
Partner	20	\$175	\$ 3,500
Manager	40	135	5,400
Senior Accountant	50	100	5,000
Staff Accountant	50	90	4,500
IT Specialist	8	145	1,160
<b>TOTAL</b>	<b><u>160</u></b>		<b><u>\$19,560</u></b>

*\*Actual out-of-pocket expenses will be billed separately and are not included in the fee. Such expenses are not expected to exceed \$400.*



## UNIQUE SAVINGS OPPORTUNITY WITH CRI

CRI offers the unique opportunity to utilize the **CRI vSTAR™ process**, our virtual audit process that combines minimal hardware, collaborative software, and cameras to allow us to perform all or part of our audit engagement virtually and in real time. **CRI vSTAR™ clients** will enjoy reduced or eliminated travel costs – which translates into savings.

If MDEQ requests additional services outside of this proposal, professional fee hourly rates are as follows, but may be negotiated depending on the project request:

CLASSIFICATION	HOURLY RATE
Partner	\$225
Manager	\$185
Senior	\$150
Staff	\$125
IT Specialist	\$195
Fraud Specialist	\$195

Our professional fees are based on the key assumptions that MDEQ will:

- Ensure that the predecessor's work papers will be made available for timely review.
- Make available documents and work papers for review at MDEQ's headquarters location, although we may choose to review at alternate locations.
- Prepare certain schedules and analyses and provide supporting documents as requested.
- Assist us in obtaining an understanding of the accounting systems of MDEQ.
- Not experience a significant change in business operations or financial reporting standards.



## System Review Report

January 31, 2014

To the Partners of Carr, Riggs & Ingram, LLC  
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Carr, Riggs & Ingram, LLC (the firm) applicable to non-SEC issuers in effect for the year ended June 30, 2013. 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 a part of our peer 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](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*; audits of employee benefit plans, and audits performed under FDICIA.

In our opinion, the system of quality control for the accounting and auditing practice of Carr, Riggs & Ingram, LLC applicable to non-SEC issuers in effect for the year ended June 30, 2013, 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*. Carr, Riggs & Ingram, LLC has received a peer review rating of *pass*.

*Eide Bailly LLP*

Eide Bailly LLP

[www.eidebailly.com](http://www.eidebailly.com)

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### WEBSITE

CRI shines a light on best practices via thousands of articles, videos, informative charts, and descriptive testimonials. With sections dedicated to illuminating insights by industries and services, our easy-to-navigate website highlights trending topics that detail new standards, changing regulations, and other current business topics. From cybersecurity to the new revenue recognition standard, we are ready to proactively answer your questions.



### CRInsights

CRInsights are your doorway to in-depth yet down-to-earth explanations of complex topics. We understand that just because a topic makes perfect sense to a CPA doesn't mean that it should to our clients.

- The Busy CFO & Controller's Toolkit for Successfully Implementing the New Revenue Recognition Standard
- 6 Key Ways to Strengthen Your Cybersecurity Posture
- Back to Basics: 5 Key Financial Considerations for Construction Companies
- The Not-for-Profit's Guide to Fraud Prevention



### NEWSLETTER

Our team is dedicated to keeping our clients informed, and we prove it by creating a custom monthly e-newsletter with widely-applicable topics. The articles are designed to help you improve your business and personal finances. Popular topics include:

- 3 Things To Improve Business Operations Immediately
- Financial Statement Audits Aren't Designed to Identify Fraud
- Are You a Big "Phish?" Protect from Cybersecurity Whaling Attacks
- You Might Have Money Hiding In Plain Sight

Sign up at [CRIcpa.com](http://CRIcpa.com)



## Attachment A

TO: Prospective Firms  
FROM: Office of the State Auditor  
DATE: June 12, 2017

SUBJECT: Request for proposals for performing all procedures necessary to issue program specific audits on Federal program(s) and/or financial statement audit(s) of treasury funds for fiscal year 2017.

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The Office of the State Auditor invites you to submit a proposal to provide professional auditing services in conjunction with rendering audit reports on certain selected treasury funds and/or Federal programs of agencies to the State Auditor's Office (SAO). This Request for Proposals (RFP) will serve as the RFP for multiple audits. Specific information regarding each proposal is outlined in the Attachments to this RFP. Proposers must submit proposals individually for each Attachment, but are not limited in the number of proposals submitted.

The selected funds and accounts are considered significant to the State's financial statements and as such were selected by the SAO for audit in relation to its audit of the State of Mississippi's fiscal year 2017 *Comprehensive Annual Financial Report*. The selected Federal programs were selected for audit as major programs to be included in the *Single Audit Report* for fiscal year 2017.

The June 30, 2017 GAAP reporting packages and underlying records for each of the selected funds will be examined for completeness and accuracy. Adjusting entries to the trial balance generated by the Department of Finance and Administration (DFA) will be prepared on the DFA adjusting entry standardized forms and submitted to the agency for approval and the SAO for review and processing within the due dates specified by SAO. The funds to be audited listed on the Attachments. In addition, the Schedule of Expenditures of Federal Awards prepared by the agency will be audited for the selected federal programs. The trial balances for these funds and the Schedule of Expenditures of Federal Awards are scheduled to be available September 2017. The Federal programs to be audited are listed on the Attachments.

Agreements entered into will be between agency listed on Attachment, the selected Firm, and the State Auditor's Office (SAO).

**All proposals must be received by mail or email and received no later than 2:00 p.m. on Friday, July 14, 2017.**

**For any inquiries regarding proposals, please contact Jason Ashley at [Jason.Ashley@osa.ms.gov](mailto:Jason.Ashley@osa.ms.gov) or Donna Parmegiani at [Donna.Parmegiani@osa.ms.gov](mailto:Donna.Parmegiani@osa.ms.gov).**

# Request For Proposal

**Issued by:**

Office of the State Auditor  
Jackson, Mississippi

Stephanie Palmertree

Director, Financial and Compliance Division

**Submitted by:**

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## **PURPOSE**

The purpose of the Request for Proposal is to obtain written proposals for an audit of the June 30, 2017 GAAP reporting packages and underlying records for each of the selected funds for completeness and accuracy and, if applicable, Selected Major Federal Programs. Adjusting entries to the trial balances generated by the Department of Finance and Administration (DFA) will be prepared on the DFA adjusting entry standardized forms and submitted to the agency for approval and the State Auditor's Office (SAO) for review and processing within the due dates specified by SAO. The accounts to be audited are listed by agency on the Attachments. In addition, the Schedule of Expenditures of Federal Awards prepared by the agency for the selected federal programs will be audited, if applicable on the Attachments. The trial balances for these funds and accounts are scheduled to be available September 2017.

## **PART I - GENERAL TERMS AND CONDITIONS**

### **A. ISSUING OFFICE**

SAO issues this offer for the agency. SAO reserves the right, without qualifications, to select any proposal as a basis for negotiation, to reject all proposals and to exercise its discretion and apply its judgement with respect to any proposal submitted.

### **B. CONTRACT TYPE AND PRICE**

It is anticipated that the contract subsequent to this solicitation will be awarded on a cost reimbursement basis of an hourly rate. A Schedule of Professional Fees and Expenses should be submitted with the proposal.

### **C. PROPOSAL SUBMISSION AND DEADLINE**

All Firms must submit one (1) original and one (1) copy of the entire proposal. All proposals must be received no later than 2:00 p.m. on Friday, July 14, 2017. All proposals must be submitted in a sealed envelope and addressed as indicated below. Proposals must be placed in the hands of the state personnel directly serving the procurement activity prior to the hour of the date mentioned in the advertisement. A Firm submitting a proposal, whether hand delivered or mailed, is responsible for ensuring that the sealed proposal is delivered by the required time and the Firm assumes all risk of delivery. Proposals received after the date specified will be returned unopened.

Proposals may be mailed or delivered to:

Office of the State Auditor  
Attention: Jason Ashley  
501 North West Street  
Suite 801  
Jackson, MS 39201

SEALED PROPOSAL - DO NOT OPEN

**Submission Deadline: July 14, 2017 by 2:00 p.m.**

One (1) original and one (1) copy of the entire proposal shall be submitted.

Receipt or acceptance of a submission does not imply commitment or obligation on the part of the State of Mississippi to fund any proposal submitted.

### **D. ACCEPTANCE/REJECTION OF PROPOSALS**

Failure to furnish all information or to follow the format identified in these guidelines may disqualify the proposal. It is important that each section of the original proposal be submitted in the most complete manner possible. SAO reserves the right to consult with outside parties in evaluation of proposals. All proposals become the property of the State of Mississippi upon receipt and will not be returned to the Firm.

### **E. PROPOSAL PREPARATION EXPENSES**



SAO will not pay any costs incurred in the preparation and submission of proposals.

F. WITHDRAWALS OF PROPOSALS

Proposals may be withdrawn by written notice received at any time before award.

G. PROPOSAL MODIFICATIONS

Any requests to modify proposals must be submitted in writing by the Firm. All requests for modifications must be submitted prior to the proposal submission deadline. SAO reserves the right to deny any requests for proposal modification.

H. EQUAL OPPORTUNITY

Contracts, purchases and other financial transactions are administered by SAO equally, to all without regard to race, color, creed, sex, national origin, disability or age.

I. EFFECTIVE PERIOD OF PROPOSAL

All proposals are required to remain in effect for at least one (1) month from the date submitted to SAO for review.

J. AMENDMENTS TO PROPOSAL SPECIFICATIONS

SAO reserves the right to issue amendments to these guidelines. If it becomes necessary to amend said guidelines; SAO will provide copies of the amendments to all Firms having submitted proposals based on earlier guidelines. As per Section 31-7-13 (c) (ii) of the Mississippi Code, annotated, no amendment will be issued within 2 working days prior to the submission deadline.

K. ORGANIZATIONAL CONFLICT OF INTEREST

In the event that an organizational conflict of interest should arise concerning this procurement, SAO shall have the authority and responsibility to make the affirmative determination as to whether: (1) there would exist a conflict as a result of an award or (2) that such conflict would be avoided after appropriate conditions are included in the award instrument. In the event that SAO determines that a conflict of interest exists and that such conflict cannot be avoided by including appropriate conditions in the award instrument, SAO may nevertheless authorize the award, if a determination is made that it is in the best interest of the State of Mississippi to make such award, and the award instrument includes appropriate conditions in such contract agreement, or arrangements to mitigate such conflict.

L. QUESTIONS CONCERNING PROPOSALS

Written questions concerning a proposal, prior to or after submission, will be answered as quickly as possible.

Questions regarding proposal content, form or technical aspects will require a written request for properly documenting both request and response.

Please address all inquiries to:

Office of the State Auditor  
Attention: Jason Ashley  
501 North West Street  
Suite 801  
Jackson, MS 39201

M. AWARD ANNOUNCEMENT DATE

SAO anticipates making a decision no later than July 31, 2017

**PART II - WORK STATEMENT**

The work for this RFP includes performing all procedures necessary to issue financial statement reports on certain treasury funds for the State fiscal year ending June 30, 2017 managed by SAO. Also, if applicable, Federal programs will be subjected to program-specific audits. The Federal program was selected for auditing as a major program. Proposing firms acknowledge that audits contracted and requested by SAO are component audits for the presentation of CAFR and will be used as part of an audit of group financial statements. As such, SAO is considered the Group Auditor and that firms will comply with all requirements as listed in AU-C 600 – Audits of Group Financial Statements.

The June 30, 2017 GAAP reporting packages and underlying records for each of the selected funds and program will be examined for completeness and accuracy. In addition, the Schedule of Expenditures of Federal Awards prepared by the agency for the selected federal program will be audited. Adjusting entries will be prepared to the trial balances generated by the Department of Finance and Administration (DFA). These adjusting entries will be prepared on the DFA adjusting entry standardized forms and submitted to agency for approval and SAO for review and processing within the due dates specified by SAO. It is anticipated that the financial statements will be available September 2017.

Financial statement audits will be required for: (1) GAAP reporting packages of the selected funds for the state fiscal year 2017, including a conclusion on the fair presentation of the GAAP reporting packages in conformity with generally accepted accounting principles in the USA, (2) a conclusion on compliance and internal controls based on an audit of the GAAP reporting packages for the selected funds performed in accordance with Government Auditing Standards, and (3) a conclusion on the Schedule of Expenditures of Federal Awards for GAAP reporting packages.

The auditing services will be made in conformity with the following guidelines and regulations:

1. The standards for financial audits set forth in the U.S. Government Accountability Office's Government Auditing Standards which includes generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants.
2. Statements of financial accounting standards as prescribed by the Governmental Accounting Standards Board.
3. Special items or reports prescribed by SAO as set forth in PART VII Audit Services Schedule.
4. OMB Uniform Grant Guidance.

The Firm will conduct the audit in accordance with auditing standards specified herein. Accordingly, the Firm will examine, on a test basis, evidence supporting the amounts and disclosures in the GAAP reporting packages, assess the accounting principles used and significant estimates made by management and evaluate the overall financial presentation.

As a part of the Firm's audit, it will consider the agencies' internal control over financial reporting in order to determine auditing procedures for the purpose of issuing a conclusion on the selected GAAP reporting packages and not to provide assurance on the internal control over financial reporting. This consideration will not be sufficient to enable the Firm to render separate opinions on the effectiveness of the internal control over financial reporting.

The objective of the audit is to obtain reasonable assurance about whether the GAAP reporting packages of the selected funds and account groups are free of material misstatement whether arising from errors, fraudulent financial reporting or misappropriation of assets. SAO acknowledges that while effective internal control reduces the likelihood that misstatements of this nature may occur and remain undetected, it does not eliminate that possibility. For that reason and because the Firm uses selective testing in its audit, the Firm cannot guarantee that material misstatements, if present, will be detected.

The GAAP reporting packages referred to above are the responsibility of the management of the agency. In this regard, management is responsible for properly recording transactions in the accounting records and maintaining an internal control sufficient to permit the preparation of reliable financial statements. Management is also responsible for making available to the Firm, upon request, all of the audited agency's original accounting records and related information, and the audited agency's personnel to whom the Firm's audit staff may direct inquiries.

As required by applicable auditing standards, the Firm will make specific inquiries of management and others about the representations embodied in the GAAP reporting packages and the effectiveness of the internal control. Generally accepted auditing standards also require that the Firm obtain representation letters covering the GAAP reporting packages from certain members of the audited agency's management. The results of the audit tests, the responses to the Firm's inquiries, and the written representations comprise the evidential matter the Firm will rely upon in forming an opinion on the selected GAAP reporting packages. Because of the importance of management's representations to an effective audit, the audited agency agrees to release the Firm and its personnel from any liability and costs relating to their services under this letter attributable to any misrepresentations by management contained in the representation letter referred to above.

The audited agency, with the written consent of SAO, shall have the right to reject, at any time during this contract period, any work not meeting the terms of this contract. Should the audited agency or SAO reject any services, the audited agency's or SAO's authorized representative shall notify the Firm in writing by registered mail of such rejection giving the reasons therefore. The right to reject services shall extend throughout the life of this contract. However, prior to termination of this contract by SAO, the audited agency must provide written justification to SAO documenting the reasons for requesting the contract be terminated. The audited agency must obtain written approval from SAO prior to terminating the contract.

The audited agency and SAO may request the Firm to perform additional duties under the contract. Before this work would begin, the audited agency, SAO and the Firm will mutually agree in writing upon the terms, including compensation, for the additional work to be performed.

The firm acknowledges that the audited agency and SAO 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 audited agency and/or SAO 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.

The audited agency, with the written consent of SAO's authorized representatives, is empowered to accept or reject the services furnished by the Firm in compliance with the 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 terms of the contract, and cannot be based on the nature of the Firm's opinion on the financial status of the audited agency in its audit report. However, prior to termination of the contract, the audited agency must provide written justification to SAO documenting the reasons for requesting the contract be terminated. The audited agency must obtain written approval from SAO prior to terminating the contract.

The Firm shall have a certified public accountant (CPA) as the certifying official of the final management reports.

### **PART III - INSTRUCTIONS TO FIRMS**

#### **N. PROPOSAL REQUIREMENTS**

The Firm's proposal shall include the following:

1. A description of the Firm's qualifications for performing professional auditing services.
2. The length of time the Firm has been performing such services. A listing of previous governmental audits completed should be included in the proposal.
3. The Firm's tax I.D. number.
4. An affirmative statement that the Firm is independent of MMD as defined by generally accepted auditing standards generally accepted in the United States of America and *Government Auditing Standards*.
5. A copy of the report of its most recent external quality review, including a statement indicating whether that quality review included a review of specific government engagements.
6. A Schedule of Professional Fees and Expenses.

#### **O. PERIOD OF CONTRACT**

The contract shall expire one hundred twenty (120) days after the delivery of the working papers, conclusion memoranda and management letter reports, so that any questions raised during the audit may be resolved.

#### **P. INSURANCE**

The Firm shall carry workers' compensation insurance as required by law. The Firm agrees to hold the

audited agency and SAO harmless and indemnify the audited agency and SAO against any liability for injury or death to any person or damage to any property in connection with services performed under this contract. The Firm shall furnish upon demand, proof of coverage to SAO.

#### **Q. PAYMENTS**

The audited agency shall pay, or make payments on, consideration in accordance with the following schedule or procedure:

The Firm shall submit monthly invoice(s) to the audited agency with supporting documentation of costs incurred. The invoices shall outline the work performed and number of hours worked. The audited agency shall pay ninety percent (90%) of each invoice and will retain the remaining ten- percent (10%) until final payment is made. The audited agency will pay such invoices in accordance with the law related to timely payment for purchases by public bodies (Miss Code Ann. Section 31-7-301 et seq., Rev.1990). The final payment, including retained amounts, shall be made after completion and acceptance of the auditing services. In no instance will a payment be made in excess of the contract amount.

Payments shall be made and remittance information provided electronically as directed by the State of Mississippi Department of Finance and administration (DFA). These payments shall be deposited into the bank account of the Contractor's choice. The State of Mississippi DFA may, at its sole discretion, require the Contractor to submit invoices and supporting documentation electronically at any time during the term of this Agreement. Contractor understands and agrees that the State is exempt from the payment of taxes. All payments shall be in the United States currency.

#### **PART IV - PROJECT NEGOTIATIONS AND AWARD OF CONTRACT**

It is the intent of SAO to conduct negotiations for award of a contract to the best firm as determined by the evaluation of competitive proposals, all relevant factors considered. A contract will be awarded only if it is within available funds and in the best interest of the audited agency and SAO.

Each proposal will be evaluated for completeness in accordance with Part III, Section N. Proposals will be ranked based on the technical qualifications and total price of the audit. The hourly rate may be computed for comparison purposes, in the event extreme deviations in cost or hours are noted.

The Agency's Request for Proposals and the Firm's technical proposal for professional services shall be incorporated as part of the awarded contract.

SAO reserves the right to seek outside technical analysis of any proposal.

#### **PART V - PROPOSAL FORM**

All proposals shall be prepared in accordance with this section. Although there are no specific length limitations, proposals should be concisely written, indexed (cross-indexed as appropriate), and logically assembled. All pages of each part shall be appropriately identified. The proposal shall consist of one document, which shall address, at the minimum, the following items:

##### **1. SOLICITATION AND OFFER DOCUMENT**



The cover page of this solicitation will be submitted with the proposal. The Firm must complete the "Submitted By" portion of the document.

2. TRANSMITTAL LETTER

A brief letter formally submitting the project for consideration. An authorized representative of the proposing organization should sign the transmittal letter.

3. TABLE OF CONTENTS

A table of contents listing the major sections, subsections and appendices of the proposal must be included.

4. PROPOSAL NARRATIVE

This section should contain at the minimum, all information requested in Part III - Instructions to Firms, Section N. Proposal Requirements.

**PART VI - CONTRACT CLAUSES**

1. Key Personnel.

The personnel listed below are considered essential to the work being performed hereunder. Prior to removing, replacing, or diverting any of the specified individuals, the Firm shall notify the Auditee and SAO reasonably in advance and shall submit justification, including proposed substitutions, in sufficient detail to permit evaluation of the impact on this contract. The Firm without the written consent of the Auditee and SAO shall make no replacement; provided, Auditee and SAO may ratify in writing the change, and such ratification shall constitute the consent of the Auditee and SAO. Key personnel for this contract includes: (Key Personnel are those persons referred to in Part III, N.1).

2. Employment Status.

The Firm shall, during the entire term of this contract, be construed to be an independent Firm. 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 audited agency or SAO.

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 employee.

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. Neither the Firm nor employees of the Firm 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 performances 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 audited agency or SAO for any purpose from said contract sum except as permitted in Paragraph 15, Termination and Part II Work Statement.

3. Ownership of Documents and Work Products.

The original working papers prepared in conjunction with the services under this contract are the property of the firm.

Audit working papers should be made available upon request to the cognizant agency or oversight agency for audit or its designee, a Federal agency providing direct or indirect funding, SAO, or the General Accounting Office (GAO) at the completion of the audit, as part of a quality review, to resolve audit findings, or to carry out oversight responsibilities.

4. Record Retention and Access to Records.

These records will be maintained for at least five (5) years; however, if any litigation or other legal action, by or on behalf of the State 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.

5. Modification or Amendment.

SAO may, from time to time, request changes in the scope of services of the Firm to be performed thereunder. Such changes, including any increase or decrease in the amount of the Firm's compensation, which are mutually agreed upon by and between the audited agency, SAO, and the Firm shall be included in written amendments to this contract signed by all parties prior to the work being performed.

6. 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 the audited agency and SAO. 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.

7. Waiver.

Failure of either 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.

8. Indemnification.

The Firm agrees to indemnify, defend, save and hold harmless, the audited agency and SAO 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 a negligent or wrongful act of the Firm, its officers or employees in the performance of services under this contract.

9. Insurance.

The Firm represents that it will maintain workers' compensation insurance as prescribed by law which shall inure to the benefit of the Firm's personnel, as well as comprehensive general liability, or professional liability insurance and, where applicable, employee fidelity bond insurance. The Firm will, upon request, furnish the audited agency and SAO with a certificate of conformity providing the aforesaid coverage.

10. Governing Law.

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 MMD or SAO be obligated to pay an attorney's fee or the cost of legal action to the Firm.

11. Severability.

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 the contract shall not be affected thereby and each term and provision of the contract(s) shall be valid and enforceable to the fullest extent permitted by law.

12. Disputes.

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 audited agency, SAO, 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 audited agency and SAO 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 SAO 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 to be supported by substantial evidence. Pending the final decision of a dispute hereunder, the Firm shall proceed diligently with the performance of the duties and obligations of the contract.

13. Compliance with Laws.

The Firm shall comply in all material respects, with all applicable laws, regulations, policies, and procedures of the United States of America or any agency thereof, the State of Mississippi or any agency thereof and any local governments or political subdivision that may affect the performance of services under this contract. The audited agency will assist the Firm in identifying the policies and procedures promulgated by the State of Mississippi or any agency thereof and any local governments or political subdivision thereof that impact the services. Specifically, but not limited to, the Firm shall not illegally discriminate against any employee nor shall any party be subject to illegal discrimination in the performance of this contract because of race, creed, color, sex, age, national origin or disability.

14. Notice.

Any notices required or authorized to be given under this contract shall be in writing and sent by certified United States mail, postage prepaid, return receipt requested, to 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.

SAO: Jason Ashley, Finance and Compliance Division  
State Auditor's Office  
801 Woolfolk Building  
501 North West St.  
Jackson, MS 39201  
Telephone: (601) 576-2673  
Facsimile: (601) 576-2687  
Email: Jason.ashley@osa.ms.gov

15. Termination.

This contract may be terminated as follows:

a. Termination Upon Bankruptcy:

This contract may be terminated in whole or in part by the audited agency or SAO upon written notice to the Firm, if the Firm should become the subject of bankruptcy or receivership proceedings, whether voluntary or involuntary, or upon the execution by the Firm of an assignment for the benefit of its creditors. In the event of such termination, the Firm shall be paid an amount for all services actually performed pursuant to this contract, but in no case shall said compensation exceed the total contract price; or

b. Termination for Convenience:

The audited agency and/or SAO may terminate this contract, with or without cause, by providing a fifteen (15) day written notice of termination to the Firm. However, prior to termination of this contract by the audited agency, the audited agency must provide written justification to SAO documenting the reasons for requesting the contract be terminated. The audited agency must obtain written approval for SAO prior to terminating the contract.

c. 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 SAO, 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 the audited agency, the audited agency must provide written justification to SAO documenting the reasons for requesting the contract be terminated. The audited agency must obtain written approval from SAO prior to terminating the contract. In the event of termination for cause by the audited agency and/or SAO, 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 costs of reissuing another request for proposals and additional costs resulting from an acceleration of services necessary for the timely completion of such auditing services.

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. In no instance will a payment be made in excess of the contract amount. In addition, all finished or unfinished tests, surveys, checklists, forms, manuals, reports or other material prepared by the Firm under this contract shall become the property of SAO.

Notwithstanding the above, the Firm shall not be relieved of liability to the audited agency or SAO for damages sustained by the audited agency or SAO by virtue of any breach of this contract by the Firm, and the audited agency or SAO may withhold any payments to the Firm for the purpose of set off until such time as the exact amount of damages due the audited agency or SAO from the Firm are determined. The audited agency or SAO may also pursue any remedy available to it in law or in equity.

#### **16. Funding.**

The parties expressly understand that the fulfillment of the payment obligations of the audited agency under this agreement is conditioned upon the availability and receipt of State and Federal funds. In the event that funds are insufficient or otherwise unavailable to satisfy payments due under this agreement, the audited agency shall not be obligated to make such payments, and all further obligations of the audited agency and the Firm under this agreement shall cease immediately, without penalty, cost or expense to the audited agency or the Firm of any kind whatsoever. In the event or such insufficiency or unavailability of funding, the audited agency shall promptly notify the Firm and SAO in writing, of such event. The Firm shall be entitled to payment for services in the amount determined under paragraph 15 or the amount of available funds, whichever is less.

This contract, including the request for proposal and the Firm's technical proposal, and the Audit Services Schedule, 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.

### **PART VII - AUDIT SERVICES SCHEDULE**

The Firm must perform the following procedures after a contract has been awarded:

- Hold an entrance conference with the Firm's auditor-in-charge, Auditee's Internal Audit Staff, Executive Director, and SAO's authorized representatives prior to commencement of any work in order to determine the scope of services, and other related factors.
- If applicable, provide an "in-relation-to" conclusion on the supporting schedules based on the auditing procedures applied during the audit of the selected funds' basic financial statements.



- If applicable, perform certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted in the United States of America auditing standards.

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

- Examine the June 30, 2017 GAAP reporting packages and underlying records (including the Schedule of Expenditures of Federal Awards) for completeness and accuracy for inclusion in the State of Mississippi's *Comprehensive Annual Financial Report*.
- Prepare and post entries to the trial balance prepared by the Department of Finance and Administration (DFA) based on the Agency's GAAP packages and the grant activity schedules prepared by the Agency in order to adjust the trial balances. These adjusting entries should be prepared on the DFA entry standardized forms and submitted to the Agency for approval and then submitted to SAO for review and processing within due dates specified by SAO.
- Prepare a schedule of uncorrected misstatements, have Agency management approve the schedule, and submit it to SAO for inclusion in communication to DFA.
- Provide SAO the planning materiality level(s) used on the audits of fund GAAP reporting packets for use in performing analysis of unaudited aggregated funds and accounts for the CAFR.
- Complete audit reports on the fair presentation of state treasury funds audited and the schedule of expenditures of federal awards in conformity with generally accepted accounting principles.
- Prepare a letter to management on suggestions for improvement in internal control and correction of any noncompliance matters.
- Conduct an exit conference upon giving prior notice to SAO.
- Obtain a plan of corrective action from Auditee in accordance with instructions provided by SAO.
- Submit to the SAO a completed "Request for Representations from Other Auditor."
- Issue financial statement audit reports on the fair presentation of the financial statements of each selected fund in conformity with accounting principles generally accepted in the United States of America.
- Following the completion of the audit of the fiscal year's financial statements, the Firm shall issue a management report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

If Federal Programs needed to be audited for Single Audit Purposes, The Firm will perform the following procedures as requested by SAO:

- Changes to the grant activity schedules will be made in accordance with SAO instructions.
- For each major program selected for audit, prepare program-specific audit reports on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with the Uniform Grant Guidance, Subpart F.
- Review the Agency prepared Summary Schedule of Prior Year Findings for applicability of responses (if applicable).
- Prepare a letter to management on suggestions for improvement in internal control and instances of noncompliance.
- Conduct an exit conference upon giving prior notice to the SAO.
- Submit to the SAO a completed "Request for Representations from Other Auditor."

Following the completion of the audit, the Firm shall issue:

- *A 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 the Agency 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 the Agency's internal control over financial reporting 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 our attention. 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 Report on Compliance With Requirements That Could Have a Direct and Material Effect on the Federal Program and on Internal Control Over Compliance in Accordance With the Program-Specific Audit Option Required by the Uniform Grant Guidance.*

In the required audit report on compliance with requirements applicable to each major

program and on internal control over compliance in accordance with OMB Uniform Grant Guidance, the Firm shall communicate the following:

- Significant deficiencies in internal control over major programs.
- Significant deficiencies that are also material weaknesses.
- Material noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program.
- Known questioned costs which are greater than \$25,000 for a type of compliance requirement for a major program.
- Known questioned costs which are greater than \$25,000 for a federal program that is not audited as a major program.
- Circumstances concerning why the auditor's report on compliance for each major program is other than an unmodified opinion.
- Known or likely fraud affecting a federal award.
- Instances where the results of audit follow-up procedures disclosed that the Summary Schedule of Prior Year Findings prepared by the Agency materially misrepresents the status of any prior year audit finding.

Deficiencies that were not considered significant enough to be communicated as significant deficiencies and noncompliance that is less than \$25,000 shall be reported in a separate letter to management, which shall be referred to in the report on compliance and internal control over compliance.

In the required management report on internal control over financial reporting, the Firm shall communicate material instances of noncompliance and any significant deficiencies found during the audit. Significant deficiencies that are also material weaknesses shall be identified as such in the report.

As requested, the Firm shall provide the following documents to SAO:

- Draft and Final reports on the fair presentation of the financial statements in conformity with generally accepted accounting principles.
- 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 the Agency 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.
- Engagement Letter
- Journal Entries Summary – Including entries approved and made by Auditee\* and a Summary of Passed Adjustments.\*
- Signed Representations of Management as of the date of the Report and an update of representations as of the date of the CAFR report.
- Independence and Related Party statements for The Firm.

- Letters to Those Charged with Governance, including any management comments made regarding control deficiencies.
- Written findings to be included in the report, as applicable.\*
- Summary of verbal findings presented to client.
- Reconciliation of Treasury Fund Trial balances (MAGIC ZBL report) to the Audit Report.
- Firm representations to SAO
- Workpapers detailing component materiality and fund materiality used during the audit process.
- Subsequent Event Inquiries
  - From fiscal year end (June 30) to the date of The Firm audit report;
  - From the date of The Firm audit report to the date of the CAFR report date; and
  - From the date of the CAFR report to the date of the Single Audit Report (as applicable).
- Corrective Action Plans, if applicable.\*

*\* Information must be provided as prescribed by SAO. Submissions not in accordance with Auditing Standards, Uniform Guidance, or prescribed form by SAO will be returned to The Firm and The Firm will be required to resubmit the information until SAO is satisfied that it has been completed in accordance with the requirements as listed above.*