

AMENDMENT NUMBER 2
FINANCIAL AUDIT SERVICES CONTRACT

WHEREAS, Mississippi Department of Finance and Administration (DFA), the Office of the State Auditor (OSA), and BKD, LLP (the Firm) entered into a Financial Audit Services Contract (Contract) on the 28th day of August, 2017; and

WHEREAS, the term of this Contract is for two years with three (3) one-year options to renew, based solely at DFA's and OSA's discretion, and is set to expire on August 27, 2019 and new or replacement contracts have not been entered into; and

WHEREAS, in accordance with **Item 6. Contract Term** of the original Contract, the parties are desirous of and in agreement to exercise the first of the Contract's three one-year renewal options and to renew the term of the Contract through August 27, 2020, under the same terms, conditions and guaranteed fees found in the original Contract except as herein noted; and

WHEREAS, effective January 1, 2018 the Personal Service Contract Review Board by operation of law became the Public Procurement Review Board, and the Office of Personal Service Contract Review became a part of the Department of Finance and Administration; and

WHEREAS, the Public Procurement Review Board has promulgated certain new and/or revised required contractual terms and conditions that became effective after the Contract was originally executed, and the parties desire to amend the Contract to comply with applicable requirements as follows:

- Delete **Subsection f of Item 5, Consideration**, in its entirety and replace with the following:

f. The Firm agrees to accept all payments in United States currency via the State of Mississippi's electronic payment and remittance vehicle. DFA agrees to make payment in accordance with Mississippi law on "Timely Payments for Purchases by Public Bodies," which generally provides for payment of undisputed amounts by the agency within forty-five (45) days of receipt of invoice. Mississippi Code Annotated § 31-7-301 et seq.

- Delete **Item 15. Procurement Regulations**, in its entirety and replace with the following:

15. Procurement Regulations

The Contract shall be governed by the applicable provisions of the *Mississippi Public Procurement Review Board Office of Personal Service Contract Review Rules and Regulations*, a copy of which is available at 501 North West Street, Suite 701E, Jackson, Mississippi 39201 for inspection, or downloadable at <http://www.dfa.ms.gov/dfa-offices/personal-service-contract-review/pscrb-rules-regulations/>.

- Delete **Item 17. Representation Gratuities**, in its entirety and replace with the following:

17. Representation Regarding Gratuities

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 6-204 (Gratuities) of the *Mississippi Public Procurement Review Board Office of Personal Service Contract Review Rules and Regulations*.

- Delete **Subsection a.** of **Item 20. Termination for Convenience**, in its entirety and replace with the following:
 - a. DFA, with the written consent of OSA, may terminate this Contract, with or without cause, by providing a thirty (30) day written notice of termination to the Firm. However, prior to termination of this Contract by DFA, DFA must provide written justification to OSA documenting the reasons for requesting the Contract be terminated. DFA must obtain written approval from OSA prior to terminating this Contract.
- Delete **Subsection a.** of **Item 21. Termination for Default (Cause)**, in its entirety and replace with the following:
 - a. Upon the failure of either the Firm or DFA to perform any obligation or observe any covenant required hereunder, the non-defaulting party, with the written consent of OSA, shall have the right to send a written notice to the defaulting party, with a copy to OSA, 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 DFA, DFA must provide written justification to OSA documenting the reasons that the Contract should be terminated. DFA must obtain written approval from OSA prior to terminating the Contract. In the event of termination for cause by DFA and/or OSA, in addition to other remedies provided herein or available at law or in equity, the Firm shall bear all costs associated with the issuance of a new contract for audit services, including, but not limited to, the 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.
- Delete **Item 26. Indemnification**, in its entirety and replace with the following:

26. Indemnification

To the fullest extent allowed by law, the Contractor shall indemnify, defend, save and hold harmless, protect, and exonerate DFA, its Commissioners, Board Members, officers, employees, agents, and representatives, and the State of Mississippi from and against all claims, demands, liabilities, suits, actions, damages, losses, and costs of every kind and nature whatsoever, including, without limitation, court costs, investigative fees and expenses, and attorneys' fees, arising out of or caused by the Contractor and/or its partners, principals, agents, employees, and/or subcontractors in the performance of or failure to perform this Agreement. In the State's sole discretion, the Contractor may be allowed to control the defense of any such claim, suit, etc. In the event the Contractor defends said claim, suit, etc., the Contractor shall use legal counsel acceptable to the State. The Contractor shall be solely responsible for all costs and/or expenses associated with such defense and the State shall be entitled to participate in said defense. The Contractor shall not settle any claim, suit, etc., without the State's concurrence, which the State shall not unreasonably withhold. Subject to the limitations of the Mississippi Tort Claims Act, DFA agrees that it is responsible for the actions of its agents and employees and will defend the same to the fullest extent allowed by law. Nothing in this agreement shall have the effect of changing or altering or of eliminating any defense available to the State under the Tort Claims Act.

- Delete **Item 32. Disputes**, in its entirety and replace with the following:

32. Disputes

Any dispute concerning a question of accounting fact arising under this Contract shall be disposed of by good faith negotiation between duly authorized representatives of DFA, OSA and the Firm. Such a resolution shall be reduced to writing and a copy thereof mailed or furnished to the Firm and shall be final and conclusive. If a resolution cannot be reached, the Firm shall mail or furnish to DFA and OSA 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 OSA on the review shall be final and conclusive unless determined by a court of competent jurisdiction in Hinds County, State of Mississippi, to have been fraudulent, capricious, or so grossly erroneous as necessarily to imply bad faith, or not be supported by substantial evidence. Pending final decision of a dispute hereunder, the Firm shall proceed diligently with the performance of the duties and obligations of the contract.

- Renumber **Item 35. Incorporation of Documents** to be indexed as **Item 36**.
- Add the following new items to the Contract:

35. Approval Clause

It is understood that if this Contract requires approval by the Public Procurement Review Board and/or the Mississippi Department of Finance and Administration Office of Personal Service Contract Review, and this Contract is not approved by the PPRB and/or OPSCR, it is void and no payment shall be made hereunder.

- Modify **Exhibit A, Financial Audit Services Fees**, to include the pricing of all duties within the Scope of Services from the original contract and those added through Amendment Number 1 and to appropriately define the terms covered by this pricing. These modifications are clarification in nature and do not change the originally submitted and approved pricing.

AND WHEREAS, the parties now desire the Contract to consist of this Amendment Number 2, Amendment Number 1, the Contract including all Exhibits, the Response to the Request for Proposals, and the Request for Proposals. Any ambiguities, conflicts, or questions of the interpretation of this Contract shall be resolved by first reference to this Amendment Number 2, and if still unresolved, by reference to Amendment Number 1, and if still unresolved, by reference to the Contract, and if still unresolved, by reference to the Response to the Request for Proposals, and if still unresolved, by reference to the Request for Proposals.

NOW THEREFORE, the parties covenant and agree, each to the other, the Contract shall be and hereby is amended as set forth hereinabove as through originally contained therein.

EXCEPT as specifically stated herein, all other terms and conditions of the Contract shall remain in full force and effect as originally stated, and modified by Amendment Number 1, and this Amendment Number 2 is hereby made a part of this Contract.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment Number 2 to be executed on the date shown below:

BKD, LLP

Jerry M. Goolsby
Signature

Jerry M. Goolsby
Name

Partner
Title

8/23/19
Date

Department of Finance and Administration

Laura D. Jackson
Signature

Laura D. Jackson
Name

Executive Director
Title

8/26/2019
Date

Office of the State Auditor

Stephanie Palmertree
Signature

Stephanie Palmertree
Name

Director of Audit
Title

8/27/19
Date

EXHIBIT A

FINANCIAL AUDIT SERVICES FEES

For financial audit services for the Mississippi State and School Employees' Health Insurance Plan rendered under this agreement, the following hourly fees by position and maximum project fees are all-inclusive and include any expenses such as printing, binding, photocopy, and any travel:

HOURLY FEE BY POSITION	Fiscal Year 2017 Audit	Fiscal Year 2018 Audit	Fiscal Year 2019 Audit	Fiscal Year 2020 Audit	Fiscal Year 2021 Audit
Partner	\$255	\$259	\$265	\$269	\$275
Senior	\$132	\$136	\$140	\$146	\$152
Staff	\$103	\$107	\$113	\$118	\$123
Administrative/Clerical	\$82	\$85	\$90	\$95	\$99

MAXIMUM PROJECT FEE	Fiscal Year 2017 Audit	Fiscal Year 2018 Audit	Fiscal Year 2019 Audit	Fiscal Year 2020 Audit	Fiscal Year 2021 Audit
Annual Financial Audit:	\$49,500	\$51,000	\$52,800	\$54,900	\$57,000
Estimated hours by staff level					
Partner	42	42	42	42	42
Senior	162	162	162	162	162
Staff	162	162	162	162	162
Administrative/Clerical	9	9	9	9	9
Total	375	375	375	375	375

Third, fourth, and fifth year pricing will be used in the event any of the one-year extensions are exercised. All rates and maximum fees are guaranteed through the term of the Contract. Above hourly and project maximum fees are all-inclusive and include such items as copies, postage and other delivery charges, supplies, technology-related costs, such as computer processing, software licensing, research and library databases and similar expense items.

For financial audit services related to the GASB 74/75 audit services rendered under this agreement, the following hourly fees by position and maximum project fees are all-inclusive and include any expenses such as printing, binding, photocopy, and any travel:

HOURLY FEE BY POSITION	Fiscal Year 2016/2017 Valuation	Fiscal Year 2018 Valuation	Fiscal Year 2019 Valuation	Fiscal Year 2020 Valuation
Partner	\$259	\$265	\$269	\$275
Manager	\$210	\$215	\$220	\$225
In-Charge	\$136	\$140	\$146	\$152
Independent Reviewer	\$259	\$265	\$269	\$275
Staff Level 1	\$107	\$113	\$118	\$123
Support	\$85	\$90	\$95	\$99

MAXIMUM PROJECT FEE	Fiscal Year 2016/2017 Valuation	Fiscal Year 2018 Valuation	Fiscal Year 2019 Valuation	Fiscal Year 2020 Valuation
Annual GASB 74/75 Audit	\$31,000	\$27,900	\$29,000	\$30,000

AMENDMENT NUMBER 1

FINANCIAL AUDIT SERVICES CONTRACT

WHEREAS the Mississippi Department of Finance and Administration (DFA), the Office of the State Auditor (OSA), and BKD, LLP (the Firm) entered into a contract (Contract), under which the Firm agreed to render financial audit services with respect to DFA's financial statements for the Mississippi State and School Employees' Life and Health Insurance Plan (the Plan) for the fiscal years ending June 30, 2017, and June 30, 2018, with three (3) one-year options to renew, and

WHEREAS, DFA is desirous of amending the Contract to engage the services of BKD to audit the allocation schedules and related schedules of Other Postemployment Benefits (OPEB) amounts and related footnotes in connection with the Government Accounting Standards Board (GASB) Statement 75 Report for the Mississippi State and School Employees' Life and Health Insurance Plan (Plan), and the GASB Statement 74 statement of fiduciary net position and changes in fiduciary net position of the Trust associated with the OPEB for the Plan, hereafter referred to as GASB 74/75 audit services, for the stated objective of expressing an opinion on the conformity of the financial statements, in all material respects, with accounting principles generally accepted in the United States of America; and

WHEREAS, BKD is qualified, able, and agreeable to provide the aforementioned services in conformity with the applicable guidelines and regulations, including but not necessarily limited to, *Government Auditing Standards* issued by the Comptroller General of the United States, as well as in compliance with applicable provisions of the GASB 74 and 75 statements; and

WHEREAS, BKD will plan and perform the audits to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, and upon completion of the aforementioned audit services, BKD will issue written reports addressed to the State of Mississippi State and School Employees Health Insurance Management Board; and

WHEREAS, the following schedule of hourly fees by position and the maximum project fees to be paid by DFA to BKD for the aforementioned services will apply, with said fees being all-inclusive to include but limited to any expenses incurred by BKD for printing, binding, photocopy, postage and other delivery charges, supplies, technology-related costs, computer processing, software licensing, research, and any travel, unless specifically approved in writing by DFA:

HOURLY FEE BY POSITION	Year 1*	Year 2*	Year 3*	Year 4*	Year 5*
Partner	N/A	\$259	\$265	\$269	\$275
Manager	N/A	\$210	\$215	\$220	\$225
In-Charge	N/A	\$136	\$140	\$146	\$152
Independent Reviewer	N/A	\$259	\$265	\$269	\$275
Staff Level 1	N/A	\$107	\$113	\$118	\$123
Support	N/A	\$85	\$90	\$95	\$99

MAXIMUM PROJECT FEE	Year 1*	Year 2*	Year 3*	Year 4*	Year 5*
Annual GASB 74/75 Audit:	N/A	\$31,000	\$27,900	\$29,000	\$30,000

*First year of the Contract has expired prior to this amendment. Third, fourth and fifth year pricing will be used in the event any of the one-year extensions in the Contract are exercised. All rates and maximum fees are guaranteed through the term of the Contract.

WHEREAS, the parties now desire the Contract to consist of this Amendment Number 1, and the Contract. Any ambiguities, conflicts or questions of the interpretation of this Contract shall be resolved by first reference to this Amendment Number 1, and if still unresolved, by reference to the Contract, and if still unresolved, by reference to the Proposal, and if still unresolved, by reference to the Request for Proposals.

NOW THEREFORE, the Board, the OSA, and the Firm covenant and agree, each to the other to add GASB 74/75 audit services as described herein to this Contract effective September 1, 2018. The Contract now consists of this Amendment Number 1 and the Contract. Any ambiguities, conflicts or questions of the interpretation of this agreement shall be resolved by first reference to this Amendment Number 1, and if still unresolved, by reference to the Contract, and if still unresolved, by reference to the Proposal, and if still unresolved, by reference to the Request for Proposals. Except as specifically stated herein, all other terms and conditions of the Contract shall remain in full force and effect as originally stated, and this Amendment Number 1 is hereby made a part of the Contract.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment Number 1 to be executed on the dates shown below:

BKD, LLP

By: Troy T Burns
Name: Troy T Burns
Title: Partner
Date: 11/14/18

Mississippi Department of Finance and Administration

By: Laura Jackson
Name: Laura Jackson
Title: Executive Director
Date: 11/13/18

Office of the State Auditor

By: Stephanie Palmertree
Name: Stephanie Palmertree
Title: Director of Audit
Date: 11/15/18

FINANCIAL AUDIT SERVICES CONTRACT

This Financial Audit Services Contract is made by and between the Mississippi Department of Finance and Administration (DFA), the Office of the State Auditor (OSA), and BKD, LLP (the Firm), on the 28th day of August, 2017. Under the following terms and conditions, the Firm agrees to render financial audit services as herein described, with respect to DFA's financial statements for the Mississippi State and School Employees' Life and Health Insurance Plan (the Plan) for the fiscal years ending June 30, 2017, and June 30, 2018, with three (3) one-year options to renew.

1. IDENTITY OF AND RELATIONSHIP BETWEEN THE PARTIES

- a. BKD, LLP (the Firm), a registered limited liability partnership organized under the laws of the state of Missouri, is an entity organized for the purpose of providing financial audit services as herein described.
- b. The Department of Finance and Administration (DFA), an agency of the State of Mississippi, administers the State and School Employees' Life and Health Insurance Plan (the Plan). DFA acts on behalf of the State and School Employees Health Insurance Management Board (Board) in executing the day to day operational responsibilities concerning the Plan's administration.
- c. The Office of the State Auditor (OSA), an agency of the State of Mississippi, is responsible for auditing and expressing an opinion on the *Comprehensive Annual Financial Report (CAFR)* of the State of Mississippi.
- d. The Firm, DFA, and OSA are independent legal entities. Nothing in this Contract shall be construed to create the relationship of employer and employee or principal and agent or any relationship other than that of independent parties contracting with each other solely for the purpose of carrying out the terms of this Contract.
- e. Neither the Firm, DFA, OSA, nor any of their respective agents or employees shall control or have any right to control the activities of the other party in carrying out the terms of this Contract, nor shall either party, its respective agents or employees, be liable to third parties for any act or omission of the other party.
- f. Nothing in this Contract is intended to be construed, nor shall it be deemed to create, any right or remedy in any third party.

2. SCOPE OF SERVICES

- a. DFA and OSA desire to engage the Firm to render certain professional services described within this Contract, with respect to DFA's financial statements for the Mississippi State and School Employees' Life and Health Insurance Plan.
- b. 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 DFA's financial statements in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, with the objective of expressing an opinion as to whether the presentation of the financial statements that have been prepared by management of DFA, conforms with U.S. generally accepted accounting principles.

- ii. Special items or reports prescribed by the OSA as set forth in this **SCOPE OF SERVICES**.
 - iii. Compliance with applicable state laws as set forth in this **SCOPE OF SERVICES**.
 - iv. Statements of financial accounting standards as prescribed by the Governmental Accounting Standards Board.
- c. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. 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 risks of material misstatement of the financial statements, whether due to error or fraud, to provide a reasonable basis for the Firm's opinion on the financial statements. The Firm also will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management of DFA, and evaluate the overall financial statement presentation.
- d. The Firm's audit of the financial statements will be planned and performed to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. 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 misstatements, fraud (including fraud that may be an illegal act), and other illegal acts may exist and not be detected by an audit of financial statements 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 the financial statements, and because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to detect abuse. The firm will also perform certain limited procedures to the required supplementary information as required by auditing standards generally accepted in the United States of America. However, the Firm will not express an opinion or provide any assurance on the information. The report relating to the financial statements will include the Firm's consideration of required supplementary information.
- e. Subject to the last sentence of the paragraph, the Firm will issue a written report upon completion of the Firm's audit of DFA's financial statements. 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.
- f. In making the Firm's risk assessments as a part of planning and performing the audit of the financial statements, it will consider DFA's internal control relevant to the preparation and fair presentation of the financial statements in order to determine the nature, timing, and extent of its audit procedures for the purpose of expressing an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of DFA's internal control.
- g. Management of DFA acknowledges and understands that they have responsibility for the preparation and fair presentation, in accordance with U.S. generally accepted accounting principles, of the financial statements and all representations contained therein. Management of DFA also is responsible for identifying and ensuring that DFA 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 DFA 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 preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements whether due to error or fraud. Management of DFA 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 the financial statements does not relieve management of DFA or the audit committee of their responsibilities.

- h. Management of DFA 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 to the preparation and fair presentation of the financial statements 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 DFA about the representations embodied in the financial statements and the effectiveness of internal control, and obtain a representation letter from certain members of DFA's management about these matters. The responses to the Firm's inquiries, the written representations, and the results of audit tests, among other things, comprise the evidential matter the Firm will rely upon in forming an opinion on the financial statements.
- i. Management of DFA is responsible for adjusting the financial statements to correct material misstatements and for affirming to the Firm in the representation letter that the effects of any uncorrected misstatements aggregated by the Firm during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements being reported upon, taken as a whole. Because of the importance of management's representations to the effective performance of the Firm's services, DFA agrees to release the Firm and its personnel from any claims, liabilities, costs and expenses relating to the Firm's services under this letter attributable to any misrepresentations in the representation letter referred to above. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss asserted, whether in contract, statute, tort (including but not limited to negligence) or otherwise.
- j. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, the Firm will perform tests of DFA's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, the Firm's objective is not to provide an opinion on overall compliance with such provisions. The Firm shall report promptly to DFA and OSA any preliminary findings of possible fraud, misapplication or misappropriation of funds.
- k. In accordance with *Government Auditing Standards*, as part of planning of the audit the Firm will evaluate whether DFA 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 DFA 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.

- l. In accordance with *Government Auditing Standards*, the Firm will also issue a management letter to communicate instances of noncompliance with provisions of contracts or grant agreements or abuse that have an effect on the financial statements that is less than material but warrant the attention of those charged with governance.
- m. In accordance with *Government Auditing Standards*, the Firm will also provide OSA 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 Comprehensive Annual Financial Report (CAFR).
- n. The Firm will report to management of DFA, in writing, the following matters:
 - i. Material, corrected misstatements that were brought to the attention of management as a result of audit procedures.
 - ii. Uncorrected misstatements accumulated by the Firm during the audit and the effect that they, individually or in the aggregate, may have on the Firm's opinion in the auditor's report, and the effect of uncorrected misstatements related to prior periods.
 - iii. Significant difficulties and disagreements with management, if any, encountered during the Firm's audit.
 - iv. 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 DFA and OSA about any illegal acts, unless they are clearly inconsequential, material errors in the financial statements 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 errors in the financial statements and any instances of fraud that involve senior management or that, in the Firm's judgment, cause a material misstatement of the financial statements. 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.

- o. The Firm shall provide any adjustments needed for proper financial statement presentation, approved by DFA management, to the OSA by October 15, of each year of the Contract. Draft financials shall be provided by November 1, of each year of the Contract. The completed audit reports and management letter on the audited funds will be required by November 15, 2017. If the completed audit report differs significantly from the draft provided, OSA shall request a reconciliation between the reports from the Firm.
- p. The Firm acknowledges that DFA and OSA are relying on the timely completion of this contract in its scheduling and budgeting and that time is of the essence. If the Firm fails to meet the completion date prescribed herein, DFA 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 DFA delays.

- q. The Firm shall submit a monthly progress report which details the work completed the preceding month to DFA and OSA authorized representatives. The report shall be delivered within ten (10) days after the end of the preceding month. The Firm also agrees to provide OSA and DFA with Status Updates sporadically as requested by either party.
- r. DFA may accept or reject the services furnished by the Firm in compliance with the material provisions of this Contract. 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 DFA in its audit report. DFA must provide written justification to OSA documenting the reasons for any such rejection.
- s. The Firm shall have a certified public accountant (CPA) as the certifying official of the final reports.
- t. The work papers prepared in conjunction with the services under this contract are the property of the Firm, constitute confidential information and will be retained by the Firm in accordance with its policies and procedures. 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. The firm agrees to make its work papers available to subsequent fiscal year audit firms. Upon request by DFA or OSA, any data, files and records collected by the Firm will be destroyed or returned to DFA or OSA. The Firm may retain, however, copies of all such records required for recordkeeping purposes or for compliance with applicable professional standards. Pursuant to *Government Auditing Standards*, the Firm is required to make certain work papers available in a full and timely manner to Regulators upon request for their reviews of audit quality and for use by their auditors. In addition, the Firm may be requested to make certain work papers available to OSA pursuant to authority provided to it by law or regulation. Access to the requested work papers will be provided under supervision of the Firm's personnel. Furthermore, upon request, the Firm may provide photocopies of selected work papers to Regulators. Such Regulators may intend, or decide, to distribute the photocopies or information contained therein to others, including other government agencies.
- u. DFA acknowledges that it represents that the financial records and GAAP reporting packages are free of material error and that appropriate supporting documentation is available for the audit. DFA further acknowledges that BKD has relied upon this representation in developing its staffing schedule, estimated hours, and that the maximum project fees set forth in Exhibit A *Financial Audit Services Fees* does not include any procedures related to error correction and/or accounting assistance.
- v. 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 DFA or OSA. Any person assigned by the Firm to perform the services hereunder shall be the employee of the Firm, who shall have the sole right to hire and discharge its employee.
- w. The following procedures must be performed by the Firm after a contract has been awarded:

- i. Hold an entrance conference with the Firm's auditor-in-charge, DFA authorized representatives, and OSA's authorized representatives prior to commencement of any work in order to determine the scope of services, and other related factors. A copy of the engagement letter should be forwarded to OSA's authorized representative.
 - ii. 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.
 - iii. Express an opinion on the fair presentation of DFA's financial statements in conformity with generally accepted accounting principles.
 - iv. Perform certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.
 - v. Provide a copy of the Firm's most recent peer review report, as required by *Government Auditing Standards*.
 - vi. If applicable, perform certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.
- x. The Firm shall perform the following procedures at the request of OSA.
- i. For treasury funds 3322000000, 3322200000, and 8822000000, and any successor funds established for the State and School Employees' Life and Health Insurance Plan, read and provide comments on the June 30 GAAP reporting package and underlying records for completeness and accuracy for inclusion in the State of Mississippi's *Comprehensive Annual Financial Report*.
 - ii. Read and provide comments for entries to the trial balance prepared by DFA based on DFA's GAAP packages. These adjusting entries should be prepared on the DFA entry standardized forms and submitted to DFA for approval and then submitted to OSA for review and processing within due dates specified by OSA.
 - iii. Prepare a schedule of uncorrected misstatements, have DFA management approve the schedule, and submit it to OSA for inclusion in communications to DFA.
 - iv. Provide OSA 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.
 - v. Obtain the notes to the statewide financial statements related to DFA. The Firm should: a) read and provide comments on current year amounts and information and, b) read and provide comments on the notes for compliance with applicable GASB statements and notify the OSA's authorized representatives of noncompliance and errors.
 - vi. Complete audit reports on the fair presentation of state treasury funds audited in conformity with generally accepted accounting principles.

- vii. Prepare management letters in accordance with instructions provided by the OSA.
- viii. Conduct an exit conference upon giving prior notice to the OSA.
- ix. Obtain a plan of corrective action from DFA in accordance with instructions provided by the OSA.
- x. Submit to the OSA a completed "Request for Representations from Other Auditor."
- y. Following the completion of the audit of the fiscal year's financial statements, the Firm shall issue:
 - i. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles.
 - ii. 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 DFA 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 DFA'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.

iii. A Management Letter

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

iv. 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.

z. Upon receipt of the final audit reports DFA will:

- i. review the work,
- ii. approve or reject the work,
- iii. 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.

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

- i. Draft and Final reports on the fair presentation of the financial statements in conformity with generally accepted accounting principles.
- ii. 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 DFA 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.
- iii. Engagement Letter
- iv. Journal Entries Summary – Including entries approved and made by DFA* and a Summary of Passed Adjustments.*
- v. Signed Representations of Management as of the date of the Report and an update of representations as of the date of the CAFR report.
- vi. Independence and Related Party statements for The Firm.
- vii. Letters to Those Charged with Governance, including any management comments made regarding control deficiencies.
- viii. Written findings to be included in the report, as applicable.*
- ix. Summary of verbal findings presented to client.
- x. Reconciliation of Treasury Fund Trial balances (MAGIC ZBL report) to the Audit Report, if applicable.
- xi. Firm representations to OSA

xii. Work papers detailing component materiality and fund materiality used during the audit process.

xiii. Subsequent Event Inquiries

1. From fiscal year end (June 30) to the date of The Firm audit report;
2. From the date of The Firm audit report to the date of the CAFR report date; and
3. From the date of the CAFR report to the date of the Single Audit Report (as applicable).

xiv. Corrective Action Plans, if applicable.*

xv. Additional information as needed by OSA to satisfy the requirements of AU-C 600.

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

- bb. Any preliminary finding of possible fraud, misapplication or misappropriation of funds shall be immediately reported in writing to DFA's authorized representative 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.
- cc. 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 engagement letter.

3. CONFIDENTIALITY

The Firm acknowledges that in the course of the performance of this Contract, it may have access to confidential business information of DFA and/or its vendors. The Firm agrees to maintain all confidential business information of DFA and/or its vendors in strictest confidence using at least the same degree of care it takes in protecting its own confidential business information, but always at least a reasonable degree of care. Except as expressly provided herein or as may be required by law or legal process, the Firm agrees it will not use confidential business information of DFA and/or its vendors for its own benefit or disclose it to third parties without written consent.

4. TRANSPARENCY

This Contract, including any accompanying exhibits, attachments, and appendices, is subject to the "Mississippi Public Records Act of 1983," and its exceptions. See Miss. Code Ann. §§ 25-61-1 et seq. (1972, as amended) and Miss. Code Ann. § 79-23-1 (1972, as amended). In addition, this Contract is subject to the provisions of the Mississippi Accountability and Transparency Act of 2008. Miss. Code Ann. §§ 27-104-151 et seq. (1972, as amended). Unless exempted from disclosure due to a court-issued protective order, a copy of this executed Contract is required to be posted to the Department of Finance and Administration's independent agency Contract website for public access at <http://www.transparency.mississippi.gov>. Information identified by Firm as trade secrets, or other proprietary information, including confidential vendor information or any other information which is required confidential by state or federal law or outside the applicable freedom of information statutes, will be redacted. Notwithstanding any provision to the contrary contained herein, it is recognized that

DFA is a public agency of the State of Mississippi and is subject to the Mississippi Public Records Act, Mississippi Code Annotated 25-61-1, et seq. If a public records request is made for any information provided to DFA pursuant to this Contract, DFA shall promptly notify the Firm, and will respond to the request in accordance with procedures and limitations set forth in applicable law. If the Firm does not obtain protection from the appropriate court, all information supplied whether marked confidential or not, may be released. DFA shall not be liable to the Firm for disclosures of information required by court order or required by law.

5. CONSIDERATION

- a. DFA shall not provide any prepayments or initial deposits in advance of services being rendered. Only those services agreed to by Contract shall be considered for compensation by DFA. Payment for any and all services provided by the Firm to DFA and/or the Plan shall be made only after said services have been duly performed and properly invoiced.
- b. In consideration for the services provided by the Firm under this Contract, DFA shall compensate the Firm through fees illustrated in Exhibit A, "Financial Audit Services Fees" of this Contract. In accordance with State law and applicable contract conditions, DFA will compensate the Firm such fees after the appropriate services have been rendered. The Firm must submit all invoices for progress payments, in a form acceptable to DFA with all the necessary supporting documentation, prior to any payment to the Firm of any fees. Fees must be invoiced on a monthly basis, in sufficient detail and format as determined by DFA. Such invoices shall include, at a minimum, a description of the service(s) provided, the quantity or number of hours billed and the compensation rate by staff level, the time period in which services were provided, and total fees requested for the period being invoiced. DFA agrees to make payment to the Firm on any undisputed amounts within thirty (30) days from the date services were rendered or the date of receipt of the invoice, whichever comes last.
- c. Upon the effective date of termination of this Contract, the Firm's obligation to provide any further services under this Contract shall cease. The Firm shall, however, remain liable for any obligations arising hereunder prior to the effective date of such termination.
- d. The payment of an invoice by DFA shall not prejudice DFA's right to object or question any invoice or matter in relation thereto. Such payment by DFA shall neither be construed as acceptance of any part of the work or service provided nor as an approval of any costs invoiced therein. The Firm's invoice or payment may be subject to further reduction for amounts included in any invoice or payment theretofore made which are determined by DFA, on the basis of audits, not to constitute allowable costs. Any payment shall be reduced for overpayment or increased for underpayment on subsequent invoices. For any amounts which are or shall become due and payable to DFA and/or the Plan by the Firm, DFA reserves the right to (1) deduct from amounts which are or shall become due and payable to the Firm under Contract between the parties; or (2) request and receive payment directly from the Firm within fifteen (15) days of such request, at DFA's sole discretion.
- e. DFA and OSA have the right to reject, at any time during the Contract period, any work not meeting the terms of this Contract. Should DFA or OSA reject any services, DFA or OSA's authorized representative shall notify the Firm in writing by registered mail of such rejection giving reason therefore. The right to reject services shall extend throughout the terms of this Contract.

- f. The Firm agrees to accept all payments in United States currency via the State of Mississippi's electronic payment and remittance vehicle. The DFA agrees to make payment in accordance with Mississippi law on "Timely Payments for Purchases by Public Bodies", which generally provides for payment of undisputed amounts by DFA within forty-five (45) days of receipt of the invoice. Miss. Code Ann. §§ 31-7-305.
- g. Payments by state agencies using the State's accounting system shall be made and remittance information provided electronically as directed by the State. These payments shall be deposited into the bank account of the Firm's choice. The DFA may, at its sole discretion, require the Firm to electronically submit invoices and supporting documentation at any time during the term of this Contract. The Firm understands and agrees that the DFA is exempt from the payment of taxes. All payments shall be in United States currency. No payment, including final payment, shall be construed as acceptance of defective or incomplete work, and the Firm shall remain responsible and liable for full performance.
- h. DFA requires the Firm to submit invoices and supporting documentation electronically throughout the term of the Contract. Invoices shall be submitted to DFA using the processes and procedures identified by DFA. The Firm shall submit all invoices, with all of the necessary supporting documentation, prior to any payment of allowable costs.

6. CONTRACT TERM

- a. The effective date of this Contract will be August 28, 2017. The Contract's term will be for two (2) years with three (3) one-year options to renew, based solely at DFA's and OSA's discretion. By May 15, 2019 of the initial Contract term, and by May 15 of any subsequent renewal term, DFA will notify the Firm, in writing, of its intent as to renewal of the Contract for one additional year.
- b. All records and information provided by DFA or through its third party contractors to the Firm are the sole property of DFA and shall be returned to DFA within thirty (30) days of the termination date of this Contract, unless otherwise prohibited by court order, statute, regulation, or audit standards. The Firm shall be entitled to retain and utilize data that have been captured, computed, or stored in the Firm's databases to the extent that such data cannot be identified or linked to DFA, Plan, or an individual Plan Participant.
- c. Upon termination of this Contract, the Firm shall fully cooperate with DFA, OSA, and the selected new auditor as requested, in accordance with professional standards.

7. AVAILABILITY OF FUNDS

It is expressly understood and agreed that the obligation of DFA to proceed under this Contract is conditioned upon the appropriation of funds by the Mississippi State Legislature and the receipt of State and/or federal funds. If the funds anticipated for the continuing fulfillment of this Contract are, at anytime, not forthcoming or insufficient, either through the failure of the federal government to provide funds or of the State of Mississippi to appropriate funds, or the discontinuance or material alteration of the program under which such funds were provided, or if funds are not otherwise available to the State, DFA shall have the right upon ten (10) working days written notice to the Firm, to terminate this Contract without damage, penalty, cost, or expenses to DFA of any kind whatsoever. The effective date of termination shall be as specified in the notice of termination. Upon termination, the Firm shall be entitled to payment for services in the amount as determined in paragraph 19 or the amount of available funds, whichever is less.

8. ACCESS TO RECORDS

- a. The working papers prepared in conjunction with the services under this Contract are the property of the Firm and constitute confidential information. The Firm shall maintain and make available to DFA and OSA any financial records, supporting documents, statistical records and all other records pertinent to the services performed under this Contract in accordance with the Firm's policies and procedures or professional regulatory requirements. Such records shall be kept by the Firm for a period of seven (7) years after final payment under this Contract, unless DFA authorizes in writing, their earlier disposition. However, if any litigation, claim, negotiation, audit, or other action involving the records has been started before the expiration of the seven (7) year period, the records shall be retained until completion of the action and resolution of all issues which arise from it.
- b. The Firm agrees, upon request by DFA and/or OSA, to make its workpapers available to subsequent fiscal year audit firms, in accordance with professional standards.
- c. Except as may otherwise be required by law or permitted under this Contract, the Firm may not release any confidential and/or protected information or reports relative to the Board's and/or DFA's contracts without prior written authorization by DFA.
- d. The Firm agrees that DFA or any of its duly authorized representatives, at any time during the term of this Contract, shall have access to and the right to audit and examine any pertinent books, documents, papers, and records of the Firm related to the Firm's performance under this Contract during normal business hours. DFA shall provide written notice to Firm at least fifteen (15) business days prior to the date DFA proposes to conduct the audit or examination. The parties shall cooperate to schedule and conduct such audit or examination to prevent disruption to Firm's performance of the services hereunder.
- e. To the extent any applicable personal health information (PHI) is reviewed, the Firm agrees to the provisions, terms and conditions of the attached Business Associate Statement. The Firm recognizes that it may have access to certain confidential and proprietary information pertaining to the business of DFA, including but not limited to, policy benefits, names and addresses of Plan Participants, employer units and contracts with other parties. The Firm agrees that it will not, at any time, directly or indirectly, disclose such confidential or proprietary information to any other person or organization for any purpose, except as may be required by law, authorized by the individual to which such information pertains, or as reasonably relates to the services being provided by the Firm and contemplated by the terms of the Contract, without the express, written approval of DFA. Any and all medical, financial, and personal information reviewed and collected in connection with this Contract regarding individual Plan Participants shall be held in strict confidence in compliance with all applicable state and federal legal requirements, specifically the provisions of the Health Insurance Portability and Accountability Act (HIPAA) and shall not be released, disclosed, published, or used for any purpose not defined in this Contract by the Firm without the written consent of DFA, except to DFA or its Claims Administrator. Except as otherwise provided under this Contract, the Firm agrees that confidential information including, but not limited to, medical and other pertinent information relative to Plan Participants in the Plan, shall not be disclosed to any person or organization for any purpose, other than in connection with Firm's performance of the services under this Contract, without the expressed, written authority from DFA or as otherwise required by law.

9. APPLICABLE LAW/VENUE

The Contract shall be governed by and construed in accordance with the laws of the State of Mississippi, excluding its conflicts of laws, provisions, and any litigation with respect thereto shall be brought in the courts of the State. The Firm shall comply with applicable federal, state, and local laws and regulations.

10. ASSIGNMENT/SUBCONTRACTING

The Firm shall not assign or otherwise transfer, in whole or in part, its rights and/or obligations incurred on its part pursuant to the terms of this Contract without the prior written consent of DFA and OSA. 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.

11. COMPLIANCE WITH LAWS

The Firm understands that the State of Mississippi is an equal opportunity employer and therefore maintains a policy which prohibits unlawful discrimination based on race, color, creed, sex, age, national origin, physical handicap, disability, or any other consideration made unlawful by federal, State, or local laws. All such discrimination is unlawful and the Firm agrees during the term of this Contract that the Firm will strictly adhere to this policy in its employment practices and provision of services. The Firm shall comply with, and all activities under this Contract shall be subject to, all applicable federal, State of Mississippi, and local laws and regulations, as now existing and as may be amended or modified.

12. EMPLOYEE STATUS VERIFICATION

If applicable, the Firm represents and warrants that it will ensure its compliance with the Mississippi Employment Protection Act of 2008, and will register and participate in the status verification system for all newly hired employees. Miss. Code Ann. §§ 71-11-1 et seq. 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. The Firm agrees to maintain records of such compliance. Upon request of the State and after approval of the Social Security Administration or Department of Homeland Security when required, the Firm agrees to provide a copy of each such verification. The Firm further represents and warrants that any person assigned to perform services hereafter meets the employment eligibility requirements of all immigration laws. The Firm understands and agrees that any breach of these warranties may subject the Firm to the following: (a) termination of this Contract and ineligibility for any State or public contract in Mississippi for up to three (3) years, with notice of such cancellation/termination being made public, 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 to do business in the State.

13. INDEPENDENT CONTRACTOR

The Firm shall perform all services as an independent contractor and shall at no time act as an agent for the State. No act performed or representation made, whether oral or written, by the Firm with respect to third parties shall be binding upon DFA and/or OSA. Neither the Firm nor its employees shall, under any circumstances, be considered servants, agents, or employees of DFA or OSA. DFA and/or OSA shall at no time be legally responsible for any negligence or other wrongdoing by the Firm, its servants, agents,

or employees. Nothing in this Contract is intended to nor shall be construed to create an employer-employee relationship, or a joint venture relationship.

14. MODIFICATIONS/AMENDMENTS/ RENEGOTIATION

DFA, OSA 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 DFA, OSA, and the Firm, shall be included in written amendments to this Contract signed by all parties prior to the work being performed. This Contract may not be modified or amended, in whole or in part, except by written amendment signed by DFA, OSA, and the Firm. The parties agree to renegotiate this Contract if federal and/or State revisions of any applicable laws or regulations make significant changes in this Contract necessary.

15. PROCUREMENT REGULATIONS

The Contract shall be governed by the applicable provisions of the Personal Service Contract Review Board Regulations, a copy of which is available at 210 East Capitol Street, Suite 800, Jackson, MS, 39201 for inspection or downloadable at www.mspb.ms.gov.

16. REPRESENTATION REGARDING CONTINGENT FEES

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. DFA will not pay any commissions and/or any brokerage, percentage, finder's, service, or contingent fees for securing or executing any of the services outlined in this Contract.

17. REPRESENTATION REGARDING GRATUITIES

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 6-204 (Gratuities) of the *Mississippi Personal Service Contract Review Board Rules and Regulations*.

18. CERTIFICATION OF INDEPENDENT PRICE DETERMINATION

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. DEBARMENT AND SUSPENSION

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. TERMINATION FOR CONVENIENCE

- a. DFA may terminate this Contract, with or without cause, by providing a thirty (30) day written notice of termination to the Firm. However, prior to termination of this Contract by DFA, DFA must provide written justification to OSA documenting the reasons for requesting the Contract be terminated.
- b. In the event of termination for convenience, 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. 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 DFA and OSA.

21. TERMINATION FOR DEFAULT (CAUSE)

- a. Upon the failure of either the Firm or DFA to perform any obligation or observe any covenant required hereunder, the non-defaulting party shall have the right to send a written notice to the defaulting party, with a copy to OSA, 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 DFA, DFA must provide written justification to OSA documenting the reasons that the Contract should be terminated. In the event of termination for cause by DFA and/or OSA, in addition to other remedies provided herein or available at law or in equity, the Firm shall bear all costs associated with the issuance of a new contract for audit services, including, but not limited to, the 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.
- b. Notwithstanding termination of this Contract and subject to any directions from DFA and/or OSA, the Firm shall take timely, reasonable, and necessary action to protect and preserve property in the possession of the Firm in which DFA has an interest.
- c. In the event of termination for cause, 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. 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 DFA and OSA.
- d. Except with respect to defaults of subcontractors, the Firm shall not be in default by reason of any failure in performance of this Contract in accordance with its terms (including any failure by the

Firm to make progress in the prosecution of the work hereunder which endangers performance) if the Firm has notified the DFA within fifteen (15) days after the cause of the delay and the failure arises out of causes such as: acts of God; acts of the public enemy; acts of the state and any other governmental entity in its sovereign or contractual capacity; fires; floods; epidemics; quarantine restrictions; strikes or other labor disputes; freight embargoes; or unusually severe weather. If the failure to perform is caused by the failure of a subcontractor to perform or make progress, and if such failure arises out of causes similar to those set forth above, the Firm shall not be deemed to be in default, unless the services to be furnished by the subcontractor were reasonably obtainable from other sources in sufficient time to permit the Firm to meet the Contract requirements. Upon request of the Firm, the DFA shall ascertain the facts and extent of such failure, and, if the DFA determines that any failure to perform was occasioned by any one or more of the excusable causes, and that, but for the excusable cause, the Firm's progress and performance would have met the terms of the Contract, the delivery schedule shall be revised accordingly, subject to the rights of the DFA under the clause of this Contract entitled "Termination for Convenience".

- e. If, after notice of termination of the Firm's right to proceed under the provisions of this clause, it is determined for any reason that the Contract was not in default under the provisions of this clause, or that the delay was excusable under the provisions of this clause, or that the delay was excusable under the provisions of Paragraph d. of this clause, the rights and obligations of the parties shall be the same as if the notice of termination had been issued pursuant to the clause of this Contract entitled "Termination for Convenience".
- f. The rights and remedies provided under this clause are in addition to any other rights and remedies provided by law or under this Contract.

22. TERMINATION FOR BANKRUPTCY

This Contract may be terminated in whole or in part by the DFA upon written notice to the Firm and a copy to OSA, 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 entitled to recover just and equitable compensation for satisfactory work performed under this Contract, but in no case shall said compensation exceed the total Contract price.

23. STOP WORK ORDER

- a. Order to stop work. The DFA may, by written order to the Firm at any time, and without notice to any surety, require the Firm to stop all or any part of the work called for by this Contract. This order shall be for a specified period not exceeding 90 days after the order is delivered to the Firm, unless the parties agree to any further period. Any such order shall be identified specifically as a stop work order issued pursuant to this clause. Upon receipt of such an order, the Firm shall forthwith comply with its terms and take all reasonable steps to minimize the occurrence of costs allocable to work covered by the order during the period of work stoppage. Before the stop work order expires, or within any further period to which the parties shall have agreed, the DFA shall either (1) cancel the stop work order, or (2) terminate the work covered by such order as provided in the "Termination for Default" clause or the Termination for Convenience" clause of this Contract.
- b. Cancellation or Expiration of the Order. If a stop work order issued under this clause is canceled at any time during the period specified in the order, or if the period of the order or any extension thereof expires, the Firm shall have the right to resume work. An appropriate adjustment shall be

made in the delivery schedule or Firm price, or both, and the Contract shall be modified in writing accordingly, if (1) the stop work order results in an increase in the time required for, or in the Firm's costs properly allocable to, the performance of any part of this Contract; and (2) the Firm asserts a claim for such an adjustment within 30 days after the end of the period of work stoppage; provided that, if the DFA decides that the facts justify such action, any such claim asserted may be received and acted upon at any time prior to final payment under this Contract.

- c. Termination of Stopped Work. If a stop work order is not canceled and the work covered by such order is terminated for default or convenience, the reasonable costs resulting from the stop work order shall be allowed by adjustment or otherwise.
- d. Adjustment of Price. Any adjustment in Contract price made pursuant to this clause shall be determined in accordance with the "Modification or Renegotiation" clause of this Contract

24. TRADE SECRETS, COMMERCIAL AND FINANCIAL REQUIRED INFORMATION

It is expressly understood that Mississippi law requires that the provisions of this Contract which contain commodities purchased or the personal or professional services provided, the price to be paid, and the term of the Contract shall not be deemed to be a trade secret or confidential commercial or financial information and shall be available for examination, copying or reproduction.

25. ORAL STATEMENTS

No oral statement of any person shall modify or otherwise affect the terms, conditions, or specifications stated in this Contract. All modifications to this Contract must be made in writing by DFA, OSA, and the Firm.

26. INDEMNIFICATION

To the fullest extent allowed by law, the Firm shall indemnify, defend, save and hold harmless, protect, and exonerate the State of Mississippi, its Commissioners, Board Members, officers, employees, agents, and representatives from and against all claims, demands, liabilities, suits, actions, damages, losses, and costs of every kind and nature whatsoever, including, without limitation, court costs, investigative fees and expenses, and attorneys' fees, arising out of or caused by the Firm and/or its partners, principals, agents, employees, and/or subcontractors in the performance of or failure to perform this Contract. In the State's sole discretion, the Firm may be allowed to control the defense of any such claim, suit, etc. In the event the Firm defends said claim, suit, etc., the Firm shall use legal counsel acceptable to the State; the Firm shall be solely liable for all reasonable costs and/or expenses associated with such defense and the State shall be entitled to participate in said defense. The Firm shall not settle any claim, suit, etc., without the State's concurrence, which the State shall not unreasonably withhold. The Firm does not indemnify the State of Mississippi, its Commissioners, Board Members, officers, employees, agents, and representatives for damages, losses, or costs arising from lawsuits, claims, or settlements that relate, directly or indirectly, to acts by the State of Mississippi, its Commissioners, Board Members, officers, employees, agents, or representatives.

27. THIRD PARTY ACTION NOTIFICATION

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

28. NOTICE

All notices given pursuant to this Contract shall be in writing and be personally delivered or mailed with postage prepaid, by registered or certified mail, return receipt requested, to the address set forth below or such other address as a party may from time to time specify in writing to the other party. Notice shall be deemed given when actually received or when refused. The parties agree to promptly notify each other, in writing, of any change in address.

a. If to DFA: Executive Director
Department of Finance and Administration
Post Office Box 267
Jackson, Mississippi 39205
Facsimile No: (601) 359-2405

With a copy to: State Insurance Administrator
Department of Finance and Administration, Office of Insurance
Post Office Box 24208
Jackson, Mississippi 39225-4208
Facsimile No: (601) 359-6568

b. If to Firm: Timothy T. Burns, CPA, Partner
BKD, LLP
190 East Capitol Street, Suite 500
Jackson, Mississippi 39201
Facsimile No: (601) 948-6000

c. If to OSA: Stephanie Palmertree, CPA, CGMA
Office of the State Auditor
P.O. Box 956
Jackson, Mississippi 39205
Facsimile: (601) 576-2687

29. RECOVERY OF MONEY

Whenever, under the Contract, any sum of money shall be recoverable from or payable by the Firm to DFA, the same amount may be deducted from any sum due to the Firm under the Contract or under any other contract between the Firm and DFA. The rights of DFA are in addition and without prejudice to any other right DFA may have to claim the amount of any loss or damage suffered by DFA on account of the acts or omissions of the Firm.

30. FAILURE TO ENFORCE

Failure by the Firm, DFA or OSA at any time to enforce the provisions of the Contract shall not be construed as a waiver of any such provisions. Such failure to enforce shall not affect the validity of the Contract or any part thereof or the right of the Firm, DFA or OSA to enforce any provision at any time in accordance with its terms. No delay or omission by the Firm, DFA or OSA in exercising any right, power, or remedy hereunder or otherwise afforded by law or in equity shall constitute acquiescence on its part, impair any other right, power, or remedy in this Contract or otherwise by any means, operate as a waiver of such right, power, or remedy. No waiver by the Firm, DFA or OSA to this Contract shall be valid unless set forth in writing by the Firm, DFA and/or OSA. No waiver of, or modification to, any term or condition of this Contract will void, waive, or change any other term of condition. No waiver by

the Firm, DFA or OSA of a default will imply, or be construed, or require waiver of future or other defaults. 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.

31. STANDARD OF CARE/REMEDIES

- a. The Firm shall exercise reasonable care and due diligence consistent with standards in the industry in the performance of its obligations under this Contract.
- b. Each party shall have available to it all remedies available at law or equity.

32. 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 DFA, OSA and the Firm. Such a resolution shall be reduced to writing and a copy thereof mailed or furnished to the Firm and shall be final and conclusive. If a resolution cannot be reached, each party shall have available to it all remedies available under this Contract and at law or equity. Pending final decision of a dispute hereunder, the Firm shall proceed diligently with the performance of the duties and obligations of the Contract.

33. INSURANCE

The Firm shall be required to maintain, throughout the term of this Contract, at its own expense, workers' compensation insurance, and professional and comprehensive general liability insurance. Such policy(ies) of insurance shall provide coverage through an insurance company licensed by the Mississippi Department of Insurance. Upon request by DFA, the Firm shall provide DFA a current certificate(s) of insurance.

34. FIDELITY BOND

The Firm will maintain an employee fidelity bond or other such insurance for the duration of this Contract. Pursuant to such coverage, any losses incurred by DFA due to theft or dishonesty of a Firm employee shall be fully repayable to DFA. The Firm shall be responsible for procuring any such recovery and reimbursing DFA accordingly. Upon request by DFA, the Firm shall provide DFA a current Certificate(s) of Insurance or Bond.

35. INCORPORATION OF DOCUMENTS

- a. This Contract consists of and precedence is hereby established by the order of the following documents incorporated herein:
 - i. This Contract signed by the parties including Exhibit A "*Financial Audit Services Fees*", and Exhibit B "*Business Associate Statement*";
 - ii. The Firm's response to the Office of the State Auditor's *Request for Proposal* dated July 13, 2017, as redacted to remove any confidential information unrelated to the services referenced herein, and including the Firm's follow-up confirmation of hourly and multi-year pricing guarantees dated August 21, 2017, attached hereto as Exhibit C and incorporated fully herein by reference.

iii. The Office of the State Auditor's *Request for Proposal* issued June 12, 2017 attached hereto as Exhibit D and incorporated fully herein by reference; and

- b. This Contract, including the Exhibits referenced herein, 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. A separate engagement letter will be issued annually prior to the onset of audit services, covering items required to be communicated by professional standards that are not covered by this Financial Audit Services Contract.

Witness our signatures, on the date first written:

Department of Finance and Administration

BKD, LLP


Signature

Laura D. Jackson
Name

Executive Director
Title

8/28/17
Date


Signature

Timothy T. Burns, CPA
Name

Partner
Title

8/28/17
Date

Office of the State Auditor


Signature

Stephanie Palmertree, CPA, CGMA
Name

Director, Finance and Compliance Division
Title

9/5/17
Date

EXHIBIT A

FINANCIAL AUDIT SERVICES FEES

For financial audit services rendered under this agreement, the following hourly fees by position and maximum project fees are all-inclusive and include any expenses such as printing, binding, photocopy, and any travel:

HOURLY FEE BY POSITION	Year 1	Year 2	Year 3*	Year 4*	Year 5*
Partner	\$255	\$259	\$265	\$269	\$275
Senior	\$132	\$136	\$140	\$146	\$152
Staff	\$103	\$107	\$113	\$118	\$123
Administrative/Clerical	\$82	\$85	\$90	\$95	\$99

MAXIMUM PROJECT FEE	Year 1	Year 2	Year 3*	Year 4*	Year 5*
Annual Financial Audit:	\$49,500	\$51,000	\$52,800	\$54,900	\$57,000
Estimated hours by staff level:					
Partner	42	42	42	42	42
Senior	162	162	162	162	162
Staff	162	162	162	162	162
Administrative/Clerical	9	9	9	9	9
Total	375	375	375	375	375

*Third, fourth, and fifth year pricing will be used in the event any of the one-year extensions are exercised. All rates and maximum fees are guaranteed through the term of the Contract.

Above hourly and project maximum fees are all-inclusive and include such items as copies, postage and other delivery charges, supplies, technology-related costs, such as computer processing, software licensing, research and library databases and similar expense items.

EXHIBIT B

BUSINESS ASSOCIATE STATEMENT

This Business Associate Statement (BAS) supplements and is made part of the Financial Audit Services Contract (Contract) entered into by and between BKD, LLP (Business Associate) and the Mississippi Department of Finance and Administration (DFA) and shall apply to the Business Associate's services provided pursuant to the Contract relating to the State and School Employee's Health Insurance Plan ("Covered Entity"). This BAS shall become effective the date that the Contract is fully signed by the Business Associate and DFA.

Whereas, DFA and Business Associate have entered into the Contract, and whereas the parties are entering into this BAS to satisfy certain standards and requirements of the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191 ("HIPAA") and regulations promulgated thereunder by the U.S. Department of Health and Human Services ("HHS") (the "HIPAA Regulations") and other applicable laws, including the American Recovery and Reinvestment Act ("ARRA") of 2009.

Whereas, the Covered Entity wishes to disclose certain information ("Information") to Business Associate pursuant to the terms of the Contract, some of which may constitute Protected Health Information ("PHI").

Whereas, the Covered Entity desires and directs Business Associate to share PHI with other Business Associates of the Covered Entity.

Therefore, in consideration of mutual promises below and exchange of information pursuant to this BAS, the parties agree as follows:

1. Definitions.

Terms used, but not otherwise defined, in this BAS shall have the same meaning as those terms in the Standards for Privacy of Individually Identifiable Information (the "Privacy Rule") and the Security Standards under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"). In the event of an inconsistency between the provisions of this BAS and mandatory provisions of the Privacy Rule and or the Security Standards, as amended, the Privacy Rule and/or the Security Standards shall control. Where provisions of this BAS are different than those mandated in the Privacy Rule and/or the Security Standards, but are nonetheless permitted by the Privacy Rule and/or the Security Standards, the provisions of this BAS shall control.

- a. Breach. Breach shall be as defined in HITECH and the HIPAA regulations at 45 CFR § 164.402.
- b. Business Associate. Business Associate shall have the meaning given to such term under the HIPAA Regulations, including, but not limited to, 45 CFR § 160.103.
- c. Covered Entity. Covered Entity shall have the same meaning given to such term under the HIPAA Regulations, including, but not limited to, 45 CFR § 160.103.
- d. Electronic Health Record. Electronic Health Record shall have the same meaning as the term "electronic health record" in the Health Information Technology for

Economic and Clinical Health Act (“HITECH” Act), which is an electronic record of health-related information on an individual that is “created, gathered, managed and consulted by authorized health care clinicians and staff”.

- e. Electronic Media. Electronic Media has the meaning as the term “electronic media” in 45 in CFR § 160.103, which is:
 - i. Electronic storage media including memory devices in computers (hard drives) and any removable/transportable digital memory medium, such as magnetic tape or disk, optical disk, or digital memory card; or
 - ii. Transmission media used to exchange information already in electronic storage media. Transmission media include, for example, the internet (wide-open), extranet (using internet technology to link a business with information accessible only to collaborating parties), leased lines, dial-up lines, private networks, and the physical movement of removable/transportable electronic storage media. Certain transmissions, including of paper, via facsimile, and of voice, via telephone, are not considered to be transmissions via electronic media because the information being exchanged did not exist in electronic form before the transmission.
- f. Electronic Protected Health Care Information or (EPHI). EPHI has the meaning as the term ‘electronic protected health care information’ in 45 CFR § 160.103, and is defined as that received from or received on behalf of the Covered Entity.
- g. Individual. Individual shall have the same meaning as the term “individual” in 45 CFR § 164.501 and shall include a person who qualifies as a personal representative in accordance with 45 § CFR 164.502(g).
- h. Limited Data Set. Limited Data Set shall have the same meaning as the term “limited data set” as set forth in as defined in 45 CFR 164.514(e)(2).
- i. Privacy Rule. Privacy Rule shall mean the Standards for Privacy of Individually Identifiable Health Information at 45 § CFR part 160 and part 164, subparts A and E.
- j. Protected Health Information or (PHI). PHI shall have the same meaning as the term “protected health information” in 45 CFR § 164.501, limited to the information created or received by Business Associate from or on behalf of the Covered Entity.
- k. Required By Law. Required By Law shall have the same meaning as the defined term “required by law” in 45 § CFR 164.103 except the term “covered entity” therein shall be replaced with “business associate” or “person,” as applicable.
- l. Security Incident. Security Incident has the meaning in 45 CFR § 164.304, which is: the attempted or successful unauthorized access, use, disclosure, modification, or destruction of information or interference with system operations in an information system.
- m. Security Standards. Security Standards shall mean the Security Standards under the Health Insurance Portability and Accountability Act of 1996 (HIPAA) codified at 45 CFR Parts 160 and 164 (Security Rule), as amended.

- n. Unsecured PHI. Unsecured PHI as defined in HIPAA and the HIPAA regulations at 45 CFR § 164.402, means protected health information that is not rendered unusable, unreadable, or indecipherable to unauthorized individuals through the use of technology or methodology specified by the Secretary in guidance issued under 13402(h)(2) of Public Law 111-5 on HHS website.
- o. Unsuccessful Trivial Security Incident. Unsuccessful Trivial Security Incident means an act or occurrence that may constitute a Security Incident but that was trivial and did not result in unauthorized access, use, or disclosure of Protected Health Information that is Electronic Protected Health Information, including without limitation “pings” and other broadcast attacks on Business Associate’s firewall, port scans, unsuccessful log-on attempts, and denials of service.

2. Obligations and Activities of Business Associate.

- a. Compliance with Applicable Laws. Business Associate shall fully comply with the standards and requirements of the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191 (“HIPAA”), the American Recovery and Reinvestment Act of 2009, Public Law 111-5 (“ARRA”) and regulations promulgated thereunder by the U.S. Department of Health and Human Services (the “HIPAA Regulations”) and other applicable laws as of the date(s) the requirements under these laws become effective for Business Associates. This compliance shall include all requirements noted in Section 13404(a), (b) and (c) of the HITECH Act.
- b. Business Associate directly subject to certain HIPAA provision. Under HITECH, Business Associates acknowledges that it is directly subject to certain HIPAA provisions including Sections 13401, 13404, 13405.
- c. Use and Disclosure of Protected Health Information. Business Associate may use and/or disclose the Covered Entity’s PHI received by Business Associate pursuant to this BAS, the Contract, or as required by law, or as permitted under 45 CFR § 164.512, subject to the provisions set forth in this BAS. Business Associate may use PHI in its possession for its proper management and administration or to fulfill any of its legal responsibilities. The Covered Entity specifically requests that Business Associate disclose PHI to other Business Associates of the Covered Entity for Health Care Operations of the Covered Entity. The Covered Entity shall provide a list of the affected Business Associates and will request specific disclosures in written format. If any affected Business Associate is no longer under a business associate addendum with the Covered Entity, the Covered Entity shall promptly inform Business Associate of such change.
- d. Safeguards Against Misuse of Information. Business Associate shall use appropriate safeguards to prevent the use or disclosure of the Covered Entity’s PHI in any manner other than as required by this BAS or as required by law. Business Associate shall maintain a comprehensive written information privacy and security program that includes administrative, technical, and physical safeguards appropriate to the size and complexity of the Business Associate’s operations and the nature and scope of its activities.

- e. Reporting of Disclosures. Business Associate shall report to the Covered Entity any use or disclosure of the Covered Entity's PHI in violation of this BAS or as required by law of which the Business Associate is aware, and agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of the Covered Entity's PHI by Business Associate in violation of this BAS.
- f. Business Associate's Agents. Business Associate shall ensure that any agents, including subcontractors, to whom it provides PHI received from (or created or received by Business Associate on behalf of) the Covered Entity agree to be bound to by the same restrictions and conditions on the use or disclosure of PHI as apply to Business Associate with respect to such PHI. Business Associate represents that in the event of a disclosure of PHI to any third party, the information disclosed shall be no more than the minimum necessary for the intended purpose.
- g. Nondisclosure. Business Associate shall not use or further disclose the Covered Entity's PHI otherwise than as permitted or required by this BAS, the Contract, or as required by law.
- h. Availability of Information to the Covered Entity and Provision of Access and Accountings. Business Associate shall make available to the Covered Entity such information as the Covered Entity may require to fulfill the Covered Entity's obligations to provide access to, provide a copy of, and account for disclosures with respect to PHI pursuant to HIPAA and the HIPAA Regulations, including, but not limited to, 45 CFR §§ 164.524 and 164.528. This availability includes information related to disclosures of an electronic health record made for treatment, payment or healthcare operations. Business Associate agrees to provide access, at the request of the Covered Entity, and in the time and manner designated by the Covered Entity, to Protected Health Information to the Covered Entity or, as directed by the Covered Entity, to an Individual in order to meet the requirements under 45 CFR § 164.524. As requested by the Covered Entity, Business Associate shall produce an accounting of disclosures to an Individual in accordance with 45 CFR § 164.528. [45 CFR § 164.504(e)(2)(E) and (G)]
- i. Amendment of PHI. Business Associate shall make the Covered Entity's PHI available to the Covered Entity as the Covered Entity may require to fulfill the Covered Entity's obligations to amend PHI pursuant to HIPAA and the HIPAA Regulations, including, but not limited to, 45 CFR § 164.526 and Business Associate shall, as directed by the Covered Entity, incorporate any amendments to the Covered Entity's PHI into copies of such PHI maintained by Business Associate. Business Associate agrees to make any amendment(s) to Protected Health Information that the Covered Entity directs or agrees to pursuant to 45 CFR § 164.526 at the request of the Covered Entity or an Individual, and in the time and manner designated by the Covered Entity. [45 CFR § 164.504(e)(2)(F)]
- j. Internal Practices. Business Associate agrees to make its internal practices, policies, procedures, books, and records relating to the use and disclosure of PHI received from the Covered Entity (or received by Business Associate on behalf of the Covered Entity) available to the Secretary of the U.S. Department of Health and Human Services for inspection and copying for purposes of the determining the Covered Entity's compliance with HIPAA and the HIPAA Regulations.

- k. Safeguard of EPHI. The Business Associate will implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the Electronic Protected Health Information that it creates, receives, maintains, or transmits on behalf of the Covered Entity as required by the Security Standards.
- l. Subcontractors. The Business Associate will ensure that any agent, including a subcontractor, to whom it provides PHI agrees to implement reasonable and appropriate safeguards to protect it.
- m. Security Breach Notification. Business Associate will notify the Covered Entity through the Mississippi Department of Finance and Administration, Office of Insurance of a Breach without unreasonable delay, not to exceed fifteen (15) business days. This notification will include, to the extent known:
 - i. the names of the individuals whose PHI was involved in the Breach;
 - ii. the circumstances surrounding the Breach;
 - iii. the date of the Breach and the date of its discovery;
 - iv. the information Breached;
 - v. any steps the impacted individuals should take to protect themselves;
 - vi. the steps Business Associate is taking to investigate the Breach, mitigate losses, and protect against future Breaches; and,
 - vii. a contact person who can provide additional information about the Breach.

Business Associate will perform a fact-based risk assessment, as required by the HITECH Act, to determine whether there is a significant risk of financial, reputational, or other harm to the individual whose PHI was impacted. Business Associate will provide the Covered Entity with the results of its risk assessment and will make a recommendation to the Covered Entity regarding whether notification is required pursuant to 45 CFR §164.410. At the Covered Entity's direction and with its prior approval, Business Associate will issue such notices (to individuals and to the media) as the Covered Entity is required to issue pursuant to, and in accordance with the requirements of, 45 CFR §164.410. Business Associate will pay the costs of issuing notices required by law and other remediation and mitigation which, in Business Associate's discretion, are appropriate and necessary to address the Breach. Business Associate will not be required to issue notifications that are not mandated by applicable law. Business Associate will maintain a log of Breaches and will provide such log to the Covered Entity annually to support the Covered Entity's regulatory reporting obligations. The parties acknowledge and agree that this section constitutes notice by Business Associate to Covered Entity of the ongoing existence and occurrence of Unsuccessful Trivial Security Incidents, for which no additional notice by Business Associate to Covered Entity shall be required.

- n. Limited Data Set or Minimum Necessary Standard and Determination. Business Associate shall limit the use, disclosure, or request of Individuals' Protected Health

Information, to the extent practicable, to the Limited Data Set (as defined in 45 CFR § 164.514(e)(2)) or, if needed by Business Associate, to the minimum necessary amount of Individuals' Protected Health Information to accomplish the intended purpose of such use, disclosure, or request and to perform its obligations under the underlying Agreement and this Business Associate BAS. Business Associate shall determine what constitutes the minimum necessary to accomplish the intended purpose of such disclosure. Business Associate's obligations under this provision shall be subject to modification to comply with guidance issued by the Secretary.

- o. Marketing. Business Associate will not sell PHI or use or disclose PHI for purposes of marketing, as defined and proscribed in the Regulations.
- p. Data Aggregation. Business Associate may use PHI in its possession to provide data aggregation services relating to the health care operations of the Covered Entity, as provided for in 45 CFR §164.501.
- q. De-identification of PHI. Business Associate may de-identify any and all PHI, provided that the de-identification conforms to the requirements of 45 CFR § 164.514(b), and further provided that Business Associate maintains the documentation required by 45 CFR § 164.514(b), which may be in the form of a written assurance from Business Associate. Pursuant to 45 CFR § 164.502(d), de-identified information does not constitute PHI and is not subject to the terms of the BAS.

3. Obligations of the Covered Entity.

- a. Covered Entity's Representatives. The Covered Entity shall designate, in writing to Business Associate, individuals to be regarded as the Covered Entity's representatives, so that in reliance upon such designation Business Associate is authorized to make disclosures of PHI to such individuals or to their designee(s).
- b. Voluntary Restrictions on Use or Disclosure of PHI. If the Covered Entity agrees to voluntary restrictions on use or disclosure, as provided for in 45 CFR § 164.522, of PHI received or created by Business Associate regarding an Individual, the Covered Entity agrees to pay Business Associate the actual costs incurred by Business Associate in accommodating such voluntary restrictions.
- c. Limitation on Requests. The Covered Entity shall not request or require that Business Associate make any use or alteration of PHI that would violate HIPAA or HIPAA Regulations if done by the Covered Entity.

4. Audits, Inspection, and Enforcement.

Upon reasonable notice, upon a reasonable determination by the Covered Entity that Business Associate has breached this BAS, the Covered Entity may inspect the facilities, systems, books and records of Business Associate during normal business hours to monitor compliance with this BAS. Business Associate shall promptly remedy any violation of any term of this BAS and shall certify the same to the Covered Entity in writing. The fact that the Covered Entity inspects, or fails to inspect, or has the right to inspect, Business Associate's facilities, systems and procedures does not relieve Business Associate of its responsibility to comply with this BAS, nor does the Covered Entity's (i) failure to detect or

(ii) detection, but failure to notify Business Associate or require Business Associate's remediation of any unsatisfactory practices constitute acceptance of such practice or a waiver of the Covered Entity's enforcement rights under this BAS. Business Associate shall fully cooperate with the U.S. Department of Health and Human Services, as the primary enforcer of the HIPAA, who shall conduct periodic compliance audits to ensure that both Business Associate and the Covered Entity are compliant.

5. Termination

- a. Material Breach. A breach by Business Associate of any material provision of this BAS, as determined by the Covered Entity, shall constitute a material breach of the BAS and shall provide grounds for immediate termination of the BAS and the Contract by the Covered Entity pursuant to Section 5.b. of this BAS. [45 CFR § 164.504(e)(3)]
- b. Reasonable Steps to Cure Breach. If either party knows of a pattern of activity or practice of the other that constitutes a material breach or violation of that party's obligations under the provisions of this BAS or another arrangement and does not terminate this BAS pursuant to Section 5(a), then that party shall take reasonable steps to cure such breach or end such violation, as applicable. If the party's efforts to cure such breach or end such violation are unsuccessful, that party shall either (i) terminate this BAS if feasible; or (ii) if termination of this BAS is not feasible, the non-breaching party shall report the other party's breach or violation to the Secretary of the Department of Health and Human Services. [45 CFR § 164.504(e)(1)(ii)]
- c. Judicial or Administrative Proceedings. Either party may terminate this BAS, effective immediately, if (i) the other party is named as a defendant in a criminal proceeding for a violation of HIPAA or (ii) a finding or stipulation that the other party has violated any standard or requirement of HIPAA or other security or privacy laws is made in any administrative or civil proceeding in which the party has been joined.
- d. Effect of Termination. Upon termination of this BAS and the Contract for any reason, Business Associate shall return or destroy all PHI received from the Covered Entity (or created or received by Business Associate on behalf of the Covered Entity) that Business Associate still maintains in any form, and shall retain no copies of such PHI except for one copy that Business Associate will use solely for archival purposes and to defend its work product, provided that documents and data remain confidential and subject to this BAS, or, if return or destruction is not feasible, it shall continue to extend the protections of this BAS to such information, and limit further use of such PHI to those purposes that make the return or destruction of such PHI infeasible. [45 CFR § 164.504(e)(2)(I)]

6. Disclaimer.

The Covered Entity makes no warranty or representation that compliance by Business Associate with this BAS, HIPAA or the HIPAA Regulations will be adequate or satisfactory for Business Associate's own purposes or that any information in Business Associate's possession or control, or transmitted or received by Business Associate, is or will be secure from unauthorized use or disclosure. Business Associate is solely responsible for all decisions made by Business Associate regarding the safeguarding of PHI.

7. **Amendment.**

Amendment to Comply with Law. The parties acknowledge that state and federal laws relating to electronic data security and privacy are rapidly evolving and that amendment of this BAS may be required to provide for procedures to ensure compliance with such developments. The parties specifically agree to take such action as is necessary to implement the standards and requirements of HIPAA, the HIPAA Regulations and other applicable laws relating to the security or confidentiality of PHI. The parties understand and agree that the Covered Entity must receive satisfactory written assurance from Business Associate that Business Associate will adequately safeguard all PHI that it receives or creates pursuant to this BAS. Upon the Covered Entity's request, Business Associate agrees to promptly enter into negotiations with the Covered Entity concerning the terms of an amendment to this BAS embodying written assurances consistent with the standards and requirements of HIPAA, the HIPAA Regulations or other applicable laws. The Covered Entity may terminate this BAS upon 90 days written notice in the event (i) Business Associate does not promptly enter into negotiations to amend this BAS when requested by the Covered Entity pursuant to this Section; or (ii) Business Associate does not enter into an amendment to this BAS providing assurances regarding the safeguarding of PHI that the Covered Entity reasonably determines is not sufficient to satisfy the standards and requirements of HIPAA and the HIPAA Regulations.

8. **Assistance in Litigation or Administrative Proceedings.**

Business Associate shall make itself, and any subcontractors, employees or agents assisting Business Associate in the performance of its obligations under this BAS, available to the Covered Entity, at no cost to the Covered Entity, to testify as witnesses, or otherwise, in the event of litigation or administrative proceedings being commenced against the Covered Entity, its directors, officers or employees based upon claimed violation of HIPAA, the HIPAA Regulations or other laws relating to security and privacy, except where Business Associate or its subcontractor, employee or agent is a named adverse party.

9. **No Third Party Beneficiaries.**

Nothing express or implied in this BAS is intended to confer, nor shall anything herein confer, upon any person other than the Covered Entity, Business Associate and their respective successors or assigns, any rights, remedies, obligations or liabilities whatsoever.

10. **Effect on Contract.**

Except as specifically required to implement the purposes of this BAS, or to the extent inconsistent with this BAS, all other terms of the Contract shall remain in force and effect.

11. **Electronic Health Records (EHR)**

If electronic health records are used or maintained with respect to PHI, individuals shall have the right to obtain a copy of such information in "electronic format".

12. **No Remuneration for PHI.**

Business Associate shall not directly or indirectly receive remuneration in exchange for any PHI, unless it first obtains a valid authorization from the individual whose PHI is being disclosed, unless the purpose of the exchange is:

- a. For public health activities (as described in 45 CFR § 164.512(b));
- b. For research (as described in 45 CFR §§ 164.501 and 164.512(i)) and the price charged reflects the costs of preparation and transmittal of the data for such purpose;
- c. For the treatment of the Individual, subject to any regulations preventing Protected Health Information from inappropriate access, use, or disclosure;
- d. The health care operation specifically described in subparagraph (iv) of paragraph (6) of the definition of health care operations in 45 CFR § 164.501;
- e. For remuneration provided by the Plan to Business Associate for activities involving the exchange of Protected Health Information Business Associate undertakes on behalf of and at the request of the Plan pursuant to the Agreement;
- f. To provide an Individual with a copy of his or her Protected Health Information pursuant to 45 CFR § 164.524; or
- g. Otherwise determined by regulations of the Secretary to be similarly necessary and appropriate as the exceptions described in (a) through (f) above.

13. Interpretation.

This BAS shall be interpreted as broadly as necessary to implement and comply with HIPAA, HIPAA Regulations and applicable state laws. The parties agree that any ambiguity in this BAS shall be resolved in favor of a meaning that complies and is consistent with HIPAA and the HIPAA Regulations.

EXHIBIT C

BKD's RESPONSE TO OSA REQUEST FOR PROPOSALS

The following documents embody BKD's response to the Office of the State Auditor's *Request for Proposal* dated July 13, 2017, as redacted to remove any confidential information unrelated to the services referenced herein, and including the Firm's follow-up confirmation of hourly and multi-year pricing guarantees dated August 21, 2017.

August 21, 2017

Mr. Richard Self
Mississippi State and School Employees'
Life and Health Insurance Plan
901 Woolfolk Building, Suite B
501 North West Street
Jackson, MS 39201

Dear Mr. Self:

As a follow up to our recent conversation, BKD, LLP is pleased to present quotes for audit years 2019, 2020 and 2021 as a supplement to our recently approved proposal to provide audit services for the Department of Finance & Administration State & School Employees' Life Health Plan for audit years 2017 and 2018.

The following quotes are all-inclusive and include any expenses such as printing, binding, photocopy, and any travel. Our fees may change if our duties or responsibilities change because of new rules, regulations and accounting or auditing standards. We will consult with you should this happen.

2017 - \$49,500 (Previously approved)
2018 - \$51,000 (Previously approved)
2019 - \$52,800
2020 - \$54,900
2021 - \$57,000

I am attaching a separate schedule detailing hourly rates and estimated hours. If you have any questions do not hesitate to contact me.

Sincerely,



Timothy T. Burns, CPA

TTB:kpp

Enclosures

Mississippi State and School Employee's Life and Health Insurance Plan Financial Audit Services Fees

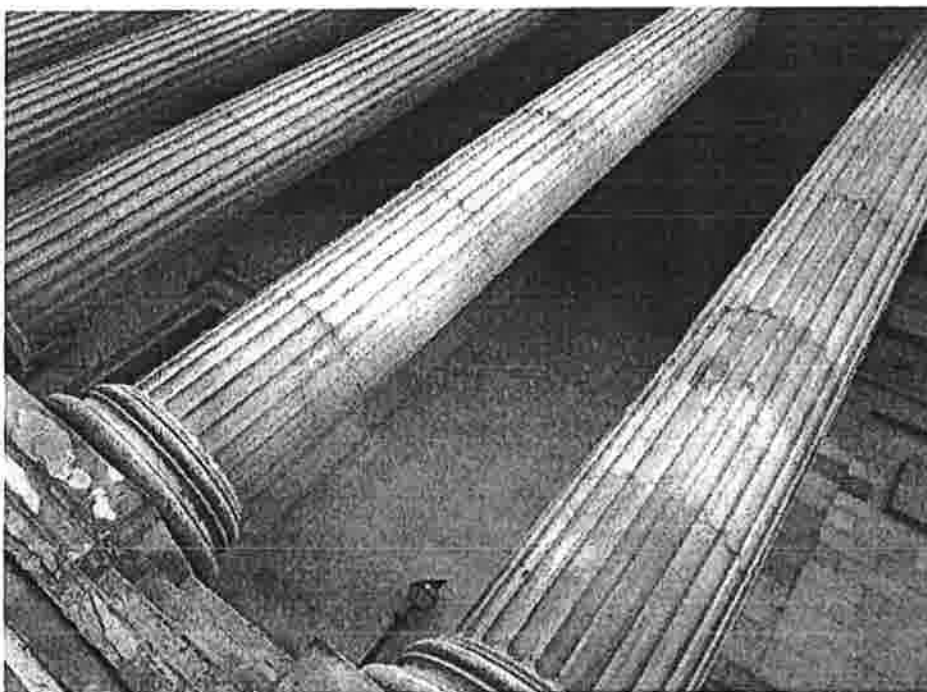
For financial audit services rendered under this agreement, the following hourly fee by position
and maximum project fee shall apply

Hourly Fee by Position	Year				
	2017 *	2018 *	2019	2020	2021
Partner	\$ 255	\$ 259	\$ 265	\$ 269	\$ 275
Senior	\$ 132	\$ 136	\$ 140	\$ 146	\$ 152
Staff	\$ 103	\$ 107	\$ 113	\$ 118	\$ 123
Administrative/Clerical	\$ 82	\$ 85	\$ 90	\$ 95	\$ 99
Audit Services Maximum Project fee	\$ 49,500	\$ 51,000	\$ 52,800	\$ 54,900	\$ 57,000
Estimated Hours by staff level					
Partner	42	42	42	42	42
Senior	162	162	162	162	162
Staff	162	162	162	162	162
Administrative/Clerical	9	9	9	9	9
	<u>375</u>	<u>375</u>	<u>375</u>	<u>375</u>	<u>375</u>

Totals may not add due to rounding

* - 2017 and 2018 awarded as part of bid process by Mississippi Office of State Auditor
2019, 2020 and 2021 are option years to extend the contract

Above fees are all inclusive and include such items as copies, postage and other delivery
charges, supplies, technology-related costs, such as computer processing, software licensing,
research and library databases and similar expense items.



**BENEFITING FROM QUALITY
AUDIT SERVICES FROM
REPUTABLE ADVISORS WITH
SIGNIFICANT MISSISSIPPI
STATE AGENCY INDUSTRY
EXPERIENCE**

MISSISSIPPI OFFICE OF THE STATE AUDITOR

ORIGINAL

BKD^{LLP}
CPAs & Advisors

Request For Proposal

Issued by:

**Office of the State Auditor
Jackson, Mississippi**

Stephanie Palmertree

Director, Financial and Compliance Division

Submitted by: BKD, LLP

TRANSMITTAL LETTER

July 13, 2017

Ms. Stephanie Palmertree
Director, Financial and Compliance Division
Mississippi Office of the State Auditor
501 North West Street // Suite 801
Jackson, MS 39201

DEAR MS. PALMERTREE:

With a responsibility to independently assess each Mississippi state agency to verify proper use of public funds, Mississippi Office of the State Auditor (SAO) stands as an advocate to protect the trust of the millions of citizens throughout our state. SAO recognizes it is important these agencies demonstrate fiscal responsibility through accountability of funds. With your desire to outsource some of the agency audit work, you need the resources, guidance and expertise of a reputable CPA and advisory firm to help you have confidence in the financial statements of these agencies. With a strong history serving many Mississippi state agencies, BKD, LLP can help SAO reinforce your dedication to economic accountability.

BKD National Governmental Group works with hundreds of governmental clients nationwide. This industry experience, as well as our involvement with national and state associations, including the American Institute of CPAs Governmental Audit Quality Center, Government Finance Officers Association and Association of Government Accountants, allows us to understand the specific issues the public sector faces. In addition to providing quality audit services, we can leverage our Mississippi agency industry experience to share best practices, tailored guidance and practical solutions to help SAO have confidence in state agency financial standing. With accessible advisors located in our Jackson, Mississippi, office, we are confident BKD is a name you can continue to trust.

SAO and various Mississippi agencies are important clients for BKD, and we place great value on expanding our working relationship to meet your additional agency service needs, while maintaining our independence. We believe we have responded to your request with a proposal that will allow our experienced professionals to provide timely, efficient and objective services. We will call you soon to answer questions you may have about this proposal, or you may reach us at 601.948.6700 or by email as provided below.

Sincerely,



Timothy T. Burns, CPA
Partner
tburns@bkd.com



Wilkins M. Crawford Jr., CPA
Director
wcrawford@bkd.com

SOLICITATION & OFFER DOCUMENT	ii
TRANSMITTAL LETTER	iii
PROPOSAL NARRATIVE.....	1
BKD National Governmental Group	1
Tax I.D. Number	3
Independence.....	3
Peer Review.....	3
Your Investment	3
APPENDIX	6
AICPA Peer Review Letter	7
BKD Peer Review Report	8
Your BKD Engagement Team.....	9
Financial Statement Audit in Accordance with <i>Government</i> <i>Auditing Standards & Uniform Guidance Service</i> Description.....	12
Future Negotiations	15
BKD Firm Profile	16
Commitment to Professional Development	17
BKD PRIDE Values	18

TABLE OF CONTENTS



Our acceptance of this engagement is subject to completion of our normal client acceptance procedures. Upon acceptance, the actual terms of our engagement will be documented in a separate letter to be signed by you and us. All information contained within this proposal is proprietary and confidential. The information provided in this proposal is intended for informational purposes only and may not be copied, used or modified, in whole or in part, without BKD's prior written approval. All information in this proposal is as of May 31, 2016, unless otherwise noted.

PROPOSAL NARRATIVE

For Mississippi Office of the State Auditor's (SAO) convenience, **BKD, LLP** has structured our proposal according to the questions in your Request for Proposal (RFP). We believe our proposal will demonstrate our qualifications to serve SAO.

BKD NATIONAL GOVERNMENTAL GROUP

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.

BKD has been performing professional audit services since we were founded in 1923 and has been serving governmental entities since 1970. We obtained our first municipality client in 1988.

GOVERNMENTAL AUDIT EXPERTISE

BKD National Governmental Group works with approximately 500 governmental clients nationwide, including municipalities, counties, federal and state agencies, public utilities, airports and transportation authorities. Our advisors can help SAO address the numerous financial considerations of governmental entities, including fiscal accountability and resource management, as well as performance management, budgeting and debt administration.

In addition, our public sector involvement has enabled us to establish connections with numerous regulatory and auditing organizations, including:

- ▶ AICPA Governmental Audit Quality Center, as a member
- ▶ Government Finance Officers Association (GFOA)
- ▶ Governmental Accounting Standards Board (GASB)
- ▶ Office of Management and Budget
- ▶ U.S. Government Accountability Office

We look forward to communicating best practices and forward-looking strategies to help SAO thoughtfully consider the areas important to fulfilling your fiduciary responsibilities.

SIGNIFICANT SINGLE AUDIT EXPERIENCE

Ranked as the sixth largest Single Audit provider among CPA firms, BKD performs approximately 425 annually. With approximately one-third of our not-for-profit and governmental clients receiving federal funding, we are familiar with the requirements for allowability of both direct and indirect costs, as well as the ability for the recipient to charge an administrative cost allowance under many federal programs.

To help streamline the Single Audit process, we use audit programs and checklists designed specifically for the federal programs we audit. Our firm maintains a database of audit programs tailored to the grants and other federal programs commonly found in governmental entities. Our extensive experience providing compliance testing in accordance with the U.S. Office of Management and Budget (OMB) requirements can help us properly perform and submit state agency Single Audits on time.

A CENTER OF EXCELLENCE FOR GOVERNMENT

As part of our industry specialization within BKD, leaders from BKD offices across our national governmental practice created the BKD Center of Excellence for Government to focus on the specific issues government agencies face. These professionals meet regularly to discuss important industry developments, legislative updates and challenges that affect governmental entities throughout the country, as well as share best practices gained from our extensive industry experience. We look forward to leveraging this knowledge to offer you proactive communication and valuable industry insight so you can confidently plan for the future.

A STRONG HISTORY OF PERFORMANCE

Because of our past working relationship and knowledge of Mississippi state agencies and their operations, you can have confidence in BKD's understanding of the issues and challenges you and these agencies face. We are committed to being the service provider you can trust for quality deliverables and unmatched client service.

If engaged, we will not rely solely on this strong historical performance. Our team remains dedicated to proactively identifying opportunities where we can offer sound professional advice to help increase the value of your investment.

REPRESENTATIVE LIST OF CLIENTS

BKD is proud to work with Mississippi governmental entities, including:

Central Mississippi Planning & Development District
Delta Regional Authority
Hinds County Country Government, Mississippi
Jackson Convention Complex
Mississippi Department of Corrections
Mississippi Department of Employment Security
Mississippi Department of Information Technology Services
Mississippi Department of Marine Resources
Mississippi Department of Public Safety

Mississippi Department of Transportation
Mississippi Prepaid Affordable College Tuition Program
Mississippi State and School Employees Life and Health Plan
Mississippi State Department of Health
Mississippi Surplus Lines Association
Municipal Energy Agency of Mississippi
Municipal Gas Authority of Mississippi
Office of the Mississippi State Treasurer

BKD also is proud to provide Single Audits to clients, including:

Aspire Indiana, Inc.
Catholic Charities of Kansas City - St. Joseph Inc
City of Bellevue, Nebraska
City of Bentonville, Arkansas
City of Brookings, South Dakota
City of El Paso, Texas
City of Fort Smith, Arkansas
City of Kansas City, Missouri
City of Lancaster, Texas
City of Lincoln, Nebraska
City of Lubbock, Texas

City of Nebraska City, Nebraska
JA Worldwide
Mississippi Food Network
Mississippi State Department of Health
Mississippi Department of Transportation
National FFA Organization
People's City Mission
The Family Conservancy
The Family Place & The Family Place Foundation
Tri-State Food Bank, Inc.
United Way of Greater Cincinnati and Subsidiaries

REFERENCES

Our clients are our best ambassadors, and we encourage you to contact them about their satisfaction with our services. The following clients have consented to discussing BKD's services and service delivery with you at your convenience.

Mississippi Department of Corrections
Mr. Rick McCarty
Deputy Director/Chief Financial Officer
601.359.5682
Jackson, MS

Mississippi Department of Employment Security
Ms. Jackie Turner
Chief Financial Officer
601.321.6346
Jackson, MS

Mississippi Affordable College Savings
Program/ Mississippi Prepaid College Tuition
Program
Ms. Emilia Nordin
Director
601.359.5256
Jackson, MS

The fees above are all-inclusive and include travel costs, if any, and an administrative fee of 4 percent to cover items such as copies, postage and other delivery charges, supplies, technology-related costs, such as computer processing, software licensing, research and library databases, and similar expense items. The audit fees are based on an average composite rate of [REDACTED] per hour. Our fees may increase if our duties or responsibilities change because of new rules, regulations and accounting or auditing standards. We will consult with you should this happen. BKD has chosen to bid on the specific agencies indicated above based on our relative experience. We would be happy to consider additional agency engagements should SAO receive unsatisfactory proposals on the remaining agencies.

Our estimate of fees does not include any time that may be required to address a restatement of the previously audited financial statements. Accordingly, any such work will be billed based on the following quoted hourly rates.

HOURLY RATES

Any work outside the scope of this engagement will be priced according to our hourly rates.

Staff Levels	Hourly Rates
Partner	[REDACTED]
Senior Manager, Director	[REDACTED]
Associate, Senior Associate, Senior Associate II, Manager	[REDACTED]

THIS PAGE INTENTIONALLY LEFT BLANK

**Unmatched client service isn't
just a slogan at BKD; it's the
backbone of our culture.**

Theodore D. Dickman, CPA
Chief Executive Officer | BKD, LLP

APPENDIX

AICPA PEER REVIEW LETTER



American Institute of CPAs
220 Leigh Farm Road
Durham, NC 27707-8110

November 10, 2014

Theodore D Dickman, CPA
BKD, LLP
910 E Saint Louis St Ste 400
Springfield, MO 65806

Dear Sir/Madam:

It is my pleasure to notify you that on October 31, 2014 the National Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is November 30, 2017. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Sincerely,

A handwritten signature in black ink, appearing to read "Larry Gray".

Larry Gray
Chair, National Peer Review Committee
nprc@aicpa.org 919 402 4502

cc: Candace E Wright, L Douglas Bennett

Firm Number: 10002800

Review Number 361333

Letter ID 937515

T 1 919 402 4502 | F 1 919 402 4876 | nprc@aicpa.org

BKD PEER REVIEW REPORT



A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
www.pncpa.com

System Review Report

To the Partners of BKD, LLP
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of BKD, LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2014. 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.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations (SOC 1).

In our opinion, the system of quality control for the accounting and auditing practice of BKD, LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2014, 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*. BKD, LLP has received a peer review rating of *pass*.

Postlethwaite & Netterville

Baton Rouge, Louisiana
September 19, 2014

YOUR BKD MANAGEMENT TEAM

The most critical factor in providing high-quality service is choosing your engagement team. We take team selection seriously and have the appropriate team of advisors to meet your needs. Team management will include personnel from the sample list below with staffing dependent on the number and nature of agencies awarded.



Timothy T. Burns, CPA

Partner

Engagement Role: Lead Engagement & Audit Partner

Tim has more than 30 years of experience serving as an auditor and a consultant for a number of industries, including governmental, not-for-profit, higher education and commercial entities, including telephone companies and other utilities, such as wireless telephone and cable television. His governmental industry experience includes audits of Mississippi agencies under three-way contracts with the SAO, with recent audits under the MAGIC system. His consulting experience in the utility field includes representation and testimony before various public service

commissions on a diversity of ratemaking and other matters, including cost of capital, rate design and development of rate base and revenue requirements. Tim serves as the governmental and not-for-profit team leader for the BKD Jackson office.

He is a member of the American Institute of CPAs and the Mississippi Society of Certified Public Accountants.

He is a graduate of Mississippi State University, Starkville, with a B.S. degree in accounting.



Wilkins M. Crawford Jr., CPA

Director

Engagement Role: Audit Director

Wil has more than 10 years of experience providing audit and accounting services to telecommunications, governmental, not-for-profit, higher education and health care clients. His governmental industry experience includes audits of Mississippi agencies under three-way contracts with the SAO, with recent audits under the MAGIC system. Wil also serves as the accounting and auditing assistant director for BKD's Jackson, Mississippi, office.

He has served as the in-charge, manager and engagement executive for Single Audits under OMB Circulars for various hospitals, universities, governmental and not-for-profit agencies, as well as **Yellow Book** financial statement and Rural Utilities Service compliance audits for telecommunications entities. Within BKD, he has assisted with audit staff training and creating advanced virtual Single Audit compliance training.

Wil is a member of the American Institute of CPAs and Mississippi Society of Certified Public Accountants (MSCPA). He was awarded the Silas M. Simmons Bronze Medal for the 2007 CPA Exam. He also has served as president of the MSCPA Young CPAs, chair of the MSCPA Governmental A&A Committee, millennial chair of the MSCPA Long Range Planning Committee, an MSCPA board member and was the 2015 winner of the MSCPA Rising Star Award. He is a member of the Association of Government Accountants and a reviewer for the United States and Canada's Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting Program.

He previously served as treasurer on the board of directors of the Central Mississippi Chapter of the Mississippi State University Alumni Association and currently serves on the Madison United Methodist Church finance committee and the advisory board for Habitat for Humanity Mississippi Capital Area.

Wil is a *summa cum laude* graduate of Mississippi State University, Starkville, with a B.S. degree in accounting and an M.Acc. degree.



Linda S. Trifone, CPA, CFE
Director
Engagement Role: Audit Director

Linda provides assurance and consulting services for health care providers, with an emphasis in hospitals, nursing homes and physician clinics. She also manages Single Audits for not-for-profit, hospital and governmental entities, as well as **Yellow Book** financial statements audits. Her governmental industry includes audits of Mississippi agencies under three-way contracts with the SAO, with recent audits under the MAGIC system. Linda also assists several small commercial and not-for-profit clients with their assurance and consulting needs.

She is a Certified Fraud Examiner (CFE) with 13 years of public accounting and two years of internal audit experience. She is a BKD national training instructor. Linda is a speaker around the state on fraud, audit and accounting issues and published an article on fraud in the newsletter of the Mississippi Society of Certified Public Accountants (MSCPA).

Linda is a member of the American Institute of CPAs, MSCPA, Healthcare Financial Management Association (HFMA) and Association of Certified Fraud Examiners. Linda serves as chair of the Health Care Services Committee of the MSCPA. She also is a member of the board of directors of the Mississippi chapter of HFMA.

She is a graduate of University of Notre Dame, South Bend, Indiana, with a B.S. degree in accounting.



Jessica S. Sumrall, CPA
Senior Manager
Engagement Role: Audit Senior Manager

Jessica has more than 12 years of experience in governmental and not-for profit accounting and audit services. She has approximately three years of previous experience with the Mississippi Office of the State Auditor performing and serving as an in-charge auditor of financial statement and Single Audits of various state agencies, including Mississippi Division of Medicaid, Mississippi Department of Revenue, Mississippi Department of Health, Mississippi Development Authority and Mississippi Department of Transportation. In addition, she has more than four

years of previous experience initiating, executing, maintaining and reporting on federal grants and other contracts as the grants and contracts manager for a local not-for-profit company.

Her specific relevant experience includes serving as senior auditor for the Mississippi Department of Employment Security audit of generally accepted accounting principles packages and federal funds under Single Audit requirements for 2011–2016. In addition, Jessica served as senior auditor for the Hinds County, Mississippi, audit for 2011–2015 and audit manager for 2016.

Prior to her audit work at BKD, Jessica served as a special project manager in conjunction with the Mississippi Office of the State Auditor. Her team at BKD was contracted by the State to conduct oversight and monitoring of nonstate entities that received monies from the *American Recovery and Reinvestment Act of 2009*.

She is a 2003 graduate of Millsaps College, Jackson, Mississippi, with a B.B.A. degree in business administration with an emphasis in accounting and an M.Acc. degree.



Andrew M. Richards, CPA
Partner
Engagement Role: Concurring Reviewer

Andy is a member of BKD National Governmental Group. With approximately 20 years of experience at BKD, he provides audit and advisory services to not-for-profit and governmental entities. He also assists BKD's National Office in providing technical support to BKD auditors, developing firm guidance on governmental accounting standards, reviewing governmental audit engagements, developing professional education on government-related topics and performing internal office inspections.

He is the audit partner on numerous state and local governments in Arkansas, including Fort Smith, Texarkana, Conway and Bentonville. He also is a firmwide resource and serves as concurring reviewer on some of BKD's larger governmental engagements, including City and County of Denver, Colorado, Mississippi Department of Employment Services and Arkansas Development Finance Authority.

From December 2007 through January 2010, Andy participated in the governmental accounting standards-setting process as a Practice Fellow with the Governmental Accounting Standards Board (GASB) in Norwalk, Connecticut. During that time, he acted as a GASB project manager working on the Codification of Pre-November 30, 1989, Financial Accounting Standards Board Pronouncements project, GASB Statement No. 14, *The Financial Reporting Entity*, Reexamination project, as well as the GASB Comprehensive Implementation Guide update. He also assisted the GASB technical research staff in responding to technical inquiries submitted by their constituency and performed several speaking engagements on behalf of GASB. He was a member of the GASB Comprehensive Implementation Guide Advisory Committee from 2012 to 2014.

He is a member of the American Institute of CPAs, where he served on the State and Local Government Expert Panel from 2010 through 2013 and Arkansas Society of Certified Public Accountants. He serves on the board of directors as president of Arkansas Literacy Councils, Inc. and has served as a local board member of the BKD Foundation. He also was named to the *Arkansas Business* "40 Under 40" list in 2015.

Andy is a 1996 graduate of University of Arkansas, Fayetteville, with a B.S. degree in business administration and accounting.



Deborah E. Beams, CPA
Director
Engagement Role: Concurring Reviewer

Deborah, the current assistant accounting and auditing director for the firm's Dallas office, has more than 10 years of accounting and auditing experience working primarily in the not-for-profit and governmental industries. She also has extensive experience with Single Audits. Prior to her employment with BKD, Deborah was an auditor with an international firm. Her clients included public and private institutions of higher education, private schools, municipalities, religious organizations and health and welfare organizations. She now serves as accounting and auditing assistant director for BKD's Dallas office, performing quality control reviews and assisting audit teams with technical matters.

She spent three years as a practice fellow at the Governmental Accounting Standards Board. During that time, she worked on projects leading to the issuance of GASB Statements on nonexchange financial guarantees, fair value and external investments pools. She also originated and led the GASB project on leases, which involved collaboration with Financial Accounting Standards Board staff and presentations to the Federal Accounting Standards Advisory Board.

Deborah is a member of the American Institute of CPAs and Texas Society of Certified Public Accountants.

She is a *summa cum laude* graduate of University of North Texas, Denton, with a B.S. degree as well as a 2005 graduate with an M.S. degree, where she was named Outstanding Masters Student.

FINANCIAL STATEMENT AUDIT IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS & UNIFORM GUIDANCE SERVICE DESCRIPTION

BKD's audit approach focuses on areas of higher risk—the unique characteristics of an agency's operating environment, the design effectiveness of the agency's internal controls and financial statement amounts and disclosures. The objective is to express an opinion on the conformity of the agency's financial statements, in all material respects, with accounting principles generally accepted in the United States of America.

Our audit will be performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

These principles make up the foundation of BKD's audit approach:

- ▶ The staff working on the engagements have been trained in the governmental industry. You will not have to train our people on audit areas or risks specific to the industry.
- ▶ We provide a significant level of engagement executive involvement so an agency receives high-quality service with little interruption. We recognize we have to be flexible because not all audits go as planned. Because our partners and managers are in the field, we can adapt quickly to circumstances that arise.
- ▶ Communicating the results of our audit procedures and sharing ideas to help with accounting processes are integral parts of an engagement. In addition, communication does not end when the audit is completed. We strive to keep in contact with the agency's management team throughout the year. Continued communication means an efficient and effective audit.

Using our five-phase approach, we will work to develop an audit plan tailored to the specific circumstances and risks.

PHASE 1: PLANNING

As required by auditing standards, we will communicate with the audit committee and management team early in the audit process. Our communication with the audit committee and management team is a two-way process: we will be informing them of the scope and timing of the audit but in return we will ask that the audit committee and management team let us know about any risk issues they have identified, any areas where they would like us to perform additional procedures or anything else material to the audit.

BKD also will work closely with the management team to develop an audit timeline that meets your requirements. For any audit to be successful, teamwork between the auditors and the management team is required. Both parties must set a realistic timeline to meet required deadlines.

As part of the planning meeting, we will identify information readily available for the audit and what additional information we will need. We recognize the importance of compliance with professional standards, but we also emphasize the need to be practical. When possible, during our testing of year-end account balances, we will want to use internal reports and information.

MATERIALITY

BKD has a defined methodology for governmental clients that does not simply consider net income, but focuses on other metrics, such as total assets, total revenue or other meaningful metrics to scope our audit approach, evaluate actual or potential errors and develop audit samples. In addition, we will seek the input of the audit committee and management team to further direct our testing procedures prior to finalizing our scope.

PHASE 2: RISK ASSESSMENT

BKD will follow standards established by the Auditing Standards Board of the AICPA. These auditing standards affect the amount and type of information BKD will gather to perform the audit.

We will:

- ▶ Obtain an understanding of the business and business environment, significant risks faced and how those risks are mitigated. This will include examining how an agency measures and manages financial performance, as well as the internal control over financial reporting.
- ▶ Evaluate where the financial statements might be susceptible to material misstatement due to error or fraud.
- ▶ Consider whether internal controls have been implemented and assess the general controls around IT systems.
- ▶ Assess risks of material misstatement for the most significant financial statement amounts and disclosures.

To help facilitate the testing of internal controls, we use questionnaires specific to the governmental industry, which expedite gathering control information. Based on the documentation of the controls, we will test the key controls of the agency.

We expect to interview personnel and review prior board meeting minutes as part of our information-gathering process.

PHASE 3: FIELDWORK, TESTING & FURTHER AUDIT PROCEDURES

Based on our assessment of risks of material misstatements and determination of further audit procedures to be performed, we will design audit tests that take advantage of strengths in the internal control system.

During fieldwork, we will:

- ▶ Perform substantive tests on material account balances
- ▶ Evaluate significant unusual transactions
- ▶ Ask management to further explore and clarify any identified potential misstatements
- ▶ Evaluate the materiality of those misstatements, if applicable
- ▶ Conclude whether all identified risks of material misstatement have been addressed
- ▶ Hold a formal exit conference with management to share findings and preliminary deliverables

BKD also will perform some tests from the following alternatives:

- ▶ Test key items – Some items within an account may be large enough by themselves to involve significant risk of material misstatement. These key items can be audited individually.
- ▶ Sampling – A detailed audit of representative individual items (a sample) selected from a population.
- ▶ Analytical procedures – Taking a closer look at a grouping of information by examining it as it relates to other accounts, historical trends or other measures.
- ▶ Computer-assisted auditing techniques (CAAT) – BKD uses ACL as one of the primary tools to apply CAAT. The use of ACL allows us to analyze data electronically, handle large amounts of data and increase the effectiveness and efficiency of audit procedures.

OUR FIVE PHASE APPROACH TO FINANCIAL STATEMENT AUDITS

1 • Planning

2 • Risk Assessment

3 • Fieldwork, Testing &
Further Audit Procedures

4 • Report &
Communications Delivery

5 • Presentation

As needed, our partners across the firm serve as technical resources with expertise to deal with particularly challenging or unique situations that may arise in the course of your audit.

PHASE 4: REPORT & COMMUNICATIONS DELIVERY

A cornerstone of the quality of our audits is the use of a concurring reviewer before the issuance of any reports. Another member of our assurance team, who has otherwise not been involved in the engagement, reviews the financial statements and workpapers before issuing the report.

Generally accepted auditing standards establish requirements and provide guidance on our communication with those charged with governance. In addition, if applicable, we will issue a report to management and those charged with governance of any significant deficiencies or material weaknesses identified during the audit.

Our commitment to a smooth engagement also includes the timely delivery of our audit report. We will work with the agency to insure compliance with all SAO deadlines.

PHASE 5: PRESENTATION TO THOSE CHARGED WITH GOVERNANCE

An agency may want to formally share the audit results with their audit committee and management team. We can help make a presentation to the audit committee and management team and answer their questions.

COMPLIANCE AUDIT IN ACCORDANCE WITH UNIFORM GUIDANCE

BKD performs hundreds of Single Audits annually, focusing on two objectives: first, an audit of the financial statements and reporting on the Schedule of Expenditures of Federal Awards (SEFA) in accordance with *Government Auditing Standards*, and second, a compliance audit for federal awards expended during the fiscal year.

At least one-third of our not-for-profit and governmental clients receive federal funding. Our extensive experience with compliance testing in accordance with the OMB requirements can help provide SAO with a Single Audit performed properly and submitted on time for those agency's with Single Audit requirements.

OUR UNIFORM GUIDANCE AUDIT APPROACH

During our audit procedures of federal award programs, we do not simply look for findings to report. We look for opportunities to advise the agency of more efficient ways to comply with federal regulations to reduce the risks of sanctions or reduced funding. BKD has developed contacts at federal agencies and has been able to work cooperatively with these agencies to help clients resolve or avoid issues.

Agencies subject to the Uniform Guidance and *Government Auditing Standards* will benefit from BKD's specially designed audit programs, checklists and database of federal audit programs.

Identification and testing of the federal programs will be performed primarily during interim fieldwork, which will typically be performed before your fiscal year-end. We have found this to be the most efficient manner in which to perform our audit services when the additional Uniform Guidance requirements are present.

TRAINING REQUIREMENTS FOR UNIFORM GUIDANCE AUDITORS

SAO can have confidence in BKD auditors' experience in testing federal funding subject to the Uniform Guidance. Our audit professionals are required to receive at least 120 hours of continuing professional education (CPE) every three years, and for auditors involved with audits performed under *Government Auditing Standards*, this education includes the hours required to comply with *Government Auditing Standards Yellow Book* guidance. Staff members attend a series of core audit and accounting courses over the first four years of their careers. Staff subsequently receive additional training on accounting and auditing for the not-for-profit and governmental environment.

FUTURE NEGOTIATIONS

Upon being selected as the successful bidder, BKD may require modification to the terms and conditions, as referenced in the RFP, to comply with professional standards and/or BKD's policies. As BKD has successfully resolved similar terms and conditions with SAO previously, BKD is confident the parties can successfully negotiate a mutually acceptable agreement.

BKD FIRM PROFILE

experience insight // **BKD**, LLP, a national CPA and advisory firm, can help individuals and businesses realize their goals. Our dedicated professionals offer audit, tax and consulting services to clients in all 50 states and internationally. BKD and its subsidiaries combine the insight and ideas of multiple disciplines to provide solutions in a wide range of industries.

ABOUT BKD



CLIENT SERVICE

The **BKD Experience** is a commitment to unmatched client service that is shared by CPAs, advisors and dedicated staff members who take your business personally. We are so dedicated to the idea that we wrote a book—**The BKD Experience: Unmatched Client Service**.



INTERNATIONAL SOLUTIONS

BKD is the largest North American member of **Praxis**, AISBL*, a global alliance of independent firms serving clients in approximately 100 countries. We offer multinational clients a gateway to the global marketplace with services delivered by alliance firms committed to the highest standards required in international business.



PROFESSIONAL AFFILIATIONS

BKD is a member of the American Institute of CPAs and its three quality centers: Center for Audit Quality, Employee Benefit Plan Audit Quality Center and Governmental Audit Quality Center.

BKD is registered with the Public Company Accounting Oversight Board, which is required to serve as an independent auditor of public companies. BKD audits approximately 80 U.S. Securities and Exchange Commission registrants, including approximately 30 benefit plans.



MISSION STATEMENT

The mission of BKD is to always strive for excellence in providing services to clients, create rewarding career opportunities and maintain sound professional, business and financial standards.



QUICK FACTS

- **Clients:** Individuals and private and publicly traded businesses in the health care, manufacturing, distribution, financial services, construction and real estate industries, as well as not-for-profit and governmental entities
- **Total Personnel:** Approximately 2,600[^]
- **Partners & Principals:** Approximately 270[^]
- **Net Revenues:** \$550 million[^]
- **Fiscal Year-End:** May 31
- **Founded:** 1923
- **Locations:** 35 offices serving clients in all 50 states and internationally[^]

*Praxis, AISBL is a global alliance of independent firms. Organized as an international not-for-profit entity under Belgium law, Praxis has its executive office in Epsom. Praxis - Global Alliance Limited is a not-for-profit company registered in England and Wales, limited by guarantee and has its registered office in England. As an Alliance, Praxis does not practice the profession of public accountancy or provide audit, tax, consulting or other professional services of any type to third parties. The Alliance does not constitute a joint venture, partnership or network between participating firms. Because the Alliance firms are independent, Praxis does not guarantee the services or the quality of services provided by participating firms.

[^]As of December 31, 2016

BKD SERVICES

Audit & Assurance

Tax

Business Succession Planning

Employee Benefit Plans

Forensics & Valuation Consulting

Information Technology

Risk Management

State, Local & International Tax

Wealth Management

And more



COMMITMENT TO PROFESSIONAL DEVELOPMENT

BKD is committed to creating rewarding careers and equipping our professionals with the tools they need to serve our clients. We take professional growth and development seriously and offer numerous programs and training so we are prepared to help meet your professional services needs.



AWARD-WINNING TRAINING

BKD's commitment to lifelong learning and professional development is highlighted by our recognition as a top-tier training organization. BKD has earned the distinction of **Training** magazine's Training Top 125 for the past four years. In 2016 and 2014, BKD also earned the **Chief Learning Officer** magazine's LearningElite award



PROGRESSIVE PROGRAMS & INITIATIVES

BKD is dedicated to creating and implementing programs and initiatives to help our professionals achieve their full potential. Programs include SKY, a firmwide initiative to emphasize and strengthen diversity in our firm. SKY focuses on recruiting, retaining and developing women for the sustainable growth of BKD. Through the collaboration of men and women, BKD aims to foster a culture that recognizes and supports maximizing the potential of all.



REWARDING CAREERS

As part of a recent employee engagement survey, BKD employees ranked us within the 90th percentile of professional services companies, indicating they find BKD to be an exemplary platform from which to serve clients.

BKD PRIDE VALUES

WHAT'S IMPORTANT TO YOU? // A commitment to excellence? Independence and objectivity? A broad skill set? Exceeding expectations? At BKD, these are all essential. That's why every day you can see our partners and employees "living the PRIDE." These values—passion, respect, integrity, discipline and excellence—are the hallmarks of BKD and guide us as we provide solutions for your business and financial needs. Experience what BKD PRIDE values can mean for you.



PASSION

- For service to others
- For making tomorrow better than today

Experience how our dedication and enthusiasm for making tomorrow better than today can help you make informed decisions to help improve business and financial outcomes.



RESPECT

- For the differences that make our team strong
- For our legacy and the benefits of change

Experience how our respect for diversity can provide a variety of skills and talents to meet your needs. Respecting the lessons of our legacy and yours, we can help you capitalize on the opportunities change inevitably offers.



INTEGRITY

- To do the right thing
- To be objective and independent

Experience how our integrity and objectivity can help you make smart business decisions. You want an advisor to tell you what you need to know, not just what you want to hear.



DISCIPLINE

- In process and innovation
- To balance professional and personal commitments

Experience how our well-established protocols and low-risk approaches can help resolve issues and advance your goals.



EXCELLENCE

- In skills and competencies
- In our quest to be the best

Experience how our ambition, knowledge, commitment to lifelong learning and drive to improve technical and analytical skills can work to consistently surpass your expectations.

BKD THOUGHTWARE

BKD's expertise spans a wide variety of industries and subjects, and our professionals share their knowledge in print, online and in person to help advance your organization. Use the QR code below to sign up for **BKD Thoughtware®** emails.



// articles



// emails



// presentations



// videos



// webinars



BKD_{LLP}
CPAs & Advisors

bkd.com

EXHIBIT D

OFFICE OF THE STATE AUDITOR'S REQUEST FOR PROPOSALS

June 12, 2017

The following document is the Office of the State Auditor's *Request for Proposal* dated June 12, 2017.

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.

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 (RPF) 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 or Donna Parmegiani at 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:

TABLE OF CONTENTS

PURPOSE

PART I - GENERAL TERMS AND CONDITIONS

- A. Issuing Office
- B. Contract Type and Price
- C. Proposal Submission and Deadline
- D. Acceptance/Rejection of Proposals
- E. Proposal Preparation Expenses
- F. Withdrawal of Proposals
- G. Proposal Modifications
- H. Equal Opportunity
- I. Effective Period of Proposal
- J. Amendments to Proposal Specifications
- K. Organizational Conflict of Interest
- L. Questions Concerning Proposals
- M. Award Announcement Date

PART II - WORK STATEMENT

PART III - INSTRUCTIONS TO FIRMS

- N. Proposal Requirements
- O. Period of Contract
- P. Insurance
- Q. Payments

PART IV - PROJECT NEGOTIATIONS AND AWARD OF CONTRACT

PART V - PROPOSAL FORM

PART VI - CONTRACT CLAUSES

PART VII - AUDIT SERVICES SCHEDULE

PART VIII - SAMPLE CONTRACT

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 of 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, Auditcc'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.*

ATTACHMENT A – AGENCY AUDIT INFORMATION

**Department of Finance and Administration –
State and School Employees' Life and Health Plan
Schedule of Selected Funds and Programs for Audit
For the Fiscal Year Ending June 30, 2017**

FUND NUMBER/ TYPE	ACCOUNT NO.	ACCOUNT NAME
3322000000 – Internal Service Fund	All Accounts	N/A
3322200000 – Internal Service Fund	All Accounts	N/A
3364200000 – Internal Service Fund	All Accounts	N/A
8822000000 – Internal Service Fund	All Accounts	N/A

FEDERAL PROGRAM	CFDA #	PROGRAM/CLUSTER NAME
Not Applicable		

Schedule of Due Dates

Fund Type	Date Working Papers Adjustments and Conclusions Due to SAO
General Fund adjustments	October 31, 2017
Financial Statement Audit Reports	November 15, 2017
Program-specific audits of selected federal programs, if applicable	December 31, 2017

ATTACHMENT B – AGENCY AUDIT INFORMATION

Mississippi Department of Environmental Quality - Clean Water Fund
Schedule of Selected Funds and Programs for Audit
For the Fiscal Year Ending June 30, 2017

FUND NUMBER/ TYPE	ACCOUNT NO.	ACCOUNT NAME
3359700000 - General	All Accounts	N/A
5359700000 – General	All Accounts	N/A
6359I00000 – General	All Accounts	N/A
6647000000 – General	All Accounts	N/A

FEDERAL PROGRAM	CFDA #	PROGRAM/CLUSTER NAME
Not Applicable		

Schedule of Due Dates

Fund Type	Date Working Papers Adjustments and Conclusions Due to SAO
General Fund adjustments	October 31, 2017
Financial Statement Audit Reports	November 15, 2017
Program-specific audits of selected federal programs, if applicable	December 31, 2017

ATTACHMENT C – AGENCY AUDIT INFORMATION

Mississippi Department of Environmental Quality Schedule of Selected Funds and Programs for Audit For the Fiscal Year Ending June 30, 2017

FUND NUMBER/ TYPE	ACCOUNT NO.	ACCOUNT NAME
3358100000 - General	All Accounts	N/A
3358400000 - General	All Accounts	N/A
3358600000 - General	All Accounts	N/A
5358600000 - General	All Accounts	N/A
5358900000 - General	All Accounts	N/A
2247100000 - General	All Accounts	N/A
General Long Term Debt Obligations	Accrued Compensated Absences	Accrued Compensated Absences

FEDERAL PROGRAM	CFDA #	PROGRAM/CLUSTER NAME
Not Applicable		

Schedule of Due Dates

Fund Type	Date Working Papers Adjustments and Conclusions Due to SAO
General Fund adjustments	October 31, 2017
Financial Statement Audit Reports	November 15, 2017
Program-specific audits of selected federal programs, if applicable	December 31, 2017

ATTACHMENT D – AGENCY AUDIT INFORMATION**Mississippi Authority for Educational Television
Schedule of Selected Funds and Programs for Audit
For the Fiscal Year Ending June 30, 2017**

FUND NUMBER/ TYPE	ACCOUNT NO.	ACCOUNT NAME
8817300000 – General	All Accounts	N/A
6324B00000 – General	All Accounts	N/A
5324700000 -- General	All Accounts	N/A
4410400000 – General	All Accounts	N/A
3324E00000 – General	All Accounts	N/A
3324700000 – General	All Accounts	N/A
3324200000 – General	All Accounts	N/A
2224700000 - General	All Accounts	N/A

FEDERAL PROGRAM	CFDA #	PROGRAM/CLUSTER NAME
Not Applicable		

Schedule of Due Dates

Fund Type	Date Working Papers Adjustments and Conclusions Due to SAO
General Fund adjustments	October 31, 2017
Financial Statement Audit Reports	November 15, 2017
Program-specific audits of selected federal programs, if applicable	December 31, 2017

ATTACHMENT E – AGENCY AUDIT INFORMATION

Mississippi Business Finance Corporation For the Fiscal Year Ending June 30, 2017

ACCOUNT NO.	ACCOUNT NAME
All Accounts	N/A

FEDERAL PROGRAM	CFDA #	PROGRAM/CLUSTER NAME
Not Applicable		

Schedule of Due Dates

Fund Type	Date Working Papers Adjustments and Conclusions Due to SAO
General Fund adjustments	October 31, 2017
Financial Statement Audit Reports	November 15, 2017
Program-specific audits of selected federal programs, if applicable	December 31, 2017

ATTACHMENT F – AGENCY AUDIT INFORMATION

Mississippi Development Bank For the Fiscal Year Ending June 30, 2017

ACCOUNT NO.	ACCOUNT NAME
All Accounts	N/A

FEDERAL PROGRAM	CFDA #	PROGRAM/CLUSTER NAME
Not Applicable		

Schedule of Due Dates

Fund Type	Date Working Papers Adjustments and Conclusions Due to SAO
General Fund adjustments	October 31, 2017
Financial Statement Audit Reports	November 15, 2017
Program-specific audits of selected federal programs, if applicable	December 31, 2017

ATTACHMENT H – AGENCY AUDIT INFORMATION

Pearl River Basin Development District For the Fiscal Year Ending June 30, 2017

ACCOUNT NO.	ACCOUNT NAME
All Accounts	N/A

FEDERAL PROGRAM	CFDA #	PROGRAM/CLUSTER NAME
Not Applicable		

Schedule of Due Dates

Fund Type	Date Working Papers Adjustments and Conclusions Due to SAO
General Fund adjustments	October 31, 2017
Financial Statement Audit Reports	November 15, 2017
Program-specific audits of selected federal programs, if applicable	December 31, 2017

ATTACHMENT I – AGENCY AUDIT INFORMATION

Pearl River Valley Water Supply District For the Fiscal Year Ending June 30, 2017

ACCOUNT NO.	ACCOUNT NAME
All Accounts	N/A

FEDERAL PROGRAM	CFDA #	PROGRAM/CLUSTER NAME
Not Applicable		

Schedule of Due Dates

Fund Type	Date Working Papers Adjustments and Conclusions Due to SAO
General Fund adjustments	October 31, 2017
Financial Statement Audit Reports	November 15, 2017
Program-specific audits of selected federal programs, if applicable	December 31, 2017

ATTACHMENT J – AGENCY AUDIT INFORMATION - Ability Works

Mississippi Department of Rehabilitation Services

Schedule of Selected Funds and Programs for Audit

For the Fiscal Year Ending June 30, 2017

FUND NUMBER/ TYPE	ACCOUNT NO.	ACCOUNT NAME
8851000000 – Non-Major Enterprise	All Accounts	N/A

FEDERAL PROGRAM	CFDA #	PROGRAM/CLUSTER NAME
Not Applicable		

Schedule of Due Dates

Fund Type	Date Working Papers Adjustments and Conclusions Due to SAO
General Fund adjustments	October 31, 2017
Financial Statement Audit Reports	November 15, 2017
Program-specific audits of selected federal programs, if applicable	December 31, 2017

ATTACHMENT K – AGENCY AUDIT INFORMATION

Mississippi Department of Rehabilitation Services
Schedule of Selected Funds and Programs for Audit
For the Fiscal Year Ending June 30, 2017

FUND NUMBER/ TYPE	ACCOUNT NO.	ACCOUNT NAME
3324000000 - General	All Accounts	N/A
5334000000 – General	All Accounts	N/A
General Long Term Debt Obligations	Accrued Compensated Absences	Accrued Compensated Absences

FEDERAL PROGRAM	CFDA #	PROGRAM/CLUSTER NAME
Disability Insurance	96.001	Disability Insurance / SSI Cluster

Schedule of Due Dates

Fund Type	Date Working Papers Adjustments and Conclusions Due to SAO
General Fund adjustments	October 31, 2017
Financial Statement Audit Reports	November 15, 2017
Program-specific audits of selected federal programs, if applicable	December 31, 2017

ATTACHMENT L – AGENCY AUDIT INFORMATION

State of Mississippi Veterans' Home Purchase Board
Schedule of Selected Funds and Programs for Audit
For the Fiscal Year Ending June 30, 2017

FUND NUMBER/ TYPE	ACCOUNT NO.	ACCOUNT NAME
3373400000 – Non-major Enterprise	All Accounts	N/A

FEDERAL PROGRAM	CFDA #	PROGRAM/CLUSTER NAME
Not Applicable		

Schedule of Due Dates

Fund Type	Date Working Papers Adjustments and Conclusions Due to SAO
General Fund adjustments	October 31, 2017
Financial Statement Audit Reports	November 15, 2017
Program-specific audits of selected federal programs, if applicable	December 31, 2017

ATTACHMENT M – AGENCY AUDIT INFORMATION

Yellow Creek State Inland Port Authority For the Fiscal Year Ending June 30, 2017

ACCOUNT NO.	ACCOUNT NAME
All Accounts	N/A

FEDERAL PROGRAM	CFDA #	PROGRAM/CLUSTER NAME
Not Applicable		

Schedule of Due Dates

Fund Type	Date Working Papers Adjustments and Conclusions Due to SAO
General Fund adjustments	October 31, 2017
Financial Statement Audit Reports	November 15, 2017
Program-specific audits of selected federal programs, if applicable	December 31, 2017