

CONTRACT FOR PROFESSIONAL SERVICES

This Contract, entered into as of this 14 day of December, 2021, by and between the Department of Finance and Administration of the State of Mississippi, hereinafter referred to as the "Agency," the Office of the State Auditor, hereinafter referred to as the "Firm".

1. The Agency desires to engage the Firm to render certain professional services described within this contract and in the attached Attachment B with respect to the Agency's compliance with the state and federal regulations for the CARES Act.
2. The Firm shall receive as compensation as an independent contractor for the described auditing services a fee not to exceed \$1,541,840.74 listed below plus any amount authorized by a duly executed amendment as provided in paragraph 13 of this contract.

Said fees are based on the expectation that the Agency's records are complete and up-to-date and that the Agency will provide, on a timely basis, audit schedules and supporting information, including communication of all significant accounting and financial reporting matters, as well as clerical assistance as is normal and reasonable in the circumstances. If such records, schedules, etc., are not provided or other unforeseen conditions or events arise, the Firm will confer with the Agency to mutually revise the fee to reflect the additional effort required of the Firm to achieve its objectives.

3. Audit:
 - a. The auditing services will be made in conformity with the following guidelines and regulations:
 - i. The Firm has the responsibility to conduct and will conduct the audit of the Agency in accordance with auditing standards generally accepted in the United States of America and the standards for compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.
 - ii. Special items or reports prescribed by the Firm as set forth in the attached Audit Services Schedule.
 - iii. Compliance with applicable state laws as set forth in the attached Audit Services Schedule.
 - b. An audit involves performing procedures to obtain audit evidence about the Agency's compliance with certain regulations. In conducting the audit, the Firm will perform tests of the accounting records and such other procedures, as the Firm considers necessary in the circumstances, based on the Firm's judgment,

including the assessment of the risk of material noncompliance, whether due to error or fraud, to provide a reasonable basis for the Firm's opinion on compliance. The Firm also will evaluate the appropriateness and effectiveness of internal controls implemented by management.

- c. The Firm's audit of compliance will be planned and performed to obtain reasonable, but not absolute, assurance about whether noncompliance with the applicable compliance requirements that should have had a material effect on the CARES Act – CRF monies. Absolute assurance is not attainable because of the nature of audit evidence and the characteristics of fraud. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material noncompliance, fraud (including fraud that may be an illegal act), and other illegal acts may exist and not be detected by an audit of compliance even though the audit is properly planned and performed in accordance with the auditing standards generally accepted in the United States of America and *Government Auditing Standards*. Also, an audit is not designed to detect matters that are immaterial to compliance, and because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to detect abuse.
- d. Subject to the last sentence of the paragraph, the Firm will issue a written report upon completion of the Firm's audit of the Agency's compliance. We realize that the Firm cannot provide assurance that an unqualified opinion will be expressed. Circumstances may arise in which it is necessary for the Firm to modify its opinion, add emphasis-of-matter or other-matter paragraphs or withdraw from the engagement.
- e. In making the Firm's risk assessments as a part of planning and performing the audit of compliance, it will consider the Agency's internal control relevant to the appropriate compliance requirements in order to determine the nature, timing, and extent of its audit procedures for the purpose of expressing an opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control.
- f. Management of the Agency acknowledges and understands that they have responsibility for the Agency's compliance to applicable state and federal regulations. Management of the Agency also is responsible for identifying and ensuring that the Agency complies with laws, regulations, contracts, and grant agreements applicable to its activities, and for informing the Firm of any known material violations of such laws and regulations and provisions of contracts and grant agreements. Management of the Agency also is responsible for preventing and detecting fraud, including the design and implementation of programs and controls to prevent and detect fraud, for adopting sound accounting policies, and for the design, implementation and maintenance of internal control relevant to the Agency's compliance and to provide reasonable assurance against the possibility of noncompliance that is material whether due to error or fraud.

Management of the Agency is also responsible for informing the Firm, of which it has knowledge, of all material weaknesses and significant deficiencies, in the design or operation of such controls. The audit of compliance does not relieve management of the Agency or the audit committee of their responsibilities.

- g. Management of the Agency also acknowledges and understands that it is their responsibility to provide the Firm with: i) access to all information of which management is aware that is relevant compliance requirements such as records, documentation, and other matters; ii) additional information that the Firm may request from management for purposes of the audit; and iii) unrestricted access to persons within the entity from whom the Firm determines it necessary to obtain audit evidence. As required by auditing standards generally accepted in the United States of America, the Firm will make specific inquiries of management of the Agency about the representations embodied in the audit and the effectiveness of internal control, and obtain a representation letter from certain members of the Agency's management about these matters. The responses to the Firm's inquiries, the written representations, and the results of audit tests, among other things, comprise the evidential matter the Firm will rely upon in forming an opinion on compliance.
- h. As part of obtaining reasonable assurance about whether the Agency's procedures are free of material noncompliance, the Firm will perform tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the Agency's compliance with applicable laws and regulations. However, the Firm's objective is not to provide an opinion on overall compliance with such provisions. The Firm shall report promptly to the Agency and FIRM any preliminary findings of possible fraud, misapplication or misappropriation of funds.
- i. In accordance with *Government Auditing Standards*, as part of planning of the audit the Firm will evaluate whether the Agency has taken appropriate corrective action to address findings and recommendations from previous engagements that could have a material effect on the financial statements. To assist the Firm, management of the Agency agrees to identify previous audits, attestation engagements, or other studies that relate to the objectives of the audit, including whether related recommendations have been implemented.
- j. In accordance with *Government Auditing Standards*, the Firm will also issue a management letter to communicate instances of noncompliance with provisions of contracts or grant agreements or abuse that have an effect on the Agency's compliance that is less than material but warrant the attention of those charged with governance. In accordance with *Government Auditing Standards*, the Firm is also required in certain circumstances to report fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse directly to parties outside the auditee.

- k. In accordance with *Government Auditing Standards*, the Firm will also provide the firm with a Subsequent Event memorandum to communicate instances of any and all events subsequent to the reporting period that may have an effect on the financial statements. The reporting period is defined as the commencement of the contract to the final issuance of the Single Audit Report.
- l. The Firm will report to management of the Agency, in writing, the following matters:
 - i. Significant difficulties and disagreements with management, if any, encountered during the Firm's audit.
 - ii. Other matters required to be communicated by auditing standards generally accepted in the United States of America.

To the extent that they come to the Firm's attention, it will inform the appropriate level of management of the Agency about any illegal acts, unless they are clearly inconsequential, material noncompliance and any instances of fraud. Further, to the extent they come to the Firm's attention, it also will communicate illegal acts that come to the Firm's attention, unless they are clearly inconsequential, material noncompliance and any instances of fraud that involve senior management or that, in the Firm's judgment, cause material noncompliance with laws and regulations.

If, during the performance of the Firm's audit procedures, circumstances arise which make it necessary to modify their report or withdraw from the engagement, the Firm will communicate its reasons for modification or withdrawal.

- 4. The Firm:
 - a. The Firm acknowledges that the Agency is 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 Agency may, at their option, reduce the agreed compensation by an amount not to exceed ten percent (10%) of the total contract amount as liquidated damages for the failure to complete the contract by the completion date provided the failure to meet the report delivery deadline is not the result of Agency delays.
- 5. The contract shall expire one hundred twenty (120) days after the report release date of the Fiscal Year 2022 Single Audit so that any questions raised during the audit may be resolved.
- 6. The Agency's funds and programs (if applicable) selected for audit are hereby incorporated herein as part of this contract, see attachment.

7. The Firm shall submit a monthly progress report which details the work completed the preceding month to the Agency if requested. The report shall be delivered within ten (10) days after the end of the preceding month. The Firm also agrees to the Agency with Status Updates sporadically as requested by either party.
8. The Agency is empowered to accept or reject the services furnished by the Firm in compliance with the material provisions of this contract and the attached Audit Services schedule. However, any rejection of services must be based solely on the Firm's failure to comply with the material terms of this contract, and cannot be based on the nature of the Firm's opinion on the financial status of the Agency in its audit report.
9. The Firm shall have a certified public accountant (CPA) as the certifying official of the final reports.
10. Termination:
 - a. Termination by Agency. The Agency may terminate this contract, with or without cause, by providing a fifteen (15) day written notice of termination to the Firm.
 - b. 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, other than as specified in paragraph 2 will a payment be made in excess of the contract amount for each audited year.
11. The Agency, or the Firm 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 Agency, and the Firm, shall be included in written amendments to this contract signed by all parties prior to the work being performed.
12. 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 Agency. Any attempted assignment or transfer of its obligation without such consent shall be wholly void. All obligations and duties of either party under this contract shall be binding on all successors in interest or assigns of such party.
13. 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 subdivisions that may affect the performance of services under this contract and all applicable laws and regulations relating to discrimination based on age, race, creed, color, sex, and national origin or disability. The Agency will assist

the Firm in identifying the policies and procedures promulgated by the State of Mississippi or any agency or political subdivision thereof that impact the services.

14. This contract shall be construed and governed in accordance with the laws of the State of Mississippi.
15. If any term or provision of this contract is prohibited by the laws of the State of Mississippi or declared invalid or void by a court of competent jurisdiction, the remainder of this contract shall not be affected thereby and each term and provision of the contract shall be valid and enforceable to the fullest extent permitted by law.
16. The Firm represents that it has not retained a person to solicit or secure a State contract upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee.
17. The firm represents that it has not violated, is not violating, and promises that it will not violate the prohibition against gratuities set forth in Section 7-204 (Gratuities) of the "Mississippi Personal Service Contract Procurement Regulations."
18. The Firm certifies that the price submitted in response to the solicitation has been arrived at independently and without – for the purpose of restricting competition – any consultation, communication, or agreement with any other bidder or competitor relating to the price, the intention to submit a bid, or the methods or factors used to calculate the price bid.
19. The Firm certifies to the best of its knowledge and belief, that it and its principals:
 - a. Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by a Federal department or Agency;
 - b. Have not within a three-year period preceding this contract been convicted or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State, or local) transaction or contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
 - c. Are not presently indicted or otherwise criminally or civilly charged by a government entity (Federal, State or local) with commission of any of the offenses enumerated in item b. of this certification; and
 - d. Have not within a three-year period preceding this contract had one or more public transactions (Federal, State or local) terminated for cause or default.

20. The Firm shall, during the entire term of this contract, be construed to be an independent contractor. Nothing in this contract is intended to nor shall be construed to create an employer-employee relationship, or a joint venture relationship.

The Firm 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.

It is further understood that the consideration expressed herein constitutes full and complete compensation for all services and performance hereunder, and that any sum due and payable to the Firm shall be paid as a gross sum with no withholdings or deductions being made by the Agency for any purpose from said contract sum except as permitted in Paragraph 5(b).

21. Failure of any party hereto to insist upon strict compliance with any of the terms, covenants and conditions hereof shall not be deemed a waiver or relinquishment of any similar right or power hereunder at any subsequent time or of any other provision hereof, nor shall it be construed to be a modification of the terms of the contract.
22. The parties expressly understand that the fulfillment of the payment obligations of the Agency under this agreement is conditioned upon the availability and receipt of State funds. In the event that funds are insufficient or otherwise unavailable to satisfy payments due under this agreement, the Agency shall not be obligated to make such payments, and all further obligations of the Agency and the Firm under this agreement shall cease immediately, without penalty, cost or expense to the Agency or the Firm of any kind whatsoever. In the event of such insufficiency or unavailability of funding, the Agency shall promptly notify the Firm and the OSA, in writing, of such event. The Firm shall be entitled to payment for services in the amount determined under paragraph 12(c) or the amount of available funds, whichever is less.
23. This contract, including the documents and schedules previously discussed in paragraph 4.a. and paragraph 9, 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.
24. Firm represents and warrants that it will ensure its compliance with the Mississippi Employment Protection Act (Senate Bill 2988 from the 2008 Regular Legislative Session) and will register and participate in the status verification system for all newly hired employees. The term "employee" as used herein means any person that is hired to perform work within the State of Mississippi. As used herein, "status


verification system" means the Illegal Immigration Reform and Immigration Responsibility Act of 1996 that is operated by the United States Department of Homeland Security, also known as the E-Verify Program, or any other successor electronic verification Agency replacing the E-Verify Program. Firm agrees to maintain records of such compliance and, upon request of the State, to provide a copy of each such verification to the State. Firm further represents and warrants that any person assigned to perform services hereunder meets the employment eligibility requirements of all immigration laws of the State of Mississippi. Firm understands and agrees that any breach of these warranties may subject the firm to the following: (a) termination of this agreement and ineligibility for any state or public contract in Mississippi for up to three (3) years, with notice of such cancellation/termination being made public, or (b) the loss of any license, permit, certification or other document granted to the firm by an agency, department or governmental entity for the right to do business in Mississippi for up to one (1) year or (c) both. In the event of such termination/cancellation, the firm would also be liable for any additional costs incurred by the State due to contract cancellation or loss of license or permit.

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

For Agency: Liz Welch, Executive Director
Department of Finance and Administration
501 North West Street
Suite 1301
Jackson, MS 39201

For Firm: Stephanie Palmertree, CPA, CGMA
Director, Finance and Compliance Division
State Auditor's Office
501 North West Street, 801 Woolfolk Building
Jackson, MS 39201

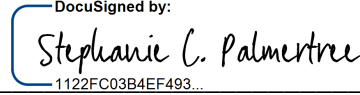
In witness whereof this contract has been executed.

SIGNED: 
569C9FD467DF492...

TITLE: Executive Director

AGENCY: Department of Finance and Administration

DATE: 12/22/2021

SIGNED: 
1122FC03B4EF493...

TITLE: Director, Department of Audit

FIRM: State Auditor's Office

DATE: 12/22/2021

AUDIT SERVICES SCHEDULE

Procedure:

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

- Hold an entrance conference with the Firm's auditor-in-charge, Audit Committee, Internal Audit Staff, Executive Director, prior to commencement of any work in order to determine the scope of services, sample sizes and other related factors.
- Express an opinion on the fair presentation of the Agency's compliance requirements in conformity with applicable federal and state regulations.

The Firm shall perform the following procedures:

- Read and provide comments on the June 30, 2021 GAAP reporting package and underlying records for completeness and accuracy for inclusion in the State of Mississippi's *Annual Comprehensive Financial Report* and the *Single Audit Report*.
- Read and provide comments for 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, if applicable. These adjusting entries should be prepared on the DFA entry standardized forms and submitted to the Agency for approval.
- Provide the methodology and details of any sample populations. Firm should use the sample size that will provide high level of assurance with a 90-95% Confidence level. Population should also be assumed to have high inherent risk. These samples should be performed monthly, without prorating the sample amount.
- Prepare for each program selected for audit, compliance 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. The program selected for audit is the Coronavirus Aid, Relief, and Economic Security Act – Coronavirus Relief Funds, CFDA #21.019.
- Prepare management letters in accordance with instructions provided by OSA.
- Conduct an exit conference.
- Obtain a plan of corrective action from the Agency in accordance with instructions provided by OSA.
- Submit to the OSA a completed "Request for Representations from Other Auditor."

- A report on the Agency's Compliance in conformity with AU-C 935.
- A Management Letter

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

- A report on irregularities and illegal acts, if applicable

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

Upon receipt of the final audit reports the Agency will:

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

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

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

- Draft and Final reports on the Compliance with Applicable Requirements in conformity with AU-C 935.
- A report, Combined Report on Compliance with Applicable Requirements and Internal Control Over Compliance Performed in Accordance with Government Auditing Standards (GAGAS report), on the Firm's consideration of internal controls. 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

- Signed Representations of Management as of the date of the Report and an update of representations as of the date of the ACFR report and Single Audit 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.
- Work papers detailing materiality used during the audit process.
- Corrective Action Plans, if applicable. *
- Additional information as needed to satisfy the requirements of AU-C 600.

Agency's Authorized Representatives:

- Liz Welch, Executive Director
Department of Finance and Administration
501 North West Street
Suite 1301
Jackson, MS 39201

State Auditor's Authorized Representatives:

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

- Stephanie Palmertree, CPA, CGMA
State Auditor's Office
501 North West Street
801 Woolfolk Building
Jackson, MS 39201
Phone: 576-2606

Legal Compliance Provision:

Any preliminary findings of possible fraud, misapplication or misappropriation of funds shall be promptly reported in writing to the Agency's and OSA's authorized representative. Notwithstanding anything herein to the contrary, nothing shall prevent the Firm from reporting such findings to the appropriate persons in accordance with professional standards.

If the Firm is required to give advice, testimony or other such activity not within the scope of rendering, confirming or justifying a report of audit services rendered, such arrangements shall be set forth in a separate arrangement letter.