



**COLORADO OFFICE
OF THE STATE
AUDITOR**

A REQUEST FOR PROPOSAL

FINANCIAL AND COMPLIANCE AUDIT

GREAT OUTDOORS COLORADO TRUST FUND

FISCAL YEAR ENDED JUNE 30, 2017

JANUARY 6, 2017

TABLE OF CONTENTS

- SECTION I: Administrative Information**
- SECTION II: Information to Be Included in Proposal**
- SECTION III: Proposal Evaluation Process**
- SECTION IV: Supplemental Information**

SECTION I

ADMINISTRATIVE INFORMATION

A. ISSUING OFFICE

This request for proposal (RFP) is issued by the Office of the Colorado State Auditor. The terms State Auditor, State, and State of Colorado are used interchangeably. All proposals should be delivered to:

Office of the Colorado State Auditor
State Services Building
1525 Sherman St, 7th Floor
Denver, Colorado 80203
Attn: Crystal Dorsey
crystal,dorsey@state.co.us

As an agency within the Legislative Branch, the OSA and this solicitation are exempt from the State Procurement Code and State Procurement Rules. All communications regarding this RFP should take place directly with the OSA's assigned contact listed above.

B. BACKGROUND INFORMATION

The Office of the State Auditor (OSA) is soliciting proposals to conduct an audit of the Great Outdoors Colorado Trust Fund (GOCO).

Article XXVII of the State Constitution authorizes GOCO to use net Lottery proceeds to preserve and enhance Colorado parks, wildlife, trails, rivers, open space, and natural areas by making strategic investments, fostering partnerships among diverse interests, and supporting education about the outdoor environment of the state of Colorado. GOCO's distributions are primarily in the form of grants. In addition to grant expenditures, GOCO also makes loans for purchasing land or conservation easements for open space use.

In November 2001, Colorado voters allowed GOCO to borrow up to \$115 million with a total repayment cost not to exceed \$180 million to carry out GOCO's constitutional purpose. Any borrowing is to be repaid from lottery proceeds within 20 years.

The State Board that oversees GOCO consists of two members of the public from each of the seven congressional districts, appointed by the governor; a representative designated by the State Board of Parks and Outdoor Recreation; a representative designated by the

Colorado Wildlife Commission; and the Executive Director of the Department of Natural Resources. Monies allocated to GOCO are for the purpose established in Article XXVII and are not subject to appropriation for any other purpose. During Fiscal Year 2016, GOCO had permanent staff of 15 and received the \$63.7 million in net Lottery proceeds, the maximum allowable for Fiscal Year 2016.

C. SERVICES REQUIRED

The purpose of this RFP is to solicit proposals to perform a financial and compliance audit of the Great Outdoors Colorado Trust Fund (GOCO) for the fiscal year ending June 30, 2017. The financial and compliance audit is to be performed in accordance with accounting and auditing standards described in subsection P below.

Audit work to be performed for the fiscal year ending June 30, 2017 consists of the following:

1. Financial and compliance audit of the basic financial statements of GOCO, including a review of the related internal control structure as required by generally accepted auditing standards and *Government Auditing Standards*. Based on a risk assessment, the Contractor also will identify and perform appropriate audit procedures on critical or significant audit areas, transaction streams, or account balances.
2. Review of GOCO's compliance with appropriate state and federal laws and regulations, and other rules and regulations that could have a material effect on GOCO's financial statements.
3. Perform audit work to evaluate GOCO's progress in implementing prior audit recommendations.
4. Preparation of report comments and/or a management letter, as appropriate based on assessed severity level, containing audit findings and recommendations for improvements in the operations, internal controls, and accounting procedures of GOCO, along with any opportunities for cost savings determined through the audit. This will include obtaining and reviewing responses to the recommendations from GOCO's management and ensuring they meet the State's established parameters for responses. In accordance with *Government Auditing Standards*, for any "Partially Agree" or "Disagree" response, the contractor shall prepare an Auditor's Addendum as a rebuttal to the Audited Agency's response. All report comments, management letters, responses, and Auditor's Addenda must be reviewed and approved by the OSA.

5. Such audit work will result in the issuance of the following:

- a. Independent auditors' report on the financial statements of GOCO as of and for the year ended June 30, 2017.
- b. Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements of GOCO performed in accordance with *Government Auditing Standards* for the year ended June 30, 2017.

D. ORAL PRESENTATION

The contractor may be required to testify for about one hour before the Legislative Audit Committee and one other legislative committee. This testimony will be an oral summary of the written report with questions by Committee members and verbal responses from the contractor and from GOCO. In addition, the contractor is expected to provide oral presentations to GOCO's Board of Trustees at the commencement and conclusion of the audit. Various other meetings with State Auditor and GOCO personnel will be required to communicate requirements, expectations, issues, and results, to ensure a smooth and timely completion.

E. INQUIRIES SECTION

Prospective bidders may make written inquiries concerning this RFP to obtain clarification of requirements. Please address all inquiries to Crystal Dorsey, Legislative Audit Manager - crystal.dorsey@state.co.us, 303-869-3060 (fax). No inquiries will be accepted after 5:00 p.m. MT on January 20, 2017.

F. SUBMISSION

All proposals become the property of the State Auditor upon receipt and will not be returned to the bidder. The State Auditor shall have the right to use all ideas, or adaptations of these ideas, contained in any proposal received in response to this RFP. Selection or rejection of the proposal will not affect this right.

All proposals are subject to the Colorado Open Records Act (Sections 24-72-200.1 through 206, C.R.S.). If any part of the proposal contains proprietary information, such information shall be clearly identified in the proposal.

G. ACCEPTANCE OF PROPOSAL

This RFP does not commit the State Auditor to award a contract, to pay any costs

incurred in the preparation of a bid submitted in response to this request, or to procure or contract for services or supplies. The State Auditor reserves the right to accept or reject, in part or in its entirety, any or all bids received as a result of this RFP if, in the opinion of the State Auditor, it is in the best interest of the State to do so. The lowest cost proposal will not necessarily be selected. Final scope and price may be negotiated after selection of the contractor.

H. PROPOSALS - SCHEDULE

The following schedule will be followed:

1.	RFP available to prospective bidders	January 6, 2017
2.	Prospective bidder's inquiry deadline (5:00 p.m. MT)	January 20, 2017
3.	OSA response to inquiry deadline	February 1, 2017
4.	Proposal submission deadline (5:00 p.m. MT)	February 17, 2017
5.	Approximate bid selection	March 3, 2017
6.	Approximate contract date	March 17, 2017

Any proposal received after the submission deadline will not be considered. The proposal is to be submitted to the State Auditor via email addressed to the Office of the State Auditor representative listed in Section I, Part E. The proposal must be sent by a person legally authorized to bind the bidder. Optionally, five (5) bound copies may be submitted, signed by a person legally authorized to bind the bidder.

I. ADDENDUM OR SUPPLEMENT TO REQUEST FOR PROPOSAL

The State Auditor reserves the right to issue amendments to this RFP prior to the closing date for submission of proposals. In the event that it becomes necessary to revise any part of this RFP, an addendum to this RFP will be provided to each prospective bidder.

J. AWARD WITHOUT DISCUSSION

The State Auditor reserves the right to make an award without further discussion of proposals received. Therefore, it is important that the proposal be submitted in the most complete terms possible from both the technical and cost standpoint.

K. AWARD INFORMATION TO UNSUCCESSFUL FIRMS

The State Auditor will notify all unsuccessful bidders after the award. No information will be released after the proposal submission deadline until an award has been made.

L. JOINT VENTURES

No joint venture proposals will be accepted. However, this requirement does not preclude the use of outside special consultants if deemed necessary by the firm.

M. OTHER WORK PERFORMED FOR GREAT OUTDOORS COLORADO

In its proposal, the firm should describe any non-audit work performed for GOCO within the past two years, and why this work would not impair the firm's independence in performing the Fiscal Year 2017 financial and compliance audit of GOCO.

N. ELIGIBLE FIRMS

Any firm providing financial and compliance audit services for GOCO under contract with the State Auditor in previous years may bid on this contract providing that the lead partner, under the proposal, has not performed audit services beyond a total maximum of five years in a 10-year period.

O. STATE AUDITOR LIAISON

The State Auditor will designate an individual from her office to be a liaison to the firm throughout the audit. This individual will attend entrance/exit conferences and assist the firm to understand State Auditor requirements and reporting guidelines.

P. GENERAL INFORMATION

1. Audit Standards

The audit shall be performed in accordance with generally accepted auditing standards as promulgated by the American Institute of Certified Public Accountants in *Statements on Auditing Standards*, the standards for financial and compliance audits contained in *Government Auditing Standards – 2011 Revision* issued by the Comptroller General of the United States, and the Single Audit Act as amended.

2. Prior Audits

GOCO's audit report for the fiscal year ended June 30, 2016 is available on GOCO's website at:

<http://www.goco.org/sites/default/files/State%20Board%20of%20the%20Great%20Outdoors%20Colorado%20Trust%20Fund%202016%20Financial%20Statements.PDF>

GOCO's audit report for the fiscal year ended June 30, 2015 (Report No. 1522F), which is the last report that was conducted under contract with the OSA, and audit reports for years prior to that is available at:

<http://leg.colorado.gov/audits-for-department/Great-Outdoors-Colorado>

3. **Timing Considerations**

All internal control and compliance audit work, and corresponding draft report findings and recommendations, must be completed by July 31, 2017. GOCO's prior year's audit recommendations, as applicable, must be tested and auditor's dispositions determined by September 7, 2017.

A draft report should be completed by about September 11, 2017. The final audit report must be delivered to the State Auditor by September 29, 2017.

4. **Audit Contract Period**

The firm selected will be awarded a one-year contract which may be renewed on an annual basis for up to four additional years subject to acceptable performance and costs.

Q. AWARD OF BID

The contract will be awarded to that bidder whose proposal will be most advantageous to the State of Colorado, price and other factors considered. *The successful bidder is expected to execute and adhere to the terms and conditions in the OSA's standard contract and its related exhibits. A copy of the OSA's standard contract and its related exhibits is included in Section IV - Supplemental Information of this RFP.*

R. SUBMISSION OF INVOICES

The contractor may submit monthly invoices for audit work completed. The State Auditor reserves the right to withhold 10 percent of the total contract amount pending satisfactory completion of the audit.

SECTION II

INFORMATION TO BE INCLUDED IN PROPOSAL

All proposals *must* include the information requested in this section and be organized in the same manner as this section.

All proposals submitted to the OSA in response to this RFP are subject to the Colorado Open Records Act (CORA). *Any proprietary information your firm includes in the proposal should be clearly and specifically designated in the proposal.* Such information will be redacted from the proposal pursuant to 24-72-204(3)(a)(IV), C.R.S., allowing for the denial of inspection of records including trade secrets, before providing the proposal in response to a CORA request.

A. TITLE PAGE

The proposal will identify the RFP subject, firm name, local address, telephone number, name of contact person, and the date.

B. TABLE OF CONTENTS

The proposal will include a clear identification of the material included in the bid proposal by section and by page number.

C. TRANSMITTAL LETTER

Please limit the transmittal letter to two or three pages. Provide the names of individuals authorized to make representations for the firm and their titles, addresses and telephone numbers.

D. PROFILE OF THE FIRM

The proposal must:

1. State whether the firm is local, national, or international.
2. Give the location of the office from which the work is to be done and number of partners, shareholders, and managers and other professional staff employed at that office.
3. Describe the range of activities performed by the local office.
4. Describe the local office's capability, including the numbers and classifications of

personnel who will work on the audit.

5. Affirm that the firm is a properly licensed certified public accounting firm authorized to practice in the State of Colorado.
6. Affirm that the firm has participated in a quality control review within the past three years. A copy of the review must be included in the proposal.
7. Affirm that the firm does not have any past history of substandard work.
8. Affirm that the firm is independent for this audit engagement.
9. Provide information on any past, current or anticipated claims (i.e., knowledge of pending claims) on respondent contracts; explain the litigation, the issue, and its outcome or anticipated outcome.

E. QUALIFICATIONS OF ASSIGNED PERSONNEL

The proposal must identify the principal staff (i.e., partners/principals, managers, and supervisors/in-charges) who will work on the audit, including personnel not from the local office and any specialists or subcontractors to be used. The proposal must include a resume of all principal staff highlighting their professional qualifications and similar audit work that they have performed (resumes should be included in an appendix).

F. FIRM'S APPROACH TO THE AUDIT

The proposal must include a general description of the methodology, approach, tools, and resources to be used to conduct the audit.

G. COMPENSATION

1. The proposal must state the number of professional staff hours estimated to complete the audit work by staff level, the hourly rate, and the resulting total cost. The bidder is advised that travel costs incurred in the performance of audits are reimbursable only as a part of the hourly rate and must be covered under said rate and will not be separately reimbursed.
2. The proposal must state the total inclusive maximum fee for which the work requested will be done.
3. The proposal should affirm that all prices, terms, and conditions will be held firm for at least 90 days after the bid opening.

H. DELIVERY SCHEDULE

The proposal must include a schedule of the audit work to be performed and delivery date of the required reports.

I. ADDITIONAL DATA

Since the preceding sections are to contain information that is specifically requested, the firm may include any additional information considered essential to the proposal in this section. The firm should not include general information publications, such as directories or client lists.

SECTION III

PROPOSAL EVALUATION PROCESS

A. GENERAL

An evaluation team will judge the merits of proposals received in accordance with the general criteria defined below. The bidder is responsible for providing all information requested in this RFP, and failure to do so may result in disqualification of the proposal.

The evaluation committee will select the bidder whose proposal is most responsive to the State Auditor's needs while being within available resources. The specifications within this RFP represent the minimum performance necessary for response.

During the evaluation process, the evaluation committee may, at its discretion, request any one or all firms to make oral presentations or answer questions about their proposals. Not all firms may be asked to make such oral presentations.

B. MANDATORY CRITERIA

1. The firm must be licensed to practice as a certified public accounting firm in the State of Colorado.
2. The firm must have had a quality control review completed within the past three years. A copy of the review must be included in the proposal.
3. The firm is independent for the audit engagement.

C. GENERAL CRITERIA

1. Adequacy and completeness of the proposal with regard to the information specified in the RFP.
2. Breadth and depth of applicable experience.
3. Sufficient size organization to adequately staff audit.
4. Proposed costs (fees and hours).
5. Comprehensiveness and appropriateness of work plan.

D. TOTAL SCORE

The evaluation team will assign scores to the proposals based on the established criteria. The State Auditor will make the final decision on the contract award.

SECTION IV

SUPPLEMENTAL INFORMATION

Enclosed with this RFP are the following:

1. Standard OSA contract and related exhibits. *The successful bidder is expected to execute and adhere to the terms and conditions in the OSA's standard contract and its related exhibits.*

STATE OF COLORADO
State Auditor and
Legislative Audit Committee
Financial Audit Contract for the
Audit of the **INSERT NAME OF ENTITY**
With
****INSERT NAME OF CONTRACTOR****

TABLE OF CONTENTS

1. PARTIES.....	1
2. EFFECTIVE DATE AND NOTICE OF NONLIABILITY	1
3. RECITALS	1
4. DEFINITIONS	1
5. TERM and EARLY TERMINATION	2
6. STATEMENT OF WORK	3
7. PAYMENTS TO CONTRACTOR	3
8. REPORTING - NOTIFICATION	4
9. CONTRACTOR RECORDS.....	4
10. WORK PRODUCT - CONFIDENTIAL INFORMATION-STATE RECORDS	4
11. CONFLICTS OF INTEREST.....	5
12. REPRESENTATIONS AND WARRANTIES.....	5
13. INSURANCE	6
14. DISPUTE RESOLUTION.....	6
15. BREACH.....	6
16. REMEDIES	7
17. NOTICES and REPRESENTATIVES	8
18. RIGHTS IN DATA, DOCUMENTS, AND COMPUTER SOFTWARE	8
19. GOVERNMENTAL IMMUNITY	8
20. GENERAL PROVISIONS	8
21. COLORADO SPECIAL PROVISIONS	11
22. SIGNATURE PAGE	13
23. EXHIBIT A - STATEMENT OF WORK.....	Exhibit A-i
24. EXHIBIT B - REQUEST FOR PROPOSAL.....	Exhibit B-i
25. EXHIBIT C - MODIFICATIONS TO CONTRACTOR’S PROPOSAL.....	Exhibit C-i
26. EXHIBIT D - CONTRACTOR’S PROPOSAL	Exhibit D-i
27. EXHIBIT E - INFORMATION SECURITY POLICY FOR CONTRACTORS	Exhibit E-i
28. EXHIBIT F - COMPENSATION AND PROCEDURES FOR BILLING.....	Exhibit F-i
29. EXHIBIT G - DEVELOPING AND PRESENTING AUDIT FINDINGS	Exhibit G-i
30. EXHIBIT H - REPORTING REQUIREMENTS AND FORMAT FOR SEPARATELY ISSUED REPORT	Exhibit H-i

1. PARTIES

This Contract (“Contract”) is entered into by and between [REDACTED] (“Contractor”), and the STATE OF COLORADO acting by and through and for the use and benefit of the State Auditor and the Legislative Audit Committee (the “State”). Contractor and the State hereby agree to the following terms and conditions.

2. EFFECTIVE DATE AND NOTICE OF NONLIABILITY

This Contract shall be effective and enforceable once it is approved and signed by the State Auditor or designee (the “Effective Date”). The State shall not be liable to pay or reimburse Contractor for any performance hereunder including costs or expenses incurred, or be bound by any provision hereof prior to the Effective Date.

3. RECITALS

A. Authority, Appropriation, And Approval

Authority to enter into this Contract exists in CRS §2-3-103(1) and funds have been budgeted, appropriated and otherwise made available pursuant to Fund 1000, Appropriation Code MGFCC4010, Contract Encumbrance Number 2017-XX, and a sufficient unencumbered balance thereof remains available for payment. Required approvals, clearance, and coordination have been accomplished from and with appropriate agencies.

B. Consideration

The Parties acknowledge that the mutual promises and covenants contained herein and other good and valuable consideration are sufficient and adequate to support this Contract.

C. Purpose

The State desires to engage Contractor to render certain professional auditing services.

D. References

All references in this Contract to sections (whether spelled out or using the § symbol), subsections, exhibits or other attachments, are references to sections, subsections, exhibits, or other attachments contained herein or incorporated as a part hereof, unless otherwise noted.

4. DEFINITIONS

The following terms as used herein shall be construed and interpreted as follows:

A. Audit Report

“Audit Report” means the standard report on the audit of the [REDACTED]’s financial statements and related report on internal control over financial reporting and compliance.

B. Audited Agency

“Audited Agency” means the [REDACTED], hereinafter referred to as “[REDACTED],” which is subject to audit under this Contract.

C. Contract

“Contract” means this Contract, its terms and conditions, attached exhibits, documents incorporated by reference under the terms of this Contract, and any future modifying agreements, exhibits, attachments, or references incorporated herein pursuant to Colorado State law.

D. Contract Funds

“Contract Funds” means funds available for payment by the State to Contractor pursuant to this Contract as set forth in §7(A) (Maximum Amount).

E. Exhibits and other Attachments

The following are attached hereto and incorporated by reference herein: **Exhibit A** (Statement of Work), **Exhibit B** (Request for Proposal), **Exhibit C** (Modifications to Contractor’s Proposal), **Exhibit D** (Contractor’s Proposal), **Exhibit E** (Information

Security Policy for Contractors), **Exhibit F** (Compensation and Procedures for Billing), **Exhibit G** (Developing and Presenting Audit Findings), **Exhibit H** (Reporting Requirements and Format for Separately Issued Report), and **Exhibit I** (Reporting for Statewide Financial Statements and Single Audit).

F. Modifications to Proposal

“Modifications to Proposal” means the modifications to Contractor’s Proposal, dated **N/A**.

G. Party or Parties

“Party” means the State or Contractor and “Parties” means both the State and Contractor.

H. Proposal

“Proposal” means Contractor’s Proposal dated **Insert Date**.

I. Request for Proposal or RFP

“Request for Proposal” or “RFP” means the State’s Request for Proposal, issued **Insert Date**, including the supplement to the RFP, dated **Insert Date**.

J. Services

“Services” means the required financial and compliance audit services to be performed by Contractor pursuant to this Contract.

K. State Auditor

“State Auditor” means the Colorado State Auditor. The Office of the State Auditor may be referred to as “OSA” or “State.”

L. Subcontractor

“Subcontractor” means a third-party, if any, engaged by Contractor to aid in performance of its obligations.

M. Statewide Single Audit Report

“Statewide Single Audit Report” is the report issued by the Office of the State Auditor and released by the Legislative Audit Committee that includes any findings and recommendations resulting from this audit related to federal awards.

N. Work

“Work” means the tasks and activities Contractor is required to perform to fulfill its obligations under this Contract and the **Exhibits**, including the performance of the Services and delivery of the Work Product.

O. Work Product

“Work Product” means the tangible or intangible results of Contractor’s Work, including the Audit Report, work papers subject to section 18 herein, and reports, which are specified in Exhibit H.

5. TERM and EARLY TERMINATION

A. Term-Work Commencement

The Parties’ respective performances under this Contract shall commence on the Effective Date. This Contract shall terminate thirty (30) days after the Audit Report has been released by the Legislative Audit Committee, but in no event later than **December 31, 2017**, unless sooner terminated as specified herein. The State may terminate this Contract for its convenience for any reason, without penalty to the State, upon thirty (30) days prior written notice to Contractor.

B. Early Termination

Upon early termination, Contractor shall not incur further obligations or render further performance hereunder past the effective date of such notice, and shall terminate outstanding subcontracts with third parties. Contractor shall deliver to the State all Work, Services, and Work Product to the extent completed as of the date of termination. Contractor shall take timely, reasonable and necessary action to protect and preserve property in the possession of Contractor. All materials owned by the State in the possession of Contractor in which the State has an interest shall be immediately returned to the State.

The State shall reimburse Contractor for accepted performance up to the date of termination.

6. STATEMENT OF WORK

A. Completion

Contractor shall complete the Work and its other obligations as described herein and in the Exhibits on or before September 29, 2017.

B. Services and Work Product

Contractor shall provide the Services and deliver the Work Product necessary to complete the Work. Such procurement shall be accomplished using the Contract Funds and shall not increase the maximum amount payable hereunder by the State.

C. Employees

All persons employed by Contractor or Subcontractors to perform Work under this Contract shall be Contractor's or Subcontractors' personnel for all purposes hereunder and shall not be employees of the State for any purpose as a result of this Contract.

7. PAYMENTS TO CONTRACTOR

The State, in accordance with the provisions of this §7, shall pay Contractor in the amounts and using the methods set forth below:

A. Maximum Amount

The maximum amount payable under this Contract to Contractor by the State is \$XXX,XXX, as determined by the State from available funds. Payments to Contractor are limited to the unpaid obligated balance of the Contract set forth in Exhibit F (Compensation and Procedures for Billing). The estimated amount payable by the State to Contractor during State Fiscal Year 2016-2017 shall be \$XXX,XXX and the estimated amount payable by the State to Contractor during State Fiscal Year 2017-2018 shall be \$XXX,XXX. The exact funding split between fiscal years, if applicable, will be determined by the State based on amounts that have been budgeted, appropriated, or otherwise made available for this contract.

B. Payment

i. Interim and Final Payments

Contractor shall initiate any payment requests by submitting invoices to the State in the form and manner approved by the State.

ii. Interest

The State shall fully pay each invoice within 45 days of receipt thereof if the amount invoiced represents performance by Contractor previously accepted by the State. Uncontested amounts not paid by the State within 45 days shall bear interest on the unpaid balance beginning on the 46th day at a rate not to exceed one percent per month until paid in full; provided, however, that interest shall not accrue on unpaid amounts that are subject to a good faith dispute. Contractor shall invoice the State separately for accrued interest on delinquent amounts. The billing shall reference the delinquent payment, the number of day's interest to be paid, and the interest rate.

iii. Erroneous Payments

At the State's sole discretion, payments made to Contractor in error for any reason, including overpayments or improper payments, and unexpended or excess funds received by Contractor, may be recovered from Contractor by deduction from subsequent payments under this Contract or other contracts, grants or agreements between the State and Contractor or by other appropriate methods and collected as a debt due to the State. Such funds shall not be paid to any party other than the State.

C. Use of Funds

Contract Funds shall be used only for costs identified herein and/or in the Exhibits.

8. REPORTING - NOTIFICATION

Reports required under this §8 shall be in accordance with the procedures of and in such form as prescribed by the State.

A. Performance, Progress, Personnel, and Funds

Contractor shall comply with all reporting requirements, if any, set forth in the **Exhibits**.

B. Litigation Reporting

To the extent permitted by law, within ten (10) days after being served with any pleading in a legal action filed with a court or administrative agency, related to this Contract or which may affect Contractor's ability to perform its obligations hereunder, Contractor shall notify the State of such action and deliver copies of such pleadings to the State's principal representative as identified herein. If the State's principal representative is not then serving, such notice and copies shall be delivered to the State Auditor.

C. Noncompliance

Contractor's failure to provide reports and notify the State in a timely manner in accordance with this §8 may result in the delay of payment of funds, termination, or both, as provided under this Contract.

D. Subcontracts

Copies of any and all subcontracts entered into by Contractor to perform its obligations hereunder shall be submitted to the State or its principal representative upon request by the State. Any and all subcontracts entered into by Contractor related to its performance hereunder shall comply with all applicable federal and state laws and shall provide that such subcontracts be governed by the laws of the State of Colorado.

9. CONTRACTOR RECORDS

A. Maintenance

Contractor shall make, keep, maintain, and allow inspection and monitoring by the State of a complete file of all audit work papers and reports pertaining in any manner to the Work or the delivery of Services or Work Product hereunder. Unless Contractor receives written notice of an extension from the State, the federal government or another duly authorized agent of a governmental agency, Contractor shall maintain such records for a period of at least five (5) years after (i) the date the Audit Report is accepted by the State or (ii) the sooner expiration or termination of this Contract (collectively, the "Record Retention Period").

B. Inspection

Contractor, at no additional charge, shall permit the State, successor auditor, the federal government and any other duly authorized agent of a governmental agency to access and inspect, excerpt, and copy Contractor's work papers and reports related to this Contract during the Record Retention Period to assure compliance with the terms hereof or to evaluate performance hereunder, or for any other purpose required by the State. The State reserves the right to inspect the Work at all reasonable times and places during the term of this Contract, including any extensions or renewals.

C. Monitoring

Contractor shall permit the State, in their sole discretion, to monitor any Work conducted by Contractor pursuant to the terms of this Contract using any reasonable procedure.

10. WORK PRODUCT-CONFIDENTIAL INFORMATION-STATE RECORDS

The Work Product developed by Contractor during the performance of the Services shall be confidential to Contractor and the State. Except as otherwise may be required by law,

regulation, judicial, or administrative process, or in accordance with applicable professional standards or rules, or in connection with litigation pertaining hereto, Contractor shall not provide the Work Product to parties other than the State without the written approval of the State as provided by CRS §2-3-103(3). Contractor shall forward immediately to the State any requests for Work Product the Contractor receives pursuant to §24-72-201, et seq. (the Colorado Open Records Act).

11. CONFLICTS OF INTEREST

A. Audited Agency

Contractor shall not discuss, arrange for, or accept auditing (financial or performance) or non-auditing work not identified in this Contract with any Audited Agency during the term of this Contract, without the express written approval of the State.

B. Other State Agencies

Contractor shall provide written notice to the State, in accordance with §17 (Notices and Representatives) of this Contract, before entering into a contract or engagement with another State agency, department or division subject to audit by the State.

C. In General

Contractor shall comply with *Government Auditing Standards* with respect to any conflicts of interest arising from the performance of this Contract.

12. REPRESENTATIONS AND WARRANTIES

Each Party has relied on the representations and warranties of the other Party set forth below in entering into this Contract.

A. Qualifications, Standards and Manner of Performance

Contractor represents that it is qualified under applicable law and warrants that it is licensed to perform the Services and deliver the Work Product. Contractor shall perform its obligations hereunder in accordance with generally accepted auditing standards as promulgated by the American Institute of Certified Public Accountants in *Statements on Auditing Standards*, the standards for financial and compliance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Single Audit Act as amended, and the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

B. Legal Authority – Contractor Signatory

Contractor warrants that it possesses the legal authority to enter into this Contract and that it has taken actions required by its procedures, by-laws, and applicable laws to exercise that authority, and to lawfully authorize its undersigned signatory to execute this Contract, or any part thereof, and to bind Contractor to its terms. If requested by the State, Contractor shall provide the State with proof of Contractor's authority to enter into this Contract within fifteen (15) days of receiving such request.

C. Licenses, Permits, Etc.

Contractor represents and warrants that as of the Effective Date it has, and that at all times during the term hereof it shall have and maintain, at its sole expense, all licenses, certifications, approvals, insurance, permits, and other authorizations required by law to perform its obligations hereunder. Contractor warrants that it shall maintain all necessary licenses, certifications, approvals, insurance, permits, and other authorizations required to properly perform this Contract, without reimbursement by the State or other adjustment in Contract Funds. Additionally, all employees, agents, and Subcontractors of Contractor performing Services under this Contract shall hold all required licenses or certifications, if any, to perform their responsibilities. Contractor, if a foreign corporation or other foreign entity transacting business in the State of Colorado, further warrants that it currently has

obtained and shall maintain any applicable certificate of authority to transact business in the State of Colorado and has designated a registered agent in Colorado to accept service of process. Any revocation, withdrawal or non-renewal of licenses, certifications, approvals, insurance, permits or any such similar requirements necessary for Contractor to properly perform the terms of this Contract is a material breach by Contractor and constitutes grounds for termination of this Contract.

D. Contractor Independence

Contractor is a firm of certified public accountants. The State represents and warrants that it shall not request or require Contractor to surrender Contractor's "independence" as such term is professionally understood and used with respect to certified public accountants.

E. Disclaimer

Except for the representations and warranties expressly stated in this Contract, the Parties disclaim all representations and warranties, written or oral, express or implied.

13. INSURANCE

Contractor and its Subcontractors shall obtain and maintain, at all times during the term of this Contract, insurance policies issued by insurance companies reasonably satisfactory to Contractor and the State, in form and amount reasonably acceptable to the State, providing coverage for Worker's Compensation Insurance as required by State statute, Employer's Liability Insurance covering all of their respective employees acting within the course and scope of their employment, Commercial General Liability Insurance, and Professional Liability/Errors & Omissions. Upon request of the State, Contractor and all Subcontractors shall provide to the State certificates showing insurance coverage required hereunder.

14. DISPUTE RESOLUTION

Disputes concerning the performance of this Contract, which cannot be resolved by the designated Contract representatives, shall be referred in writing to the State Auditor and the Contractor's managing partner of **NAME OF AUDIT FIRM'S CITY, STATE** practice unit for resolution. The State Auditor and the Contractor's managing partner of **NAME OF AUDIT FIRM'S CITY, STATE** practice unit shall discuss the problem without the necessity of a formal proceeding and attempt to resolve the matter in dispute. In the event the State Auditor and the Contractor's managing partner of **NAME OF AUDIT FIRM'S CITY, STATE** practice unit are able to agree to a mutual resolution of the dispute, such resolution will be formalized in writing in accordance with this Contract. Either Party may find, at any time, that the attempted resolution of the dispute has failed, at which time each Party shall be free to pursue any and all remedies available to such Party, including without limitation, those available under this Contract, at law or in equity.

15. BREACH

A. Defined

In addition to any breaches specified in other sections of this Contract, the following shall constitute a breach of this Contract:

i. Material Obligations

The failure of Contractor to perform any of its material obligations hereunder, to the satisfaction of the State, in whole or in part or in a timely or satisfactory manner; or

ii. Satisfactory Performance

The State, in its reasonable discretion, determines that satisfactory performance of Contractor's obligations under this Contract is substantially endangered; or

iii. Bankruptcy

The institution of proceedings under any bankruptcy, insolvency, reorganization or similar law, by or against Contractor, or the appointment of a receiver or similar officer

for Contractor or any of its property, which is not vacated or fully stayed within twenty (20) days after the institution or occurrence thereof; or

iv. Material Misrepresentation

Any statement, representation, or certification furnished by Contractor in connection with the RFP, Contractor's Proposal, Modifications to Contractor's Proposal or this Contract is false, deceptive, incorrect or incomplete in any material respects; or

v. Failure to Timely Deliver Reports

Failure by Contractor to complete and deliver the Audit Report or Work Product by the date specified in §6(A) (Statement of Work), unless Contractor can show that the delinquency resulted from causes beyond its control such as failure of the Audited Agency to provide, by the date specified in a written request from Contractor: records that are auditable; audit schedules; or responses to Contractor's findings and recommendations. Contractor shall allow a reasonable amount of time for Audited Agency to provide the requested information and responses.

B. Notice and Cure Period

In the event of a breach, notice specifying the nature of such breach shall be given in writing by the aggrieved Party to the other Party in the manner provided in §17 (Notices and Representatives). If such breach is not cured within twenty (20) days of receipt of written notice, or if a cure cannot be completed within twenty (20) days and such cure has not begun within twenty (20) days and pursued with due diligence, the State may exercise any of the remedies set forth in §16 (Remedies). Notwithstanding anything to the contrary herein, the State, in its sole discretion, need not provide advance notice of a cure period and may immediately terminate this Contract in whole or in part if reasonably necessary to preserve public safety or to prevent immediate public crisis.

16. REMEDIES

If Contractor fails to cure a breach under any provision of this Contract in accordance with §15(B) (Breach), the State may exercise any or all of the remedies available to it, in its sole discretion, concurrently or consecutively.

A. Termination for Breach

The State may terminate this Contract upon written notice to Contractor. Exercise by the State of this right shall not be a breach of its obligations hereunder.

B. Liquidated Damages

Failure by Contractor to complete and deliver the Audit Report by the date specified in Exhibit A (Statement of Work) shall result in liquidated damages of \$100 per day for each day delinquent. To the extent Contractor's failure is excused under §15(A)(v) (Breach), liquidated damages shall not be due to the State. The Parties agree that the damages from Contractor's failure to timely deliver the Audit Report is difficult to provide or estimate, and the amount of liquidated damages specified herein represents a reasonable estimation of damages that will be suffered by the State from late performance. Assessment of liquidated damages shall not be exclusive or in any way limit the remedies available to the State, at law or in equity, for other breaches by Contractor under this Contract.

C. Withhold Payment

Withhold payment to Contractor until corrections in Contractor's performance are satisfactorily made and completed.

D. Deny Payment

Deny payment for obligations not performed, that due to Contractor's actions or inactions, cannot be performed or, if performed, would be of no value to the State; provided, that any denial of payment shall be reasonably related to the value to the State of the obligations not performed.

17. NOTICES and REPRESENTATIVES

Each individual identified below is the principal representative of the designating Party. All notices required to be given hereunder shall be hand delivered with receipt required or sent by certified or registered mail to such Party’s principal representative at the address set forth below. In addition to, but not in lieu of a hard-copy notice, notice also may be sent by e-mail to the e-mail addresses, if any, set forth below. Either Party may from time to time designate by written notice substitute addresses or persons to whom such notices shall be sent. Unless otherwise provided herein, all notices shall be effective upon receipt.

A. State:

Kerri Hunter Deputy State Auditor
Office of the State Auditor
1525 Sherman St., 7 th Floor
Denver, Colorado 80203-2211
Kerri.Hunter@state.co.us

B. Contractor:

C. Media

The State shall be the official spokesperson to the news media pertaining to the Work Product and Audit Report. Contractor shall forward immediately to the State any inquiries from the news media pertaining to the Work Product and Audit Report.

18. RIGHTS IN DATA AND DOCUMENTS

The audit work papers developed by Contractor during the performance of the Services shall be the exclusive property of Contractor. The State shall have the right to copy the audit work papers. Except as provided in §9B and §10, Contractor shall not provide the work papers to third-parties or permit third parties to review, access or use the work papers, without the prior written consent of the State as provided by CRS §2-3-103(3). Contractor shall forward immediately to the State any requests for work papers the Contractor receives pursuant to CRS §24-72-201, et seq. (the Colorado Open Records Act).

19. GOVERNMENTAL IMMUNITY

Liability for claims for injuries to persons or property arising from the negligence of the State of Colorado, its departments, institutions, agencies, boards, officials, and employees is controlled and limited by the provisions of the Governmental Immunity Act §24-10-101, et seq., and the risk management statutes, CRS §24-30-1501, et seq., as amended.

20. GENERAL PROVISIONS

A. Assignment and Subcontracts

Contractor's rights and obligations hereunder are personal and may not be transferred, assigned or subcontracted without the prior, written consent of the State. Any subcontract entered into subsequent to the Effective Date must be approved by the State in writing before it is reimbursable. Any attempt at assignment, transfer, subcontracting without such consent shall be void. All assignments, subcontracts, or subcontractors approved by Contractor or the State are subject to all of the provisions hereof. Contractor shall be solely responsible for all aspects of subcontracting arrangements and performance, including compliance with all applicable federal and state laws.

B. Binding Effect

Except as otherwise provided in §20(A) (Assignment and Subcontracts), all provisions herein contained, including the benefits and burdens, shall extend to and be binding upon the Parties' respective heirs, legal representatives, successors, and assigns.

C. Captions

The captions and headings in this Contract are for convenience of reference only, and shall not be used to interpret, define, or limit its provisions.

D. Counterparts

This Contract may be executed in multiple identical original counterparts, all of which shall constitute one agreement.

E. Entire Understanding

This Contract represents the complete integration of all understandings between the Parties and supersedes all prior representations and understandings, oral or written. Prior or contemporaneous additions, deletions, or other changes hereto shall not have any force or affect whatsoever, unless embodied herein.

F. Jurisdiction and Venue

All suits or actions related to this Contract shall be filed and proceedings held in the State of Colorado and exclusive venue shall be in the City and County of Denver.

G. Modification

i. By the Parties

Except as specifically provided in this Contract, modifications of this Contract shall not be effective unless agreed to in writing by both Parties in an amendment to this Contract, properly executed and approved in accordance with applicable Colorado State law.

ii. By Operation of Law

This Contract is subject to such modifications as may be required by changes in federal or Colorado State law, or their implementing regulations. Any such required modification automatically shall be incorporated into and be part of this Contract on the effective date of such change, as if fully set forth herein. If any such modification materially and adversely affects Contractor, Contractor may terminate this Contract upon 30 days prior notice without incurring liability, penalty, or recourse related thereto.

H. Order of Precedence

The provisions of this Contract shall govern the relationship of the State and Contractor. In the event of conflicts or inconsistencies between this Contract and its exhibits and attachments, including those provided by Contractor, such conflicts or inconsistencies shall be resolved by reference to the documents in the following order of priority:

- i.** Colorado Special Provisions,
- ii.** The remaining provisions of the main body of this Contract,
- iii.** **Exhibit A** (Statement of Work),
- iv.** **Exhibit B** (Request for Proposal),
- v.** **Exhibit C** (Modifications to Contractor's Proposal),
- vi.** **Exhibit D** (Contractor's Proposal),
- vii.** **Exhibit E** (Information Security Policy for Contractors),

- viii. **Exhibit F** (Compensation and Procedures for Billing),
- ix. **Exhibit G** (Developing and Presenting Audit Findings),
- x. **Exhibit H** (Reporting Requirements and Format for Separately Issued Report),

I. Severability

Provided this Contract can be executed and performance of the obligations of the Parties accomplished within its intent, the provisions hereof are severable and any provision that is declared invalid or becomes inoperable for any reason shall not affect the validity of any other provision hereof, provided that the Parties can continue to perform their obligations under this Contract in accordance with its intent.

J. Survival of Certain Contract Terms

Notwithstanding anything herein to the contrary, provisions of this Contract requiring continued performance, compliance, or effect after termination hereof, shall survive such termination and shall be enforceable by the State if Contractor fails to perform or comply as required.

K. Taxes

- i. The State is exempt from all federal excise taxes under IRC Chapter 32 (No. 84-730123K) and from all State and local government sales and use taxes under CRS §§39-26-101 and 201 et seq. Such exemptions apply when materials are purchased or services are rendered to benefit the State; provided however, that certain political subdivisions (e.g., City of Denver) may require payment of sales or use taxes even though the product or service is provided to the State. Contractor shall be solely liable for paying such taxes as the State is prohibited from paying or reimbursing Contractor for such taxes.
- ii. Contractor shall be responsible for all withholding taxes, social security, unemployment, workers' compensation, or other taxes incidental to its employees, and shall hold the State harmless for any claims for the same.

L. Third Party Beneficiaries

Enforcement of this Contract and all rights and obligations hereunder are reserved solely to the Parties. Any services or benefits which third parties receive as a result of this Contract are incidental to the Contract, and do not create any rights for such third parties.

M. Waiver

Waiver of any breach under a term, provision, or requirement of this Contract, or any right or remedy hereunder, whether explicitly or by lack of enforcement, shall not be construed or deemed as a waiver of any subsequent breach of such term, provision or requirement, or of any other term, provision, or requirement.

THE REST OF THIS PAGE INTENTIONALLY LEFT BLANK

21. COLORADO SPECIAL PROVISIONS

A. FUND AVAILABILITY. CRS §24-30-202(5.5).

Financial obligations of the State payable after the current fiscal year are contingent upon funds for that purpose being appropriated, budgeted, and otherwise made available.

B. GOVERNMENTAL IMMUNITY.

No term or condition of this Contract shall be construed or interpreted as a waiver, express or implied, of any of the immunities, rights, benefits, protections, or other provisions, of the Colorado Governmental Immunity Act, CRS §24-10-101 et seq., or the Federal Tort Claims Act, 28 U.S.C. §§1346(b) and 2671 et seq., as applicable now or hereafter amended.

C. INDEPENDENT CONTRACTOR

Contractor shall perform its duties hereunder as an independent contractor and not as an employee. Neither Contractor nor any agent or employee of Contractor shall be deemed to be an agent or employee of the State. Contractor and its employees and agents are not entitled to unemployment insurance or workers compensation benefits through the State and the State shall not pay for or otherwise provide such coverage for Contractor or any of its agents or employees. Unemployment insurance benefits shall be available to Contractor and its employees and agents only if such coverage is made available by Contractor or a third party. Contractor shall pay when due all applicable employment taxes and income taxes and local head taxes incurred pursuant to this Contract. Contractor shall not have authorization, express or implied, to bind the State to any contract, liability or understanding, except as expressly set forth herein. Contractor shall (a) provide and keep in force workers' compensation and unemployment compensation insurance in the amounts required by law, (b) provide proof thereof when requested by the State, and (c) be solely responsible for its acts and those of its employees and agents.

D. COMPLIANCE WITH LAW.

Contractor shall strictly comply with all applicable federal and State laws, rules, and regulations in effect or hereafter established, including, without limitation, laws applicable to discrimination and unfair employment practices.

E. CHOICE OF LAW.

Colorado law, and rules and regulations issued pursuant thereto, shall be applied in the interpretation, execution, and enforcement of this Contract. Any provision included or incorporated herein by reference which conflicts with said laws, rules, and regulations shall be null and void. Any provision incorporated herein by reference which purports to negate this or any other Special Provision in whole or in part shall not be valid or enforceable or available in any action at law, whether by way of complaint, defense, or otherwise. Any provision rendered null and void by the operation of this provision shall not invalidate the remainder of this Contract, to the extent capable of execution.

F. BINDING ARBITRATION PROHIBITED.

The State of Colorado does not agree to binding arbitration by any extra-judicial body or person. Any provision to the contrary in this contract or incorporated herein by reference shall be null and void.

G. SOFTWARE PIRACY PROHIBITION. Governor's Executive Order D 002 00.

State or other public funds payable under this Contract shall not be used for the acquisition, operation, or maintenance of computer software in violation of federal copyright laws or applicable licensing restrictions. Contractor hereby certifies and warrants that, during the term of this Contract and any extensions, Contractor has and shall maintain in place appropriate systems and controls to prevent such improper use of public funds. If the State determines that Contractor is in violation of this provision, the

State may exercise any remedy available at law or in equity or under this Contract, including, without limitation, immediate termination of this Contract and any remedy consistent with federal copyright laws or applicable licensing restrictions.

H. EMPLOYEE FINANCIAL INTEREST. CRS §§24-18-201 and 24-50-507.

The signatories aver that to their knowledge, no employee of the State has any personal or beneficial interest whatsoever in the service or property described in this Contract. Contractor has no interest and shall not acquire any interest, direct or indirect, that would conflict in any manner or degree with the performance of Contractor's services and Contractor shall not employ any person having such known interests.

I. VENDOR OFFSET. CRS §§24-30-202 (1) and 24-30-202.4.

Subject to CRS §24-30-202.4 (3.5), the State Controller may withhold payment under the State's vendor offset intercept system for debts owed to State agencies for: (a) unpaid child support debts or child support arrearages; (b) unpaid balances of tax, accrued interest, or other charges specified in CRS §39-21-101, et seq.; (c) unpaid loans due to the Student Loan Division of the Department of Higher Education; (d) amounts required to be paid to the Unemployment Compensation Fund; and (e) other unpaid debts owing to the State as a result of final agency determination or judicial action.

J. PUBLIC CONTRACTS FOR SERVICES. CRS §8-17.5-101.

Contractor certifies, warrants, and agrees that it does not knowingly employ or contract with an illegal alien who shall perform work under this Contract and shall confirm the employment eligibility of all employees who are newly hired for employment in the United States to perform work under this Contract, through participation in the E-Verify Program or the State program established pursuant to CRS §8-17.5-102(5)(c), Contractor shall not knowingly employ or contract with an illegal alien to perform work under this Contract or enter into a contract with a subcontractor that fails to certify to Contractor that the subcontractor shall not knowingly employ or contract with an illegal alien to perform work under this Contract. Contractor (a) shall not use E-Verify Program or State program procedures to undertake pre-employment screening of job applicants while this Contract is being performed, (b) shall notify the subcontractor and the contracting State agency within three days if Contractor has actual knowledge that a subcontractor is employing or contracting with an illegal alien for work under this Contract, (c) shall terminate the subcontract if a subcontractor does not stop employing or contracting with the illegal alien within three days of receiving the notice, and (d) shall comply with reasonable requests made in the course of an investigation, undertaken pursuant to CRS §8-17.5-102(5), by the Colorado Department of Labor and Employment. If Contractor participates in the State program, Contractor shall deliver to the contracting State agency, Institution of Higher Education or political subdivision, a written, notarized affirmation, affirming that Contractor has examined the legal work status of such employee, and shall comply with all of the other requirements of the State program. If Contractor fails to comply with any requirement of this provision or CRS §8-17.5-101 et seq., the contracting State agency, institution of higher education or political subdivision may terminate this Contract for breach and, if so terminated, Contractor shall be liable for damages.

K. PUBLIC CONTRACTS WITH NATURAL PERSONS. CRS §24-76.5-101.

Contractor, if a natural person eighteen (18) years of age or older, hereby swears and affirms under penalty of perjury that he or she (a) is a citizen or otherwise lawfully present in the United States pursuant to federal law, (b) shall comply with the provisions of CRS §24-76.5-101 et seq., and (c) has produced one form of identification required by CRS §24-76.5-103 prior to the effective date of this Contract.

SPs Effective 1/1/09

22.SIGNATURE PAGE

Contract Routing Number 2017-XX

THE PARTIES HERETO HAVE EXECUTED THIS CONTRACT

*** Persons signing for Contractor hereby swear and affirm that they are authorized to act on Contractor's behalf and acknowledge that the State is relying on their representations to that effect.**

<p style="text-align: center;">CONTRACTOR</p> <p style="text-align: center;">NAME OF CONTRACTOR</p> <p>By: _____ Title: _____</p> <hr/> <p style="text-align: center;">*Signature</p> <p>Date: _____</p>	<p style="text-align: center;">STATE OF COLORADO John W. Hickenlooper, GOVERNOR <i>Colorado Office of the State Auditor</i> Dianne E. Ray, State Auditor</p> <hr/> <p style="text-align: center;">By: Dianne E. Ray, State Auditor</p> <p style="text-align: center;">Signatory avers that Contractor has not begun performance or that a Statutory Violation waiver has been requested</p> <p style="text-align: center;">Date: _____</p> <hr/> <p style="text-align: center;">Legislative Audit Committee Chair</p>
	<p style="text-align: center;">LEGAL REVIEW Dan L. Cartin, Director Office of Legislative Legal Services</p> <p>By: _____ Signature – Deputy State Auditor</p> <p>Date: _____</p>

23. EXHIBIT A – STATEMENT OF WORK

1. GENERAL DESCRIPTION

Contractor shall conduct a financial and compliance audit of the **NAME OF ENTITY** in a manner consistent with the terms and conditions of the Contract and the Exhibits and in accordance with generally accepted auditing standards as promulgated by the American Institute of Certified Public Accountants in *Statements on Auditing Standards*, the standards for financial and compliance audits contained in *Government Auditing Standards – 2011 Revision* issued by the Comptroller General of the United States, the Single Audit Act as amended, the Provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (federal uniform grant guidance), the *AICPA Audits of State and Local Governmental Units* and *Government Auditing Standards and Single Audit* audit and accounting guides, and Fiscal Rules promulgated by the State Controller.

2. CONTRACTOR’S OBLIGATIONS

The Work to be performed by Contractor shall include the following:

A. Scope

Contractor’s audit of the Audited Agency shall include the following, as provided herein and in the Contract:

1.

- a) Audit of the basic financial statements of the **NAME OF ENTITY** for the year ended June 30, 20**XX**, including a review of the related internal control structure as required by generally accepted auditing standards and *Government Auditing Standards*.
- b) Review of the **NAME OF ENTITY**’s compliance with state and federal laws and regulations, State Fiscal Rules, and bond covenants that could have a material effect on the **NAME OF ENTITY**’s financial statements.
- c) Perform audit work to evaluate the **NAME OF ENTITY**’s progress in implementing prior audit recommendations.
- d) Preparation of report comments and/or a management letter, as appropriate based on assessed severity level, containing audit findings and recommendations for improvements in the operations, internal controls, and accounting procedures of the **NAME OF ENTITY**, along with any opportunities for cost savings determined through the audit. This will include obtaining and reviewing responses to the recommendations from the **NAME OF ENTITY**’s management and ensuring they meet the State’s established parameters for responses. In accordance with *Government Auditing Standards*, for any “Partially Agree” or “Disagree” response, the contractor shall prepare an Auditor’s Addendum as a rebuttal to the Audited Agency’s response. All report comments, management letters, responses, and Auditor’s Addenda must be reviewed and approved by the OSA.

Such audit work will result in the issuance of the following:

- e) Independent auditors' report on the financial statements of the **NAME OF ENTITY** as of and for the year ended June 30, 20**XX**.
 - f) Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements of the **NAME OF ENTITY** performed in accordance with *Government Auditing Standards* for the year ended June 30, 20**XX**.
2. Contractor shall maintain an awareness of any areas outside of the Services in which the Audited Agency may not be carrying out the Audited Agency's programs in an effective and efficient manner. Contractor shall discuss any such areas with the State to determine whether the State desires Contractor to undertake a performance audit of the Audited Agency's program(s). The cost of a performance audit is not included within the scope of this Contract. Therefore, any performance audit shall be subject to negotiation and set forth in a separate agreement among Contractor, the State Auditor, and the Legislative Audit Committee.

B. Review by State

The State shall have access to and the right to review Contractor's Audit Report(s), financial statements, audit findings and recommendations, and audit work papers during the drafting stage of the Audit Report and prior to completion of the Audit Report in final form. Contractor shall furnish a copy of the proposed Audit Report (draft) to the State at least ten (10) working days before the report is submitted to the Audited Agency.

C. Availability.

Contractor, upon the request of the State, shall furnish copies of Contractor's audit programs developed pursuant to this Contract and make all other audit work papers available to the State for review or use in future audits, at no additional charge to the State.

D. Reports.

Contractor shall prepare and deliver the Audit Report to the State on the due dates set forth in **Exhibit H and I, as applicable**; all Work will be completed no later than **September 29, 2017**, unless an extension of time has been approved by the State. In the event Contractor becomes aware that the due date for the Audit Report(s) cannot be met, for any reason, Contractor shall notify the State Auditor in writing of the reasons therefor and a specific date when the Audit Report(s) will be delivered. For a separately issued Audit Report, Contractor shall deliver to the State up to 100 copies of the bound report. The exact number of copies will be determined by the State at the time of report finalization. Acceptable binding formats for the Audit Report are limited to spiral, comb, or glued bindings; 3-ring bindings are not acceptable. Contractor shall also deliver to the State an electronic copy of the Audit Report in unprotected Adobe PDF format or other format prescribed by the State.

E. Oral Presentations

Upon the request of the State, Contractor shall make an oral presentation of Audit Report findings and recommendations to the Legislative Audit Committee and, if applicable, one other legislative committee selected by the State.

F. Entrance/Exit Conferences.

The State shall participate in all entrance and exit conferences between the Audited Agency and Contractor, as well as all major conferences dealing with auditing exceptions, audit findings and recommendations.

G. Fraud.

Should Contractor become aware of fraud or indications of fraud affecting the Audited Agency, Contractor shall notify the State Auditor immediately. Contractor should follow guidance contained in *Government Auditing Standards: 2011 Revision* issued by the Comptroller General of the United States, regarding the reporting of such fraud or indications of fraud.

3. PERSONNEL

A. Contract Monitor

Contractor's performance hereunder shall be monitored by **NAME OF CONTRACT MONITOR**, an employee or agent of the State, who is hereby designated as the contract monitor of this Contract.

B. Other Key Personnel

The key personnel identified by Contractor in the Contractor's Proposal are deemed to be essential to the Work being performed under the Contract.

C. Replacement

Contractor shall immediately notify the State if any key personnel cease to be employed by Contractor. Prior to diverting any key personnel to other programs, Contractor shall give to the State fifteen (15) days advance notice and shall submit to the State justification, including proposed substitutions, in sufficient detail to permit evaluation of the impact on the audit by the State. No diversion shall be made by Contractor without consent of the State, which shall not be unreasonably withheld. Replacement of any key personnel shall be with personnel of substantially equal ability and qualifications to perform work under this Contract.

4. ACCEPTANCE CRITERIA

If the State determines that the Audit Report is unacceptable (either before or after a draft or a final Report is issued) for failure to comply with auditing standards or any of the requirements included in the Contract, Contractor, at the State's direction, shall be required to re-audit at its own expense and submit a revised report. The State's right to reject Contractor's drafts or final report(s) because of the failure to comply and Contractor's obligation to re-audit or revise shall extend throughout the term of this Contract and continue for one (1) full year after the termination of this Contract.

5. PAYMENTS

Payments shall be made in accordance with the provisions set forth in the Contract and **Exhibit F** (Compensation and Procedures for Billing).

THE REST OF THIS PAGE INTENTIONALLY LEFT BLANK

24. EXHIBIT B – REQUEST FOR PROPOSAL

THE REST OF THIS PAGE INTENTIONALLY LEFT BLANK

25. EXHIBIT C – MODIFICATIONS TO CONTRACTOR’S PROPOSAL

THE REST OF THIS PAGE INTENTIONALLY LEFT BLANK

26. EXHIBIT D –CONTRACTOR’S PROPOSAL

THE REST OF THIS PAGE INTENTIONALLY LEFT BLANK

27. EXHIBIT E - INFORMATION SECURITY POLICY FOR CONTRACTORS

Applicability

This policy applies to all OSA Contractors at all locations who are conducting audits or professional services on behalf of the OSA using State of Colorado information, electronic or otherwise.

Definitions

Confidential information assets – are defined in paragraph 5. below.

OSA Contractor(s) or Contractor(s) – any business, company, corporation, partnership, or individual conducting business on behalf of or in cooperation with the OSA, whether via contract, purchase order, or other purchasing agreement. OSA Contractors include sub-contractors and their employees.

Protected information assets - are defined in paragraph 4. below.

State of Colorado information, information or audit information – any information, whether in electronic or hard copy form, obtained, utilized, or generated by an OSA Contractor while performing work on behalf of the OSA.

State Auditor Authority and Responsibility

The State Auditor's authority and responsibility for accessing and handling confidential information is set forth in the Colorado Revised Statutes. Section 2-3-107 (2) (a), C.R.S., provides that the State Auditor or his or her designated representative "shall have access at all times . . . to all of the books, accounts, reports, vouchers, or other records or information in any department, institution, or agency, including records or information required to be kept confidential or exempt from public disclosure upon subpoena, search warrant, discovery proceedings, or otherwise." Additionally, Section 2-3-103 (3), C.R.S., provides that "work papers of the office of the State Auditor shall be open to public inspection only upon approval of the majority of the members of the audit committee" and that "work papers that have not been specifically approved for disclosure by a majority vote of the committee shall remain confidential." Finally, Sections 2-3-103.7 and 2-3-107 (2) (b), C.R.S., prescribe penalties for willful or unlawful release of confidential information and prohibit the release of information required to be kept confidential pursuant to any law. The volume and availability of confidential information in electronic and hardcopy format, along with the risk to the OSA should confidential information be inadvertently released or breached, heightens the need for rigorous procedures governing the receipt, storage, and destruction of confidential data.

Policy Compliance

1. All OSA Contractors and their personnel who are performing the Services or the Work are required to understand and abide by this policy.
2. By signing an OSA contract or purchase order, OSA Contractors agree to abide by this policy and require its personnel performing the Services or the Work under such OSA contract, including sub-contractors and their employees, understand and abide by this policy.

Data Classification

3. All State of Colorado information assets whether in hardcopy or electronic form (e.g., data, databases, reports, communications, manuals, documentation for systems, procedures, and plans) and used in the course of an audit on behalf of the OSA is considered either “Protected” or “Confidential,” unless expressly stated otherwise in writing by the State Auditor.
4. Protected information assets are defined as information that is required by federal, state, or local laws and statutes to be protected, or in the event of a breach of confidentiality, loss of integrity, or lack of availability, would have serious impact to the OSA or the State up to and including physical harm to individuals, or that which would cause significant hardship to the OSA, the State, or commercial entities that have entrusted this data to the OSA.
5. All OSA Contractor audit information assets not categorized as “Protected” are automatically classified as “Confidential.”

Use and Protection of Information Assets

6. Contractors are responsible for taking reasonable and prudent measures in the protection of all OSA audit information and the systems which process, store, and transmit such information from unauthorized disclosure and modification regardless of location.
7. All State of Colorado information systems (e.g., networks, intranets, internet connections, telephones, fax, etc.) are the property of the State of Colorado and are for State of Colorado business use only. Contractors must never use them to knowingly access, store, or distribute offensive material, such as pornography. Contractors may not use State of Colorado systems to knowingly compromise other systems, networks or safeguards.
8. Any unauthorized attempt to access information that is outside Contractor’s “need-to-know” for his/her operational purposes is prohibited.
9. Contractors must encrypt all “Protected” and “Confidential” information when stored on portable computers or removable media (e.g., laptops, external hard drives, CDs, USB drives.)
10. Contractors must, at all times, physically secure portable computers used in storing and processing audit information on behalf of the OSA through the use of cable locks or other security measures.
11. Contractors shall not leave any portable computers, removable media (e.g., laptops, external hard drives, CDs, USB drives), or hard copy information containing “Protected” and “Confidential” information unattended, such as in vehicles or in checked airport luggage.

Viruses and Malicious Code

12. Contractors must effectively deploy personal firewall security and up-to-date malicious code/virus protection software for all systems and devices used in carrying out official OSA business.

Telecommunications Security and Information Transmission

13. Contractors are responsible for being aware of and protecting against current and potential telecommunications (e.g., telephones, voice mail, mobile phones, conference calls, instant messaging, and facsimile machines) security risks in their given environment.
14. Contractors are prohibited from connecting to any state networks in connection with the Services hereunder without prior authorization from the OSA and the information security officer of the Audited Agency. In the case of executive branch agencies, Contractors should submit a request with their agency liaison to obtain permission through the Governor's Office of Information Technology access management team.
15. Contractors shall make every effort to ensure that all State of Colorado information is protected from inadvertent disclosure when being sent over the Internet or other non-State of Colorado networks.
16. Contractors shall not connect portable computers containing "Protected" or "Confidential" data to any public WiFi networks (e.g., internet cafes) without adequately protecting such information through the use of hard drive encryption and the use of an encrypted VPN tunnel.
17. Contractors must always consider information sensitivity and transmission security issues when selecting a transmission medium. "Protected" and "Confidential" data must only be transported or transmitted over a public network when protected by encryption.
18. When data is stored on electronic media or a mobile computing device, the data must be encrypted at all times during physical transport.
19. Transmission of Protected or Confidential data over a public network by unencrypted email is prohibited.

Information Storage and Disposal

20. Media or hard copy documents containing Protected or Confidential information are to be appropriately labeled and protected in accordance with this **Exhibit E**.
21. Contractors must maintain physical media security by using locking filing cabinets or drawers and locking them when left unattended. Media security may also be achieved through locking the door of a private office.
22. Personal computers, laptops, USB drives, mobile phones, personal digital assistants (PDAs), and other devices and media containing State of Colorado information must be secured by their users from loss, theft, and unauthorized use.
23. Contractors shall not leave unattended any device containing State of Colorado information unless a password-engaged screensaver is used. The screen saver must engage after 2 minutes of inactivity.
24. Contractors must ensure that once portable storage devices (e.g., external hard drives, CDs, USB drives) are no longer under their direct control, all Protected or Confidential data will be cleaned and sanitized (i.e., cleared, purged and destroyed) in conformance NIST Special Publication 800-88 and/or other standard procedures and requirements set by the U.S. Department of Defense, such as DoD 5220.22-M.

25. Hard copy documents containing Protected or Confidential information must be shredded prior to disposal.
26. Data storage devices (CDs, DVDs, and floppy disks) containing Protected data must be physically destroyed at the end of the audit. For thumb drives and portable hard drives Contractor must either use an electronic shredding program to destroy the data or destroy the device at the end of the audit. A record of disposal is to be maintained in the workpapers by the OSA Contractors. A record of disposal must contain the name of the individual disposing of the data, the method used to dispose of the data, identifying qualities of the data (such as the serial number of the media on which it was stored, if applicable), and the date of disposal.

Incident Reporting

27. All suspected loss or compromise of OSA audit information as a result of the loss of a desktop, portable, or mobile computing device or removable storage device by any means (e.g., theft, loss) used to store State of Colorado data shall be reported to the OSA Contract Manager within 24 hours of discovery.
28. In the event of the suspected loss or compromise of OSA audit information under control of Contractor, Contractor is responsible for working with the State Auditor and the Audited Agency with respect to recovery and remediation. Contractor is also responsible for working with the OSA and the Audited Agency to notify all Colorado residents and other affected parties whose sensitive data may have been compromised as a result of the breach. Contractor will bear all reasonable associated costs.

Personnel Security

29. Contractor is responsible for performing background checks consistent with Contractor's standard employment practices for Contractor personnel completing work on behalf of the OSA.

Policy Enforcement

30. If Contractor is deemed to be in noncompliance of this policy by the State Auditor, the State Auditor shall have the unilateral right to terminate the Contract.
31. Upon request by the State Auditor, Contractor agrees that it shall make available qualified individuals and a member of senior management responsible for security and data protection, for the purposes of discussing information technology controls, including those policies, procedures, and controls relevant to the provision of services and security obligations under this Contract.

28. EXHIBIT F - COMPENSATION AND PROCEDURES FOR BILLING

1. Contractor shall submit all invoices for services to the State. Payment will be made from the State Auditor's appropriation.
2. Contractor may render monthly interim bills to the State until completion of the Work; provided that the aggregate amount of all bills shall not exceed the maximum compensation set forth in Section 3 below. The interim bills shall be promptly paid by the State except that the State reserves the right to withhold 10 percent of the total Contract amount until delivery and acceptance of the Audit Report. Release of the Audit Report by the Legislative Audit Committee constitutes acceptance of the Audit Report.
3. Total maximum compensation for the Work shall be \$XXX,XXX, with estimated funding split between fiscal years expected to be:

	<u>Total</u>	<u>Paid From State's Budget Period</u>	
		<u>2016-2017</u>	<u>2017-2018</u>
<u>Name of Audited Agency</u>			
Financial and compliance audit	\$xxx,xxx	\$xxx,xxx	\$xxx,xxx
<u>Other Itemized Costs</u>			
<u>Single Audit Programs:</u>			
<u>Name of Program</u>	\$ x,xxx	\$ x,xxx	\$ x,xxx
Total Fee	<u>\$xxx,xxx</u>	<u>\$xxx,xxx</u>	<u>\$xxx,xxx</u>

4. The State shall not be required to provide staff time in connection with the audit of the Audited Agency, except that State shall assign one (1) member of the State staff to serve as audit coordinator between the State and Contractor. The State contract monitor shall attend various meetings as necessary, such as entrance and exit conferences, and the brainstorming meeting, and act as a liaison to Contractor. In accordance with §10, §17C, and §18 of the Contract, all requests for Work Product or work papers pursuant to the Colorado Open Records Act or news media inquiries pertaining to the engagement shall be forwarded immediately to the State contract monitor.

29. EXHIBIT G - DEVELOPING AND PRESENTING AUDIT FINDINGS

Developing and Presenting Audit Findings

An audit finding is a written explanation of the information developed during the audit engagement concerning errors, omissions, weaknesses, or areas for improvement. It is the source from which all audit recommendations flow. Audit findings have certain common elements. The five elements of an audit finding are criteria, condition, cause, effect, and recommendation.

Title of Finding

Provide brief background information about the program in one or two paragraphs. Do not include criteria, condition, cause, or effect in this background section.

What was the purpose of our audit work and what work was performed?

Describe the purpose of the audit work in one sentence. (i.e., “The purpose of the audit work was to XXXX.”)

Briefly describe the audit testwork that was performed using bullets and/or one to two paragraphs. (i.e., describe the data and documents reviewed, individuals interviewed, and the sample selected and sample methodology).

How were the results of the audit work measured? (*Criteria*)

The criteria are the standards against which the condition is measured. They are standards used by the auditors to evaluate a particular event or process and describe “what should be.” Some examples of criteria include:

- Colorado Constitution
- Colorado Revised Statutes
- Colorado state agency rules and regulations
- federal laws and regulations
- State Fiscal Rules and Fiscal Procedures Manual
- Generally Accepted Accounting Principles
- program-specific written policies and procedures
- program-specific written goals and objectives
- good business practices
- unwritten policies, procedures, goals, and objectives as explained by the Audited Agency’s personnel

If the criteria are not already set forth in writing, it may be necessary to find information to serve as evidence of criteria. When common sense or expert opinion is used as criteria, the development of the finding must be logical and convincing to the reader, who may not possess the same level of expertise. This is also important because such criteria are less authoritative than other types of criteria.

This section should briefly describe the criteria of the finding. Strive to provide the essential information in one or two short paragraphs, bullets, or in a table.

What problem(s) did the audit work identify? (*Condition*)

The first step in developing a finding is to identify the statement of condition. This occurs during the “fact-finding” process when the Contractor’s audit staff (“auditors”) compares “what is” with “what should be.” When there is a difference between “what is happening” with “what should be happening,” the first element (condition) of an audit finding is identified. The condition should be a factual statement of what was found and be free of value judgments.

This section should describe the overall problem (the condition of the finding) in one or two sentences. Then provide specific examples that support the condition (e.g., exceptions identified during the audit test work). Use bullets and tables to describe the types of exceptions identified.

Why did this/these problem(s) occur? (*Cause*)

The cause is the element of the audit finding which explains why the “condition” exists. The cause represents what must be corrected to prevent the recurrence of the existing condition. As such, auditors must correctly identify the cause before a proper course of action can be devised. Developing the cause frequently requires a fairly extensive analysis of the problem. Often, there are multiple factors causing the problem. The human behavior aspect, which increases the difficulty in identifying the proper cause, is always present. Nevertheless, auditors should make a reasonable effort to determine as closely as possible the real cause of the problem. Examples of cause include:

- negligence
- inadequate resources
- inadequate training
- poor communication
- inadequate guidelines or standards
- absence of good management techniques
- failure to follow established policies and procedures

This section should describe the cause of the finding in one or two paragraphs or in bullets that correspond to the bullets used in the condition section above.

Why do/does these/this problem(s) matter? (*Effect*)

The effect represents the end result of the activity being measured. It is the impact of the difference between the statement of condition and the criteria. The attention given to an audit finding depends largely upon its significance, and significance is judged by effect. What is the result if nothing is done about the problem identified? Auditors frequently use materiality to measure the potential significance of findings. The effect of an adverse audit finding is what motivates management to take needed action to correct the condition. When the effect is insignificant, audit staff should consider eliminating the finding from the report or grouping it with other minor findings. Some examples of effect include:

- violation of law or regulation
- noncompliance with legislative intent
- loss of potential income
- program goals and objectives not being met
- increased costs
- poor service quality

- inefficient service delivery
- increased risk of fraud and abuse
- reduced effectiveness

When determining the effect of an audit finding, auditors should look at outcomes such as impacts on citizens, services, or public safety. In addition, the fiscal impact of the finding (e.g., increase or decrease in revenue or costs) should be quantified where possible. The estimated fiscal impact should be discussed with the Audited Agency and reported as an estimate (e.g., we estimate this change will eliminate one administrative support position with an estimated annual cost of \$26,000).

This section should describe the effect of the finding in one or two paragraphs or bullets. Quantify the effect to the extent possible.

Recommendation No. X:

The recommendation is the action believed necessary to correct the adverse situation. Generally, each finding will result in one or more recommendations. The following are guidelines for developing recommendations:

- Write recommendations that address or solve the “cause” of the problem.
- Write recommendations as realistically and specifically as possible so they are more likely to be understood by and prove useful to the Audited Agency.
- Present recommendations in a constructive tone and emphasize improvement rather than criticism of past activities. Auditors should keep in mind that their objective is to motivate the Audited Agency to take action. This can best be done by avoiding language that unnecessarily generates defensiveness and opposition.
- Write your recommendation so that it can be understood by itself (e.g., the reader will not have to refer to the finding to understand the recommendation).
- Avoid introducing new information in the recommendation that was not presented in the body of the finding. The recommendation should follow logically from what was presented in the finding.
- Avoid extreme language such as “immediately,” “without delay,” or “as soon as possible.” These phrases do not add to the substance of the recommendation. In situations where there is an urgency to correct a problem, include in the recommendation the consequence of delay (e.g., continued loss or waste of money).

The Department of XXXX should XXXX by:

- a.
- b.

The written Audit Report, which contains all audit findings and recommendations, is issued to legislators and other state and federal officials who have limited time to read reports. Therefore, the Contractor should present findings as concisely as possible, but with enough clarity to be understood by the reader. In addition to being clear and concise, audit findings should be logical, convincing, and constructive. The findings should be presented in a way that will convince the reader of their significance and motivate the Audited Agency to take action. This is accomplished by clearly presenting the five elements of an audit finding—criteria, condition, cause, effect, and recommendation.

For additional guidance regarding developing audit findings, please consult Chapter 4 - Standards for Financial Audits in *Government Auditing Standards: 2011 Revision* issued by the U.S. Comptroller General, which is available online at <http://www.gao.gov/govaud/ybk01.htm>.

30. EXHIBIT H - REPORTING REQUIREMENTS AND FORMAT FOR SEPARATELY ISSUED REPORTS

The final written Audit Report is required at the completion of the audit work. This Report will contain findings, conclusions, and results from the audit. It will also provide recommendations for changes or modifications to improve the efficiency and effectiveness of the Audited Agency. Contractor shall deliver to the state up to 100 copies of the bound report. The exact number of copies will be determined by the State at the time of report finalization. Contractor shall also deliver to the State an electronic copy of the Audit Report in unprotected Adobe PDF format or other format prescribed by the State.

The final Audit Report is due **September 29, 2017** and will be prepared in the format delineated below.

REQUIRED REPORTING FORMAT

1. Addressee of Report

Each Audit Report should be addressed to "Members of the Legislative Audit Committee."

2. Report Format

Contractor's Audit Report will include all of the following sections bound together as a single report. Acceptable binding formats are limited to spiral, comb, or glued bindings; 3-ring bindings are not acceptable.

Major sections of the Audit Report and their required order within the report are:

- Title Cover and Distribution Page
- Table of Contents
- Report Summary
- Recommendation Locator
- Description of the Audited Agency
- Findings and Recommendations (Including Audited Agency Responses and Schedule of Questioned Costs, if applicable)
- Disposition of Prior Audit Recommendations (and Resolution Status of Questioned Costs, if applicable)
- Auditors' Report on Financial Statements
- Financial Statements
- Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an audit of basic financial statements performed in accordance with "Government Auditing Standards"
- Additional Information for Single Audit (if applicable)

a. Title Cover and Distribution Page

The report cover should include the title of the audit and the periods covered. The distribution page is the opposite side of the report cover. It contains information on how to obtain both electronic and bound versions of the report. The distribution page should include the State Audit Report number. Contractor must contact the State for specific requirements of the distribution page before printing the report.

b. Table of Contents

This page is an index to the report, by topic and page number.

c. Report Summary

The summary is a 3 to 5 page overview of the important comments in the report. The following format is to be used for the report summary:

Authority and Purpose/Scope of Audit
Summary of Major Audit Findings and Recommendations (including type of audit opinion)
Summary of the Audited Agency's responses to recommendations contained in the summary
Summary of Progress in Implementing Prior Audit Recommendations

d. Recommendation Locator

The following format should be used:

Recommendation number
Page number (of recommendation)
Recommendation Summary
Audited Agency's Response (agree, disagree, etc.)
Implementation Date

e. Description of the Audited Agency

The enabling legislation should be cited and the purpose and function of the Audited Agency clearly set forth.

f. Findings and Recommendations

The report must contain this section reporting the auditor's findings and recommendations relative to operating weaknesses, violations of law, compliance with applicable statutes and regulations, and adherence to generally accepted accounting principles and sound business practices.

The findings and recommendations included in the report should contain sufficient background to inform a lay reader of the facts and circumstances surrounding the finding. In addition, the finding should identify and emphasize the business effects resulting from the deficiency or instance of non-compliance. Finally, recommendations should focus on workable solutions which the Audited Agency can effectively implement.

Audit recommendations are presented after the development section for each audit finding. Recommendations must be separately stated from the discussion of the audit finding. Recommendations are consecutively numbered in the report, (i.e., 1, 2, 3, 4, etc).

g. Audited Agency Response

The Audited Agency's officials will be given the opportunity to include the Audited Agency's position regarding audit findings and recommendations in the report text. The State will provide the parameters for the Audited Agency's response; this could include a limit on the number of words or characters, which the Contractor will communicate to the Audited Agency when requesting their response. The Audited Agency's response will be included in the report after

each recommendation. However, if a statement of the Audited Agency's position is not provided within ten working days following receipt of the final draft copy, Contractor should advise the State Auditor to determine if the report should be processed without the Audited Agency's response. The Contractor is responsible for reviewing the Audited Agency's response for accuracy, responsiveness to the recommendation, and adherence to the State's established parameters. This review should include working with the Audited Agency to ensure the response meets State requirements and is approved for inclusion in the final Report. For any "Partially Agree" or "Disagree" response, the contractor shall prepare an Auditor's Addendum as a rebuttal to the Audited Agency's response. The language for all Auditor's Addenda must be reviewed and approved by the State.

h. Disposition of Prior Audit Recommendations

The Audited Agency's progress in implementing prior audit recommendations is reported in this section. The disposition of prior period recommendations is classified in this section as either: implemented, partially implemented, not implemented, deferred, or no longer applicable.

i. Resolution Status of Questioned Costs (As Applicable)

According to the Single Audit Act Amendments, the resolution of questioned costs is the responsibility of the recipient and the related federal agency. The Amendments also state that resolution shall be made within six months after receipt of the Audit Report by the federal agency.

The status of questioned costs can be reported as part of the disposition of prior year audit recommendations or addressed in a separate section of the Audit Report.

j. Financial Statements

Financial statements should follow reporting requirements applicable for the audit entity as required by the Financial Accounting Standards Board, or the Governmental Accounting Standards Board. The financial statements shall be reconciled to the final trial balance for each fund as shown by GOCO's financial records. Contractor will determine that the reconciliation prepared by the Audited Agency is correct and any adjustments have been approved by the GOCO's management in accordance with the GOCO's policies and procedures.

k. Additional Information for Single Audit (As Applicable)

For findings related to federal expenditures, the finding must be written in accordance with federal uniform grant guidance, which will include identification of applicable federal compliance requirements by finding, contact name, and federal agencies to which each finding relates.

l. State Format

The report shall be prepared using the State format to the extent possible.

3. Single Report

Contractor's Audit Report will include all of the aforementioned sections bound together as a single report. Contractor may issue separate reports for financial statements and management comments.

