

Contract for Professional Services

This agreement entered into as of this the 17 day of February, 2022, by and between the Mississippi Department of Finance and Administration (hereinafter referred to as the Agency) Office of the State Auditor (herein referred to as OSA) and Horne LLP (herein referred to as the Firm or CONTRACTOR) to provide services, materials and personnel to perform the work as specified in Attachment A. Engagement Services Schedule – “An Examination of the Financial and Technical Controls of the MAGIC System.”

1. Payment Terms.

- a. As full and complete compensation for the services to be provided hereunder, DFA will pay the Firm/Contractor as follows:

The Firm/ Contractor shall receive as compensation as an independent contractor for the described attestation services a fee not to exceed **\$224,500**. Said fee is based upon an average of **\$192** for each hour of work performed for services rendered pursuant to this contract.

DFA shall pay or make payments on the above mentioned consideration in accordance with the following schedule or procedure:

- b. The Firm / Contractor shall submit invoices to DFA with supporting documentation of the costs incurred. The invoices shall outline the work performed and number of hours worked. DFA will pay ninety percent (90%) of each invoice and will retain the remaining ten percent (10%) until final payment is made. Payment will be made to the Firm/ Contractor within 45 days of the receipt of the approved invoice submitted. The final payment, including retained amounts, shall be made after completion and acceptance of the attestation services and in accordance with Paragraph 23.
- c. The State of Mississippi requires the Firm to submit invoices electronically throughout the term of the agreement. Vendor invoices shall be submitted to the Agency using the processes and procedures identified by the State. Payments by the Agency using Mississippi Accountability System for Government Information and Collaboration (MAGIC) shall be made and remittance information provided electronically as directed by the State, if applicable. These payments shall be deposited into the bank account of the Firm’s choice. The Firm understands and agrees that the State is exempt from the payment of taxes. All payments shall be in United States currency.
- d. 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 CONTRACTOR shall

notify DFA and OSA reasonably in advance and shall submit justification, including proposed substitutions, in sufficient detail to permit evaluation of the impact on this contract.

e. Employment Status.

The CONTRACTOR 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.

CONTRACTOR 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 OSA.

Any person assigned by the CONTRACTOR to perform the services hereunder shall be the employee of the CONTRACTOR, who shall have the sole right to hire and discharge its employee.

The CONTRACTOR 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 CONTRACTOR nor employees of the CONTRACTOR 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 CONTRACTOR shall be paid as a gross sum with no withholdings or deductions being made by the OSA for any purpose from said contract sum except as permitted in Part II Work Statement; Part IV, D. E-Payments; and Part V, 22. Termination.

f. Ownership of Documents and Work Products.

The working papers prepared in conjunction with the services under this contract will become the property of the OSA at the completion of the contract. The CONTRACTOR may retain copies of all records required for record keeping purposes or for compliance with applicable professional standards.

The CONTRACTOR is prohibited from use of the above described information and/or materials without the express written approval of the OSA.

g. Record Retention and Access to Records.

The CONTRACTOR shall maintain and make available to the OSA any financial records, supporting documents, statistical records and all other records pertinent to the services performed under this contract in accordance with the CONTRACTOR's policies and procedures or professional regulatory requirements. These records shall 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.

h. Modification or Amendment.

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

i. Assignment.

The CONTRACTOR 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 OSA. 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.

j. Failure to Enforce.

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.

k. Indemnification.

The CONTRACTOR shall indemnify, defend, save and hold harmless, protect, and exonerate the DFA and OSA, its officers, employees, agents and representatives, and the State of Mississippi from and against claims, demands, liabilities, suits, actions, damages, losses and costs, including, court costs, investigative fees and expenses, and attorneys' fees, and claims for damage arising out of or caused by the CONTRACTOR and/or its partners, principals, agents, employees and/or subcontractors limited to the extent the damages were caused by the CONTRACTOR's own negligence or intentional misconduct in the performance of or failure to perform this Contract.

l. Insurance.

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

m. 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 CONTRACTOR expressly agrees that under no circumstances shall the OSA be obligated to pay an attorney's fee or the cost of legal action to the CONTRACTOR.

n. 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 shall be valid and enforceable to the fullest extent permitted by law.

o. Disputes and Arbitration.

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 OSA and the Firm. Such proposed resolution shall be reduced to writing, and a copy furnished to the Firm and OSA for their acceptance. Should either party reject the proposed resolution, you agree that, prior to resorting to litigation; the dispute shall be submitted to mediation upon written request by either of the parties. All parties agree to try in good faith to settle the dispute in mediation. The American Arbitration Association will administer any such mediation in accordance with its Commercial Mediation Rules. The results of the mediation proceeding shall be binding only if each of us agrees to be bound. The Firm and the OSA agree to share any costs of mediation proceedings equally.

p. Compliance with Laws.

The CONTRACTOR 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 government or political subdivision that may affect the performance of services under this contract. DFA and OSA will assist the CONTRACTOR in identifying the policies and procedures promulgated by the State of Mississippi or any agency thereof and any local government or political subdivision thereof that impact the services. Specifically, but not limited to, the CONTRACTOR 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.

q. Conflict of Interest.

The CONTRACTOR shall notify DFA and OSA of any potential conflict of interest including, but not limited to, a conflict of interest resulting from the representation of or service to other clients. If such conflict cannot be resolved to DFA and OSA's satisfaction, the DFA and OSA reserves the right to terminate this contract or to award the specific test(s) to another CONTRACTOR.

r. Third Party Action Notification.

The CONTRACTOR shall give DFA and OSA prompt notice in writing of any action or suit filed and prompt notice of any claim made against the CONTRACTOR by any entity that may result in litigation related in any way to this contract.

s. Authority to Contract.

The CONTRACTOR warrants that it is a validly organized business with valid authority to enter into this contract, that entry into and performance under this contract is not restricted or prohibited by any loan, security, financing, contractual or other agreement of any kind, and notwithstanding any other provision of this contract to the contrary, that there are no existing legal proceedings, or prospective legal proceedings, either voluntary or otherwise, which may adversely affect its ability to perform its obligations under this contract.

t. Confidential Information.

The CONTRACTOR shall treat all data and information to which it has access by its performance under this contract as confidential to the extent that confidential treatment of same is required under federal and/or state law and shall not disclose such data or information to a third party without specific written consent of DFA and OSA. In the event that the CONTRACTOR receives notice that a third party requests divulgence of confidential or otherwise protected information and/or has served upon it a subpoena or other validly issued administrative or judicial process ordering divulgence of confidential or otherwise protected information, the CONTRACTOR shall promptly inform DFA and OSA and thereafter respond in conformity with such subpoena to the extent mandated by state or federal law. This section shall survive the termination or completion of this contract.

u. Captions.

The captions or headings in this contract are for convenience only and in no way define, limit or describe the scope or intent of any provision or section of this contract.

v. Special Terms and Conditions.

It is agreed and understood by the parties to this contract that there are no special terms or conditions.

w. 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 addressees 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.

Mississippi Office of the State Auditor
Stephanie Palmertree, CPA, Director, Department of Audit
501 N. West Street
Suite 801, Woolfolk Building
Jackson, MS 39201
Telephone Number: (601) 576-2800
Facsimile Number: (601) 576-2650

For CONTRACTOR:
Mike Skinner, CPA, CITP
Managing Partner, HORNE Cyber
Horne LLP
1020 Highland Colony Parkway
Suite 400
Ridgeland, MS 39157

Department of Finance and Administration
Liz Welch, Executive Director
501 N. West Street
Suite 1201a, Woolfolk Building
Jackson, MS 39201

x. Termination.

This contract may be terminated as follows:

a. Termination Upon Bankruptcy:

This contract may be terminated in whole or in part by DFA or OSA upon written notice to the CONTRACTOR, if the CONTRACTOR should become the subject of bankruptcy or receivership proceedings, whether voluntary or involuntary, or upon the execution by the CONTRACTOR of an assignment for the benefit of its creditors. In the event of such termination, the CONTRACTOR 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:

DFA or OSA may terminate this contract with or without cause, by providing a thirty (30) day written notice of termination to the CONTRACTOR; or

c. Termination for Cause:

If, through any cause, the CONTRACTOR shall fail to fulfill in a timely and proper manner, as determined by DFA or OSA, its obligations under this contract, or if the CONTRACTOR shall

violate any of the terms or conditions of this contract, and that breach continues for ten (10) days after the CONTRACTOR receives written notice from DFA and OSA, then DFA and OSA shall thereupon have the right to terminate this contract.

In the event of termination for cause by DFA or OSA, in addition to other remedies provided herein or available at law or in equity, the CONTRACTOR shall bear all cost 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 CONTRACTOR will be entitled to payment for services in an amount which bears the same ratio to the total services of the CONTRACTOR as the services actually performed covered by the contract, as supported by detailed invoices submitted to DFA OSA by the CONTRACTOR identifying hours worked on the contract. 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 CONTRACTOR under this contract shall become the property of the OSA.

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

y. Final Payment.

Upon satisfactory completion of the work performed under this contract, as a condition before final payment under this contract or as a termination settlement under this contract, the CONTRACTOR shall execute and deliver to the DFA a release of all claims against the DFA arising under, or by virtue of, this contract, except claims which are specifically exempted by the CONTRACTOR to be set forth therein.

z. Contract Changes.

DFA or OSA may, at any time, by written order, make changes within the general scope of the contract as to the services or work to be performed. If such changes cause an increase or a decrease in the CONTRACTOR's cost or time required to perform any services under this contract, whether or not changed by any order, DFA and OSA shall make an equitable adjustment and modify this contract in writing. The CONTRACTOR must assert any claim for adjustment under this clause in writing within thirty (30) days from the date it receives DFA or OSA's notification of change, unless the OSA grants additional time before the date of final payment. No services for which the CONTRACTOR will charge an additional compensation shall be furnished without the written authorization of the OSA.

aa. Funding.

The parties expressly understand that the fulfillment of the payment obligations of DFA 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 DFA shall not be obligated to make such payments, and all further obligations of DFA and the CONTRACTOR under this agreement shall cease immediately, without penalty, cost or expense to the DFA or the CONTRACTOR of any kind whatsoever. In the event of such insufficiency or unavailability of funding, the DFA shall promptly notify the CONTRACTOR in writing, of such event. The CONTRACTOR shall be entitled to payment for services in the amount determined under paragraph 22 or the amount of available funds, whichever is less.

This contract, the request for proposal, the CONTRACTOR's technical proposal and the Engagement Services Schedule, in this order of precedence, 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.

bb. Employee Status Verification System

CONTRACTOR represents and warrants that it will ensure its compliance with the Mississippi Employment Protection Act (Senate Bill 2988 from the 2008 Regular Legislative Session) and will register and participate in the status verification system for all newly hired employees. The term "employee" as used herein means any person that is hired to perform work within the State of Mississippi. As used herein, "status verification system" means the Illegal Immigration Reform and Immigration Responsibility Act of 1996 that is operated by the United States Department of Homeland Security, also known as the E-Verify Program, or any other successor electronic verification system replacing the E-Verify Program. CONTRACTOR agrees to maintain records of such compliance and, upon request of the State, to provide a copy of each such verification to the State. CONTRACTOR further represents and warrants that any person assigned to perform services hereunder meets the employment eligibility requirements of all immigration laws of the State of Mississippi. CONTRACTOR understands and agrees that any breach of these warranties may subject CONTRACTOR to the following: (a) termination of the Agreement and ineligibility for any state or public contract in Mississippi for up to three (3) years, with notice of such cancellation/termination being made public, or (b) the loss of any license, permit, certification or other document granted to firm by an agency, department or governmental entity for the right to do business in Mississippi for up to one (1) year, or (c) both. In the event of such termination/cancellation, CONTRACTOR would also be liable for any additional costs incurred by the State due to contract cancellation or loss of license or permit.

cc. Representation Regarding Contingent Fees

The CONTRACTOR represents that it has not retained a person to solicit or secure a State contract upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, except as disclosed in the contractor's bid or proposal (if applicable).

dd. Representation Regarding Gratuities

The CONTRACTOR 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."

ee. Certification of Independent Price Determination

The CONTRACTOR certifies that the price submitted in response to the solicitation has been arrived at independently and without - for the purpose of restricting competition - any consultation, communication, or agreement with any other bidder or competitor relating to the price, the intention to submit a bid, or the methods or factors used to calculate the price bid.

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

The CONTRACTOR certifies to the best of its knowledge and belief, that it and its principals:

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

ff. Whistleblower Protection

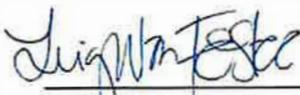
Section 1553 of Division A, Title XV of the American Recovery and Reinvestment Act of 2009, P.L. 111-5, provides protections for certain individuals who make specified disclosures relating to Recovery Act funds. Any non-federal employer receiving recovery funds is required to post a notice of the rights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

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

FIRM REPRESENTATIVE

HORNE LLP
CPA FIRM:

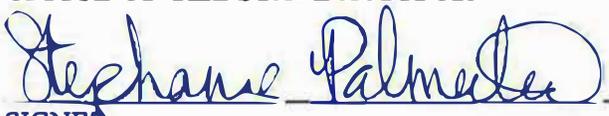

SIGNED:

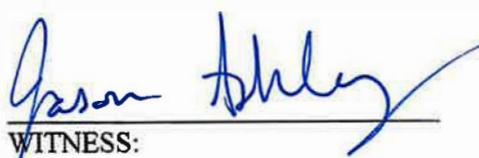

WITNESS:

Managing Partner, HORNE Cyber
TITLE:

02/18/2022
DATE:

OFFICE OF THE STATE AUDITOR

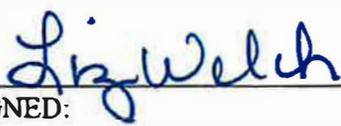

SIGNED:


WITNESS:

TITLE: Director of Audit

DATE: 2/22/22

Department of Finance and Administration


SIGNED:


WITNESS:

TITLE: Exec. Dir. DPA

DATE: 2/18/22

ATTACHMENT A

. ENGAGEMENT SERVICES SCHEDULE

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

- 1) Attend an entrance conference with the CONTRACTOR's engagement supervisor, OSA's authorized representatives and staff members of the DFA, MMRS and ITS prior to the commencement of any work, in order to discuss the scope of services and other related factors.
- 2) Identify, review and document the general controls and significant application controls related to MAGIC. Identify control weaknesses, the types of potential misstatements that could occur and the State's policies and procedures for preventing or detecting these misstatements. Procedures should include but not be limited to the following:

Planning and General Controls

- a) Prepare a formal, written audit program and internal control questionnaire. Document any Information Technology, network management and/or security software that will be used in performing the engagement.
- b) Identify all significant functions or sub-functions currently used in the MAGIC system and the general management and organizational controls surrounding their operation.
- c) Review computer services to address physical security, operational procedures, systems software, telecommunications and disaster recovery/business continuity planning.
- d) Review information security procedures to address security administration, access control, data security and program security.

Application Controls

- a) Review applications development of the MAGIC system to address system development, project management, implementation and evaluation.
- b) Review implementation documentation, including all "Go Live" reports to verify that the final SAAS balances matched the initial MAGIC amounts.
- c) Review the application maintenance process of the MAGIC system.
- d) Develop procedures that adequately review and evaluate application functions in relation to risk.
- e) Assess risks for each function or sub-function based on relevant risk assessment criteria and methodology.
- f) Offer recommendations for remediation of any control weaknesses or MAGIC functionality that poses a risk of potential fraud.

- g) Evaluate current work assignments of personnel in relation to potential issues regarding segregation of duties.
- h) Develop and execute any application control testing procedures as deemed necessary to support findings or assertions.
- i) Produce adequate work papers to substantiate application review and testing procedures.
- j) Prepare a written report: identifying findings, including control weaknesses, and offering recommendations for improving these controls. Specifically, the report should also offer assurance that on a day-to-day basis, transactions are properly processed, reported correctly and are complete. Also, this report should provide recommendations for any control strengths identified that could be expanded to provide greater assurance of data security and accuracy. Present each finding to management to obtain an informal response for each finding.
- k) Offer an opinion on whether the General Ledger feeds to the Financial Statements are being retrieved from the proper areas.

Upon receipt of the final report, the OSA will:

- 1) Review the report and all working papers.
- 2) Approve or reject the report and working papers.
- 3) Approve or reject the final payment for services rendered.

CONTRACTOR shall perform the following procedures at the request of the OSA:

- 1) Attend an exit conference with the CONTRACTOR's engagement supervisor, OSA's authorized representatives and staff members of the DFA, MMRS and ITS at the completion of the work, in order to present the findings and recommendations from the written report.

Upon completion of the audit services, all documents identified in Part II – Work Statement shall 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.

ATTACHMENT B

. COMPETENCY SCHEDULE

The staff performing the examination of the computer controls for MAGIC should be technically competent, having the skills and knowledge necessary to perform the work. Experience requirements identified below must be demonstrated through work on projects of similar scope. References for verification should be provided. All professional staff assigned to this engagement must meet the following competency requirements:

- Good communication skills, both verbal and written
- Ability to evaluate system and application documentation
- Knowledge of IT audit techniques and control procedures or knowledge of financial audit techniques and control procedures
- Knowledge and demonstrated experience

It is impossible for any one person to possess all of the technical skills necessary to successfully complete this audit. The professional staff must have a mix of the following skills, with each skill accounted for by at least one staff member:

- a) Windows Server 2008 / 2012
- b) Microsoft SQL Server 2008 / 2012
- c) Active Directory
- d) Z/Linux
- e) Z/OS
- f) IBM Integrated Data Management (IDM)
- g) IBM Mainframe
- h) SAP NetWeaver
- i) SAP Solution Manager
- j) SAP ECC
- k) SAP Authorizations
- l) SAP Governance, Risk, and Compliance (GRC)
- m) VM / VSphere
- n) Veeam

In addition, the senior level staff assigned to the engagement should meet the following additional verifiable requirements:

- A minimum of four (4) years' experience in IT auditing (Required)
- A minimum of four (4) years' experience in financial auditing (Required for at least one staff member assigned to the examination)
- Certified Public Accountant (Required of Certifying Officer)
- Certified Information System's Auditor (Required for at least one staff member assigned to the examination)