

## SAMPLE CONTRACT

This contract is entered into by and between the State of Arizona, Arizona Auditor General, hereinafter referred to as the Office, and \_\_\_\_\_, hereinafter referred to as the CPA Firm.

WITNESSETH: In consideration of the mutual promises herein contained, the parties have agreed and do hereby enter into this contract according to the provisions set out herein:

### A. Recitals:

1. In accordance with the authority granted under the laws of the State of Arizona, the Office wishes to procure the services of the CPA Firm to perform a financial statement and single audit of \_\_\_\_\_, hereinafter referred to as the auditee, for the year ending June 30, 2022, in accordance with U.S. generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements*, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), as applicable, and an examination of the auditee's Annual Expenditure Limitation Report conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants.

The CPA Firm will issue the following reports, as applicable:

- Auditors' report on the financial statements.
  - Auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with *Government Auditing Standards*.
  - Single Audit Report, including the auditors' report on compliance for each major federal program; report on internal controls over compliance; report on schedule of expenditures of federal awards required by the Uniform Guidance; and schedule of findings and questioned costs (for Yavapai County and Graham County Community College District only).
  - Accountants' report on the Annual Expenditure Limitation Report.
2. The CPA firm may be required to perform certain additional auditing procedures of financial transactions in connection with the financial and single audits for the first year of the contract. Within 10 days of receiving notice from the Office that additional auditing procedures are required, the firm shall provide the Office a written estimate of the hours necessary to perform the additional auditing procedures. The firm shall not commence work on the additional auditing procedures until the Office provides written approval of the hours estimated, and costs for any additional procedures shall be paid at the hourly rate as follows:
    - Partners \$XX
    - Managers \$XX
    - Supervisory staff \$XX
    - Staff Auditors \$XX

The firm shall submit a written statement to the Office describing all deficiencies and errors noted as a result of the additional auditing procedures performed. If the Office exercises its option to extend the contract, the CPA firm may be required to apply these same or other auditing procedures for each option year.

3. The CPA Firm and the Office desire to enter into and execute a written contract involving said services, and to agree upon the terms thereof.

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

**B. Agreement:**

The CPA Firm, as an independent contractor and not as an agent of the Office, shall provide the services.

Term of agreement

The term of this Agreement shall be for the period beginning on the date signed by the Auditor General and ending on the day the final reports are submitted. The Office assumes no liability for work performed or costs incurred prior to the beginning date or subsequent to the contract completion date.

Option for contract extension

The Office reserves the option to extend the contract for 1 year at a time for an additional 2 years. The Office may contract with the CPA Firm to perform the audits for the fiscal years ending June 30, 2023 and 2024, at the fees shown under the payments and compensation section of this contract.

Report requirements

The CPA Firm's reports must be prepared at the completion of the audit and examination according to U.S. generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements*, Cost Principles, and Audit Requirements for Federal Awards; and the attestation standards established by the American Institute of Certified Public Accountants, as applicable.

The CPA Firm shall submit drafts of its reports and the auditee's financial statements, schedule of expenditures of federal awards, and Annual Expenditure Limitation Report to the Office for review on or before \_\_\_\_\_.

The CPA Firm must submit the final Annual Comprehensive Financial Report or Annual Financial Report, Report on Internal Control and Compliance, Single Audit Report, and Annual

Expenditure Limitation Report, as applicable to the Office no later than \_\_\_\_\_. The final reports shall be responsive to any comments, suggestions, or recommendations to the revised draft made by the Office.

The Auditor General may extend the reports' due date on account of auditee delays. The CPA Firm must submit any request for such an extension in writing to the Office. If the U.S. Office of Management and Budget (U.S. OMB) extends the Single Audit submission deadline past March 31, 2023, the due date for the completion of the Single Audit Report will automatically be extended to the official extension date established by the U.S. OMB. The extension of the audit's due date shall not affect the due date of the financial statement as prescribed by Arizona Revised Statute (A.R.S.) §11-661.

The CPA Firm will provide the Office with 2 bound copies of the Annual Comprehensive Financial Report or Annual Financial Report, Report on Internal Control and Compliance, Single Audit Report, and Annual Expenditure Limitation Report, as applicable. The auditee should print any additional copies it may need for its own distribution or make arrangements with the CPA Firm to provide additional copies. The Office will not provide the auditee with bound copies of these reports.

In addition, the CPA Firm shall provide the Office with an electronic copy of the above final reports, including graphics and appendices, through a ShareFile upload link that the Office will provide to the CPA Firm and shall provide the reports in PDF format, which must not be password protected. Further, the CPA Firm will provide links and bookmarks set up for each page of the table of contents within the PDF files. The Office will place these PDF copies on its website. When each report is finalized, the Office will send an email notification of the report issuance to each of the auditee's board members, chief executive officer, and chief financial officer with a direct link to the PDF copy of the report on the Office's website.

Lastly, the CPA Firm must provide the Office with a copy of the Federal Clearinghouse confirmation receipt for the Single Audit Report, if applicable.

#### Audit standards

The CPA Firm attests that it meets the independence standards of and will conduct the audit in accordance with *Government Auditing Standards* promulgated by the Comptroller General of the United States [Government Accountability Office (GAO) Yellow Book]. The U.S. generally accepted auditing standards adopted by the American Institute of Certified Public Accountants (AICPA) have been incorporated into GAO's standards by reference. Further, the CPA Firm attests that it meets the independence standards of and will conduct the examination in accordance with the attestation standards promulgated by the AICPA.

#### Exit conference

Following completion of the draft reports, the CPA Firm shall be available to participate in an exit conference with auditee officials. Office staff may participate in the exit conference if necessary. The exit conference shall discuss the draft audit and examination reports with the

auditee, identify any errors, and obtain comments on the reports' findings and recommendations.

Governing board presentation

A.R.S. §§ 11-661(D) and 15-1473(F) mandate that within 90 days after completing an audit, the auditee's board of supervisors/governing board shall require auditors who performed the audit to present audit results and any findings to the board in a regular meeting without the use of a consent agenda. CPA Firm's auditors who performed the audit shall present audit results and findings annually to the board within 90 days after the Annual Financial Report or Single Audit Report, as applicable is issued. For the entities that do not issue a Single Audit (including, Gila County Provisional Community College District and Santa Cruz Provisional Community College District), CPA Firms' auditors who performed the audit shall present audit results and findings annually to the board within 90 days after the Report on Internal Controls and Compliance is issued. In accordance with A.R.S. §41-1279.21, a representative from the Office may participate in the presentation.

Payments and compensation

Total compensation for the engagement, including travel and out-of-pocket expenses, shall not exceed the amounts listed below unless the Office requires additional auditing procedures as outlined in 2 above.

	Year ending June 30		
	2022	2023	2024
		(Option)	(Option)
Financial statements and Annual Expenditure Limitation Report	\$	\$	\$
Single Audit Report, if applicable	\$	\$	\$
TOTAL	\$	\$	\$

The Office shall pay the CPA Firm in installments based on periodic written progress reports and invoices for the work accomplished to date. The Office will withhold the final 20 percent of the total annual contract amount until all written reports are accepted in final form by the Office.

Changes in work

In the event significant changes in the scope, character, or complexity of the work occur, the parties may agree to change the contract amount or duties, or both based upon a written determination that the changes are advantageous to the State. The Auditor General must authorize contract changes defining, increasing, and/or limiting the work and compensation in writing prior to the performance of the work.

**C. Insurance requirements:**

CPA Firm and subcontractors shall procure and maintain, until all of their obligations have been discharged, including any warranty periods under this Contract, insurance against claims for injury to persons or damage to property arising from, or in connection with, the performance of the work hereunder by the CPA Firm, its agents, representatives, employees, or subcontractors.

The Insurance Requirements herein are minimum requirements for this contract and in no way limit the indemnity covenants contained in this Contract. The State of Arizona in no way warrants that the minimum limits contained herein are sufficient to protect the CPA Firm from liabilities that arise out of the performance of the work under this contract by the CPA Firm, its agents, representatives, employees, or subcontractors, and the CPA Firm is free to purchase additional insurance.

Minimum scope and limits of insurance

CPA Firm shall provide coverage with limits of liability not less than those stated below.

**Commercial General Liability (CGL)—Occurrence Form**

Policy shall include bodily injury, property damage, and broad form contractual liability coverage.

General aggregate	\$2,000,000
Products—completed operations aggregate	\$1,000,000
Personal and advertising injury	\$1,000,000
Damage to rented premises	\$50,000
Each occurrence	\$1,000,000

The policy shall be endorsed to include the following additional insured language: “The State of Arizona and the Auditor General and employees of the Arizona Auditor General shall be named as additional insureds with respect to liability arising out of the activities performed by or on behalf of the CPA Firm.”

Policy shall contain a waiver of subrogation against the State of Arizona and the Auditor General and employees of the Arizona Auditor General for losses arising from work performed by or on behalf of the CPA Firm.

**Business Automobile Liability**

Bodily injury and property damage for any owned, hired, and/or nonowned automobiles used in performing this Contract.

Combined single limit (CSL)	\$1,000,000
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- a. The policy shall be endorsed to include the following additional insured language: “The State of Arizona and the Auditor General and employees of the Arizona Auditor General shall be named as additional insureds with respect to liability arising out of the activities performed by or on behalf of the CPA Firm, involving automobiles owned, leased, hired, or borrowed by the CPA Firm.”
- b. Policy shall contain a waiver of subrogation endorsement against the State of Arizona and the Auditor General and employees of the Arizona Auditor General for losses arising from work performed by or on behalf of the CPA Firm.

**Workers’ Compensation and Employers’ Liability**

- Workers’ Compensation Statutory
  - Employers’ Liability
- |                       |             |
|-----------------------|-------------|
| Each Accident         | \$1,000,000 |
| Disease—Each Employee | \$1,000,000 |
| Disease—Policy Limit  | \$1,000,000 |

- a. Policy shall contain a waiver of subrogation against the State of Arizona and the Auditor General and employees of the Arizona Auditor General for losses arising from work performed by or on behalf of the CPA Firm.
- b. This requirement shall not apply to: Separately, EACH CPA Firm or subcontractor that is exempt under A.R.S. §23-901, AND when such CPA Firm or subcontractor executes the appropriate waiver form (sole proprietor or independent CPA Firm).

**Professional Liability (Errors and Omissions Liability)**

- Each Claim \$2,000,000
- Annual Aggregate \$2,000,000

- a. In the event that the Professional Liability insurance required by this contract is written on a claims-made basis, CPA Firm warrants that any retroactive date under the policy shall precede the effective date of this contract and either continuous coverage will be maintained or an extended discovery period will be exercised for a period of two (2) years beginning at the time work under this contract is completed.
- b. The policy shall cover professional misconduct or negligent acts for those positions defined in the scope of work of this contract.

Additional insurance requirements

The policies shall include, or be endorsed to include, as required by this written agreement, the following provisions:

The CPA Firm's policies, as applicable, shall stipulate that the insurance afforded the CPA Firm shall be primary and that any insurance carried by the Arizona Auditor General; its agents, officials, employees; or the State of Arizona shall be excess and not contributory insurance, as provided by A.R.S. §41-621 (E).

Insurance provided by the CPA Firm shall not limit the CPA Firm's liability assumed under the indemnification provisions of this Contract.

#### Notice of cancellation

Applicable to all insurance policies required within the Insurance Requirements of this Contract, CPA Firm's insurance shall not be permitted to expire, be suspended, be canceled, or be materially changed for any reason without thirty (30) days' prior written notice to the Arizona Auditor General. Within two (2) business days of receipt, CPA Firm must provide notice to the Arizona Auditor General if they receive notice of a policy that has been or will be suspended, canceled, materially changed for any reason, has expired, or will be expiring. Such notice shall be sent directly to the Auditor General and shall be mailed, emailed, hand-delivered, or sent by facsimile transmission to Julie Cantrell, 2910 N. 44th St., Ste. 410, Phoenix, AZ 85018.

#### Acceptability of insurers

CPA Firm's insurance shall be placed with companies licensed in the State of Arizona or hold approved nonadmitted status on the Arizona Department of Insurance List of Qualified Unauthorized Insurers. Insurers shall have an "AM. Best" rating of not less than A-VII. The State of Arizona in no way warrants that the above-required minimum insurer rating is sufficient to protect the CPA Firm from potential insurer insolvency.

#### Verification of coverage

CPA Firm shall furnish the Office with certificates of insurance (valid ACORD form or equivalent approved by the State of Arizona) evidencing that CPA Firm has the insurance as required by this Contract. An authorized representative of the insurer shall sign the certificates.

All such certificates of insurance and policy endorsements must be received and approved by the Office before work commences.

The State's receipt of any certificates of insurance or policy endorsements that do not comply with this written agreement shall not waive or otherwise affect the requirements of this agreement.

Each insurance policy required by this contract must be in effect at, or prior to, commencement of work under this contract. Failure to maintain the insurance policies as required by this contract, or to provide evidence of renewal, is a material breach of contract.

All certificates required by this contract shall be sent directly to Julie Cantrell, 2910 N. 44th St., Ste. 410, Phoenix, AZ 85018. The project description shall be noted on the certificate of insurance. The State of Arizona reserves the right to require complete copies of all insurance

policies required by this contract at any time. DO NOT SEND CERTIFICATES OF INSURANCE TO THE STATE OF ARIZONA'S RISK MANAGEMENT DIVISION.

Subcontractors

CPA Firm's certificate(s) shall include all subcontractors as insureds under its policies or CPA Firm shall be responsible for ensuring and/or verifying that all subcontractors have valid and collectable insurance as evidenced by the certificates of insurance and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum insurance requirements identified above. The Office reserves the right to require, at any time throughout the life of this Contract, proof from the CPA Firm that its subcontractors have the required coverage.

Approval and modifications

Any modification or variation from the insurance requirements in this contract shall be made by the Auditor General, whose decision shall be final. Such action will not require a formal contract amendment but may be made by administrative action.

**D. Indemnification**

To the fullest extent permitted by law, CPA Firm shall defend, indemnify, and hold harmless the State of Arizona and the Office (hereinafter referred to as "Indemnitee") from and against any and all claims, actions, liabilities, damages, losses, or expenses (including court costs, attorneys' fees, and costs of claim processing, investigation, and litigation) (hereinafter referred to as "Claims") for bodily injury or personal injury (including death), or loss or damage to tangible or intangible property caused, or alleged to be caused, in whole or in part, by the negligent or willful acts or omissions of CPA Firm or any of its owners, officers, directors, agents, employees, or subcontractors. This indemnity includes any claim or amount arising out of, or recovered under, the Workers' Compensation Law or arising out of the failure of such CPA Firm to conform to any federal, State, or local law, statute, ordinance, rule, regulation, or court decree. It is the specific intention of the parties that the Indemnitee shall, in all instances, except for Claims arising solely from the negligent or willful acts or omissions of the Indemnitee, be indemnified by CPA Firm from and against any and all claims. It is agreed that CPA Firm will be responsible for primary loss investigation, defense, and judgment costs where this indemnification is applicable. In consideration of the award of this contract, the CPA Firm agrees to waive all rights of subrogation against the State of Arizona, its officers, officials, agents, and employees for losses arising from the work performed by the CPA Firm for the State of Arizona.

**E. Additional contract terms:**

1. Every payment obligation of the Office under this agreement is conditioned upon the availability of funds appropriated or allocated for the payment of such obligation. If funds are not allocated and available for the continuance of the agreement, this agreement may be terminated by the Auditor General at the end of the period for which funds are available. No liability shall accrue to the Office in the event this provision is exercised, and the Office



shall not be obligated or liable for any future payments or for any damages as a result of termination under this paragraph.

2. The CPA Firm warrants that no part of the contract amount provided herein shall be paid directly or indirectly to any officer or employee of the State of Arizona as wages, compensation, or gifts in connection with any work contemplated or performed relative to this contract.
3. It is expressly understood and agreed that this instrument contains the entire agreement between the parties and that, except as otherwise stated herein, there are no collateral conditions, agreements, or representations, all such having been incorporated and resolved into this agreement. Except as specified herein, no document or communication passing between the parties hereto shall be deemed a part of this agreement.
4. This contract may be modified at any time only by written amendment executed by all parties hereto. No agent, employee, or other representative of either the CPA Firm or the Office is empowered to alter any of the terms of this contract unless it is done in writing and signed by the Auditor General, Lindsey Perry, and an authorized representative of the CPA Firm.
5. The provisions of this contract are severable to the extent that any provision or application held to be invalid shall not affect any other provision or application of the Contract, which shall remain in effect without the invalid provision or application.
6. The CPA Firm will act in its individual capacity and not as an agent, employee, partner, joint venturer, or associate of the Office. An employee, subcontractor, or agent of the CPA Firm shall not be deemed or construed to be the employee or agent of the Office for any purpose.
7. The CPA Firm shall not assign this contract or any part of it or enter into subcontracts for or delegate any of the work described herein without obtaining the prior written approval of the Auditor General.
8. Time is of the essence in this contract. In case CPA Firm fails to perform the agreement at the time fixed for performance by the terms of this contract, the Office may, at the Auditor General's election, terminate the contract. Such termination shall be in addition to, and not in lieu of, any other legal remedies provided by this contract or by law.
9. This contract and all work hereunder shall be governed and interpreted by the laws, rules, regulations, and decrees of the State of Arizona.
10. The Office, by written notice, may terminate this contract in whole or in part when, in the sole discretion of the Auditor General, it is deemed in the best interest of the State of Arizona. If this contract is so terminated, the CPA Firm will be compensated for work

performed up to the time of the termination notification. In no event shall payment for such costs exceed the total current contract price.

11. Failure to perform any and all of the terms and conditions of this contract, including the schedule of work, shall be deemed a substantial breach thereof and give the Office cause to cancel this contract, which cancellation shall be effective upon written notice to the CPA Firm. In the event of cancellation of this contract for failure to perform, the CPA Firm shall not be entitled to damages and agrees not to sue the Office for damages therefor. Notwithstanding other legal remedies that may be available to the Office because of the CPA Firm's failure to perform, the CPA Firm agrees to indemnify the Office for its costs in procuring the services of a new CPA Firm.
12. Notwithstanding any provision of this contract, this contract may be terminated by the Office without penalty or further obligation pursuant to A.R.S. §38-511. Any termination shall be in writing.
13. The parties agree to use arbitration, after exhausting applicable administrative review, to the extent required by A.R.S. §12-1518, except as may be required by other applicable statute to resolve disputes arising out of this agreement. In the event such a dispute is arbitrated, the parties hereby agree that the prevailing party is entitled to recover its attorneys' fees and costs. Attorneys' fees shall be based on the prevailing hourly rate for attorneys in Phoenix, Arizona. The arbitrator shall be selected by the parties, and the arbitrator's decision shall be final and not appealable to any court. Any litigation shall be commenced and prosecuted in an appropriate court of competent jurisdiction within Maricopa County, State of Arizona.
14. CPA Firm agrees to maintain the confidentiality of the working papers during and after this project and to observe the confidentiality requirements of the Office pursuant to A.R.S. §41-1279.05 and any other applicable confidentiality requirements. The CPA Firm is prohibited from discussing or releasing any findings to anyone other than the auditee or Office without written approval from the Auditor General prior to the findings being published in the applicable auditor reports. All reports and working papers are the property of the Office and are subject to the laws and policies governing the Office's reports and working papers.
15. The CPA Firm shall comply with all applicable federal and State statutes, executive orders, regulations, and other requirements relating to civil rights and nondiscrimination in employment.
16. CPA Firm shall retain and shall contractually require each subcontractor to retain all data, books, and other records ("records") relating to this agreement for a period of 5 years after completion of the agreement. All records shall be subject to inspection and audit by the State at reasonable times. Upon request, CPA Firm shall produce the original of any or all such records. If the CPA Firm or subcontractor does not desire to retain the documentation

for such period, the CPA Firm or subcontractor shall give the documentation to the Office for safekeeping.

IN WITNESS WHEREOF, the parties have executed this contract, consisting of 11 pages to be effective as of the date of signing by the Auditor General.

**STATE OF ARIZONA**  
**ARIZONA AUDITOR GENERAL**

**CPA FIRM**

\_\_\_\_\_  
Lindsey A. Perry, CPA, CFE  
Auditor General

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EIN

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date