

# REQUEST FOR PROPOSAL

R-218-E-12

Proposals for an **Independent Auditor** will be received by the Billings Elementary School District #2 and the Billings High School District of Yellowstone County, until 1:00 p.m., Tuesday, May 22, 2012.

Details and specifications may be obtained from the Business Department, School District #2, 415 North 30<sup>th</sup> Street, Billings, Montana, 59101. Proposals must be received prior to proposal opening time. Late proposals will not be accepted.

The Board of Trustees reserves the right to reject any and all proposals, and to award the contract to the organization considered to be best suited to the needs of the School District, and to waive informalities. All proposals will be considered at time of opening. The Business Department reserves the right to contact providers for clarification or additional information. **ALL COMMUNICATION REGARDING THIS RFP MUST BE DIRECTED TO PATRICIA HUBBARD IN THE BUSINESS DEPARTMENT OF BILLINGS PUBLIC SCHOOLS AT (406) 281-5017.**

Teresa Stroebe  
Chairperson

ATTEST: Leo Hudetz  
May 1<sup>st</sup> and May 6<sup>th</sup>

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## 1.0 INTRODUCTION

April 30, 2012

To Whom It May Concern:

Billings Public Schools is enclosing a Proposal for an Independent Auditor.

All responses to this Proposal are due by Tuesday, May 22, 2012.

The Billings Public Schools thanks you in advance for your interest and response.

If you have any questions, please contact me at (406) 281-5017

Sincerely,

*Patricia Hubbard*

Patricia Hubbard  
Director of Business Services

## **SCHEDULE OF EVENTS**

<b>Task Description</b>	<b>Completion Date</b>
Issue Proposal	4/30/2012
Last Day for Vendor Questions	5/15/2012
Proposal Due by 1:00 p.m.	5/22/2012
Evaluations of Vendors	5/22/2012
Complete Reference Check	After 5/22/2012
Select apparent successful Vendor	After Evaluation

## **2.0 PROPOSAL REQUIREMENTS**

The District Business Director, 415 North 30<sup>th</sup> Street Room 210, Billings, Montana 59101, must receive sealed Proposals by 1:00 p.m. of the date and time listed in the cover letter. Proposals must meet all specifications and requirements or they will not be considered.

### **2.1 PRE-PROPOSAL MEETING**

In lieu of a pre-proposal conference, District Director of Business Services, Patricia Hubbard will answer written or faxed questions that are received by Tuesday, May 15, 2012.

Please call, write, fax or e-mail questions to:

Patricia Hubbard  
Director of Business Services  
Billings Public Schools  
415 North 30<sup>th</sup> Street  
Billings, Montana 59101  
Phone (406) 281-5017  
Fax (406) 281-6179  
e-mail [hubbardp@billingssschools.org](mailto:hubbardp@billingssschools.org)

### **2.2 PROPOSAL CHANGES OR AMENDMENTS**

The District may change the proposal as a result of questions submitted by vendors. The Director of Business Services will issue any attachment or revisions to the proposal to all vendors who have received the proposal.

### **2.3 PERIOD OF VALIDITY OF PROPOSAL**

The vendor must certify that its proposal will remain in effect for 45 days after the proposal due date.

## 2.4 QUANTITY

The District reserves the right to purchase more or less quantity than originally listed or purchase additional equipment up to 45 days. If this requirement cannot be met, please specify allowance date.

## 2.5 PROPOSAL COORDINATOR

Upon release of this Proposal, all communications concerning this acquisition must be directed to the District Director of Business Services or her representative. The address and telephone number is:

Patricia Hubbard  
Billings Public Schools  
415 North 30<sup>th</sup> Street  
Billings, Montana 59101  
Phone (406) 281-5017  
Fax (406) 281-6179

Failure to observe this requirement may result in the disqualification of the vendor from further consideration.

## 2.6 PROPOSAL RESPONSE DATE AND LOCATION

The District Director of Business Services, 415 North 30<sup>th</sup> Street Room 210, Billings, Montana 59101, must receive sealed Proposals by 1:00 p.m. of the date and time listed in the cover letter. Proposals arriving after the deadline will be returned unopened. Vendors are solely responsible for insuring that Proposals are delivered on time to the Business Department. **Please submit 5 copies of your proposal.**

**NOTICE:** The District assumes no responsibility for delays caused by the U.S. Postal Service or any other delivery service. Late Proposals will not be accepted, nor will additional time be granted to individual vendors unless the District extends the required submittal date to all vendors.

Proposals must address all requirements in the Proposal. Failure to do so may result in the Proposal being rejected as non-responsive.

## **2.7 COST OF PREPARING PROPOSAL**

The District will not be liable for costs incurred by vendors in preparation and presentation of Proposals submitted in response to this Proposal or in the participation of demonstration.

## **2.8 ERRORS IN PROPOSAL**

Vendors are responsible for errors and omissions in the Proposal and any such errors and omissions will not serve to diminish their obligation to the District.

## **2.9 MULTIPLE PROPOSALS**

Vendors may submit more than one Proposal in response to this Proposal. However, each Proposal must be a separate, complete package, which can be considered independently of any other Proposals from the same Vendor.

## **2.10 CLARIFICATION OF PROPOSALS**

The District reserves the right to obtain clarification of any point in a Vendor's Proposal or to obtain additional information necessary to properly evaluate a Proposal. Failure of a Vendor to respond to such a request for additional information or clarification may result in rejection of the Vendor's Proposal.

Such requests for clarification shall be made at the sole discretion of the District, and the District's retention of this right shall in no way reduce the responsibility of Vendors to submit complete, accurate and clear Proposals.

## **2.11 REJECTION OF PROPOSALS**

The District reserves the right to reject any or all Proposals at any time with no penalty and to waive immaterial defects and minor irregularities in Proposals.

If it is determined that a person or firm has used inside information in submitting a proposal in response to this proposal, then the proposal will be rejected.

## **2.12 PROPOSAL DISPOSITION**

All materials submitted in response to the proposal, except for proprietary material become the property of the District upon delivery to the Director of Business Services.

## **2.13 INCORPORATION OF PROPOSAL AND PROPOSAL IN CONTRACT**

This Proposal and the Vendor's response, including all promises, warranties, commitments and representations made in the successful proposal shall be binding and incorporated by reference in the District's contract with the Vendor.

## **2.14 READABILITY**

Vendors are advised that the District's ability to conduct a thorough evaluation of Proposals is dependent on the Vendor's ability and willingness to submit Proposals, which are well ordered, detailed, comprehensive, and readable. Clarity of language and adequate, accessible documentation is essential, and is the Vendor's responsibility.

## **2.15 PRIME CONTRACT RESPONSIBILITY**

If a Vendor's Proposal includes hardware, software, or services to be provided by other entities, it is mandatory for the proposing Vendor to be able to act as prime contractor for the procurement of all of the products proposed to meet the mandatory specifications. In this role, the prime contractor must be the sole point of contact for any and all charges resulting from the purchase of the proposed hardware, software, and services for the initial procurement, as well as any additional items that are proposed to be supplied directly by the Vendor. The primary Vendor must take full responsibility for the demonstration, delivery, and acceptance testing of all of the items proposed to be supplied directly by the Vendor.



The prime contractor must also provide maintenance and warranty for its products and pass through warranties of other Vendors.

The Vendor's Proposal must clearly indicate the hardware, software, or services, which are not marketed or maintained by his/her firm.

## **2.16 CERTIFICATION OF PROPOSAL**

The submission of the proposal shall indicate the intention of the Vendor to adhere to the provisions described in this proposal.

## **2.17 WITHDRAWAL OF PROPOSALS**

Vendors may withdraw their proposals in person or in writing, provided that such request must be received by the District prior to the scheduled closing time for filing proposals.

## **2.18 FINANCIAL REQUIREMENT**

Each Vendor's financial proposal must include all costs associated with delivering and installing a system that meets the specifications of Section 3.0. Any other costs beyond those associated with meeting the specifications in Section 3.0 must be separately identified as supplemental. Each Vendor's financial proposal must certify that the price submitted in this Proposal is inclusive of all hardware, software, delivery, installation, maintenance, training, service, and any other components.

Vendors may propose prices for future purchases of components that remain constant for the term of the contract or proposed prices, which increase over time. If the proposed prices are related to a percentage increase or decrease from a price list published by the Vendor, the price list must be included and the Vendor must describe the number and names of different price lists that are published.

## **2.19 PROTEST**

All questions, inquiries and protests must be submitted to the Business Department in writing within 72 hours after award of proposal. Upon receipt of the protest, the Business Department Director shall suspend award of the proposal until the protest is resolved. The Business Department will gather all necessary information regarding proposal documentation. The Superintendent or designee will evaluate the protest. If such resolution does not occur to the mutual satisfactions of all parties involved, the Board will decide final action in awarding the dispute.

## **2.20 SPECIFICATIONS**

Only the District may determine what product is best suited and meets specifications outlined in this Proposal. Items that do not meet specifications will be rejected.

## **2.21 FREIGHT**

All prices should be quoted F.O.B. our dock, Billings, Montana.

## **2.22 INSURANCE**

Upon request, School District #2 may require proof of insurance that is required by State Law.

## **2.23 DEBARMENT/EXCLUDED PARTIES LIST SYSTEM (EPLS)**

The information below is from the 2010 Compliance Supplement - Part 3 - Requirement - Procurement/Suspension/Debarment:

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification will be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA). (2 CRF Section 180.300)

## 2.23 VENDOR AUTHORIZATION

Vendor Name \_\_\_\_\_

Vendor Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Vendor Phone Number \_\_\_\_\_

Vendor Fax Number \_\_\_\_\_

Internet Address \_\_\_\_\_

TAX ID # \_\_\_\_\_

Authorized Signature \_\_\_\_\_

Email Address \_\_\_\_\_

### 3.0 SPECIFICATIONS

School District No. 2  
Yellowstone County

#### Request for Proposal

##### I. Introduction

###### General Information

School District No. 2 is requesting proposals from qualified firms of Certified Public Accountants to **audit its financial statements for three subsequent fiscal years; for the fiscal year ending June 30, 2012, June 30, 2013 and June 30, 2014.** These audits are to be performed in accordance with Generally Accepted Auditing Standards (GAAS) set forth by the American Institute of Certified Public Accountants, Governmental Auditing Standards issued by the Comptroller General of the United States, Single Audit Act as prescribed in OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, the Department of Commerce standard audit contract for audits of local governments, and rules established by the State Office of Public Instruction and by the State of Montana, Department of Commerce, Local Government Services Audit Bureau. (AS APPLICABLE).

There is no expressed or implied obligation for School District No. 2 to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

To be considered, **five copies** of the proposal must be received by Patricia Hubbard, Director of Business Services, 415 North 30<sup>th</sup> Street Room 210, Billings, Montana 59101 by 1:00 p.m. on Tuesday, May 22, 2012. School District No. 2 reserves the right to reject any or all proposals submitted. Proposals submitted will be evaluated by the District Audit Committee according to the criteria contained in part VII.

##### II. Time-Lines for Completion of Audit

The Audit shall be conducted in September of the year following the end of the District's fiscal year and completed no later than November of the same year. Please state starting date of beginning Audit Process.

An audit report shall be issued within 90 days of the completion of the audit.

It is required that an exit conference be conducted prior to the issuance of the final audit report and recommendations.

III. Method and Timing of Payment

Payments will be made on a schedule to be agreed to by parties at the time the audit contract is signed. Ten percent of the contract price will be retained until the final audit report is delivered to the district Superintendent.

IV. Staff Assistance Available

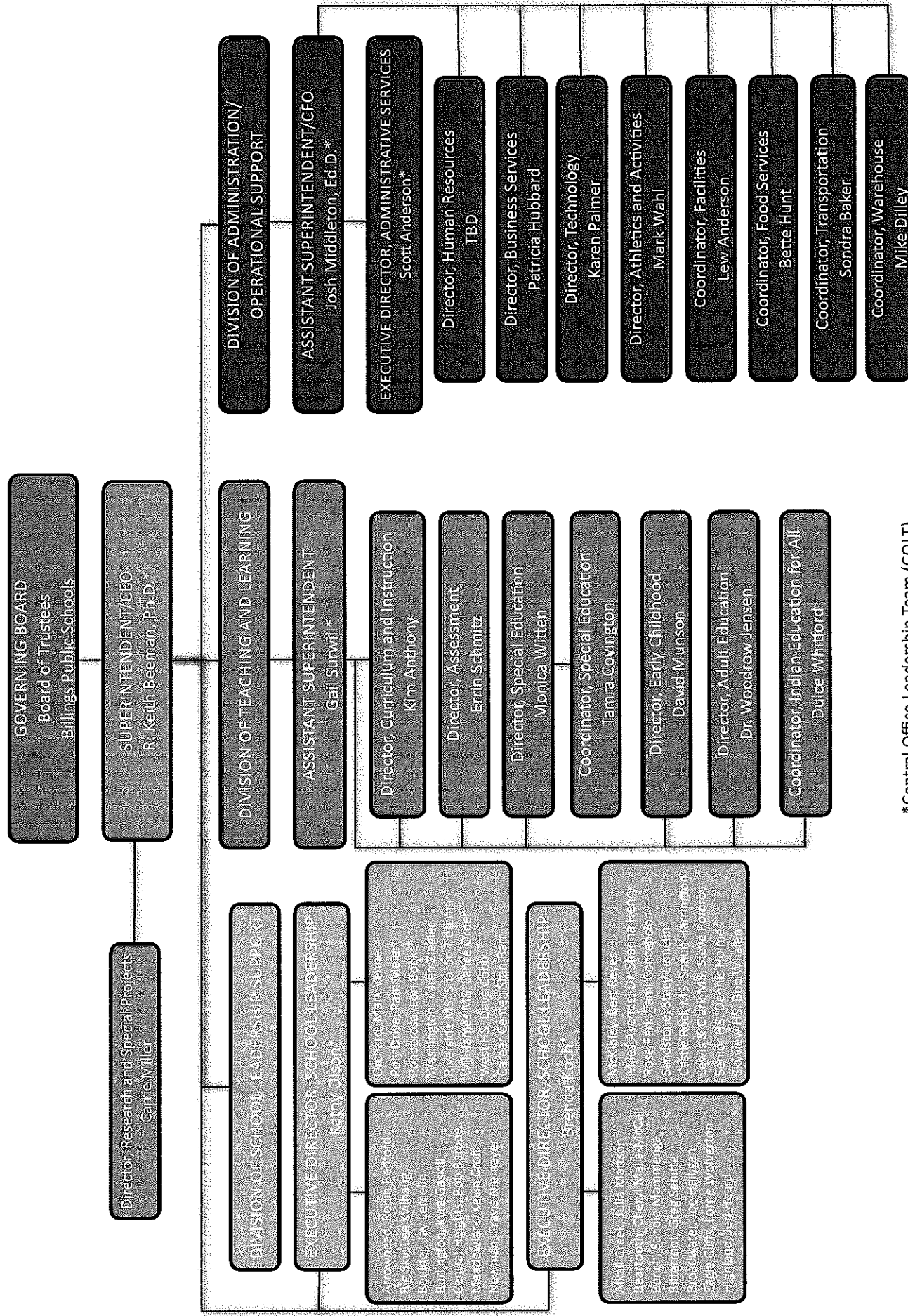
Photocopies will be provided as needed by staff.

V. Description of Organization

School District No. 2 and B consists of two separate legal entities - The Elementary and High School Districts. Separate records are maintained for each District. The District utilizes the modified accrual basis of accounting for the audit period. The Trustees' Financial summary will be prepared in accordance to State of Montana requirements for each fiscal year. School District No. 2 is a class I School District with Elementary (District No. 2) A N B of 10,839 in grades K-8 and High School (District No. 2) A N B of 5,312 in grades 9-12.

AN ORGANIZATION CHART (See Exhibit #1)

The District utilizes a centralized approach for budget development and purchasing. The Business Office consists of one Business Manager, Controller, Purchasing Director and a part-time Clerk Internal Auditor. The Student Activity Fund is maintained by the Business Manager.



\* Central Office Leadership Team (COLT)

## VI. Audit Committee Charter

The Audit Committee oversees the Independent Auditing Process. The following is an overview of the Audit Committee and Responsibilities.

Billings Public Schools  
**AUDIT COMMITTEE CHARTER**

The Primary responsibility of the Audit Committee of the Board of Trustees is to assist the Board in fulfilling its oversight responsibilities. This includes:

- Review of the District's financial reporting process and internal control system.
- Review of the audit processes of the District's independent auditors and internal finance department.
- Provide an avenue of communication among the District's independent auditors, financial and senior management staff and the Board of Trustees.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the District's financial statements are complete and accurate and in accordance with applicable standards. This is the responsibility of the internal finance department and the independent auditors.

The Audit Committee shall consist of three trustees and three members of the public. The Chairman of the Audit Committee shall be a member of the public. A quorum shall consist of a majority of Audit Committee members. Each member shall be free of any relationship that, in the judgment of the Board of Trustees, would interfere with the exercise of his or her independent judgment. The members of the Committee shall also, in the judgment of the Board, have appropriate background in finances and accounting procedures.

In fulfilling its responsibilities, the Committee shall:

1. Review this Charter on an annual basis and update it as conditions dictate.
2. Affirm annually that all members of the Audit Committee meet the standards for independence as set forth by the District and have the appropriate background in finances and accounting procedures.

**Independence Standards to Consider:**

Committee members must possess an independence of mental attitude and an earnest desire to act as a positive force in fulfilling their responsibilities to the Board. The members of the Audit Committee must collectively possess knowledge in accounting, auditing, financial reporting, and school district finances. The following individuals cannot serve on the Audit Committee:

- a) Anyone who within the last two years has been an employee of the School District or sold goods or services to the School District.
- b) Anyone who owns or has a direct and material interest in a company, or who holds a leadership position in an entity, which provides substantial goods or services to the School District.



- c) Anyone who has participated in litigation or other legal matters against the School District.
  - d) A close or immediate family member of anyone who would be prohibited from serving under (a) – (c). The term “close or immediate family member” includes parent, sibling, nondependent child, spouse, spouse equivalent, or dependent, whether or not related.
  - e) An individual who would otherwise be excluded may serve if, after full disclosure to the Audit Committee and their recommendation to the Governing Board, the potential conflict of interest is not material and does not appear so from the public perspective.
  - f) Any member who develops a conflict of interest while on the Audit Committee must disclose such conflict. The other Committee members shall, by majority vote, make a recommendation to the Governing Board, which will decide whether to remove and replace the affected member.
3. Review with the internal finance department the District’s annual financial statements, including significant changes in accounting principles or their application.
  4. Review with the independent auditors their audit report on the annual financial statements, including the application of the District’s accounting principles; and, discuss with the auditors and management staff the quality of the District’s financial reports and application of accounting principles.
  5. Review with the independent auditors the adequacy of the District’s internal controls, including any significant findings and recommendations, together with management’s responses.
  6. Review any significant written communication between the independent auditors and management, such as any management letter or schedule of unadjusted differences.
  7. Based on the Committee’s review and discussion of the District’s annual financial statements with management and the independent auditor, recommend to the Board whether or not the annual financial statements should be accepted.
  8. With respect to the independent auditor’s audit of the District’s annual financial statements, discuss with the auditors those matters described in the Statement on Government Auditing Standards, as amended from time to time.
  9. Review the audit scope and plans of the independent auditors and the District’s finance department, and the coordination of their audit efforts.

10. Recommend to the Board the selection or replacement of the independent auditors taking into consideration independence and effectiveness. As part of such process, obtain from such auditors and discuss with them, the disclosures regarding their independence.
11. Review the fees paid to the independent auditors with respect to all services.
12. Review with management and the independent auditors the adequacy of the District's internal controls and management's responses with respect to recommendations for internal control improvements.
13. Review with the internal auditor the results of their reviews of (a) key employees' expense accounts and use of District assets; (b) key employee's compliance with the District's financial management policies; (c) any significant finding on internal audits during the year and managements responses thereto; and (d) whether any difficulties in were encountered in the course of the audit, such as restrictions on the scope or its work or access to required information.
14. Review procedures for the confidential, anonymous submission by District employees of concerns regarding questionable accounting or auditing matters.
15. Conduct meetings of the Audit Committee openly unless closure of the meeting is required to protect individual privacy rights.
16. Report Committee actions to the Board of Trustees with such recommendations as the Committee deems appropriate.
17. Report to the School Board and the community the results of the Committee's work.
18. Consider such other matters with respect to the District's financial affairs, internal controls, and internal and external audits as the Board of Trustees may deem advisable.

School District No. 2 and B  
Yellowstone County

Payroll

1. Payroll expenditures for calendar year (Gross) 82,307,548
2. W-2's Distributed for calendar year 2,740
3. Employees are categorized as follows:
  - a. Certified - 1,103.7
  - b. Classified – 374.6 BCEA + 150 MPEA & 114 Misc. = Total 638.6
  - c. Administrative – 66.7 + 9.5 Contract
4. Employee Benefits:
  - a. Health insurance, for all full-time employees. (employees over .50 fte)
  - b. FICA, Teachers Retirement, Public Employees Retirement, Worker's Compensation, Unemployment, and Disability Insurance.

Prior years' audit reports are on file and available for review by bidders.

## VI. Information to Include With Proposals

Include number of hours proposed at each level of audit and review and names of those who are expected to be assigned to the audit, their qualifications and experience in governmental accounting and auditing. Describe general direction and supervision to be exercised over the audit team by the firm's management personnel.

Other governments to whom you have provided auditing services.

Copy of external quality control review report as required by the 1994 Yellow Book revision.

Approach and procedures that will be used on the audit.

Any additional services that will be included in the bid which are not listed in the Request for Proposal.

Fees charged for each audit period. Fees charged for additional copies of the audit report over and above the agreed upon number of copies.

List of items needed for audit and when they should be available.

## VII. Criteria for Evaluation of Proposals

1. Mandatory Qualifications of Auditor
  - a. The auditor is currently listed on the Department of Commerce's roster of independent auditors authorized to conduct local government audits;
  - b. The auditor holds a current Montana certificate as a certified public accountant and a current annual permit to engage in the practice of public accounting under section 37-50-314;
  - c. The respondent meets the requirements as set forth in the Standard Audit Contract of the Montana Department of Commerce;
  - d. The auditor does not have a record of substandard work, which can be determined by communicating with the state licensing authority.
2. Mandatory Specifications that are expected to be performed by the Auditor selected. Accounting, payroll, accounts payable are all administered through the central administration business office. Accounting and payroll software is by Sungard Bi-Tech. GASB 34 implementation is for the current fiscal year ending June 30, 2012.

The audit will be conducted in accordance with:

- Generally Accepted Auditing Standards (GAAS) set forth by the American Institute of Certified Public Accountants.
- Governmental Auditing Standards issued by the Comptroller General of the United States.
- Single Audit Act as prescribed in OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
- Applicable state and federal regulations.
- State of Montana Department of Commerce.

- a. The financial, compliance, and management audit shall include:
  - An examination and financial reports of District financial records of all funds and account groups.
  - An evaluation of and report concerning internal control procedures at the central business office and at sites where receipts are collected.
  - An evaluation of financial operations and procedures, and a management letter identifying areas that need improvement for operational effectiveness and efficiency.
  - Any other financial or compliance audit letters or forms required by state or federal agencies
  - Cost estimates for providing, as a separate service, multi-year, comparative financial statements
- b. List reports and accounting records required of District personnel and the approximate time demand on District personnel for this work.
- c. List the estimated days necessary to conduct and prepare the audit and the estimated days to be spent on-site. Field work is to **begin** between August 19, 2012 and September 30, 2012.
- d. The auditor may be required to provide consulting services throughout the year or years under contract. Therefore the cost estimate for the audit contract should allow for a reasonable amount of audit-related consultation. Indicate under what circumstances and at what cost additional consultation fees might be charged.
- e. The auditor will review the audit plan with the Audit Committee and the central business office personnel prior to commencement of the audit.
- f. Proposals should include fees for a three-year auditing contract.
- g. A draft of the audit report will be presented to the Audit Committee, the district business staff, and the Superintendent at the conclusion of the audit on or about October 31, 2012. All findings will be discussed at the exit conference.
- h. The auditor will formally present the final audit report to the Board of Trustees at a regular board meeting following the conclusion of the audit.

### 3. Auditor Qualifications

- a. Briefly describe your firm's qualifications and experience auditing governmental units and school districts. Provide a list of recent governmental and school district audits performed, including contact persons and telephone numbers. Provide three references from school districts your firm has audited.
- b. Describe your ability to provide useful management audit-related consulting services.
- c. Describe your firm's technical review process of the audit report prior to issuance to help ensure compliance with your firm's and AICPA's policies.
- d. Indicate the date of your last peer review and the results of that review addressing governmental audits within the last three years. Show that audit personnel meet "yellow book" education requirements.
- e. List key personnel who will be participating in the audit, their position in the firm, education, certifications, qualifications, and a brief description of their governmental accounting and auditing training, and their experience regarding school district audits.

Note: Eide Bailly LLP performed the audit for fiscal years ending June 30, 2009, 2010 and 2011; a copy of these audit reports will be furnished upon request from Patricia Hubbard, Director of Business Services, central administration office. It is the responsibility of firms who wish to submit proposals to observe, investigate, and gain needed information on the school district on their own time and at their own expense. Provisions can be made for a personal visit by contacting Patricia Hubbard at 406-281-5017.

School District #2 reserves the right:

- a. To accept or reject any or all items, parts, sections, or proposals of this bid;
- b. To waive any informalities or irregularities;
- c. To let the proposal in any manner that best serves the District in securing this professional service;
- d. To not be bound to accepting the low proposal, but rather the proposal it feels will be the best interest of the District.

School District #2 is an equal opportunity employer and all awards will be governed by the Equal Opportunity clause.

2.0 Technical Criteria:

- a. Responsiveness of the proposal in clearly stating and understanding of the work to be performed.

1. Comprehensiveness of audit work plan.

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2. Realistic time estimates of each major segment of the work plan and the estimated number of hours for each staff level including consultants assigned.

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- b. Technical experience of the firms

1. Auditing the type of entity under consideration

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2. Auditing similar entities

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DEPARTMENT OF ADMINISTRATION

Public Accountant

Standard Audit Engagement Proposal

To Firm/Practitioner:

Once completed and returned, this audit engagement proposal becomes the primary basis for the evaluation and selection of the firm or practitioner to perform the audit engagement of:

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The audit engagement will be governed by the rules established by the Department of Commerce and by the terms and conditions contained in the department's standard audit contract.

\_\_\_\_\_  
Date of Proposal

\_\_\_\_\_  
Name of Firm/Practitioner

\_\_\_\_\_  
Signature of Firm/Practitioner Representative

## PART A - RESUME

1. Name of Firm, Practitioner \_\_\_\_\_
2. Office Location \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

3. Year Firm/Practitioner Established: \_\_\_\_\_

	Number			
	Total	CPA	LPA	Other
a. Partner/Owner	_____			
b. Manager	_____			
c. Supervisors	_____			
d. Senior	_____			
e. Assistants	_____			

Total Full-Time Professional Staff \_\_\_\_\_

5. Type/Name of Services Provided by Firm:    Approximate Percentage

a. Auditing	_____
b. Tax	_____
c. Write-Up	_____
d. Management Services	_____
e. Other (Explain if material)	_____
Total	<u>100%</u>

6. Type/Nature of Auditing Experience: Approximate Percentage

a. Local Government	_____
b. Government - Other	_____
c. Financial Institutions	_____
d. Non-Profit Organizations	_____
e. Manufacturing and Industrial	_____
f. Retail Enterprises	_____
Total	<u>100%</u>

7. Specific Governmental/Private Auditing Experience:  
 (List three recent engagements that might illustrate your ability to undertake this engagement)



Client Name	Date & Operator
_____	_____
_____	_____
_____	_____
_____	_____

8. Is any member of your firm involved contractually with the entity encompassed by the proposed engagement: Yes \_\_\_\_\_ No \_\_\_\_\_
  
9. In your opinion, would acceptance of this engagement result in a compromise of your independence under the Code of Professional Ethics insofar as the relationship between your clients and the entity is concerned?  
Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, you should explain on a separate sheet the nature and extent to which you believe a compromise would result.

## PART B - PERSONNEL COMMITMENT

1. Number level of personnel and percent of time which would be committed to this engagement

<u>Level</u>	<u>CPA, LPA, Etc</u>	<u>Number</u>	<u>Percent of Proposed Time Budget</u>
a. Partner/Owner	_____	_____	_____
b. Manager	_____	_____	_____
c. Supervisor	_____	_____	_____
d. Senior	_____	_____	_____
e. Assistant	_____	_____	_____
f. Other - Consultants, Subcontractors etc.	_____	_____	_____

2. Personnel: Provide the names and background of personnel who would be committed to this assignment. Complete the following for all partners, managers, supervisors, and seniors who would be committed to participate in the engagement. Use additional sheets if necessary.

A. Position: \_\_\_\_\_

a. Name \_\_\_\_\_

b. Current Position with Firm: \_\_\_\_\_

c. Number of Years Experience: with firm \_\_\_\_\_  
auditing \_\_\_\_\_

a. Type of experience that could be particularly relevant to this engagement: \_\_\_\_\_

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

B. Position \_\_\_\_\_

a. Name: \_\_\_\_\_

b. Current Position with Firm: \_\_\_\_\_

c. Number of Years Experience with firm \_\_\_\_\_  
auditing \_\_\_\_\_

d. Type of experience which would be particularly relevant to this engagement: \_\_\_\_\_

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

C. Position: \_\_\_\_\_

a. Name: \_\_\_\_\_

b. Current Position with Firm: \_\_\_\_\_

c. Number of Years Experience: with Firm: \_\_\_\_\_  
auditing: \_\_\_\_\_

d. Type of experience which would be particularly relevant to this  
engagement:

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### PART C - USE OF CONSULTANTS

1. Provide the name(s) of all consultants, experts or subcontractors, which would be engaged by the firm for this engagement. Describe the consultant's expertise and application to the engagement.

- A.
  1. Name: \_\_\_\_\_
  2. Area of Expertise: \_\_\_\_\_
  3. Proposed Fee: \_\_\_\_\_
  4. Application to this engagement: \_\_\_\_\_

- B.
  1. Name: \_\_\_\_\_
  2. Area of Expertise: \_\_\_\_\_
  3. Proposed Fee: \_\_\_\_\_
  4. Application to this engagement: \_\_\_\_\_

PART D - TIME AND PRICE PROPOSAL

1. Proposed Dates for Engagement: Date

- |  |       |
|--|-------|
| A. Conduct Entrance Conference           | _____ |
| B. Commence Audit Work                   | _____ |
| C. Complete Audit Work                   | _____ |
| D. Review Draft with Governing Body      | _____ |
| E. Conduct Exit Conference               | _____ |
| F. Submit Final Report to Governing Body | _____ |

2. Proposed Time and Price for Engagement:

A. Personnel Level: Man Hours x Rate per Hour Total

- |                  |       |       |       |
|------------------|-------|-------|-------|
| a. Partner/Owner | _____ | _____ | _____ |
| b. Manager       | _____ | _____ | _____ |
| c. Supervisor    | _____ | _____ | _____ |
| d. Senior        | _____ | _____ | _____ |
| e. Assistant     | _____ | _____ | _____ |
| f. ---           | _____ | _____ | _____ |
| g. ---           | _____ | _____ | _____ |

Proposed Man Hours \_\_\_\_\_

- |  |          |
|--|----------|
| B. Proposed Price for Audit Personnel                  | \$ _____ |
| C. Proposed Price for Travel                           | \$ _____ |
| D. Proposed Price for Typing, Clerical and Reproducing | \$ _____ |

3. GRAND TOTAL \$ \_\_\_\_\_

PART E - GENERAL

(To be used for additional information as may be required)

Has your firm prepared financial statements in compliance with national  
"Certificate of Excellence" program reporting formats?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, list governmental agencies:

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Percent of time allocated for the following purposes:

Financial Compliance/Reporting	_____
Internal Control	_____
Compliance with applicable statutes	_____
TOTAL	<u>100%</u>

PART F – AUDIT SERVICES

Date \_\_\_\_\_

CPA Firm name and address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Phone number \_\_\_\_\_

Authorized signature and title \_\_\_\_\_  
\_\_\_\_\_

**Three Year Total (Year 2012, 2013, 2014):**

**Maximum fee \$ \_\_\_\_\_ (Based upon a mutual agreement of both parties)**

For consulting services throughout the year:

(Classification of personnel providing consulting services and hourly rate beyond the base bid)

Classification \_\_\_\_\_ \$ \_\_\_\_\_

Classification \_\_\_\_\_ \$ \_\_\_\_\_

Classification \_\_\_\_\_ \$ \_\_\_\_\_

## 4.0 PROPOSAL EVALUATION

The Board of Trustees will award the contract resulting from this Request for Proposal to the bidder receiving the highest number of points as outlined in "VII Criteria for Evaluation of Proposals". The District reserves the right to reject any and or all Proposals at any time with no penalty and to waive immaterial defects and minor irregularities in Proposals and to award the contract to the organization considered to be best suited to the needs of the School District; and to waive informalities

The Board of Trustees will evaluate the proposals and make their selection based on several criteria that are noted below:

1.	Cost	40 Points
2.	Mandatory Specifications	15 Points
3.	Auditor Qualifications	15 Points
4.	Auditor references and past School Districts' audit experience	15 Points
5.	Ability and willingness to meet time requirements	15 Points
TOTAL		100 Points

Attached is a Standard Audit Contract which will need to be filled out the by successful vendor and School District No. 2 after award of contract.



DEPARTMENT OF ADMINISTRATION  
LOCAL GOVERNMENT SERVICES BUREAU  
STANDARD AUDIT CONTRACT

THIS CONTRACT is made this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between

\_\_\_\_\_  
(Certified or Licensed Public Accountant)

hereinafter referred to as the "Contractor",

\_\_\_\_\_  
(Governmental Entity)

hereinafter referred to as the "Entity", and the Montana Department of Administration, Local Government Services Bureau, hereinafter referred to as the "State", acting under the authority of Title 2, Chapter 7, Part 5, of the Montana Code Annotated. It is hereby agreed that:

1. This contract is not effective with respect to any party until it is approved and signed by the State, as required by Section 2-7-506(3), MCA. The Contractor may not begin any audit work until the State gives this approval. If the Contractor begins work before the State has approved the contract and the State subsequently does not approve the contract, the Contractor is not entitled to receive any compensation for the work performed.
2. The audit period or periods covered by this contract begins \_\_\_\_\_, 20\_\_\_\_ and ends \_\_\_\_\_, 20\_\_\_\_.
  - a. In consideration of the faithful performance of this contract, the Entity will pay the Contractor for the audit work on the basis of time and necessary out-of-pocket expenses, which will not exceed:  
  
\$ \_\_\_\_\_ for initial (or sole) audit covering \_\_\_\_/\_\_\_\_/\_\_\_\_ to \_\_\_\_/\_\_\_\_/\_\_\_\_.  
\$ \_\_\_\_\_ for subsequent audit covering \_\_\_\_/\_\_\_\_/\_\_\_\_ to \_\_\_\_/\_\_\_\_/\_\_\_\_.  
\$ \_\_\_\_\_ for subsequent audit covering \_\_\_\_/\_\_\_\_/\_\_\_\_ to \_\_\_\_/\_\_\_\_/\_\_\_\_.  
  
The fees are set out in detail in Appendices A, B & C, as applicable, which are attached hereto and by this reference made a part hereof.
  - b. Where the cost of any subsequent audit is not agreed upon at the time this contract is executed, the cost will be negotiated by the Contractor and the Entity. The results of this negotiation will be set forth in the Appendices and made a part of this contract. The Contractor will provide the State and the Entity with a copy of the appropriate Appendices.
  - c. The total cost of the Contract Audit does not include the cost of additional work that may be required in the event the Contractor discovers a defalcation or material irregularity. Any change in the scope of the audit services to be provided under this contract requires a contract amendment.

2. continued:

- d. The Contractor may submit interim bills to the Entity each month, based upon the estimated percentage of completion of the contract. The Entity may retain 10 percent of each of these estimates until the Contractor has delivered the final audit report, at which time the Entity will release the amount retained.

3. The Contractor will conduct a financial statement audit of the Entity:

- a. The audit will be made in accordance with generally accepted auditing standards adopted by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The objective of the audit is the expression of an opinion by the Contractor on the financial statements of the Entity. The Contractor will obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Accordingly, a material misstatement may remain undetected. Also, the audit will not be designed to detect error or fraud that is immaterial to the financial statements. If, for any reason, the Contractor is unable to complete the audit or is unable to form or has not formed an opinion, the Contractor may decline to express an opinion or decline to issue a report as a result of the engagement.
- b. The audit will include tests of internal control over financial reporting, but will not be designed to provide an opinion on internal control or to identify reportable conditions (or significant deficiencies, depending on the terminology appropriate to the professional standards in effect for the year(s) being audited). The Contractor, however, will be responsible for making the Entity aware, in writing, of any reportable conditions (or significant deficiencies) that come to the Contractor's attention.
- c. The audit will include tests of compliance and other matters as required by Government Auditing Standards, but will not be designed to provide an opinion on such compliance.
  - (1) The audit will include tests to determine whether the Entity has complied with all appropriate statutes and regulations, as required by Section 2-7-502, MCA.
  - (2) The audit will include tests to determine whether the Entity has complied with the provisions of each of its revenue bond ordinances and indenture agreements.
  - (3) If the audit is of a county, city or town, it will include tests to determine whether money is or has been retained in a local charge for services fund contrary to the requirements of Section 17-2-301 through 17-2-303, MCA, as required by Section 17-2-302, MCA. The Contractor will report any findings of noncompliance with the provisions of these statutes, regardless of materiality.
  - (4) If the audit is of a county or consolidated city/county government, the audit will include tests for compliance with state laws relating to receipts and disbursements of agency funds maintained by the Entity, as required by Section 2-7-505, MCA.
- d. When applicable, the audit will meet all requirements of the Federal Single Audit Act of 1984, as amended by the Single Audit Act Amendments of 1996 and OMB Circular A-133.

3. continued:

- e. The audit scope with regard to federal financial assistance for each fiscal year covered by this audit contract will be as specified in Appendices A, B and C, which are attached to this contract and by this reference made a part of this contract.
- f. For purposes of determining the scope of the audit, the Entity will be considered to be the financial reporting entity as defined by the Governmental Accounting Standards Board.
- g. The audit of any school district will also include:
  - (1) Tests to verify the accuracy of the school district's enrollment for the fiscal year or years being audited as reported to the Office of Public Instruction in the Fall and Spring enrollment reports.
  - (2) When applicable, an audit of the extracurricular funds for pupil functions.
- h. If the Entity is a school district or associated cooperative, the Contractor will contact the State Office of Public Instruction and the county superintendent of schools prior to or during the audit of the Entity. These contacts will be made to determine whether those offices are aware of potential financial or legal compliance problems relating to the Entity that could affect the scope of the audit.
- i. The Contractor will immediately notify the Entity and the State in writing of any material irregularities it discovers. If the Entity is a school district or special education cooperative, the Contractor will also notify the Office of Public Instruction.
- j. The Contractor will provide the Entity with a copy of its most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract.

4. The Entity will be responsible for:

- a. Its basic financial statements, including note disclosures;
- b. Establishing and maintaining effective internal control over financial reporting;
- c. Identifying and ensuring that it complies with the laws and regulations applicable to its activities;
- d. Making all financial records and related information available to the Contractor;
- e. The schedule of expenditures of federal awards required for audits conducted under OMB Circular A-133;
- f. Adjusting the financial statements to correct material misstatements; and
- g. Providing the Contractor, at the conclusion of the audit engagement, with a letter that confirms certain representations made during the audit, including an affirmation that the effects of any uncorrected misstatements aggregated by the auditor during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

5. The Entity will prepare its annual financial report or a trial balance of accounts no later than the dates specified in Appendices A, B and C. If the Entity is unable to prepare its annual financial report or trial balance by the date specified in the Appendices, the Entity will notify the Contractor and the State in writing.
6. The Contractor will begin the field audit work, and will deliver the audit report to the Entity and the State, in accordance with the schedule established in Appendices A, B and C. If the Contractor cannot deliver the audit report to the Entity and the State on the date specified in the Appendices, the Contractor will notify the Entity and the State in writing of that fact, and the reason(s) thereof. The Contractor will then request in writing an extension from the State. The State's approval or denial of this request will also be in writing.
7. Pursuant to Section 2-7-503(3)(a), MCA, all audits must be completed and the reports issued within one year from the close of the last fiscal year covered by the audit. If the audit is conducted in accordance with the provisions of OMB Circular A-133, the Contractor will also complete the audit and issue the audit report within the time period required by that Circular, unless a longer period has been agreed to in advance by the federal cognizant or oversight agency for audit.
8. The final audit report must contain basic financial statements and required supplementary information in accordance with financial reporting standards in effect for the year or years being audited, as established by the Governmental Accounting Standards Board. In addition, other supplementary information required by provisions within this contract and by OMB Circular A-133 must also be included, if applicable.
  - a. The final audit report must also contain any other financial statements and supporting schedules and information as agreed upon by the Entity and Contractor.
  - b. The financial statements presented should be in accordance with the financial reporting standards in effect for the year or years being audited, as described above. If the accounting records or other circumstances will not permit financial statements to comply with these requirements, the Contractor will notify the State of those conditions and describe the financial statements that will be presented. This notification will be in writing. The applicable auditor's reports will also be modified as required.
  - c. If the audit is of a school district with separate elementary and high school district general funds, the general funds will be combined as a single major fund. All other funds will be separately considered for major fund criteria.
  - d. If the audit is a biennial audit covering two years, the Contractor will present complete financial statements as specified above for each year covered by the audit. The two years must, however, be presented under one audit report cover, and opined upon in one Independent Auditor's Report.
9. All audit reports will contain the following auditor's reports, which must comply with applicable professional standards in effect for the fiscal year or years being audited:
  - a. An independent auditor's report on the financial statements of the Entity.
  - b. A report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards. If applicable, this report should include information about fraud, illegal acts, significant violations of provisions of contracts or grant agreements, and significant abuse, or indications of these acts.

9. continued:

- c. A report disclosing any lack of compliance with State statutes, rules, regulations, or ordinances that would not have a material effect on the financial statements. This report must be referred to in the report required in 9.b. above. This report may be combined with other reports if appropriate, or the findings may be included in a management letter. If included in a management letter, that letter must be included as a part of, or accompanying, the audit report.
  - d. A report on supplemental schedules or information, including the supplemental schedule of school district enrollment required by paragraph 11.a. and the supplemental schedule of school district extracurricular fund financial activities required by paragraph 11.b., if any such schedules or information are presented in the audit report. This report may be given in a supplemental information paragraph of the auditor's report on the financial statements 9.a. above, or in a separate report.
  - e. A report disclosing the action taken by the Entity to correct any deficiencies or implement any recommendations contained in the prior audit report. This report must be in a format that specifically identifies, by title or summary, each deficiency or recommendation contained in the prior audit report and the action taken by the Entity on each such deficiency or recommendation.
  - f. If the Contractor includes audit findings in the reports referenced in 9.b. and 9.c. above or in a management letter, the views of entity officials and their planned corrective actions should also be included, as required by Government Auditing Standards, if they are available at the time the Contractor files copies of the audit report with the State. If the views and planned corrective actions are not available at that time, the Contractor should so indicate in the reports.
10. All audit reports for single audits done in accordance with OMB Circular A-133 must also contain the following:
- a. A schedule of expenditures of federal awards.
    - (1) As required by OMB Circular A-133, the schedule must:
      - (a) List individual federal programs by federal agency. For federal programs included in a cluster of programs, list individual federal programs within a cluster of programs.
      - (b) For federal awards received as a subrecipient, include the name of the pass-through entity and identifying number assigned by the pass-through entity.
      - (c) Provide total federal awards expended for each individual federal program and the CFDA number or other identifying number when the CFDA information is not available.
      - (d) Include notes that describe the significant accounting policies used in preparing the schedule.
      - (e) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each federal program.

10. continued:

- (f) Include, in either the schedule or a note to the schedule, the value of the federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.
- (2) In addition, to provide information requested by State pass-through agencies for use in monitoring subrecipients, the schedule must contain:
  - (a) The program or award amount;
  - (b) The cash balance or fund balance of the program at the beginning of the audit period;
  - (c) Federal receipts or revenues for the program for the audit period;
  - (d) Other receipts or revenues for the program such as program income, matching funds, or other receipts/ revenues for the audit period;
  - (e) Non-federal expenditures associated with the program, if determinable; and
  - (f) The cash balance or fund balance of the program at the end of the audit period.
- b. A report on the schedule of expenditures of federal awards. This report may be combined with other reports as provided by OMB Circular A-133 and professional standards. This report must comply with applicable professional standards in effect for the fiscal year or years being audited.
- c. A report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133. Where applicable, this report should refer to the separate schedule of findings and questioned costs described in paragraph 10.d. of the contract. This report must comply with applicable professional standards in effect for the fiscal year or years being audited.
- d. A schedule of findings and questioned costs which must include the information required by OMB Circular A-133.
- e. The corrective action plan required by OMB Circular A-133, if that plan is available at the time the Contractor files copies of the audit report with the State. This corrective action plan may be combined with the Entity's planned corrective actions related to findings reported in accordance with Government Auditing Standards, as provided in paragraph 9.f., above.

11. School district audit reports must also include the following as supplemental information/schedules:

- a. A schedule of the district's enrollment as reported to the Office of Public Instruction for the fiscal year or years being audited. The schedule will contain the enrollment both as reported in the Fall and Spring enrollment reports and as documented by the school district's enrollment records.
- b. A detailed schedule of extracurricular fund financial activities

12. The final audit report must contain any material findings relative to economy, efficiency or effectiveness in operations that are noted by the Contractor during the audit, along with the Contractor's recommendations for improvement. The report must also contain any other recommendations or comments for improvement that the Contractor deems pertinent.
13. The Contractor must render a single, written report for the Entity audited. The report must include, or be accompanied by, all written reports and letters discussing findings and recommendations from the Contractor to the Entity, including but not limited to the reports and schedules referred to in paragraphs 9 and 10 above as well as any management letters.
14. Before submitting the final audit report, the Contractor will hold an exit review conference in which the audit results are discussed with those charged with governance and appropriate Entity officials and employees. The Contractor must ensure that all members of the governing body and key members of management are notified of this exit conference. The Contractor further agrees that prior to submitting the final report, it will not discuss the audit findings with anyone other than the Entity or the State. However, once the Contractor delivers the final audit report the report is deemed to be a public record.
15. The Contractor and Entity will file copies of the audit report as specified below.
  - a. The Contractor will provide the Entity with the number of copies of the audit report specified in Appendices A, B and C and the cost of those copies is included in the total price for the engagement as set out in paragraph 2.a., above, and in the Appendices. The Contractor will submit one of these copies to the attorney for the Entity.
  - b. Upon request by the Entity, the Contractor will provide additional copies of the audit report at a price per copy agreed upon by the Entity and Contractor.
  - c. The Contractor will provide the State with four copies of each audit report at no charge. These copies will be sent to the State at the same time the Contractor delivers the final audit report to the Entity, and will include any management letters. A letter of transmittal will accompany the State's copies which will advise the State as to the date of the exit conference, the date the final report was delivered to the Entity, the date of the audit report, the actual number of hours spent by the Contractor in the conduct of the audit, the total audit fees billed the Entity, whether the audit was conducted in accordance with the provisions of OMB Circular A-133, and whether there were any findings or opinion qualifications in the audit report, and if so whether the entity's corrective action plan or response was included as part of or submitted with the audit report.
  - d. If the Entity is a school district or associated cooperative, the Contractor will provide copies of the audit report to the Office of Public Instruction, the county superintendent of schools, and the county attorney.
  - e. If the Entity is a city or town fire department relief association disability and pension fund, the Contractor will provide one copy of the audit report to the city or town clerk.
  - f. If the audit is a single audit conducted in accordance with the provisions of OMB Circular A-133, the Entity will provide copies of the reporting package defined in OMB Circular A-133 and the data collection form to the federal clearinghouse designated by OMB. In addition, the Entity will provide either a copy of the reporting package, or the alternative written notification as described by OMB Circular A-133 to all federal, state and other granting and pass-through agencies as required by Circular A-133.

16. If not included in the audit report as provided in paragraphs 9.f. and 10.e., within 30 days after receiving the audit report the Entity will notify the State in writing as to what action it plans to take to correct any deficiencies or implement any recommendations identified or contained in the audit report, as required by Section 2-7-515, MCA, and ARM 2.4.409. This notification will also address any findings and recommendations contained in management letters, which are considered a part of the audit report as prescribed in paragraph 13. If the audit is a single audit conducted in accordance with OMB Circular A-133, this corrective action plan will also meet the requirements of Circular A-133 and contain all information required by that Circular.
17. If requested by the State, the attorney for the Entity will report to the State on the actions taken or the proceedings instituted or to be instituted relating to violations of law and nonperformance of duty as required by Section 2-7-515(4), MCA. The attorney will report to the State within 30 days after receiving the request.
18. The Contractor certifies that, as required by generally accepted government auditing standards, it and its principals and employees are independent in all matters with respect to this engagement. The Contractor will neither arrange for, nor accept, non-auditing work with the Entity which could in any way impair the Contractor's independence in violation of professional standards. If required by the State, the Contractor must document that independence has been maintained in both fact and appearance as required by professional auditing standards.
19. The Contractor will be the prime contractor and shall be responsible, in total, for all work of any subcontractors. The Contractor will obtain the written approval of the Entity and the State prior to engaging correspondent Contractors, consultants, or subcontractors to provide services in connection with this audit. Any Contractor's subcontracted to perform audit work must be on the Roster of Independent Auditors authorized to conduct audits of Montana local governments that is maintained by the Local Government Services Bureau. The Contractor shall be responsible to the Entity and the State for the acts and omissions of all correspondent Contractors, consultants, subcontractors, or agents and of persons directly or indirectly employed by such correspondent Contractors, consultants, subcontractors or agents, and for the acts and omissions of persons employed directly by the Contractor. Further, nothing contained within this Contract shall create any contractual relationship between any correspondent Contractor, consultant, or subcontractor and the State.
20. The State may participate in all entrance and exit conferences between the Entity and Contractor, as well as all major conferences dealing with audit exceptions and recommendations regarding accounting or operating procedures, management policies, or internal control changes.
21. The Contractor will give the State and, when required by law, the Montana Legislative Audit Division, access to the Contractor's audit programs, supporting working papers, time records, and all other documents relating to the audit. Access to these documents will be provided at the State's offices in Helena, Montana. Access to working papers includes the right of the State to obtain copies of working papers, as is reasonable and necessary. The Contractor also agrees to make the audit programs and supporting working papers available to the State for use by the State or other public accounting firms as directed by the State in future audits of the Entity. The contractor also agrees to make the audit programs and supporting working papers available to the cognizant or oversight agency for audit or its designee, federal agencies providing direct or indirect funding, or the U.S. General Accounting Office, if requested. Access to working papers includes the right of federal agencies to obtain copies of working papers, as is reasonable and necessary. The Contractor will retain the audit report, audit programs, and audit working papers for a minimum of four years from the date of the audit report, unless the State notifies the Contractor to extend the retention period. If professional standards or other



21. continued:

applicable laws, rules, or regulations require a longer retention period, the auditor will retain the above materials for that specified period.

22. As provided by Section 2-7-522, MCA, the State may review the audit report submitted by the Contractor. If the State determines that reporting requirements have not been met, it will notify the Entity and the Contractor of the significant issues of noncompliance. The Contractor must correct the identified deficiencies within 60 days of notification.
23. The Entity and the State recognize that the Contractor is an independent public accountant, and neither the Entity nor the State will request or require the Contractor to surrender its "independence," as this term is professionally understood and used concerning public accountants. It is understood by the parties to this contract that the Contractor is an independent contractor and that neither its principals nor its employees are employees of the State or Entity for purposes of tax, retirement system, or social security (FICA) withholding.
24. The Contractor certifies that it carries Workers' Compensation for its employees and that it has either elected Workers' Compensation or has an approved Independent Contractor's Exemption covering the Contractor while performing work under this contract. (Montana Code Annotated, Title 39, Chapter 71) Neither the Contractor nor its employees are employees of the State for the purposes of this paragraph.
25. The Contractor agrees to protect, defend, and save the State, its elected and appointed officials, agents, and employees, while acting within the scope of their duties as such, harmless from and against all claims, demands, and causes of action of any kind or character, including the cost of defense thereof, arising in favor of the Contractor's employees or third parties on account of bodily or personal injuries, death, or damage to property arising out of services performed or omissions of services or in any way resulting from the acts or omission of the Contractor and/or its agents, employees, representatives, assigns, subcontractors, except the sole negligence of the State, under this agreement.
26. The Contractor must, in performance of work under this contract, fully comply with all applicable federal, state, or local laws, rules and regulations, including the Montana Human Rights Act, the Civil Rights Act of 1964, the Age Discrimination Act of 1975, the Americans with Disabilities Act of 1990, and Section 504 of the Rehabilitation Act of 1973. Any subletting or subcontracting by the Contractor subjects subcontractors to the same provisions. In accordance with Section 49-3-207, MCA, the Contractor agrees that the hiring of persons to perform the contract will be made on the basis of merit and qualifications and there will be no discrimination based upon race, color, religion, creed, political ideas, sex, age marital status, physical or mental disability, or national origin by the persons performing the Contract.
27. The Entity will provide the Contractor with reasonable space in which to conduct the audit, and respond promptly to requests for information as well as for all necessary books and records. Support for clerical, equipment, and photocopying or reproduction services shall be agreed upon by the Entity and the Contractor as specified in Appendices A, B and C.
28. Prior to the commencement of the audit, either the Contractor or the Entity, with the consent of the State, or the State, may cancel this contract by providing written notice to the other parties. The contract may be canceled under this paragraph for cause. Cause includes, but is not limited to, failure of any party to comply with the terms of this contract or with any Administrative Rule adopted by the State under the authority of Title 2, Chapter 7, Part 5, of the Montana Code Annotated.

28. continued:

In addition, if both the Contractor and the Entity mutually agree to cancel this contract prior to the commencement of the audit, regardless of whether there is cause, the State will consent to cancellation of the contract upon written notification by the Contractor and the Entity of their agreement to cancel this contract.

The State, however, will not consent to the cancellation of an audit contract for the sole purpose of allowing the Contractor and Entity to then enter into a new contract that extends the number of fiscal years to be audited by the Contractor. Unless there are extenuating circumstances, the existing audit contract must be completed first. This provision does not prohibit the cancellation of a contract for the purpose of replacing an annual audit with a biennial audit.

29. After the audit has commenced, but before the audit report has been issued, either the Contractor or the Entity, with the consent of the State, or the State, may cancel this contract for failure of any party to comply with the terms of this contract or with any Administrative Rule adopted by the State under the authority of Title 2, Chapter 7, Part 5, of the Montana Code Annotated, or for other cause. If the contract is canceled due to the failure of the Contractor to comply, the Contractor is not entitled to the audit fee set out in this contract. If the contract is canceled due to the failure of the Entity to comply, the Entity will pay the Contractor a pro rata portion of the audit fee set out in this contract, based on the percentage of work completed at the time of cancellation. In addition, if both the Contractor and the Entity mutually agree to cancel this contract without establishing cause on the part of either party, the State will consent to cancellation of the contract upon written notification by the Contractor and the Entity of their agreement to cancel this contract.
30. The Contractor shall not assign, transfer or subcontract any portion of the contract without the express written consent of the Entity and the State.
31. By signing this contract, the Contractor certifies that it is in compliance with the continuing professional education requirements and the external quality control review requirements as set out in Government Auditing Standards, as established by the Comptroller General of the United States. The State may require the Contractor to provide evidence that it has met the above requirements.
32. If the audit is required to meet the requirements of the Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996 and OMB Circular A-133, the Contractor certifies that neither it nor any of its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from performing audits by any Federal department or agency.
33. This Contract is governed by the laws of Montana. The parties agree that any litigation concerning this Contract in which the State is named as a party must be brought in the First Judicial District in and for the County of Lewis and Clark, State of Montana, and each party shall pay its own costs and attorney fees. The parties also agree that any litigation concerning this Contract in which the State is not named as a party must be brought in the Judicial District in and for the County in which the Entity is located, and each party shall pay its own costs and attorney fees.
34. This contract and the attached Appendices contain the entire understanding and agreement of the parties. No modification or amendment of this contract is valid unless it is reduced to writing, signed by the parties, and made a part of this contract.

IN WITNESS WHEREOF, Contractor, Entity, and State have executed this Standard Audit Contract on the date first above written:

**Certified or Licensed Public Accountant**

\_\_\_\_\_  
Firm Name

By: \_\_\_\_\_  
Authorized Representative

Date: \_\_\_\_\_

**Governmental Entity**

\_\_\_\_\_  
Entity Name

By: \_\_\_\_\_  
Authorized Representative

Date: \_\_\_\_\_

**Montana Department of Administration,  
Local Government Services Bureau**

By: \_\_\_\_\_  
Approved By

Date: \_\_\_\_\_

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APPENDIX A

Initial or Sole Audit Under This Contract

GOVERNMENTAL ENTITY (ENTITY):

Telephone:

Address:

(Street Address or P.O. Box)

(City/Town)

MT

(Zip Code)

Contact Person(s):

PUBLIC ACCOUNTANT/ACCOUNTING  
FIRM (CONTRACTOR):

Telephone:

Address:

(Street Address or P.O. Box)

(City/Town)

MT

(Zip Code)

Contact Person(s):

1. Audit Period and Dates of Engagement:

A. This audit will cover the fiscal year(s) ending

(Month & Day)

(and )

(Year)

(Year)

B. Date to commence audit work:

C. Date to submit final audit report  
to Entity and State:

2. Time and Price for Engagement:

FY(s) Ending

(Month & Day)

(Year)

(and )

(Year)

A. Estimated total hours -

B. Price for audit personnel

\$

Price for Travel

Price for typing, clerical  
and report preparation

Total price for this  
engagement

\$

3. The reporting entity contains the following discretely presented component units:

4. Date Annual Financial Report or a trial balance will be available:

5. Number of copies of audit report Contractor will provide to Entity:

\_\_\_\_\_

6. The Entity will provide clerical, equipment, and photocopying or reproduction services to the Contractor as follows:

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

7. The audit scope with regard to federal financial assistance received by the Entity for the above fiscal year(s) will be as indicated below:

☐ The audit will be a single audit conducted in accordance with the provisions of OMB Circular A-133 because the Entity expended a total amount of federal awards equal to or in excess of \$500,000 during the fiscal year(s), or such other dollar amount as may be established by OMB that is effective for the fiscal year(s) being audited.

OR

☐ The audit will not be a single audit conducted in accordance with the provisions of OMB Circular A-133, and will not include audit coverage of any federal financial assistance in accordance with requirements of that Circular, because the Entity expended a total amount of federal awards of less than \$500,000 during the fiscal year(s), or such other dollar amount as may be established by OMB that is effective for the fiscal year(s) being audited.

IN WITNESS WHEREOF:

**Certified or Licensed Public Accountant**

\_\_\_\_\_  
Firm Name

By: \_\_\_\_\_  
Authorized Representative

Date: \_\_\_\_\_

**Governmental Entity**

\_\_\_\_\_  
Entity Name

By: \_\_\_\_\_  
Authorized Representative

Date: \_\_\_\_\_

**Montana Department of Administration,  
Local Government Services Bureau**

By: \_\_\_\_\_  
Approved By

Date: \_\_\_\_\_

APPENDIX B

Subsequent Audit Under This Contract

GOVERNMENTAL ENTITY (ENTITY):

Telephone:

Address:

(Street Address or P.O. Box)

(City/Town)

MT

(Zip Code)

Contact Person(s):

PUBLIC ACCOUNTANT/ACCOUNTING  
FIRM (CONTRACTOR):

Telephone:

Address:

(Street Address or P.O. Box)

(City/Town)

MT

(Zip Code)

Contact Person(s):

1. Audit Period and Dates of Engagement:

A. This audit will cover the fiscal year(s) ending

(Month & Day)

(Year)

(and (Year))

B. Date to commence audit work:

C. Date to submit final audit report  
to Entity and State:

2. Time and Price for Engagement:

FY(s) Ending

(Month & Day)

(Year)

(and (Year))

A. Estimated total hours -

B. Price for audit personnel

\$

Price for Travel

Price for typing, clerical

and report preparation

Total price for this

engagement

\$

3. The reporting entity contains the following discretely presented component units:

4. Date Annual Financial Report or a trial balance will be available:

5. Number of copies of audit report Contractor will provide to Entity:

\_\_\_\_\_

6. The Entity will provide clerical, equipment, and photocopying or reproduction services to the Contractor as follows:

\_\_\_\_\_

7. The audit scope with regard to federal financial assistance received by the Entity for the above fiscal year(s) will be as indicated below:

☐ The audit will be a single audit conducted in accordance with the provisions of OMB Circular A-133 because the Entity expended a total amount of federal awards equal to or in excess of \$500,000 during the fiscal year(s), or such other dollar amount as may be established by OMB that is effective for the fiscal year(s) being audited.

OR

☐ The audit will not be a single audit conducted in accordance with the provisions of OMB Circular A-133, and will not include audit coverage of any federal financial assistance in accordance with requirements of that Circular, because the Entity expended a total amount of federal awards of less than \$500,000 during the fiscal year(s), or such other dollar amount as may be established by OMB that is effective for the fiscal year(s) being audited.

IN WITNESS WHEREOF:

**Certified or Licensed Public Accountant**

\_\_\_\_\_  
Firm Name

By: \_\_\_\_\_  
Authorized Representative

Date: \_\_\_\_\_

**Governmental Entity**

\_\_\_\_\_  
Entity Name

By: \_\_\_\_\_  
Authorized Representative

Date: \_\_\_\_\_

**Montana Department of Administration,  
Local Government Services Bureau**

By: \_\_\_\_\_  
Approved By

Date: \_\_\_\_\_



APPENDIX C

Subsequent Audit Under This Contract

GOVERNMENTAL ENTITY (ENTITY): \_\_\_\_\_

Telephone: \_\_\_\_\_

Address: \_\_\_\_\_

(Street Address or P.O. Box)

\_\_\_\_\_, MT \_\_\_\_\_  
(City/Town) (Zip Code)

Contact Person(s): \_\_\_\_\_

PUBLIC ACCOUNTANT/ACCOUNTING  
FIRM (CONTRACTOR): \_\_\_\_\_

Telephone: \_\_\_\_\_

Address: \_\_\_\_\_

(Street Address or P.O. Box)

\_\_\_\_\_, MT \_\_\_\_\_  
(City/Town) (Zip Code)

Contact Person(s): \_\_\_\_\_

1. Audit Period and Dates of Engagement:

A. This audit will cover the fiscal year(s) ending \_\_\_\_\_

\_\_\_\_\_, (and \_\_\_\_\_).  
(Month & Day) (Year) (Year)

B. Date to commence audit work: \_\_\_\_\_

C. Date to submit final audit report  
to Entity and State: \_\_\_\_\_

2. Time and Price for Engagement:

FY(s) Ending \_\_\_\_\_, (and \_\_\_\_\_)  
(Month & Day) (Year) (Year)

A. Estimated total hours - \_\_\_\_\_

B. Price for audit personnel \$ \_\_\_\_\_

Price for Travel \_\_\_\_\_

Price for typing, clerical \_\_\_\_\_

and report preparation \_\_\_\_\_

Total price for this \_\_\_\_\_

engagement \$ \_\_\_\_\_

3. The reporting entity contains the following discretely presented component units: \_\_\_\_\_

4. Date Annual Financial Report or a trial balance will be available: \_\_\_\_\_

5. Number of copies of audit report Contractor will provide to Entity: \_\_\_\_\_
6. The Entity will provide clerical, equipment, and photocopying or reproduction services to the Contractor as follows: \_\_\_\_\_
7. The audit scope with regard to federal financial assistance received by the Entity for the above fiscal year(s) will be as indicated below:
- ☐ The audit will be a single audit conducted in accordance with the provisions of OMB Circular A-133 because the Entity expended a total amount of federal awards equal to or in excess of \$500,000 during the fiscal year(s), or such other dollar amount as may be established by OMB that is effective for the fiscal year(s) being audited.
- OR**
- ☐ The audit will not be a single audit conducted in accordance with the provisions of OMB Circular A-133, and will not include audit coverage of any federal financial assistance in accordance with requirements of that Circular, because the Entity expended a total amount of federal awards of less than \$500,000 during the fiscal year(s), or such other dollar amount as may be established by OMB that is effective for the fiscal year(s) being audited.

**IN WITNESS WHEREOF:**

**Certified or Licensed Public Accountant**

\_\_\_\_\_  
Firm Name

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Authorized Representative

**Governmental Entity**

\_\_\_\_\_  
Entity Name

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Authorized Representative

**Montana Department of Administration,  
Local Government Services Bureau**

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Approved By