

## LAKE HAVASU UNIFIED SCHOOL DISTRICT #1

**AGENDA ACTION ITEM****TOPIC:** APPROVAL OF CONTRACT FOR AUDIT SERVICES**SUBMITTED BY:** Diana Asseier, Superintendent  
Mike Murray, Director of Business Services**DATE FOR BOARD CONSIDERATION:** February 21, 2017**RECOMMENDATION:**

It is recommended the Governing Board approve a contract between Heinfeld, Meech & Company and the Lake Havasu Unified School District #1. The contract will cover the audit of the 2016-17 school year, at total cost of \$46,000.00, and may be renewed for four subsequent years.

**RATIONALE:**

On October 18, 2016, the district's governing board gave approval to issue a request for proposals for independent audit services.

After a bid evaluation was performed and evaluation scores were tallied, the governing board was asked to approve the award of bid to Heinfeld, Meech & Co. The board did give their approval on December 20, 2016.

The contract between the Lake Havasu Unified School District #1 and Heinfeld, Meech & Co. was forwarded to the Arizona Auditor General's office for review, and the district has been notified of that office's approval of the document.

The contract is attached for board's review prior to the February 21, 2017, meeting.

Approved for Transmittal to Governing Board

  
\_\_\_\_\_  
Superintendent

## CONTRACT

THIS CONTRACT made and entered into on December 21, 2016, by and between the Governing Board of Lake Havasu Unified School District No. 1 hereinafter referred to as the SCHOOL DISTRICT, and Heinfeld, Meech & Co., P. C., hereinafter referred to as the AUDIT FIRM.

### SCOPE OF SERVICES

In accordance with the authority granted under the laws of the State of Arizona, the SCHOOL DISTRICT wishes to procure the services of the AUDIT FIRM to perform an annual single audit of Lake Havasu Unified School District No. 1 – Government-Wide and Fund Financial Statements for the years ending June 30, 2017, 2018, 2019, 2020 and 2021, in accordance with U.S. generally accepted auditing standards; *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States; and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The AUDIT FIRM will issue appropriate audit reports.

1. The AUDIT FIRM and the SCHOOL DISTRICT desire to enter into and execute a written contract involving these services and to agree upon the terms thereof.

NOW, THEREFORE, in consideration of the foregoing recitals and of the covenants and agreements by the parties made to be kept and performed, the parties agree as follows:

### AGREEMENT

The AUDIT FIRM, as an independent contractor, and not as an agent of the SCHOOL DISTRICT, shall provide the services.

#### Term of Agreement

The term of this Agreement shall be for the period beginning December 21, 2016, and ending March 31, 2022. The SCHOOL DISTRICT assumes no liability for work performed or costs incurred prior to the contract beginning dates or subsequent to the completion dates.

The audit reporting package will be submitted no later than March 31, 2018, March 31, 2019, March 31, 2020, March 31, 2021, and March 31, 2022.

The AUDIT FIRM shall provide six paper copies and one electronic copy of the audit reporting package to the SCHOOL DISTRICT; one electronic copy to the Office of the Auditor General, Accounting Services Division; and one electronic copy to the Arizona Department of Education (ADE), Grants Management Division. The electronic copies shall be in PDF format. In addition, the *AUDIT FIRM must* send a paper copy or electronic copy of the audit reports to the District's county school superintendent's office.

Additionally, the AUDIT FIRM shall submit one copy of the audit reporting package and data collection form to the Federal Audit Clearinghouse and provide one copy of the audit reporting package to other pass-through entities when the schedule of findings and questioned costs discloses audit findings related to federal awards that the pass-through entities provided or the summary schedule of prior audit findings reports on the status of prior findings related to federal awards that the pass-through entities provided.

The AUDIT FIRM will make no other distribution unless approved by the SCHOOL DISTRICT.

#### Data Collection Form

To comply with the Uniform Guidance, the AUDIT FIRM and SCHOOL DISTRICT shall complete the data collection form approved by the OMB as instructed.

### **Audit Reporting Package**

The audit reporting package shall include all reports required by U.S. Generally Accepted Auditing Standards, GAS, and the Uniform Guidance.

### **Uniform System of Financial Records (USFR) Compliance**

The AUDIT FIRM will also complete the USFR Compliance Questionnaire and submit it, along with management letters the AUDIT FIRM issues to the SCHOOL DISTRICT, to the Auditor General and to ADE in electronic format (PDF). For a biennial audit, the compliance questionnaire is only required to be completed for the second year of the 2-year audit period. The Auditor General will determine whether the SCHOOL DISTRICT has established and maintained the requirements prescribed by the USFR at a satisfactory level. **Assertions on the USFR Compliance Questionnaire made by the AUDIT FIRM must be adequately supported in the audit documentation, as described in the instructions to the questionnaire.**

### **Audit Standards**

The AUDIT FIRM attests that it meets the independence standards of and will conduct the audit in accordance with U.S. generally accepted auditing standards, GAS, and the Uniform Guidance. Standards adopted by the American Institute of Certified Public Accountants have been incorporated into GAS unless the United States Government Accountability Office has excluded them by formal announcement.

### **Exit Conference**

Following completion of the draft reports, the AUDIT FIRM must hold an exit conference with responsible SCHOOL DISTRICT officials. The purpose of the exit conference is to discuss the draft audit reports with the SCHOOL DISTRICT, identify any errors, and obtain comments on the reports' findings and recommendations. In addition, the AUDIT FIRM should review the District's USFR deficiencies with the SCHOOL DISTRICT officials.

### **Payments and Compensation**

Compensation, including travel and out-of-pocket expenses, shall not exceed the amounts listed below. (Note: If a multiterm contract or an option-to-renew contract, the SCHOOL DISTRICT should separately list the cost for each year. The cost for nonaudit services such as application fees paid for submission of reports to ASBO and GFOA for certification or for the preparation of the Meritorious Budget Award application to ASBO, if any, should be included in the Other column below.)

Fiscal Year-End	Audit of				Total
	Financial Statements	CAFR	Federal Programs	Other	
June 30, 2017	\$38,250	\$3,750	\$4,000	\$1,570	\$47,570
June 30, 2018	39,500	3,800	4,100	1,570	48,970
June 30, 2019	40,750	3,850	4,200	1,570	50,370
June 30, 2020	42,000	3,900	4,300	1,570	51,770
June 30, 2021	43,350	4,000	4,400	1,570	53,320

The SCHOOL DISTRICT shall pay the AUDIT FIRM in installments based on periodic written progress reports and invoices for the work accomplished to date.

The SCHOOL DISTRICT will withhold the final 10 percent of the annual contract amount or \$4,757, whichever is greater, until all written reports are accepted in final form by the SCHOOL DISTRICT.

All audit work, drafts, and final reports must be completed in a timely manner. For each week after March 31, 2018, 2019, 2020, 2021, and 2022, that all reports are not received by the SCHOOL DISTRICT, the AUDIT FIRM will be penalized with a 0 percent reduction in the audit fee.

#### **Changes in Work**

Changes in the scope, character, or complexity of the work may be negotiated if it is mutually agreed that such changes are desirable and necessary. Such changes must be authorized in writing by the SCHOOL DISTRICT and approved by the Auditor General, prior to the performance of the work.

#### **Responsibility, Claims, and Liabilities**

The AUDIT FIRM hereby agrees to hold the SCHOOL DISTRICT or any of its officers or employees harmless from all sums the SCHOOL DISTRICT or any of its officers or employees may be obligated to pay by reason of any liability imposed upon any of them for damages arising out of the AUDIT FIRM's performance of professional services for the SCHOOL DISTRICT in the AUDIT FIRM's capacity as a contract auditor; or caused by any error, negligence, omission, or act of the AUDIT FIRM or any person employed by it or others for whose acts the AUDIT FIRM is legally liable. The above sums shall include, in the event of any legal action, court costs, litigation expenses, and reasonable attorney fees.

#### **Assignments**

The contract may not be assigned by the AUDIT FIRM without prior written consent of the SCHOOL DISTRICT and the Auditor General.

#### **Compliance with Laws**

In accordance with ARS § 41-2501, et seq, and *Arizona Administrative Code* (AAC) R7-2-1001, et seq, the contract shall be governed and interpreted by the laws of the State of Arizona and the School District Procurement Rules.

The AUDIT FIRM shall comply with all federal, state, and local laws, ordinances, rules, and regulations applicable to the performance of this contract and the work hereunder and shall comply with applicable laws and regulations governing safety and health.

The AUDIT FIRM shall procure all required insurance, permits and licenses; pay all charges, fees, and taxes; and give all notices necessary and incidental to the due and lawful prosecution of the work.

#### **Jurisdiction**

This contract and all work hereunder shall be subject to the laws, rules, regulations, and decrees of the State of Arizona, including AAC R4-44-101 et seq. In the event of a dispute, the parties to this contract agree to resolve all disputes arising out of or relating to this contract through arbitration, after exhausting applicable administrative review, to the extent required by A.R.S. § 12-1518, except as may be required by other applicable statutes. Any litigation shall be commenced and prosecuted in an appropriate court of competent jurisdiction within the State of Arizona.

### **Retention of Records and Access to Documents**

The AUDIT FIRM shall retain the audit documentation in its entirety for a period of 5 years after the date of the audit report, unless the Auditor General requests a longer retention period. The audit documentation shall be subject at all reasonable times to review upon request by the Auditor General or her designee, ADE, the United States Government Accountability Office, and other appropriate governmental agencies, or produced for review at the Office of the Auditor General, if so requested.

### **Failure to Perform**

Failure to perform any and all of the terms and conditions of this contract shall be deemed a substantial breach thereof and give the SCHOOL DISTRICT cause to cancel this contract on written notice to the AUDIT FIRM. In the event of cancellation for breach of this contract, the AUDIT FIRM shall not be entitled to damages, and agrees not to sue the SCHOOL DISTRICT for damages therefor. Notwithstanding other legal remedies that may be available to the SCHOOL DISTRICT because of the cancellation for breach of this contract, the AUDIT FIRM agrees to indemnify the SCHOOL DISTRICT for its costs in procuring the services of a new audit firm.

### **E-Verify**

In accordance with ARS § 41-4401, AUDIT FIRM warrants compliance with all Federal immigration laws and regulations relating to employees and warrants its compliance with A.R.S. § 23-214.

### **Nondiscrimination**

In accordance with ARS § 41-1461, et seq, the AUDIT FIRM shall comply with all applicable federal and state statutes, executive orders, regulations, and other requirements relating to civil rights and nondiscrimination in employment.

### **Inability to Complete Audit**

If the AUDIT FIRM is unable to complete the audit on account of circumstances beyond its control and through no fault of the AUDIT FIRM, the AUDIT FIRM may cancel this agreement by giving the SCHOOL DISTRICT written notice. In the event of such cancellation, the SCHOOL DISTRICT shall be liable to the AUDIT FIRM only for the work performed up to and including the date of the notice and shall pay for hours completed on the audit based on the rates, which include travel and out-of-pocket expenses, submitted by the AUDIT FIRM in its proposal.

### **Cancellation of School District Contracts**

The SCHOOL DISTRICT reserves the right to cancel the contract if the SCHOOL DISTRICT is no longer required to obtain an audit. The SCHOOL DISTRICT shall notify the Auditor General of the cancelation. For changes in the type or frequency of the audit required, see the Changes in Work section above.

### **Conflict of Interest**

Pursuant to A.R.S. §38-511, if any person significantly involved in initiating, negotiating, securing, drafting, or creating this agreement on behalf of the SCHOOL DISTRICT is, at any time while the agreement or any extension of the agreement is in effect, an employee or agent of the AUDIT FIRM in any capacity or a consultant to the AUDIT FIRM with respect to the subject matter of the agreement, the SCHOOL DISTRICT may cancel the agreement within 3 years of execution of the contract without penalty or further obligation, and any fee paid to such person may be recouped.

**Contracts and Amendments**

The Request for Proposals, statement of qualifications, and the actual proposal from the AUDIT FIRM with appropriate addenda and terms, are by reference incorporated herein as if fully set forth in this agreement.

This agreement, its exhibits, appendices, attachments, and Request for Proposals and actual proposal, including any amendment to the agreement, shall constitute the entire contract between the parties. In the event a conflict exists between this agreement and the AUDIT FIRM's proposal, the conflict will be resolved consistent with this agreement and the Request for Proposals.

**THIS CONTRACT shall become effective after approval by the Auditor General and on the date of execution by the SCHOOL DISTRICT.**

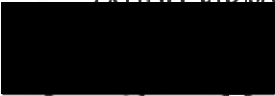
Lake Havasu Unified School District No. 1

Heinfeld, Meech & Co., P.C.

\_\_\_\_\_  
(SCHOOL DISTRICT ADMINISTRATOR)

\_\_\_\_\_  
(AUDIT FIRM)

BY: \_\_\_\_\_

BY:  \_\_\_\_\_

TITLE: \_\_\_\_\_

TITLE: *Administrative Partner*

DATE: \_\_\_\_\_

DATE: *1/18/17*

TIN: 86-0558065

(TAXPAYER IDENTIFICATION NUMBER)