

TO: Prospective Firms

FROM: Office of the State Auditor

DATE: June 12, 2017

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

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

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

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

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

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

For any inquiries regarding proposals, please contact Jason Ashley at Jason.Ashley@osa.ms.gov or Donna Parmegiani at Donna.Parmegiani@osa.ms.gov.

Request For Proposal

Issued by:

Office of the State Auditor
Jackson, Mississippi

Stephanie Palmertree
Director, Financial and Compliance Division

Submitted by:

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PURPOSE

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

PART I - GENERAL TERMS AND CONDITIONS

A. ISSUING OFFICE

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

B. CONTRACT TYPE AND PRICE

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

C. PROPOSAL SUBMISSION AND DEADLINE

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

Proposals may be mailed or delivered to:

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

SEALED PROPOSAL - DO NOT OPEN

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

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

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

D. ACCEPTANCE/REJECTION OF PROPOSALS

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

E. PROPOSAL PREPARATION EXPENSES

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

F. WITHDRAWALS OF PROPOSALS

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

G. PROPOSAL MODIFICATIONS

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

H. EQUAL OPPORTUNITY

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

I. EFFECTIVE PERIOD OF PROPOSAL

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

J. AMENDMENTS TO PROPOSAL SPECIFICATIONS

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

K. ORGANIZATIONAL CONFLICT OF INTEREST

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

L. QUESTIONS CONCERNING PROPOSALS

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

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

Please address all inquiries to:

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

M. AWARD ANNOUNCEMENT DATE

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

PART II - WORK STATEMENT

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

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

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

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

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

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

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

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

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

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

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

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

The firm acknowledges that the audited agency and SAO are relying on the timely completion of this contract in its scheduling and budgeting and that time is of the essence. If the Firm fails to meet the completion date prescribed herein, the audited agency and/or SAO may, at their option, reduce the agreed compensation by an amount not to exceed ten percent (10%) of the total contract amount as liquidated damages for the failure to complete the contract by the completion date.

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

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

PART III - INSTRUCTIONS TO FIRMS

N. PROPOSAL REQUIREMENTS

The Firm's proposal shall include the following:

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

O. PERIOD OF CONTRACT

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

P. INSURANCE

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

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

Q. PAYMENTS

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

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

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

PART IV - PROJECT NEGOTIATIONS AND AWARD OF CONTRACT

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

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

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

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

PART V - PROPOSAL FORM

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

1. SOLICITATION AND OFFER DOCUMENT

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

2. TRANSMITTAL LETTER

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

3. TABLE OF CONTENTS

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

4. PROPOSAL NARRATIVE

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

PART VI - CONTRACT CLAUSES

1. Key Personnel.

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

2. Employment Status.

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

The Firm represents that it is qualified to perform the duties to be performed under this contract and that it has, or will secure, if needed, at its own expense, applicable personnel who are qualified to perform the duties required under this contract. Such personnel shall not be deemed in any way, directly or indirectly, expressly or by implication, to be employees of the audited agency or SAO.

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

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

It is further understood that the consideration expressed herein constitutes full and complete compensation for all services and performances hereunder, and that any sum due and payable to the Firm shall be paid as a gross sum with no withholdings or deductions being made by the audited agency or SAO for any purpose from said contract sum except as permitted in Paragraph 15, Termination and Part II Work Statement.

3. Ownership of Documents and Work Products.

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

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

4. Record Retention and Access to Records.

These records will be maintained for at least five (5) years; however, if any litigation or other legal action, by or on behalf of the State has begun that is not completed at the end of the five (5) year period, or if audit findings, litigation or other legal action has not been resolved at the end of the five (5) year period, the records shall be retained until resolution.

5. Modification or Amendment.

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

6. Assignment.

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

7. Waiver.

Failure of either party hereto to insist upon strict compliance with any of the terms, covenants and conditions hereof shall not be deemed a waiver or relinquishment of any similar right or power hereunder at any subsequent time or of any other provision hereof, nor shall it be construed to be a modification of the terms of this contract.

8. Indemnification.

The Firm agrees to indemnify, defend, save and hold harmless, the audited agency and SAO from and against all claims, demands, liabilities, suits, damages and costs of every kind and nature whatsoever,

including court costs and attorney fees, arising out of or caused by a negligent or wrongful act of the Firm, its officers or employees in the performance of services under this contract.

9. Insurance.

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

10. Governing Law.

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

11. Severability.

If any term or provision of this contract is prohibited by the laws of the State of Mississippi or declared invalid or void by a court of competent jurisdiction, the remainder of the contract shall not be affected thereby and each term and provision of the contract(s) shall be valid and enforceable to the fullest extent permitted by law.

12. Disputes.

Any dispute concerning a question of fact arising under this contract shall be disposed of by good faith negotiation between duly authorized representatives of the audited agency, SAO, and the Firm. Such a resolution shall be reduced to writing and a copy thereof mailed or furnished to the Firm and shall be final and conclusive. If a resolution cannot be reached, the Firm shall mail or furnish to the audited agency and SAO a written request for review. The Firm shall be afforded an opportunity to be heard and to offer evidence in support of his/her/its position on the issue in dispute and under review. The review will be handled under a three (3) person panel for arbitration composed of the Deputy State Auditor, the Director of Technical Assistance and the Director of the Financial and Compliance Audit Division. The decision of the arbitration panel of SAO on the review shall be final and conclusive unless determined by a court of competent jurisdiction in Hinds County, State of Mississippi, to have been fraudulent, capricious, or so grossly erroneous as necessarily to imply bad faith, or not to be supported by substantial evidence. Pending the final decision of a dispute hereunder, the Firm shall proceed diligently with the performance of the duties and obligations of the contract.

13. Compliance with Laws.

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

14. Notice.

Any notices required or authorized to be given under this contract shall be in writing and sent by certified United States mail, postage prepaid, return receipt requested, to the addresses designated in this paragraph. Each party may change the person and address designated by delivering written notice to the other party. Any notice shall be effective when actually delivered to the designated address.

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

15. Termination.

This contract may be terminated as follows:

a. Termination Upon Bankruptcy:

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

b. Termination for Convenience:

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

c. Termination for Cause:

Upon the failure of either party to perform any obligation or observe any covenant required hereunder, the non-defaulting party, with the written consent of SAO, shall have the right to send a written notice to the defaulting party specifying such failure and demanding cure within ten (10) days of receipt of such notice. If the defaulting party has not remedied such failure within the cure period, or has not made substantial progress toward remedying such failure within the cure period, then the non-defaulting party may terminate the contract immediately by sending a written notice of termination to the defaulting party. However, prior to termination of this contract by the audited agency, the audited agency must provide written justification to SAO documenting the reasons for requesting the contract be terminated. The audited agency must obtain written approval from SAO prior to terminating the contract. In the event of termination for cause by the audited agency and/or SAO, in

addition to other remedies provided herein or available at law or in equity, the firm shall bear all costs associated with the issuance of a new contract for audit services, including, but not limited to, the costs of reissuing another request for proposals and additional costs resulting from an acceleration of services necessary for the timely completion of such auditing services.

In the event of termination, the Firm will be entitled to payment for services in an amount which bears the same ratio to the total compensation as the services actually performed bear to the total services of the Firm covered by the contract, less payments previously made. In no instance will a payment be made in excess of the contract amount. In addition, all finished or unfinished tests, surveys, checklists, forms, manuals, reports or other material prepared by the Firm under this contract shall become the property of SAO.

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

16. Funding.

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

This contract, including the request for proposal and the Firm's technical proposal, and the Audit Services Schedule, constitutes the entire agreement of the parties with respect to the subject matter contained herein and supersedes and replaces any and all prior negotiations, understandings and agreements, written or oral, between the parties relating thereto.

PART VII - AUDIT SERVICES SCHEDULE

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

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

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

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

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

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

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

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

- *A Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards (GAGAS report), on the Firm's consideration of internal control over financial reporting and tests of compliance made as part of its audit of the financial statements. Management of the Agency is responsible for providing the Firm with written responses in accordance with Government Auditing Standards to the findings included in the GAGAS report within 30 days of being provided with draft findings. If such information is not provided on a timely basis prior to release of the report, the GAGAS report will indicate the status of management's responses.*

While the objective of the Firm's audit of the financial statements is not to report on the Agency's internal control over financial reporting and the Firm is not obligated to search for material weaknesses or significant deficiencies as part of its audit of the financial statements, this report will include any material weaknesses and significant deficiencies to the extent they come to our attention. This report will also include instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the financial statements or other financial data significant to the audit objectives and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives; or abuse that is material, either quantitatively or qualitatively. The report will describe its purpose and will state that it is not suitable for any other purpose.

- *A Report on Compliance With Requirements That Could Have a Direct and Material Effect on the Federal Program and on Internal Control Over Compliance in Accordance With the Program-Specific Audit Option Required by the Uniform Grant Guidance.*

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

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

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

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

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

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

- Draft and Final reports on the fair presentation of the financial statements in conformity with generally accepted accounting principles.
- A report, *Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards* (GAGAS report), on the Firm's consideration of internal control over financial reporting and tests of compliance made as part of its audit of the financial statements. Management of the Agency is responsible for providing the Firm with written responses in accordance with *Government Auditing Standards* to the findings included in the GAGAS report within 30 days of being provided with draft findings. If such information is not provided on a timely basis prior to release of the report, the GAGAS report will indicate the status of management's responses.
- Engagement Letter
- Journal Entries Summary – Including entries approved and made by Auditee* and a Summary of Passed Adjustments.*
- Signed Representations of Management as of the date of the Report and an update of representations as of the date of the CAFR report.
- Independence and Related Party statements for The Firm.

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

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

ATTACHMENT A – AGENCY AUDIT INFORMATION

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

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

FEDERAL PROGRAM	CFDA #	PROGRAM/CLUSTER NAME
Not Applicable		

Schedule of Due Dates

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

ATTACHMENT B – AGENCY AUDIT INFORMATION

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

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

FEDERAL PROGRAM	CFDA #	PROGRAM/CLUSTER NAME
Not Applicable		

Schedule of Due Dates

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

ATTACHMENT C – AGENCY AUDIT INFORMATION

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

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

FEDERAL PROGRAM	CFDA #	PROGRAM/CLUSTER NAME
Not Applicable		

Schedule of Due Dates

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

ATTACHMENT D – AGENCY AUDIT INFORMATION

Mississippi Authority for Educational Television
 Schedule of Selected Funds and Programs for Audit
 For the Fiscal Year Ending June 30, 2017

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

FEDERAL PROGRAM	CFDA #	PROGRAM/CLUSTER NAME
Not Applicable		

Schedule of Due Dates

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

ATTACHMENT E – AGENCY AUDIT INFORMATION

Mississippi Business Finance Corporation

For the Fiscal Year Ending June 30, 2017

ACCOUNT NO.	ACCOUNT NAME
All Accounts	N/A

FEDERAL PROGRAM	CFDA #	PROGRAM/CLUSTER NAME
Not Applicable		

Schedule of Due Dates

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

ATTACHMENT F – AGENCY AUDIT INFORMATION

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

ACCOUNT NO.	ACCOUNT NAME
All Accounts	N/A

FEDERAL PROGRAM	CFDA #	PROGRAM/CLUSTER NAME
Not Applicable		

Schedule of Due Dates

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

ATTACHMENT H – AGENCY AUDIT INFORMATION

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

ACCOUNT NO.	ACCOUNT NAME
All Accounts	N/A

FEDERAL PROGRAM	CFDA #	PROGRAM/CLUSTER NAME
Not Applicable		

Schedule of Due Dates

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

ATTACHMENT I – AGENCY AUDIT INFORMATION

Pearl River Valley Water Supply District

For the Fiscal Year Ending June 30, 2017

ACCOUNT NO.	ACCOUNT NAME
All Accounts	N/A

FEDERAL PROGRAM	CFDA #	PROGRAM/CLUSTER NAME
Not Applicable		

Schedule of Due Dates

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

ATTACHMENT J – AGENCY AUDIT INFORMATION - Ability Works

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

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

FEDERAL PROGRAM	CFDA #	PROGRAM/CLUSTER NAME
Not Applicable		

Schedule of Due Dates

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

ATTACHMENT K – AGENCY AUDIT INFORMATION

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

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

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

Schedule of Due Dates

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

ATTACHMENT L – AGENCY AUDIT INFORMATION

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

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

FEDERAL PROGRAM	CFDA #	PROGRAM/CLUSTER NAME
Not Applicable		

Schedule of Due Dates

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

ATTACHMENT M – AGENCY AUDIT INFORMATION

Yellow Creek State Inland Port Authority

For the Fiscal Year Ending June 30, 2017

ACCOUNT NO.	ACCOUNT NAME
All Accounts	N/A

FEDERAL PROGRAM	CFDA #	PROGRAM/CLUSTER NAME
Not Applicable		

Schedule of Due Dates

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