

# **Request For Bids**

**MDEQ-SRF-AUDITRFB-2015**

**Issued by:**

**Mississippi Department of Environmental Quality**

**TO:** Prospective Bidders

**FROM:** Mississippi Department of Environmental Quality

**RFB No.:** MDEQ-SRF-AUDITRFB-2015

**SUBJECT:** Request for bids for performing all procedures necessary to issue an opinion on the state fiscal year financial statements of the Clean Water (Title VI) SRF Loan Program for fiscal year 2015.

The June 30, 2015, GAAP reporting packages and underlying records for the program 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 State Auditor's Office ("OSA") for approval within the due dates specified by OSA. The Treasury funds to be audited are Treasury Funds 5359700000, 3359700000, 6359I00000 and 6447000000 for the Clean Water SRF Loan Program. In addition, information related to the administrative fees of the Clean Water SRF Loan Program should be reviewed for proper disclosure and presentation in the notes to the financial statements of the program. The trial balances for these funds for fiscal year 2015 are scheduled to be available August 20, 2015. The audited June 30, 2014, financial statements with accompanying notes for the Clean Water SRF Loan Program are included as Attachment B.

Three external reports are required for each program: (1) Financial statements for the state fiscal year 2015 (with appropriate notes), including a report on the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America, (2) a report on compliance and internal controls based on an audit of financial statements performed in accordance with Government Auditing Standards, and (3) a report on compliance with requirements applicable to the Environmental Protection Agency's State Revolving Fund Program in accordance with Government Auditing Standards. In addition, the CONTRACTOR will be required to complete the following forms for the OSA for CFDA # 66.458, which has been selected as a major program for the Single Audit Report for the State of Mississippi: conclusion memorandum on the fair presentation of the schedule of expenditures of federal awards; conclusion memorandum on compliance with requirements applicable to the program and internal control over compliance in accordance with OMB Circular A-133; and, conclusion memorandum on other audit findings which are not required to be reported in the Single Audit.

The financial statements for the SRF Loan Programs should be presented in accordance with the most current Governmental Accounting Standards Board Statements that are in effect during the fiscal year.

The Mississippi Department of Environmental Quality ("MDEQ") invites you to submit a bid to provide professional auditing services in conjunction with rendering an opinion on the state fiscal year financial statements of the Clean Water SRF Loan Program and its compliance with federal requirements applicable to the program for fiscal year 2015.

Agreements entered into will be between the Mississippi Department of Environmental Quality, the selected Firm, and the Office of the State Auditor. The Office of the State Auditor will rely upon and refer to this independent audit in the "Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133" in the Single Audit Report for the State of Mississippi for fiscal year 2015.

The audit of the 2014 financial statements of the Clean Water SRF Loan Program was conducted by Windham & Lacey. Attachment C is a copy of the 2014 Independent Auditor's Reports for each program. The 2014 audit work papers are available for review. Please contact Tom Windham, Windham & Lacey, PLLC at 601-939-8676 in order to schedule a time for work paper review.

MDEQ reserves the right, without qualification, to select any bid as a basis for negotiation, to reject all bids and to exercise discretion and apply judgement with respect to any bid submitted.

This Request for Bid does not commit MDEQ to pay the costs incurred in connection with any bid or to procure or contract for any services.

**All bids must be received by MDEQ no later than 2:00 p.m. on Monday, May 18, 2015.**

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## PURPOSE

The purpose of the Request for Bid is to obtain a written proposal for a separate audit of the Clean Water SRF Improvements Loan Program for fiscal year 2015. Three external reports are required for the program: (1) Financial statements for the state fiscal year 2015, (with appropriate notes), including a report on the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America, (2) a report on compliance and internal controls based on an audit of financial statements performed in accordance with Government Auditing Standards, and (3) a report on compliance with requirements applicable to the Environmental Protection Agency's State Revolving Fund Program in accordance with Government Auditing Standards. In addition, the CONTRACTOR will be required to complete the following forms for the OSA for CFDA # 66.458, which has been selected as a major program for the Single Audit Report for the State of Mississippi: conclusion memorandum on the fair presentation of the schedule of expenditures of federal awards; conclusion memorandum on compliance with requirements applicable to the program and internal control over compliance in accordance with OMB Circular A-133; and, conclusion memorandum on other audit findings which are not required to be reported in the Single Audit.

The June 30, 2015, GAAP reporting packages and underlying records will be examined for accuracy and completeness. Adjusting entries to the trial balances generated by the DFA will be prepared on the DFA adjusting entry standardized forms and submitted to OSA for approval within the due dates specified by OSA. The Treasury Funds to be audited for the Clean Water SRF Loan Program are Treasury Funds 5359700000, 3359700000, 6359I00000 and 6447000000. In addition, information related to the administrative fees of the Clean Water SRF Loan Program should be reviewed for proper disclosure and presentation in the notes to the financial statements of the program. It is anticipated that the trial balances for the program will be available August 20, 2015 for fiscal year 2015. The audited June 30, 2014, financial statements with accompanying notes for the Clean Water SRF Loan Program (Treasury Fund 3597) are included as Attachment B.

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

### **A. ISSUING OFFICE**

This offer is issued for the State of Mississippi by the Mississippi Department of Environmental Quality ("MDEQ"). MDEQ reserves the right, without qualifications, to select any bid as a basis for negotiation, to reject all bids, and to exercise its discretion and apply its judgement with respect to any bid 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 Bid.

### **C. BID SUBMISSION AND DEADLINE**

All Bidders must submit one (1) original and one (1) copy of the entire bid. **All bids must be received by MDEQ no later than 2:00 p.m. on Monday, May 18, 2015.** It is suggested that if you mail in bids, post it certified mail with a return receipt guaranteed. MDEQ will not be responsible for mail delays or lost mail.

Bids must be mailed to:

Mississippi Department of Environmental Quality  
Contracts Division – Brad Ware  
P.O. Box 2261  
Jackson, MS 39225

**SEALED BIDS - DO NOT OPEN**

Bids may be delivered to:

Mississippi Department of Environmental Quality  
Contracts Division – Brad Ware  
515 Amite Street  
Jackson, MS 39201

**SEALED BID - DO NOT OPEN**

**Submission Deadline: Monday, May 18, 2015 by 2:00 p.m.**

Bids shall be submitted in sealed envelopes or packages addressed to the office specified above. All Bids received after the submission deadline will be returned to the Bidder unopened.

One (1) original and one (1) copy of the bid 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 Bid submitted.

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

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

#### **E. BID PREPARATION EXPENSES**

MDEQ will not pay any costs incurred in the preparation and submission of Bids.

#### **F. WITHDRAWALS OF BIDS**

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

#### **G. BID MODIFICATIONS**

- a. Any requests to modify Bids must be submitted in writing by the Primary Bidder. All requests for modifications must be submitted prior to the Bid submission deadline. MDEQ reserves the right to deny any requests for Bid modification.
- b. **Acknowledgment of Amendments**  
Bidders shall acknowledge receipt of any amendment to the solicitation by signing and returning the amendment with the Bid, by identifying the amendment number and date by letter. The acknowledgment must be received by MDEQ by the time and at the place specified for receipt of Bids.

#### **H. EQUAL OPPORTUNITY**

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

#### **I. EFFECTIVE PERIOD OF BID**

All Bids are required to remain in effect for at least 60 days from the date submitted to MDEQ for review.

**J. AMENDMENTS TO BID SPECIFICATIONS**

MDEQ reserves the right to issue amendments to these guidelines. If it becomes necessary to amend said guidelines, MDEQ will provide copies of the amendments to all Bidders having submitted Bids based on earlier guidelines.

**K. ORGANIZATIONAL CONFLICT OF INTEREST**

In the event that an organizational conflict of interest should arise concerning this procurement, MDEQ 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 MDEQ determines that a conflict of interest exists and that such conflict cannot be avoided by including appropriate conditions in the award instrument, MDEQ 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 BIDS**

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

Questions regarding Bid content, form, or technical aspects will require a written request in order to properly document both request and response. A faxed question will be accepted. Please address all inquiries to:

Mississippi Department of Environmental Quality  
Contracts Division – Brad Ware  
P.O. Box 2261  
Jackson, MS 39225  
Telephone: (601) 961-5107  
Fax: (601) 961-5715

**M. AWARD ANNOUNCEMENT DATE**

It is anticipated that selection decisions will be made prior to July 31, 2015.



## PART II - WORK STATEMENT

The work for this RFB includes performing all procedures necessary to issue a separate report including an opinion on the state fiscal year financial statements of the Clean Water (Title VI) SRF Loan Program managed by MDEQ for fiscal year 2015.

The June 30, 2015, GAAP reporting packages and underlying records for each of these programs will be examined for completeness and accuracy. Adjusting entries will be prepared to the trial balances generated by DFA. These adjusting entries will be prepared on the DFA adjusting entry standardized forms and submitted to OSA for approval within the due dates specified by OSA. It is anticipated that the financial statements for Treasury Funds 5359700000, 3359700000, 6359100000 and 6447000000 will be available August 20, 2015 for fiscal year 2015. The audited June 30, 2014, financial statements with accompanying notes for the Clean Water SRF Loan Program are included as Attachment B.

Three external reports are required for each program: (1) Financial statements for the state fiscal year 2015 (with appropriate notes), including a report on the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America, (2) a report on compliance and internal controls based on an audit of financial statements performed in accordance with Government Auditing Standards, and (3) a report on compliance with requirements applicable to the Environmental Protection Agency's State Revolving Fund Program in accordance with Government Auditing Standards. In addition, the CONTRACTOR will be required to complete the following forms for the OSA for CFDA # 66.458, which has been selected as a major program for the Single Audit Report for the State of Mississippi: conclusion memorandum on the fair presentation of the schedule of expenditures of federal awards; conclusion memorandum on compliance with requirements applicable to the program and internal control over compliance in accordance with OMB Circular A-133; and, conclusion memorandum on other audit findings which are not required to be reported in the Single Audit.

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. General Accounting Office's Government Auditing Standards which includes auditing standards generally accepted in the United States of America as set forth by the American Institute of Certified Public Accountants.
2. The standards for federal audits set forth in the Single Audit Act Amendments of 1996 and the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
3. Specific items or reports prescribed by the OSA as set forth in the attached Audit Services Schedule.
4. Statements of financial accounting standards as prescribed by the Governmental Accounting Standards Board.
5. Specific grant compliance matters in the Environmental Protection Agency Capitalization Grants for Clean Water State Revolving Funds Audit Guide, as revised March 2014.

The Firm will conduct the audit in accordance with auditing standards specified herein.

The CONTRACTOR will conduct the audits in accordance with auditing standards specified herein. Accordingly, the CONTRACTOR will examine, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assess the accounting principles used and significant estimates made by MDEQ and evaluate the overall financial statement presentation.

As a part of the CONTRACTOR'S audits, it will consider MDEQ'S internal control over financial reporting in order to determine auditing procedures for the purpose of expressing an opinion on the financial statements of each program and not to provide assurance on the internal control over financial reporting. This consideration will not be sufficient to enable the CONTRACTOR to render separate opinions on the effectiveness of the internal control over financial reporting.

As a part of the CONTRACTOR'S audits, it will audit the compliance of MDEQ with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to this program and the requirements described in the Environmental Protection Agency Clean Water State Revolving Fund Audit Guide. The CONTRACTOR will also consider MDEQ'S internal control over compliance with requirements that could have a direct and material effect on a federal program in order to determine auditing procedures for the purpose of expressing an opinion on compliance for each program and to conclude on the internal control over compliance in accordance with OMB Circular A-133.

The objective of the audits is to obtain reasonable assurance about whether the financial statements of each program are free of material misstatement whether arising from errors, fraudulent financial reporting or misappropriation of assets. MDEQ acknowledge 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 CONTRACTOR uses selective testing in its audit, the CONTRACTOR cannot guarantee that material misstatements, if present, will be detected.

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

As required by applicable auditing standards, the CONTRACTOR will make specific inquiries of management and others about the representations embodied in the financial statements and the effectiveness of the internal control structures. Auditing standards generally accepted in the United States of America also require that the CONTRACTOR obtain representation letters covering the financial statements from certain members of MDEQ'S management. The results of the audit tests, the responses to the CONTRACTOR'S inquiries and the written

representations comprise the evidential matter the CONTRACTOR will rely upon in forming an opinion on the financial statements of each program. Because of the importance of management's representations to an effective audit, MDEQ agree to release the CONTRACTOR 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.

MDEQ and/or the Office of the State Auditor (OSA) shall have the right to reject, at any time during this contract period, any work not meeting the terms of this contract(s). Should MDEQ or OSA reject any services, MDEQ'S or OSA'S authorized representative shall notify the CONTRACTOR 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.

MDEQ and OSA may request the CONTRACTOR to perform additional duties under the contract. Before this work would begin, MDEQ and OSA, and the CONTRACTOR will mutually agree in writing upon the terms, including compensation, for the additional work to be performed.

The CONTRACTOR shall provide one draft copy of the 2015 audit report to OSA and one draft copy of the Clean Water SRF Loan Program to MDEQ by September 30, 2015. Upon acceptance of the draft by OSA, the CONTRACTOR shall deliver two original reports to OSA. Five originals of the Clean Water SRF Loan Program will also be delivered to MDEQ, one original should be submitted to EPA Region IV, and one original should be submitted to the Region IV Office of the Inspector General, Divisional Office for Audit. The CONTRACTOR shall provide draft copies of the reports on internal controls based on an audit of financial statements performed in accordance with Government Auditing Standards, the reports on compliance with the requirements applicable to the Environmental Protection Agency's State Revolving Fund Program in accordance with Government Auditing Standards, and the management letter for each program will be provided no later than September 30, 2015. In addition, the CONTRACTOR will be required to complete the following forms for the OSA for CFDA # 66.458, which has been selected as a major program for the Single Audit Report for the State of Mississippi: conclusion memorandum on the fair presentation of the schedule of expenditures of federal awards; conclusion memorandum on compliance with requirements applicable to the program and internal control over compliance in accordance with OMB Circular A-133; and, conclusion memorandum on other audit findings which are not required to be reported in the Single Audit.

The CONTRACTOR acknowledges that MDEQ 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 CONTRACTOR fails to meet the completion date prescribed herein, MDEQ and/or OSA may, at their option, reduce the agreed compensation by an amount not to exceed ten percent (10%) of the total contract(s) amount as liquidated damages for the failure to complete the contract(s) by the completion date.

MDEQ and/or OSA'S authorized representatives are empowered to accept or reject the services furnished by the CONTRACTOR in compliance with the provisions of this contract(s) and the

attached Audit Services schedule (Attachment A). However, any rejection of services must be based solely on the CONTRACTOR'S failure to comply with the terms of this contract(s), and cannot be based on the nature of the CONTRACTOR'S opinion on the financial status of MDEQ in its audit report.

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

## **PART III - INSTRUCTIONS TO BIDDERS**

### **A. BID REQUIREMENTS**

The CONTRACTOR's Bid shall include the following:

1. A description of the CONTRACTOR's qualifications for performing professional auditing services.
2. The length of time the company has been performing such services. A listing of previous governmental audits completed should be included in the Bid.
3. The company's tax I.D. number.
4. An affirmative statement that it is independent of MDEQ as defined by 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.
7. Representation Regarding Gratuities. The bidder, shall represent that it has/has not violated, is/is not violating, and promises that it will/will not violate the prohibition against gratuities, set forth in Section 7-204 (Gratuities) of the Mississippi Personal Service Contract Procurement Regulations.
8. Certification of Independent Price Determination. The bidder shall certify whether or not the prices submitted in response to the solicitation have 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 those prices, the intention to submit a Bid, or the methods or factors used to calculate the prices proposed.
9. Representation Regarding Contingent Fees. The bidder shall represent that it has/has not retained a person to solicit or secure a State contract upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, except as disclosed in the contractor's Bid.
10. Prospective Contractor's Representation Regarding Contingent Fees. The prospective contractor shall represent as a part of such contractor's Bid that such contractor has/has not retained any person or agency on a percentage, commission, or other contingent arrangement to secure this contract.

## **B. PERIOD OF CONTRACT**

The contract shall expire one hundred twenty (120) days after the delivery of the financial statements for fiscal year 2015 (with accompanying notes), including a report on the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America, and a report on compliance and internal controls based on an audit of financial statements performed in accordance with Government Auditing Standards, and the management letters, so that any questions raised during the audit may be resolved.

## **C. INSURANCE**

The CONTRACTOR shall carry workers' compensation insurance as required by law. The CONTRACTOR agrees to hold MDEQ and OSA harmless and indemnify MDEQ and OSA against any liability for injury or death to any person or damage to any property in connection with services performed under this contract. The CONTRACTOR shall furnish upon demand, proof of coverage to MDEQ or OSA.

## **D. PAYMENTS**

MDEQ as applicable, shall pay, or make payments on, invoices received in accordance with the following schedule or procedure:

The CONTRACTOR shall submit monthly invoice(s) to MDEQ with supporting documentation of costs incurred. The invoices shall outline the work performed and number of hours worked. MDEQ shall pay ninety percent (90%) of each invoice and will retain the remaining ten percent (10%) for each year audited until final payment is made for each year audited. MDEQ 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.2005). The final payment, including retained amounts, shall be made after completion and acceptance of the auditing services for completion of each fiscal year's audit. In no instance will a payment be made in excess of the contract amount.

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

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

All qualified Bids will be forwarded to the MDEQ Selection Committee ("MSC"). The MSC will evaluate each Bid for completeness in accordance with Part III, Section A. Total price of the audit will be considered by the MSC for determination of the selected Bid. The hourly rate may be computed for comparison purposes, in the event extreme deviations in cost or hours are noted.

MDEQ's Request for Bids and the CONTRACTOR's technical Bid for professional services shall be incorporated as part of the awarded contract(s).

MDEQ reserves the right to seek outside technical analysis of any Bid.

## **PART V - BID FORM**

All Bids shall be prepared in accordance with this section. Although there are no specific length limitations, Bids should be concisely written, indexed (cross-indexed as appropriate), and logically assembled. All pages of each part shall be appropriately identified. The Bid 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 Bid.

### **2. TRANSMITTAL LETTER**

A brief letter formally submitting the project for consideration must be included. The transmittal letter should be signed by the individual Bidder or authorized representative of the proposing organization.

### **3. TABLE OF CONTENTS**

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

### **4. BID NARRATIVE**

This section should contain at the minimum, all information requested in Part III - Instructions to Bidders, Section A. Bid Requirements.



## **PART VI - CONTRACT CLAUSES**

The following are some of the clauses that will be in the contract when awarded.

### **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 CONTRACTOR shall notify MDEQ and OSA reasonably in advance and shall submit justification, including proposed substitutions, in sufficient detail to permit evaluation of the impact on this contract. No replacement shall be made by the CONTRACTOR without the written consent of MDEQ and OSA; provided, MDEQ and OSA may ratify in writing the change, and such ratification shall constitute the consent of MDEQ and OSA. Key personnel for this contract includes: (Key personnel are those persons referred to in Part III, A.1).

### **2. Employment Status**

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

CONTRACTOR represents that it is qualified to perform the duties to be performed under this contract(s) 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(s). Such personnel shall not be deemed in any way, directly or indirectly, expressly or by implication, to be employees of MDEQ or OSA.

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

The CONTRACTOR shall pay when due, all salaries and wages of its employees and accepts exclusive responsibility for the payment of federal income tax, state income tax, social security, unemployment compensation and any other withholdings that may be required. Neither the CONTRACTOR nor employees of the CONTRACTOR are entitled to state retirement or leave benefits.

It is further understood that the consideration expressed herein constitutes full and complete compensation for all services and performances hereunder, and that any sum due and payable to the CONTRACTOR shall be paid as a gross sum with no withholdings or deductions being made by MDEQ or OSA for any purpose from said contract sum except as permitted in Paragraph 21, Termination and Part II Work Statement.

### 3. Ownership of Documents and Work Products

The working papers prepared in conjunction with the services under this contract(s) are the property of the CONTRACTOR, constitute confidential information and will be retained by the CONTRACTOR for a period no less than five (5) years. The CONTRACTOR may retain copies of all records required for record keeping purposes or for compliance with applicable professional standards. OSA will retain the right to access the work papers as necessary.

Audit working papers shall also 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 or GAO at the completion of the audit, as part of a quality review, to resolve audit findings, or to carry out oversight responsibilities.

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

### 4. Record Retention and Access to Records

The CONTRACTOR shall maintain and make available to MDEQ or OSA, any financial records, supporting documents, statistical records and all other records pertinent to the services performed under this contract(s) in accordance with the CONTRACTOR'S policies and procedures or professional regulatory requirements. These records shall be maintained for at least five (5) years; however, if any litigation or other legal action, by or on behalf of the State has begun that is not completed at the end of the five (5) year period, or if audit findings, litigation or other legal action has not been resolved at the end of the five (5) year period, the records shall be retained until resolution.

### 5. Modification or Amendment

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

### 6. Assignment

The CONTRACTOR shall not assign or otherwise transfer the obligations incurred on its part pursuant to the terms of this contract without the prior written consent of MDEQ and OSA. Any attempted assignment or transfer of its obligations without such consent shall be null and void. All obligations and duties of either party under this contract shall be binding on all successors in interest or assigns of such party.

## 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 CONTRACTOR agrees to indemnify, defend, save and hold harmless, MDEQ and OSA 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 CONTRACTOR, its officers or employees in the performance of services under this contract.

## 9. Insurance

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

## 10. Governing Law

This contract(s) shall be construed and governed in accordance with the laws of the State of Mississippi and venue for the resolution of any dispute shall be Jackson, Hinds County, Mississippi. The CONTRACTOR expressly agrees that under no circumstances shall MDEQ or OSA be obligated to pay an attorney's fee or the cost of legal action to the CONTRACTOR.

## 11. Severability

If any term or provision of this contract(s) 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(s) 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 a duly authorized representative of MDEQ, OSA, and the CONTRACTOR. Such a resolution shall be reduced to writing and a copy thereof mailed or furnished to the CONTRACTOR and shall be final and conclusive. If a resolution cannot be reached, the CONTRACTOR shall mail or furnish to MDEQ and OSA a written request for review. The CONTRACTOR 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 to be supported by substantial evidence. Pending the final decision of a dispute hereunder, the CONTRACTOR shall proceed diligently with the performance of the duties and obligations of the contract.

### 13. Compliance with Laws

The CONTRACTOR understands that MDEQ and OSA are equal opportunity employers 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 CONTRACTOR agrees during the term of the agreement that the CONTRACTOR will strictly adhere to this policy in its employment practices and provision of services. The CONTRACTOR shall comply with, and all activities under this agreement 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. The CONTRACTOR shall ensure that any person assigned to perform services hereunder meets the employment eligibility requirements of the immigration and naturalization laws including but not limited to the Immigration Reform and Control Act of 1986.

### 14. Conflict of Interest

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

### 15. Third Party Action Notification

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

### 16. Authority to Contract

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

#### 17. Confidential Information

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

#### 18. Captions

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

#### 19. Special Terms and Conditions

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

#### 20. 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.

For MDEQ: Brad Ware  
Division Director  
MS Dept. of Environmental Quality  
P.O. Box 2261  
Jackson, MS 39225  
Telephone: (601) 961-5107  
Fax: (601) 961-5715  
Email: brad\_ware@deq.state.ms.us

For OSA: Rob Robertson  
Director of Agency Audit Section  
State Auditor's Office  
501 North West St.  
Suite 801 Woolfolk Building  
Jackson, MS 39201  
Telephone (601) 576-2673

Facsimile:(601) 576-2687  
Email: rob@osa.state.ms.us

## 21. Termination

This contract(s) may be terminated as follows:

### a. Termination Upon Bankruptcy:

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

### b. Termination for Convenience:

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

### 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 OSA, shall have the right to send a written notice to the defaulting party specifying such failure and demanding cure within ten (10) days of receipt of such notice. If the defaulting party has not remedied such failure within the cure period, or has not made substantial progress toward remedying such failure within the cure period, then the non-defaulting party may terminate the contract immediately by sending a written notice of termination to the defaulting party. However, prior to termination of this contract by MDEQ, MDEQ must provide written justification to OSA documenting the reasons for requesting the contract be terminated. MDEQ must obtain written approval from OSA prior to terminating the contract. In the event of termination for cause by MDEQ and/or OSA, in addition to other remedies provided herein or available at law or in equity, the CONTRACTOR shall bear all cost associated with the issuance of a new contract for audit services, including, but not limited to, the costs of reissuing another request for Bids and additional costs resulting from an acceleration of services necessary for the timely completion of such auditing services.

In the event of termination, the CONTRACTOR will be entitled to payment for services in an amount which bears the same ratio to the total compensation as the services actually performed bear to the total services of the CONTRACTOR covered by the contract, less payments previously made. In no instance will a payment be made in excess of the contract amount. In addition, the CONTRACTOR agrees to provide copies of all finished or unfinished tests,

surveys, checklists, forms, manuals, reports or other material prepared by the CONTRACTOR under this contract to OSA.

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

## 22. Final Payment

Upon satisfactory completion of the work performed under this contract, as a condition before final payment under this contract or as a termination settlement under this contract, the CONTRACTOR shall execute and deliver to MDEQ, and OSA, a release of all claims against MDEQ and OSA arising under, or by virtue of, this contract, except claims which are specifically exempted by the CONTRACTOR to be set forth therein. Unless otherwise provided in the contract, by state law or otherwise expressly agreed to by the parties in this contract, final payment under this contract or settlement upon termination of this contract shall not constitute waiver of MDEQ or OSA's claims against the CONTRACTOR or his sureties under this contract or applicable performance and payment bonds.

## 23. Contract Changes

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

## 24. Funding

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

This contract, including the request for Bid and the CONTRACTOR's technical Bid, 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.

25. Representation Regarding Contingent Fees

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

26. Representation Regarding Gratuities

The CONTRACTOR represents that it has not violated, is not violating, and promises that it will not violate the prohibition against gratuities set forth in Section 7-204 (Gratuities) of the Mississippi Personal Service Contract Procurement Regulations.

27. 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 301 North Lamar Street, Jackson, MS for inspection.

28. Applicable Law

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 CONTRACTOR shall comply with applicable federal, state, and local laws and regulations.

29. Small, Minority and Women Businesses

It is the federal grantor agency's policy to award a fair share of contracts to small minority and women businesses. The CONTRACTOR shall ensure, to the fullest extent possible, that at least the applicable fair share objectives for supplies, equipment and services are made available to Minority Business Enterprises (MBE)/Women Business Enterprises (WBE). The CONTRACTOR shall also include in its bid for documents for Subcontractors the following fair share of objectives:

Equipment:	6.8% MBE and 5.1% WBE
Supplies:	7.7% MBE and 3.4% WBE
Services:	1.1% MBE and 2.2% WBE

CONTRACTORS awarded contracts with full or partial federal funding will abide by the following affirmative steps and will include this clause in any subcontracts at any tier:



- A. Including small, minority and women businesses on solicitation lists;
- B. Assuring that small, minority and women businesses are solicited whenever they are potential sources;
- C. Dividing total requirements, when economically feasible, into small tasks or quantities to permit maximum participation of small, minority and women businesses;
- D. Establishing delivery schedules, where the requirements of the work permits, which will encourage participation by small, minority and women businesses;
- E. Using the services and assistance of the Small Business Administration and the Office of Minority Business Enterprise of the U. S. Department of Commerce, as appropriate; and
- F. Including these steps in any subcontracts awarded under this contract.

30. Recycled Paper

Pursuant to EPA Order 1000.25, dated January 24, 1990, the CONTRACTOR agrees to use recycled paper for all reports which are prepared as a part of the contract and delivered to MDEQ. This requirement applies even when the cost of recycled paper is higher than that of virgin paper.

31. Hotel/Motel Fire Safety Act of 1990

If, in the course of this contract, the CONTRACTOR conducts meetings at hotels or motels, including, but not limited to, conferences, conventions, training sessions, and seminars, the CONTRACTOR shall conduct such meetings at hotels or motels that are in compliance with the Hotel and Motel Fire Safety Act of 1990 (P. L. 101-391). A list of certified hotels and motels will be provided upon the request of the CONTRACTOR. It is possible to have additional facilities added to the list if sufficient time is allowed.

32. Lobbying Disclosure Act of 1995

If the CONTRACTOR is an organization described in Section 501 (c) (4) of the Internal Revenue Code of 1986, then the CONTRACTOR warrants that it does not and will not, engage in lobbying activities prohibited by the Lobbying Disclosure Act of 1995.

The CONTRACTOR agrees to refrain from entering into any subcontract under this contract with any organization described in Section 501 (c) (4) of the Internal Revenue Code of 1986, unless such organization warrants that it does not, and will not, engage in lobbying activities prohibited by the Act as a special condition of this contract.

33. Stop Work Order

- A. Order to Stop Work. MDEQ, may, by written order to the CONTRACTOR at any time, and without notice to any surety, require the CONTRACTOR to stop all or any part of the work called for by this contract. This order shall be for a specified period not exceeding ninety

(90) days after the order is delivered to the CONTRACTOR, 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 CONTRACTOR shall forthwith comply with its terms and take all reasonable steps to minimize the occurrence of costs allocable to the 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, MDEQ shall either:

- 1) cancel the stop work order; or
- 2) terminate the work covered by such order as provided in paragraph 27 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 CONTRACTOR shall have the right to resume work. An appropriate adjustment shall be made in the delivery schedule or service 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 CONTRACTOR's cost properly allocable to, the performance of any part of this contract; and
- 2) the CONTRACTOR asserts a claim for such an adjustment within thirty (30) days after the end of the work period of work stoppage; provide that, if MDEQ 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. Adjustments of Price. Any adjustment in contract price made pursuant to this clause shall be determined in accordance with the Price Adjustment Clause of this contract.

#### 34. E-Payment

CONTRACTOR agrees to accept all payments in United States currency via the State of Mississippi's electronic payment and remittance vehicle. MDEQ 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. Miss. Code Ann. § 31-7-305 (1972, as amended).

### 35. E-Verify

If applicable, CONTRACTOR 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.* (1972, as amended). The term “employee” as used herein means any person that is hired to perform work within the State of Mississippi. As used herein, “status verification system” means the Illegal Immigration Reform and Immigration Responsibility Act of 1996 that is operated by the United States Department of Homeland Security, also known as the E-Verify Program, or any other successor electronic verification system replacing the E-Verify Program. CONTRACTOR agrees to maintain records of such compliance. Upon request of the State and after approval of the Social Security Administration or Department of Homeland Security when required, CONTRACTOR agrees to provide a copy of each such verification. CONTRACTOR further represents and warrants that any person assigned to perform services hereafter meets the employment eligibility requirements of all immigration laws. The breach of this agreement may subject CONTRACTOR to the following:

- 1) termination of this contract for services 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;
- 2) the loss of any license, permit, certification or other document granted to CONTRACTOR by an agency, department or governmental entity for the right to do business in Mississippi for up to one (1) year; or,
- 3) both. In the event of such cancellation/termination, CONTRACTOR 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.

### 36. 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 Administrations independent agency contract website for public access at <http://www.transparency.mississippi.gov>. Information identified by CONTRACTOR 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.

37. Paymode

Payments by state agencies using the electronic payment 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 CONTRACTOR'S choice. The State, 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 United States currency.

## CERTIFICATION REGARDING LOBBYING

### Certification for Contracts, Grants, Loans, and Cooperative Agreements

The undersigned certifies, to the best of his or her knowledge and belief, that:

(1) No Federal appropriated funds have been paid or will be paid by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

(3) The undersigned shall require that the language of this certification be included in the award document for all subawards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 341, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

\_\_\_\_\_  
Printed Name and Title of Authorized Representative

\_\_\_\_\_  
Signature of Authorized Representative

\_\_\_\_\_  
Date

## U. S. Environmental Protection Agency

### CERTIFICATION REGARDING DEBARMENT, SUSPENSION AND OTHER RESPONSIBILITY MATTERS

The prospective participant certifies to the best of its knowledge and belief that it and its principals:

- (a) Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal department or agency;
- (b) Have not within a three-year period preceding this proposal been convicted of 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 for or otherwise criminally or civilly charged by a government entity (Federal, State, or local) with commission of any of the offenses enumerated in paragraph (1)(b) of this certification; and
- (d) Have not within a three-year period preceding this application/proposal had one or more public transaction (Federal, State, or local) terminated for cause or default.

I understand that a false statement on this certification may be grounds for rejection of this proposal or termination of the award. In addition, under 18 USC Sec. 1001, a false statement may result in a fine of up to \$10,000 or imprisonment for up to 5 years, or both.

\_\_\_\_\_  
Typed Name & Title of Authorized Representative

\_\_\_\_\_  
Signature of Authorized Representative

\_\_\_\_\_  
Date

\_\_\_\_\_ I am unable to certify to the above statements. My explanation is attached.

## ATTACHMENT A

### **AUDIT SERVICES SCHEDULE**

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

- Hold an entrance conference with the CONTRACTOR'S auditor-in-charge, MDEQ Internal Audit Staff, Executive Director, and OSA's authorized representatives prior to commencement of any work in order to determine the scope of services, and other related factors.
- Express an opinion on the fair presentation of the financial statements of each audited fund in conformity with accounting principles generally accepted in the United States of America.
- If applicable, perform certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board as mandated by auditing standards generally accepted in the United States of America.

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

- Audit the June 30, 2015, GAAP reporting package and underlying records for completeness and accuracy for inclusion in the State of Mississippi's Comprehensive Annual Financial Report.
- Prepare adjusting entries to the trial balances of each program prepared by the Department of Finance and Administration (DFA) based on the GAAP packages in order to adjust the trial balances. These adjusting entries should be prepared on the DFA adjusting entry standardized forms, submitted to MDEQ for approval, and submitted to OSA for review and processing within due dates specified by OSA.
- Prepare a letter to management on suggestions for improvement in internal control.
- Conduct an exit conference upon giving prior notice to OSA.
- Obtain a plan of corrective action from MDEQ in accordance with instructions provided by OSA.
- Submit to OSA a letter of representation.

Following the completion of the audit of the 2015 fiscal year financial statements, the CONTRACTOR shall issue:

- A report on the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America.

- A report on compliance and on internal controls based on an audit of financial statements in accordance with Government Auditing Standards.

- A report on compliance with requirements applicable to the Environmental Protection Agency's State Revolving Fund Program in accordance with Government Auditing Standards.

In the required report on internal control over financial reporting, the CONTRACTOR 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.

Deficiencies that were not considered significant enough to be communicated as significant deficiencies shall be reported in a separate letter to management, which shall be referred to in the report on internal controls.

Upon receipt of the final audit reports for each program, OSA will:

- Review the reports
- Approve or reject the reports
- Approve or reject final payment for services rendered.

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



**ATTACHMENT B**

**STATE OF MISSISSIPPI  
DEPARTMENT OF ENVIRONMENTAL QUALITY  
CLEAN WATER STATE REVOLVING LOAN FUND**

**AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2014**

**STATE OF MISSISSIPPI  
DEPARTMENT OF ENVIRONMENTAL QUALITY  
CLEAN WATER STATE REVOLVING LOAN FUND**

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**Audited Financial Statements  
June 30, 2014  
(With Comparative Totals for June 30, 2013)**

**STATE OF MISSISSIPPI  
DEPARTMENT OF ENVIRONMENTAL QUALITY  
CLEAN WATER STATE REVOLVING LOAN FUND  
BALANCE SHEET  
JUNE 30, 2014**

<b>ASSETS:</b>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Equity in internal investment pool	\$ 107,214,946	121,363,559
Receivables:		
Interest	75,813	55,549
Due from other governments	374,035,832	338,497,379
Due from federal government	<u>631,384</u>	<u>1,312,090</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>481,957,975</u></b>	<b><u>461,228,577</u></b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES:</b>		
Warrants payable	\$ 212,417	2,784,992
Due to other governments	8,122,579	8,066,363
Due to other funds	<u>113,090</u>	
<b>TOTAL LIABILITIES</b>	<b><u>8,448,086</u></b>	<b><u>10,851,355</u></b>
<b>FUND BALANCE:</b>		
Restricted for Recreation and Resources Development	<u>473,509,889</u>	<u>450,377,222</u>
<b>TOTAL FUND BALANCE</b>	<b><u>473,509,889</u></b>	<b><u>450,377,222</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ <u>481,957,975</u></b>	<b><u>461,228,577</u></b>

See accompanying Notes to Financial Statements.

**STATE OF MISSISSIPPI  
DEPARTMENT OF ENVIRONMENTAL QUALITY  
CLEAN WATER STATE REVOLVING LOAN FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
YEAR ENDED JUNE 30, 2014**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
REVENUES:		
Interest on loans	\$ 4,763,337	5,216,562
Interest on investments	1,088,038	1,444,454
Federal programs	21,824,327	5,291,994
Proceeds of bond issues	<u>1,000,000</u>	
TOTAL REVENUES	<u>28,675,702</u>	<u>11,953,010</u>
EXPENDITURES:		
Subsidies	<u>3,944,206</u>	<u>4,928,720</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>24,731,496</u>	<u>7,024,290</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	4,399,322	785,923
Transfers out	<u>(5,998,151)</u>	<u>(2,157,203)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,598,829)</u>	<u>(1,371,280)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>23,132,667</u>	<u>5,653,010</u>
FUND BALANCE:		
Beginning of year	450,377,222	441,073,806
Prior period adjustment		<u>3,650,406</u>
Restated Fund Balance - Beginning of Year	<u>450,377,222</u>	<u>444,724,212</u>
End of Year	<u>\$ 473,509,889</u>	<u>450,377,222</u>

See accompanying Notes to Financial Statements.

STATE OF MISSISSIPPI  
Department of Environmental Quality  
Clean Water State Revolving Loan Fund  
Notes to Financial Statements  
June 30, 2014

**1. ORGANIZATION AND NATURE OF OPERATIONS OF THE FUND.**

The Clean Water State Revolving Loan Fund (the Fund) of the Mississippi Department of Environmental Quality (MDEQ) was established pursuant to Title VI of the Federal Water Quality Act of 1987 (the Act). The Act established the State Revolving Fund (SRF) Program to replace the construction grants program and to provide loans at reduced interest rates to finance the construction of publicly owned water pollution control facilities, non-point source pollution control projects, and estuary management projects. Instead of making grants to political subdivisions that pay for a portion of building wastewater treatment facilities, the Fund provides for low interest rate loans to finance the entire cost of qualified projects. The Fund provides a flexible financing source that can be used for a variety of pollution control projects, including non-point source pollution control projects, and developing estuary conservation and management projects. All loan repayments, including interest and principal, must remain in the Fund.

The Fund was funded by the U.S. Environmental Protection Agency (EPA) by a series of grants starting in 1989. In order to receive a grant, states are required to provide an additional 20 percent of the federal capitalization grant as matching funds. As of June 30, 2014, Congress authorized the EPA to award \$308,161,986 in capitalization grants to the State of Mississippi (the State). The State is required to contribute \$61,632,397 in matching funds. In prior years the State was awarded hardship grants totaling \$1,045,000, which required matching contributions of \$52,250. Hardship grants are maintained in the same fund with capitalization grants, with subsidiary records to account for grant balances and transactions separately. Because all hardship grants have been obligated and paid out to grant recipients, there were no hardship grant payments made for the year ended June 30, 2014.

The Fund is administered by the Commission on Environmental Quality (the Commission) acting through the Construction Branch (the Branch) of the Surface Water Division of the Office of Pollution Control of MDEQ. MDEQ's primary activities include the making of loans for water pollution control facilities and the management and coordination of the Fund. The Commission consists of seven members, all of which are appointed by the Governor.

The Fund does not have any full-time employees. The Fund is administered by employees of the Branch. All employee and related costs are recorded in MDEQ's Office of Pollution Control Operating Fund. Operating costs are reimbursed from the avails of a 5% administrative fee collected from each loan. (See Note 6).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.**

The Fund is included in the State's basic financial statements as a General Fund of the State of Mississippi.

***Basis of Accounting***

The Fund presents its financial statements as a General Fund and uses the modified accrual basis of accounting. Revenues are recognized when both "measurable and available". Measurable means the amount can be determined. Available means amounts collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related liability is incurred. The Fund applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, as well as applicable statements issued by the Financial Accounting Standards Board.

***Equity in Internal Investment Pool***

Monies of the Fund deposited with the State Treasurer's Office internal investment pool are considered cash and cash equivalents. According to state law, the Treasurer is responsible for maintaining the cash balances and investing excess cash of the Fund, as discussed in Note 3. Therefore, management of the Fund does not have any control over the investment of excess cash.

STATE OF MISSISSIPPI  
Department of Environmental Quality  
Clean Water State Revolving Loan Fund  
Notes to Financial Statements  
June 30, 2014

***Due from Other Governments***

The State operates the Fund as a direct loan program, whereby loans made to political subdivisions are funded by the federal capitalization grant, the state matching amount, loan repayments and interest earnings. Loan funds are disbursed to the political subdivision as they expend funds for the purposes of the loan and request reimbursement from the Fund. Interest is calculated from the original contract completion date, and after the final disbursement has been made, the principal amount identified in the loan agreement is adjusted for the actual amounts disbursed plus interest accrued during the period between the original construction contract completion date and the initiation of the repayment process.

***Fund Balance***

In accordance with Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the governmental fund balance is classified as follows:

Restricted: includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation. The fund balance in the fund is Restricted for Recreation and Resources Development due to federal grant requirements, bond issuance provisions, and state and federal legislation.

***Comparative Data***

Comparative prior year totals have been presented in the accompanying financial statements to provide an understanding of the change in the Fund's financial condition and operations and are not intended to be a complete presentation of the prior year financial statements in accordance with accounting principles generally accepted in the United States of America.

***Budget Information***

Under the Constitution of the State of Mississippi, money may only be drawn from the Treasury by a legal appropriation. The Fund operations are included in MDEQ's annual budget.

***Prior Period Adjustment***

Financial statements ending June 30, 2013 reflect a prior period adjustment of \$3,650,406 on the Statement of Revenues, Expenditures and Changes in Fund Balance to record Series 2011A bond proceeds and interest earned in the prior year but not included in the fund.

**3. EQUITY IN INTERNAL INVESTMENT POOL.**

All monies of the Fund are deposited with the State Treasurer and are considered to be cash and cash equivalents. The Treasurer is responsible for maintaining the cash balances in accordance with state laws, and excess cash is invested in the State's cash and short-term investment pool. Details of the investments of the internal investment pool for state agencies can be obtained from the State Treasurer. As of June 30, 2014, the State's total pooled deposits and investments for state agencies were approximately \$3.6 billion, and the average remaining life of the securities invested was 2.71 years. The earnings for the total special funds pooled investments for the year ended June 30, 2014 were approximately \$4 million.

STATE OF MISSISSIPPI  
Department of Environmental Quality  
Clean Water State Revolving Loan Fund  
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June 30, 2014

Equity in internal investment pool is cash equity with the Treasurer and consists of pooled deposits and investments carried at cost, which approximates fair value. At June 30, 2014, the Fund had approximately \$107.2 million in the Treasurer's internal investment pool. The total deposits and investments of the internal investment pool are categorized according to credit risk in the State of Mississippi's Comprehensive Annual Financial Report. However, the Fund's portion of the internal investment pool cannot be individually categorized because the deposits and investments are pooled with other state agencies.

**4. DUE FROM OTHER GOVERNMENTS AND CREDIT RISK.**

The Fund makes loans to qualified political subdivisions for projects that meet the eligibility requirements of the Act. Loans are financed by capitalization grants, state match, loan repayments and interest earnings. Interest rates on loans vary between 1.75% and 4.5%, and are generally repaid over 20 years starting within one year after the project is completed. Details of loans receivable as of June 30, 2014, are discussed below:

In the event of a default on a loan obligation by a public entity, MDEQ has certain legal remedies available that provide for ultimate collection of amounts due.

***Loans by Category***

Due from other governments at June 30, 2014, is as follows:

	<u>Loans Authorized</u>	<u>Authorized Amount Remaining</u>	<u>Cumulative Repayments</u>	<u>Balance</u>
Completed projects	\$ 582,313,645		284,582,539	297,731,106
Projects in progress	<u>150,531,914</u>	<u>74,227,188</u>		<u>76,304,726</u>
Totals	<u>\$ 732,845,559</u>	<u>74,227,188</u>	<u>284,582,539</u>	374,035,832
Less amount due within one year on completed projects				<u>(24,035,540)</u>
Due from other governments, long-term				<u>\$ 350,000,292</u>

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June 30, 2014

Loans mature at various intervals through June 30, 2034. The scheduled principal payments on loans maturing in subsequent years are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2015	\$ 24,035,540
2016	23,373,564
2017	20,902,728
2018	20,616,995
2019	19,615,607
Thereafter	265,491,398
	<u>\$ 374,035,832</u>

Major Loans to Political Subdivisions

As of June 30, 2014, the Fund had made loans to 32 local agencies that, in the aggregate, exceeded \$5,000,000 for each local agency. The outstanding balances of these loans represent approximately 67% of the total loans receivable, as follows:

<u>Local Agency</u>	<u>Authorized Loan Amount</u>	<u>Loan Receivable Balance at June 30, 2014</u>
City of Greenwood	\$ 46,904,072	5,783,563
City of Biloxi	8,964,292	3,361,137
City of Jackson	48,477,661	9,139,568
Desoto County WWA	39,969,023	29,122,738
City of Gulfport	38,514,243	23,818,400
City of McComb	38,056,012	30,827,189
City of Corinth	36,031,607	9,175,986
City of Tupelo	39,260,687	21,684,024
Harrison County WW	19,886,857	5,016,683
City of Clinton	21,606,586	9,487,303
City of Laurel	17,817,468	7,596,739
West Rankin Utility Authority	15,518,730	8,361,976
City of Greenville	12,940,058	398,069
Southern Regional WW	11,323,026	10,114,104
Jackson County UA	11,202,022	8,111,756
City of Brandon	9,955,021	5,469,077
City of Vicksburg	9,825,639	3,765,475
Hancock County WW	8,849,247	7,741,759
City of Oxford	8,813,809	7,131,142
Horn Lake	7,698,546	2,358,602

(Continued)



STATE OF MISSISSIPPI  
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June 30, 2014

Local Agency	Authorized Loan Amount	Loan Receivable Balance at June 30, 2014
City of Cleveland	7,543,552	4,738,734
West Jackson County Utility	6,432,363	3,920,511
City of Pontotoc	6,408,591	3,632,694
City of Moss Point	5,657,673	3,722,367
City of Hattiesburg	5,650,110	1,178,978
City of Gautier	5,454,626	3,739,604
Pearl River County Utility Authority	7,580,556	1,487,529
City of Southaven	12,694,381	4,174,665
City of West Point	9,996,954	8,474,278
City of Meridian	8,411,225	
City of Clarksdale	6,802,640	1,569,368
Madison County WW	5,250,790	4,038,024
Totals	\$ 539,498,067	249,142,046

The authorized loan amount includes both completed projects and projects in progress. As of June 30, 2014, cumulative principal repayments on completed projects from the above local agencies total \$153,354,646 and amounts remaining to be disbursed on projects in progress total \$69,421,779.

#### 5. GRANT AWARDS.

The Fund is funded by grants from the EPA authorized by Title VI of the Act, matching funds from the State, loan repayments and interest earnings. All funds drawn are recorded as grant awards from the EPA. As of June 30, 2014, the EPA has awarded capitalization and hardship grants of \$309,206,986 to the State, of which \$297,015,456 has been drawn for loans and administrative expenses.

The following summarizes the capitalization grants awarded, amounts drawn on each grant and balances available for future loans:

Year	Grant Amount	Draws Through 6/30/2013	2014 Draws	Draws Through 6/30/2014	Available 6/30/2014
1989	\$ 15,254,024	15,254,024		15,254,024	
1990	15,780,824	15,780,824		15,780,824	
1991	19,512,358	19,512,358		19,512,358	
1992	17,505,576	17,505,576		17,505,576	
1993	17,316,882	17,316,882		17,316,882	
1994	10,744,965	10,744,965		10,744,965	
1995	11,583,952	11,583,952		11,583,952	
1996	18,185,133	18,185,133		18,185,133	

(Continued)

STATE OF MISSISSIPPI  
Department of Environmental Quality  
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Notes to Financial Statements  
June 30, 2014

Year	Grant Amount	Draws Through 6/30/2013	2014 Draws	Draws Through 6/30/2014	Available 6/30/2014
1997	5,572,572	5,572,572		5,572,572	
1998	12,316,944	12,316,944		12,316,944	
1998 Hardship	1,045,000	1,045,000		1,045,000	
1999	12,133,044	12,133,044		12,133,044	
2000	12,091,860	12,091,860		12,091,860	
2001	11,984,346	11,984,346		11,984,346	
2002	12,011,076	12,011,076		12,011,076	
2003	11,932,965	11,932,965		11,932,965	
2004	11,940,192	11,940,192		11,940,192	
2005	9,706,600	9,706,600		9,706,600	
2006	7,869,300	7,869,300		7,869,300	
2007	9,708,880	9,708,880		9,708,880	
2008	6,092,700	6,092,700		6,092,700	
2009	6,092,700	6,092,700		6,092,700	
2010	18,357,000	15,578,336	2,778,664	18,357,000	
2011	13,304,000	2,550,194	8,523,942	11,074,136	2,229,864
2012	9,136,093		8,374,400	8,374,400	761,693
2013	12,028,000		2,828,027	2,828,027	9,199,973
Totals	\$ 309,206,986	274,510,423	22,505,033	297,015,456	12,191,530
Receivable, June 30, 2013			(1,312,090)		
Receivable, June 30, 2014			631,384		631,384
Grant revenues, modified accrual basis			\$ 21,824,327		
Amount available, modified accrual basis					\$ 11,560,146

As of June 30, 2013 and 2014, state matching contributions were as follows:

	Contributions through 6/30/2013	Fiscal Year 2014 Contributions	Contributions through 6/30/2014
State of Mississippi	\$ 54,769,477	4,501,298	59,270,775

**6. ADMINISTRATIVE FEES/COSTS.**

In connection with issuing loans to political subdivisions, certain administrative and processing functions are performed by the Construction Branch (the Branch) of the Surface Water Division of the Office of Pollution Control of MDEQ, as discussed in Note 1. To help fund the cost of such functions and MDEQ's indirect costs, a 5% administrative fee is collected from each loan. Until fiscal year 1999, administrative fees were added to the loan principal amount to be repaid by the loan recipient.

STATE OF MISSISSIPPI  
Department of Environmental Quality  
Clean Water State Revolving Loan Fund  
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June 30, 2014

However, for all loans made after October 1, 1998, the 5% administrative fee is no longer added to the loan principal to be repaid by the loan recipient. Instead, it is collected through the loan repayment stream. Beginning with the initiation of the repayment process and until such time the total administrative fee is collected, the interest portion of each loan repayment is used to satisfy collection of the administrative fee in lieu of the interest portion. The administrative fees and costs related thereto are recognized on the financial statements of MDEQ's Office of Pollution Control SRF Administrative Fee Fund 3588.

Administrative fees collected for the fiscal year ended June 30, 2014, totaled \$1,255,586 with additional amounts collected for interest totaling \$87,771 and a prior year reimbursement of \$31 for total receipts of \$1,343,388. During that period, \$810,436 was expended from available administrative fee funds for administrative costs of the Fund. An additional \$724,950 was expended for administrative costs and of this amount, \$604,125 was drawn in fiscal year 2014 from the federal government.

**7. ARRA GRANT AWARDS.**

In 2009, the EPA awarded the Fund a \$35,308,300 American Recovery and Reinvestment Act of 2009 grant. The Fund began drawing funds from the grant in fiscal year 2010. As of June 30, 2014, the Fund has drawn \$35,308,300 for loans/subsidies and administrative expenses. There is no matching requirement for this grant.

The Fund has disbursed subsidies totaling \$34,571,901 at June 30, 2014, and administrative assistance expenses totaling \$736,399 from grant funds received for a total of \$35,308,300.

The following summarizes the ARRA grant awarded, amounts drawn on the grant and the balance available for future payments on loan/subsidy payments:

<u>Year</u>	<u>Grant Amount</u>	<u>Draws Through 6/30/2013</u>	<u>2014 Draws</u>	<u>Draws Through 6/30/2014</u>	<u>Available 6/30/2014</u>
ARRA	\$ 35,308,300	\$ 35,308,300	\$	\$ 35,308,300	\$ 0

**8. CONTINGENCIES.**

The Fund is exposed to various risks of loss related to torts, theft of assets, errors or omissions, injuries to state employees while performing Fund business, or acts of God. MDEQ maintains insurance coverage provided by the Mississippi Tort Claims Board for some risk of loss related to the Fund. Since its inception in 1989, there have not been any claims against the Fund.

STATE OF MISSISSIPPI  
Department of Environmental Quality  
Clean Water State Revolving Loan Fund  
Notes to Financial Statements  
June 30, 2014

**9. HURRICANE KATRINA LOAN FORBEARANCE.**

On August 29, 2005, Hurricane Katrina swept through Mississippi causing widespread destruction, including that to water and sewer operations. Some loan fund projects in progress, as well as, future projects included in the Intended Use Plan were impacted. The current portion of Due from Other Governments and loan repayments due for future years may be delayed if sales tax diversions of impacted areas are placed in abeyance for a period of time or if water and sewer collections from impacted areas are insufficient to support loan repayment schedules. The Commission has granted forbearance of loan repayment for up to nine years to those water systems. In addition to a forbearance of loan repayments, the Commission will not accrue interest on those loans during the first two years of the forbearance period, or during the entire forbearance period for loans in Hancock County, consistent with State law. Federal law requires repayment of loans over a 20-year period and as of the date of this report, Congress has extended this repayment period to 21 years for Hancock County, Mississippi. At the end of the forbearance period the loans will be restructured. The ability of these entities to repay these loans within the allotted period is uncertain at this time; thus, the future economic impact is undeterminable.

**ATTACHMENT C**

**STATE OF MISSISSIPPI  
DEPARTMENT OF ENVIRONMENTAL QUALITY  
CLEAN WATER STATE REVOLVING LOAN FUND**

**INDEPEND AUDITOR'S REPORTS**

# Windham and Lacey, PLLC

## *Certified Public Accountants*

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### **Independent Auditor's Report**

Commission on Environmental Quality  
Mississippi Department of Environmental Quality

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the State of Mississippi Department of Environmental Quality Clean Water State Revolving Loan Fund (the Fund), as of and for the year ended June 30, 2014, and the related notes to the financial statements, as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2014, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements referred to above are intended to present only the financial position and results of operations of the Clean Water State Revolving Loan Fund of the Mississippi Department of Environmental Quality, a department of the State of Mississippi. These statements are not intended to present the financial position and results of operations for the State of Mississippi or the Mississippi Department of Environmental Quality, of which the Clean Water State Revolving Loan Fund is a part.

## **Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued a report, dated September 24, 2014, on our consideration of the State of Mississippi Department of Environmental Quality Clean Water State Revolving Loan Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Windham and Lacey, PLLC  
September 24, 2014

# Windham and Lacey, PLLC

## *Certified Public Accountants*

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### **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed In Accordance with *Government Auditing Standards***

Commission on Environmental Quality  
Mississippi Department of Environmental Quality

We have audited, 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, the financial statements of the State of Mississippi Department of Environmental Quality Clean Water State Revolving Loan Fund, as of and for the year ended June 30, 2014, and the related notes to the financial statements and have issued our report thereon dated September 24, 2014.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Mississippi Department of Environmental Quality Clean Water State Revolving Loan Fund's internal control to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mississippi Department of Environmental Quality Clean Water State Revolving Loan Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script, appearing to read "Windham and Lacey, PLLC".

Windham and Lacey, PLLC  
September 24, 2014

# Windham and Lacey, PLLC

## *Certified Public Accountants*

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**Independent Auditor's Report on Compliance  
with the Requirements Applicable to the  
Environmental Protection Agency's  
Capitalization Grants for Clean Water  
State Revolving Funds  
in Accordance with  
*Government Auditing Standards***

Commission on Environmental Quality  
Mississippi Department of Environmental Quality

We have audited the financial statements of the State of Mississippi Department of Environmental Quality Clean Water State Revolving Loan Fund (the Fund) as of and for the year ended June 30, 2014, and have issued our report thereon dated September 24, 2014.

We have also audited the Fund's compliance with requirements governing:

- Activities allowed or unallowed,
- Allowable costs/cost principles,
- Cash management,
- State matching,
- Period of availability of federal funds and binding commitments,
- Procurement, suspension and debarment,
- Program income,
- Reporting,
- Subrecipient monitoring, and
- Special tests and provisions

that are applicable to the Clean Water State Revolving Loan Fund Program for the year ended June 30, 2014. The management of the Clean Water State Revolving Loan Fund Program is responsible for the Fund's compliance with those requirements. Our responsibility is to express an opinion on those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Fund's compliance with those requirements.

In our opinion, the Fund complied, in all material respects, with the requirements governing activities allowed or unallowed; allowable costs/cost principles; cash management; state matching; period of availability of federal funds and binding commitments; procurement suspension and debarment; program income; reporting; subrecipient monitoring; and special tests and provisions that are applicable to the Clean Water State Revolving Loan Fund Program for the year ended June 30, 2014.

This report is intended for the information and use of management of the Clean Water State Revolving Loan Fund, the Governor, Members of the Legislature and the United States Environmental Protection Agency and is not intended to be and should not be used by anyone other than the specified parties.

A handwritten signature in dark ink, appearing to read "Windham and Lacey, PLLC". The signature is fluid and cursive, with the company name written in a single line.

Windham and Lacey, PLLC  
September 24, 2014