 **OFFICE OF THE**

Template

 **STATE AUDITOR**

Revised: August 2021

Audit Services: Contract

**Contract for Auditing Services**

**BETWEEN**

**[Local Government]**

**and**

**[CPA Firm Name]**

**CERTIFIED PUBLIC ACCOUNTANTS**

THIS AGREEMENT, entered into as of this day of , 20 , by and between [name of entity] , hereinafter referred to as the “[Local Government],” and the firm of [CPA firm] , Certified Public Accountants, hereinafter referred to as the “AUDITOR,” provides for audit services for the fiscal year ended June 30, 20 .

WITNESSETH THAT:

WHEREAS, the [Local Government] is required by law to cause an audit to be made of the accounts of all officers of the [Local Government], and

WHEREAS, the CITY desires to have performed a financial and compliance audit of the [Local Government] for the fiscal year ended June 30, 20 .

WHEREAS, the [Local Government] has received funds from the Federal Government under grants, agreements, and programs which require audits under the guidelines of Uniform Guidance, and

WHEREAS, in order to meet the requirements of Uniform Guidance, the [Local Government] desires to have performed a single compliance audit of those federal awards for the fiscal year ending June 30, 20 .

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements hereinafter set forth, the parties hereto, legally intending to be bound hereby, do covenant and agree for themselves and their respective successors and assigns, as follows:

**AUDITOR’S DUTIES**

1. Standards: The AUDITOR shall perform all test work and prepare all reports in accordance with the following professional standards and federal audit requirements:
2. Generally accepted auditing standards as promulgated by the American Institute of Certified Public Accountants (AICPA), including applicable statements of position and audit guides;
3. *Government Auditing Standards* issued by the comptroller General of the United States;
4. The Single Audit Act as amended by the Single Audit Act Amendments of 1996;
5. Uniform Guidance, *Audits of States. Local Governments, and Non-Profit Organizations*; and
6. Uniform Guidance, *Compliance Supplement*.

B. Reports: The AUDITOR shall, in accordance with the above standards, prepare the following reports:

1. Report on Financial Statements

For the fiscal year ended June 30, 20 , the AUDITOR, in accordance with generally accepted auditing standards, as promulgated by the AICPA, the AICPA *Audits of State and Local Governmental Units* audit and accounting guide, and the *Government Auditing Standards,* published by the U.S. General Accounting Office, shall audit the financial statements and records of the [Local Government] and shall issue an AUDITOR’s opinion on the [Local Government’s] financial statements (with an in-relation-to opinion on combining and supplementary information). Such financial statements shall be prepared in conformity with generally accepted accounting principles. Reports on internal control and compliance, as referred below, shall also be issued.

2. Management Report Based on the Audit of the Financial Statements

The following three sections of this report should be bound together in a single document.

(a) Report on Internal Controls Over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

The AUDITOR shall report on their testing of compliance with federal and state laws and regulations performed as part of the financial and compliance audit. The report must identify occurrences of noncompliance with laws and regulations that are material and all instances or indications of illegal acts which could result in criminal prosecution. The report must contain a statement of positive assurance on items tested.

The AUDITOR shall report on their understanding of the [Local Government’s] internal control over financial reporting and the assessment of control risk made as part of the financial and compliance audit. The report shall identify as a minimum: (a) the scope of the AUDITOR’S work in obtaining an understanding of the [Local Government’s] internal control over financial reporting and in assessing the control risk and (b) the deficiencies, significant deficiencies, and material weaknesses, identified as a result of the AUDITOR’s work in understanding and assessing the control risk.

(b) Findings and Recommendations

The AUDITOR shall report findings and recommendations relative to compliance with laws and regulations, internal control over financial reporting, adherence to generally accepted accounting principles, and efficiency of operations. The report shall contain all significant deficiencies and all instances or indications of illegal acts.

The AUDITOR shall request written responses and corrective action plans, where necessary, from [Local Government’s] officials for each recommendation and shall include such responses in the report.

(c) Status of Prior Findings and Recommendations

The AUDITOR shall also report on the [Local Government’s] progress in implementing prior audit recommendations.

3. Single Audit Report

For the fiscal year ending June 30, 20 , the AUDITOR, in accordance with the standards cited above and the additional standards contained in the Single Audit Act as amended by the Single Audit Act Amendments of 1996, Uniform Guidance, and AICPA standards related to compliance auditing, shall issue the following reports: (These reports shall be bound together with the [Local Government’s] Schedule of Expenditures of Federal Awards and accompanying Notes.)

(a) Report on Federal Awards: This report covers major program compliance, internal controls over federal awards, and the Schedule of Expenditures of Federal Awards.

(1) The AUDITOR shall express an opinion as to whether the [Local Government] complied, in all material respects, with the specific requirements applicable to major federal financial assistance programs. This opinion may be included as part of the Auditor’s Report on Financial Statements required by paragraph I. B1.

(2) The Auditor shall express an opinion as to whether the [Local Government] complied, in all material respects, with the compliance requirements described in the *Uniform Guidance* that are applicable to each of its major federal programs identified in the summary of auditor’s results section of the schedule of findings and questioned costs.

(3) The report is required to address the AUDITOR’s consideration of the internal control policies and procedures over compliance with requirements that could have a direct and material effect on major federal programs. This report should be prepared in accordance with the criteria set forth in Statement on Auditing Standards (SAS) No. 78, *Consideration of the Internal Control in a* *Financial Statement Audit*, SAS No. 60, *Communication of Internal Control* *Structure Related Matters Noted in an Audit*, and SAS No. 74, *Compliance Auditing Considerations in Audits of Governmental Entities and Recipients of Governmental Financial Assistance.*

(4) The report should comply with SAS No. 29, *Reporting on Information Accompanying the Basic Financial Statements in Auditor Submitted Documents*. The report must reference to the audit having been performed in accordance with standards for financial and compliance audits contained in the *Governments Auditing Standards*, to meet the requirements of the *Uniform Guidance*.

(b) Schedule of Findings and Questioned Costs: This report should include the following three components as required by Uniform Guidance:

(1) A summary of the AUDITOR’s results, including:

A) The type of report the AUDITOR issued on the financial statements;

B) Where applicable, a statement that reportable conditions in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses;

C) A statement as to whether the audit disclosed any noncompliance which is material to the financial statements;

D) Where applicable, a statement that reportable conditions in internal control over major programs was disclosed by the audit and whether any such conditions were material weaknesses;

E) The type of report the AUDITOR issued on compliance for major programs;

F) A statement as to whether the audit disclosed any audit findings which the AUDITOR is required to report in accordance with Uniform Guidance;

G) An identification of major programs;

H) The dollar threshold used to distinguish between Type A and Type B programs, as described in Uniform Guidance; and

I) A statement as to whether the [Local Government] qualified as a low‑risk auditee.

(2) Findings relating to the financial statements which are required to be reported in accordance with generally accepted government auditing standards (GAGAS).

(3) Findings and questioned costs for federal awards, including, where applicable:

A) Significant deficiencies in internal control over major programs;

B) Material noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program;

C) Known questioned costs which are greater than $10,000, or are likely greater than $10,000, for a type of compliance requirement for a major program;

D) Known questioned costs which are greater than $10,000 for a Federal program which is not audited as a major program;

E) The circumstances concerning why the AUDITOR's report on compliance for major programs is other than an unqualified opinion;

F) Known fraud affecting a Federal award; and

G) Instances where the results of audit follow‑up procedures disclosed that the summary schedule of prior audit findings prepared by the [Local Government] materially misrepresent the status of any prior audit finding.

(4) The AUDITOR shall request a written corrective action plan from [Local Government] officials for each finding included in the Schedule of Findings and Questioned Costs. The corrective action plan shall provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. The corrective action plan shall be bound with the single audit reports.

4. Report on State Legal Compliance

For the fiscal year ended June 30, 20 , the AUDITOR, in accordance with the *State of* *Utah Legal Compliance Audit Guide*, shall issue the following reports bound together in a single document:

(a) Report on State Legal Compliance

The AUDITOR shall express an opinion on the [Local Government] compliance with the state legal requirements identified in the *State of Utah Legal Compliance Audit Guide.*

(b) The AUDITOR’s Management Letter

The Management Letter shall identify any reportable conditions in internal controls over state legal compliance and all instances of noncompliance with state legal issues discovered by the AUDITOR.

(c) [Local Government’s] Response to the Management Letter

The AUDITOR shall bind the [Local Government’s] response with the AUDITOR’s Management Letter.

C. Other Services: The AUDITOR shall perform the following services in conjunction with preparation of the above reports:

1. Delivery of Reports

(a) All reports shall be addressed to the [Local Government].

(b) The AUDITOR is to deliver a draft of the Report on the Financial Statements to the [Local Government] no later than (date) .

(c) The AUDITOR is to deliver 5 copies of the final Report on the Financial Statements to the [Local Government] no later than (date) .

(d) The AUDITOR is to deliver 5 copies of the Management Report Based on the Audit of the Financial Statements to the [Local Government] no later than (date) .

(e) The AUDITOR is to deliver 5 copies of the Single Audit Report to the [Local Government] no later than (date) .

(f) The AUDITOR is to deliver 5 copies of the Report on State Legal Compliance to the [Local Government] no later than (date) .

(g) The deadlines noted above may be extended by the [Local Government] if, in the opinion of the [Local Government], circumstances existing beyond the control of the AUDITOR prevent completion by that date.

(h) Consider having the auditor transmit an electronic copy of all reports which they are associated with to the Office of the State Auditor.

2. Availability of Working Papers

The AUDITOR agrees to make available all working papers, audit programs, and time control records associated with the audit of the [Local Government] upon request by the [Local Government] during performance of the audit or at the completion of the audit, for a quality control review. The AUDITOR also agrees to furnish copies of all working papers, audit programs and time control records upon request. Working papers and reports shall be retained by the AUDITOR for a minimum of three years from the date of the audit report. These same documents will be made available to federal and state agencies in accordance with Uniform Guidance and state law.

3. Inform CITY of the Following:

(a) Irregularities

The AUDITOR shall promptly inform the [Local Government] regarding any indication of errors, irregularities or illegal acts that may come to their attention in connection with the audit.

(b) Changes in Personnel

The AUDITOR agrees to notify the [Local Government] in writing prior to changes of partner, manager, supervisor or senior personnel obligated in the AUDITOR’s bid proposal.

**[LOCAL GOVERNMENT’S] DUTIES**

The [Local Government] shall furnish the following to the AUDITOR:

A. All financial records, books of accounts, supporting documents, and other related records for and related to the period being audited.

B. Copies of [Local Government] ordinances, minutes of Council [Board, Commission] meetings, policy directives, grant agreements, contracts, leases, budgets, laws, and other pertinent documents or data, and such other information as may be required for the audit.

C. A management representation letter confirming oral representations made to the AUDITOR.

D. Adequate working space and other facilities for the conduct of the audit.

E. All working papers normally prepared by the [Local Government] in connection with the accounting system, all original documents, as requested, evidencing audited transactions.

F. Assistance of personnel in all reasonable requests from the AUDITOR as the [Local Government] staff time and budget will permit, including, but no limited to, the preparation of account analyses, summaries, and other working papers requested.

**FEE PROVISIONS**

A. It is understood that the not-to-exceed fee, including all out-of-pocket expenses, for the services of the AUDITOR, as set forth in Section I. above, shall be $ (fee) . The not-to-exceed fee consists of $ for the financial audit services and $ for the single audit services. Billings for interim test work are to be submitted to the [Local Government] by June 30, 20 .

B. The [Local Government] shall have the option to extend this contract to the succeeding ( # ) fiscal year(s). If the option is exercised for the fiscal year ending June 30, 20 the not-to-exceed fee, including all out-of-pocket expenses, for the services of the AUDITOR will be $ (fee) , consisting of $ for the financial audit services and $ for the single audit services.

C. Separate progress billings to the [Local Government] are allowed for time and expense incurred during the audit with the stipulation that progress billings cannot exceed 75% of the fees stated above. A statement of the current and cumulative hours incurred shall be submitted with each billing. The statement of actual hours incurred must separately report hours incurred for services performed in connection with the financial audit and hours incurred for services performed in connection with the single audit.

D. Final payment shall be made upon completion of the audit and upon receipt of the AUDITOR’s reports as stipulated in paragraph I.C.1., a final statement of actual hours incurred as described in paragraph III.C., and the final billing.

E. It is expressly understood and agreed that in no event will the amounts to be paid by the [Local Government] to the AUDITOR under this contract exceed the fee and conditions made a part of this contract.

F. Payments by the [Local Government] are expressly subject to appropriation therefore, and in the absence thereof, this agreement shall be terminated forthwith.

**INDEMNIFICATION**

A. The [Local Government] assumes no liability for any legal expenses, other than for its own defense.

B. The AUDITOR hereby agrees to indemnify and save harmless the [Local Government] and its officers, agents, and employees, from and against any and all loss, damage, injury, liability, and claims thereof, including claims for personal injury or death, howsoever caused, resulting directly or indirectly, from the performance of the contract by the AUDITOR.

**AUDITOR REPRESENTATIONS**

A. The AUDITOR confirms that he is independent of the [Local Government] as defined in the AICPA’s Rules of Conduct, Rule 101, and the requirements of the *Government Auditing Standards*, published by the U.S. General Accounting Office.

B. The AUDITOR confirms that he is properly licensed for public practice as a certified public accountant in the State of Utah and that he does not have a record of substandard work.

C. The AUDITOR agrees not to discriminate against any individual because of race, color, religion, age, sex, handicap, or national origin, and that these shall not be a factor in consideration for employment, selection for training, promotion, transfer, recruitment, rates of pay, or other forms of compensation, demotion, or separation.

D. Said AUDITOR shall be an independent contractor, and as such, shall have no authorization, express or implied, to bind the [Local Government] or its agencies, in any agreement, settlement, liability, or understanding whatsoever, and shall not perform any acts as agent for the [Local Government] except as herein expressly set forth.

**CONTRACT TERMINATION**

This contract may be terminated upon 30 days written notice by either party hereto and may be immediately terminated for cause or other bad performance by either party.

IN WITNESS THEREOF, the [Local Government] and the AUDITOR have executed this contract as of the date first indicated above.

 (Name of CPA firm)

 CERTIFIED PUBLIC ACCOUNTANTS

 \_\_\_\_\_\_\_\_\_\_

 Partner Date

 Name of [Local Government]

 \_\_\_\_\_\_\_\_\_\_

 Chair, City Council Date