Contract Section Number (Lead) **FY** **HID** **MO** **ID**

THIS CONTRACT, between {Enter Department Name}

Health Department

(**LHD**)

{Enter Department Address}

{Enter Department City}, KY {Enter Department Zip}

and {Enter CPA firm's Name}

(**FIRM**)

{Enter CPA firm's Address}

{Enter CPA firm's City}, {Enter CPA firm's State} {Enter Zip}

is effective Start Date and ends No later than final day of FY.

**WITNESSETH THAT:**

WHEREAS, the Local Health Department (LHD), in the exercise of its lawful duties has determined that **Audit Services** are essential to the operation of the LHD in fulfilling its legal responsibilities;

WHEREAS, the FIRM, is available, willing, and qualified to perform these services;

NOW, THEREFORE, the FIRM agrees to perform the following described services, which are

hereinafter described in detail. The FIRM agrees to perform an audit of the financial records of the LHD for July 1, 20XX through June 30, 20XX.

1. The **FIRM**’s responsibilities shall be to perform a financial audit, whose components are listed at **E,** for the period ending June 30, 20XX, to determine whether the basic financial statements including required supplemental information of the LHD present fairly the financial position and results of operations in accordance with the appropriate basis of accounting and are in material compliance with applicable federal and state laws and regulations. More specifically, the objectives of the audit are to:
2. Provide users of LHD financial statements with an opinion by an independent auditor whether the financial statements are presented fairly, in all material respects, in accordance with the applicable reporting framework. In the case of LHD, that framework, described in 2, is to assure that receipts and expenditures have been properly authorized, recorded, and reported. The purpose of an auditor’s opinion is to enhance the degree of confidence that intended users may place on the financial statements.
3. Determine whether the LHD’s financial statements, including required supplemental information, are presented fairly in all material respects in accordance with the basis of accounting and auditing requirements as prescribed by 902 KAR 8:165, auditing standards generally accepted in the United States of America (GAAS), and the standards applicable to financial audits contained in *Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States, for the fiscal year ended June 30, 20XX, and if applicable,
   1. The Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole,
   2. The LHD has internal controls over compliance with the requirements that could have a direct and material effect on each major federal program and on internal controls over Compliance with OMB 2 CFR, Part 200, Subpart F (OMB Single Audit), and
   3. The LHD has complied, for major programs selected, with applicable types of compliance requirements described in OMB Single Audit.
4. The FIRM shall perform the audit services as described in its engagement letter accepted in writing by LHD officials, and dated {Enter date.}, which is hereby incorporated into this contract as **Attachment A**. Notice that the engagement letter requires written representations from management that they believe they have fulfilled their responsibility for the preparation and fair presentation of the financial statements and supplemental information and the completeness of information provided to the auditor and that management is responsible for the design, implementation, and maintenance of internal control relevant to fair presentation of financial statements free from material misstatement.
5. The FIRM shall maintain professional proficiency through continuing education and training. Auditors assigned to the engagement shall maintain at a minimum the Continuing Professional Education (CPE) requirements of the current edition and official interpretations of *Government Auditing Standards*.
6. The FIRM shall conduct the audit in accordance with:
7. The current edition or revision and effective date of auditing standards generally accepted in the United States of America; *Government Auditing Standards*; applicable provisions of the U.S. Office of Management and Budget (OMB) 2 CFR, Part 200, and the Kentucky Department for Public Health, Division of Administration and Financial Management, *Administrative Reference for Local Health Departments* (AR).
8. In the case of conflicting audit guidance, instruction, or requirements between (1) *Government Auditing Standards* (which incorporate by reference the American Institute of Certified Public Accounts (AICPA) Statements on Auditing Standards (SAS)), OMB Single Audit, and (2) the AR, the standards and requirements in (2) shall prevail, except, however, that the presentation of financial statements as a whole shall not be:
   1. Contrary to AICPA 1) AU Section 431 Adequacy of Disclosure in Financial Statements, and 2) Code of Professional Standards ET Section 203 Accounting Principles, or
   2. Misleading, as judged by a member of, and appointed by, the Peer Review Committee of the KY Society of Certified Public Accountants (CPA).
9. The FIRM shall provide the following to the LHD as essential components of the audit report:
10. Table of Content;
11. Independent Auditor’s Report on Financial Statements;
12. Statement of Assets, Liabilities, and Fund Balance;
13. Statement of Revenues and Expenditures;
14. Statement of Changes in Fund Balance;
15. Comparative Schedule of Budgeted to Actual Revenues and Expenditures;
16. Notes to the Financial Statements;
17. Statement of Revenues and Expenditures by Cost Center;
18. 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*;
19. Schedule of Findings and Questioned Costs;
20. Summary Schedule of Prior Audit Findings, including any unresolved questioned costs;
21. If applicable, Management’s Corrective Action Plan; and
22. Audit adjustments. If none, a statement to that effect;
23. Communications with Those Charged with Governance; and
24. If an OMB Single Audit is required by meeting the minimum threshold of federal awards expended of $750,000, then the following components are to be added:
    1. Schedule of Expenditures of Federal Awards (SEFA);
    2. Notes to the SEFA; and
    3. Independent Auditors’ Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Single Audit; or alternatively,
25. The FIRM shall:
26. Present the reports, statements, and schedules described in E 1-15, as applicable, in accordance with guidance in the current or applicable AICPA Audit Guide: *Government Auditing Standards*,including Appendixes that contain Illustrative Reports, Schedules, and Examples.
27. Findings: The reports shall contain all deficiencies, significant deficiencies, material weaknesses, and noncompicance with provisions of laws, contracts, grant agreements, fraud, or abuse identified in the audit and a definition of terms used. Other matters, including management letter comments and recommendations for improvement, conveyed by the FIRM to {Enter name Public Health Director} shall be in writing and shall be discussed during the exit conference. Findings presented as part of the reports shall be well developed and shall contain the following elements, to the extent practicable:
    1. Type of Finding: 1) Financial statement, or 2) Federal Award;
    2. A reference number including the year and, if applicable, the CFDA No. and program Title;
    3. A well-formed statement of the finding (and if it is a repeat finding);

* Condition: facts that support the deficiency;
* Context: prevalence; population and sample size; isolated or systematic;
  1. The amount of any questioned costs, if applicable, and how computed;
  2. The criteria or specific requirement: Citation of statutory or regulatory law or regulation;
  3. The cause; if not known, so state;
  4. The effect or potential effect;
  5. A recommendation for correction; and
  6. {LHD Name} management’s response and Corrective Action Plan (CAP), which include:
* Whether management agrees, agrees in part, or disagrees with the finding;
* Action taken or to be taken and a date when the CAP will be completed;
* Name of person in charge of the correction and how those plans are to be monitored; and
* The name and contact information of the person responsible for the CAP; further
* The corrective action by the auditee corrects identified deficiencies, produces recommended improvements, or demonstrates that the finding are either invalid or no action is warranted.

1. The FIRM shall immediately report, in writing, any fraud or illegal act or indication thereof that comes to its attention during the term of the contract. The report shall be made to the attention of those charged with governance, in this case, to the Commissioner, Department for Public Health, Kentucky Cabinet for Health and Family Services.

G. The **FIRM** shall have the following administrative responsibilities:

1. It shall be solely responsible for fulfillment of this contract.
2. It shall designate in writing a project manager who shall be the contact with {LHD Name}. The project manager shall oversee all activities for the FIRM.
3. It shall be responsible for familiarity with applicable Federal and state and laws and regulations and with appropriate accounting principles and auditing standards (Reference A, D, E, and F1).
4. It shall be responsible for personnel, supplies, and equipment including communication and transportation.
5. It shall be responsible for all services offered in its proposal, regardless of whether it provides such services.
6. It shall not remove the official records and reports of the LHD from the LHD office(s) during the course of the audit engagement. Digital and image copies of LHD records and reports shall be made with express permission of and under the supervision of the LHD liaison.
7. It shall have general professional liability insurance or specific professional liability insurance for this engagement. Proof of such insurance coverage shall be provided to {LHD Name} before fieldwork begins on the audit.
8. It shall be responsible for all material errors and omissions in the performance of the contract.
9. It shall conduct an entrance conference with {LHD Name} when fieldwork begins on the audit. It shall provide in writing at the entrance conference the names and titles of all FIRM’s audit staff who will be working on-site at the LHD.
10. It shall communicate by telephone no less than weekly with the liaison designated by {LHD Name}.
11. It shall communicate in writing any proposed personnel substitution to {LHD Name} for written prior approval.
12. It shall, upon completion of fieldwork, conduct an exit conference with the {LHD Name}.
13. It shall provide a draft copy of the audit report to {LHD Name} by October 1, 20XX, and discuss its contents with designated representatives of {LHD Name} and/or its audit committee.
14. It shall, upon request, provide copies of working papers to {LHD Name} at no additional cost.
15. Upon written approval by {LHD Director's Name}, FIRM shall deliver 15 copies of the final audit report to {LHD Director's Name} by October 31, 20XX.
16. It shall, upon written approval by {LHD Name}, be responsible for working with {LHD Name} to ensure accurate, complete, executed, and timely submission of the Data Collection Form and reporting package to the Federal Audit Clearinghouse in accordance with the current instructions sanctioned by OMB Single Audit.
17. It shall retain, at its own expense, all working papers and reports for a minimum of three (3) years or until all audit-related disputes are resolved.
18. It shall be required to make working papers available during reasonable business working hours, at the FIRM’s sole expense, upon request, to designated representatives of {LHD Name}, the Department for Public Health, and its designees for purposes of quality control or other reviews; investigations; or for any other legal purpose. If requested in writing, the FIRM shall provide digital or image copies of selected working papers in accordance with AICPA AU Sections 339.31 and 9339.01-.06.
19. It shall respond to all inquiries of successor auditors, in accordance with AICPA AU Section 315.

H. The **LHD** shall have the following administrative responsibilities:

1. It shall make all files and records accessible to the FIRM, on site, and shall provide, to the extent practical, use of LHD digital and imaging copy equipment.
2. It shall provide assistance to the FIRM, namely, gathering supporting documentation from the files and preparing schedules.
3. It shall make appropriate personnel available for interviews and information-gathering purposes.
4. It shall designate a liaison to coordinate activities between {LHD Name} and the FIRM.
5. It may discuss the draft audit report with the FIRM and shall provide the FIRM a written response to the draft report within one week of receiving it.
6. It may review and comment on the FIRM’s audit working papers.
7. It shall review and provide written acceptance of the final audit report and provide payment to the FIRM in accordance with Section I that follows.
8. It reserves the right to reject the FIRM’s use of any subcontractor. It may permit the FIRM to substitute a different contractor in case of such rejection. All subcontractors must receive prior approval, in writing, from {LHD Name}.
9. It shall provide a management representation letter to the FIRM, accepting responsibility for the financial statements and for internal control over the financial statements.

I. Payment by {LHD Name} to the FIRM is predicated upon completion of the described work and delivery of the required documentation.

1. Invoices must be signed, by an individual authorized to legally bind the FIRM, and submitted to{Director Name}, Director, {Address}, Kentucky {Zip}, with adequate supporting documentation, including but not limited to, the following:
2. FIRM’s invoice number
3. {LHD Name}’s personal service contract number
4. “Remit to” address
5. Description of the services performed
6. Period the services cover
7. Total hours worked and pay rates, broken down by the following personnel categories: Partner, Manager, Supervisor, Senior, and Staff
8. Total hours worked and pay rates, broken down by individual auditor
9. Travel costs, identifying the date and purpose of trip, amount of lodging costs, number of miles driven, cost per mile, and total mileage costs.
10. After appropriate review and approval of the FIRM’s invoices, {LHD Name} shall process such invoices for payment. Every reasonable effort shall be made to provide payment to the FIRM within 30 days after receipt of a properly supported invoice.
11. The FIRM’s billings shall be limited to no more than 50% of the contract price prior to submitting final audit reports to {LHD Name}.
12. The FIRM may bill the remaining 50% of the contract price after submitting final audit reports to {LHD Name}.
13. Any modifications to the statement of work shall be thoroughly discussed with the FIRM and agreed to in writing by the FIRM and {LHD Name} prior to implementation. If necessary, the contract amount shall be amended to reflect such modification.

1. The total payments made under the terms of this contract shall not exceed the sum of $     .
2. Either party shall have the right to terminate this contract at any time upon notice to the other party.
3. The two parties to this contract agree to comply with Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, (P.L. 93-112) and the Kentucky Equal Employment Act of 1978 (H.B. 683) KRS 45.550 to 45.640, and Americans with Disabilities Act, (ADA), (P.L. 101-336).
4. The FIRM agrees to abide by the rules and regulations regarding the confidentiality of personal medical records as mandated by the Health Insurance Portability and Accountability Act (42 USC 1320d) and set forth in federal regulations at 45 CFR Parts 160 and 164. Any subcontract entered by the FIRM as the result of this agreement shall mandate that the subcontractor be required to abide by the same statutes and regulations regarding confidentiality of personal medical records, as is the FIRM.

The FIRM agrees to comply with Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.) and all implementing regulations and executive orders. No person shall be excluded from participation in, be denied the benefit of, or be subjected to discrimination in relation to activities carried out under this contract on the basis of race, color, age, religion, sex, disability or national origin. This includes the provision of language assistance services to individuals of limited English proficiency seeking and/or eligible for services under this contract.

**Section 601 of Title VI of the Civil Rights Act of 1964, (42 U.S.C. 2000d)**, provides that no person shall “on the ground of race, color or national origin be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.”

In 1974 the Supreme Court (Lau v. Nichols, 414 U.S. 563) interpreted regulations promulgated by the former Department of Health, Education and Welfare (HHH’s predecessor), 45 CFR 80.3 (b) (2), to hold that Title VI prohibits conduct hat has a disproportionate effect on **Limited English Proficient (LEP) persons** because such conduct constitutes national origin discrimination. On August 11, 2000, Executive Order 13166 was issued, “Improving Access to Services for Persons with Limited English Proficiency (LEP)”

All referred statutes, regulations, and policies are adopted and incorporated by reference as part of this contract. The parties to this contract acknowledge inclusion of those statutes, regulations, and policies and each party is responsible to review, be aware of, and comply with the referred statutes, regulations, and policies.

The FIRM is responsible to maintain its own liability insurance and/or professional liability insurance; workers’ compensation insurance; and wage/salary and benefits program for the FIRM’s employees that is compliant with all applicable Federal and State laws.

O. The FIRM is an independent contractor. There is no intention by the parties to the contract to form or create an employer-employee relationship, and it is agreed that an employer-employee relationship does not exist. The LHD is not responsible for withholding of any taxes or FICA, providing workers’ compensation insurance, liability insurance, or any other form of benefits for or to the FIRM.

The FIRM certifies that no officer, stockholder, partner or owner is a member of the governing board of health of the LHD, or an employee of the LHD and that no constitutional, statutory, common law, or regulation adopted by the Cabinet for Health and Family Services pertaining to conflict of interest will be violated by this contract.

P. The signature lines follow below, on page 8 of 8, being the entire document, with Attachment A:

**LHD:**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ {Enter Date Signed}

(SIGNATURE OF AUTHORIZED AGENT)

{Enter LHD Name}

**FIRM:**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ {Enter Date Signed}

(SIGNATURE OF AUTHORIZED AGENT)

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

(PRINT OR TYPE NAME OF AUTHORIZED AGENT)

{Enter FIRM Name}

**ATTACHMENT A**