

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 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:

I. Recitals:

- A. In accordance with the authority granted under the laws of the State of Arizona, the Office wishes to procure the services of the Firm to conduct a performance audit and sunset review of the Arizona Board of Athletic Training hereinafter referred to as the Auditee, in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.
- B. The Firm desires and is capable of conducting such performance audit and issuing such a performance audit report for the Auditee.
- C. The 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:

II. Agreement:

A. Term of agreement

The term of this Agreement shall be for the period beginning on the date signed by the Auditor General and ending upon the conclusion of the last legislative presentation or hearing pertaining to the report, unless the contract is extended as set forth in Section II(B) of this Agreement. If the contract is extended to include 6-month follow-up work as set forth in Section II(B) of this Agreement, then the term of this agreement shall be for the period beginning on the date signed by the Auditor General and ending upon the publication by the Office of the 6-month follow-up report. If the contract is extended to include 18-month follow-up work as set forth in Section II(B) of this Agreement, then the term of this Agreement shall be for the period beginning on the date signed by the Auditor General and ending upon the publication by the Office of the 18-month follow-up report. The Office assumes no liability for work performed or costs incurred prior to the beginning date or subsequent to the contract completion date.

B. Options for Contract extension

The Office reserves the options to extend the Contract to include work to complete the 6-month and 18-month follow-up reports. Compensation for work performed pursuant to a contract extension will be paid as set forth in Section II(I)(3) of this agreement. The option for the 6-month follow-up will be exercised no later than two weeks after the initial performance audit report issuance. The option for the 18-month follow-up will be exercised no later than two weeks after the 6-month follow-up report issuance.

C. Services

The Firm, as an independent contractor and not as an agent of the Office, agrees to provide services as set forth in this Agreement, after receiving formal "Notice to Proceed" from the Office, including making all necessary off-site preparations and providing ongoing project administration and management for the Firm to execute the project with minimal support from the Office. The Firm agrees to:

1. Organize, schedule, and facilitate a project entrance conference no later than February 9th, 2026, by video or teleconference if necessary, with representatives from the Auditee and the Office. The purpose of this entrance conference is to introduce the Firm, establish workspace if needed, identify liaisons, determine a periodic meeting schedule, and discuss the scope and time frame for the audit.
2. Conduct preliminary planning work for completing the tasks outlined in Section II(C)(3)-(5) of this Agreement. This work must include, but is not limited:
 - a. Assessing the availability of the Auditee's data relevant to the audit areas, including interviewing Auditee staff to determine what data the Auditee maintains and where it is stored, how it is used, and what controls are in place to ensure its accuracy and reliability; reviewing the data and data system(s) to determine what data is necessary to address audit issues; and requesting and obtaining the data and ensuring the data provided is fully responsive to the request.
 - b. Conducting data validity/reliability testing after the data is obtained, such as by looking for blank fields, potential errors in logic or calculations, inconsistent names or values within fields, etc., and randomly pulling a sample of hard copy files to test data reliability and completeness.

Based on the results of this work, the Firm should determine the data's reliability for audit purposes. If the Firm determines the data is not available or not reliable for audit purposes, it should contact the Office to discuss and determine alternative procedures for any of the areas listed below for which the Firm has determined data analysis would be useful.

- c. Performing any other work the Firm deems necessary for completing the tasks outlined in Section II(C)(3)-(5) in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, including but not limited to developing work plans, conducting initial interviews with Auditee staff, and completing work to gain an understanding of the areas to be reviewed.
3. Address the following areas for the Auditee:
 - a. Evaluate if the Auditee reviews applications for and issues and/or denies initial and renewal licenses/certificates based on applicant qualifications as required by statute and rule by:
 - i. Reviewing relevant criteria, including the statutory and rule requirements applicants must meet to receive an initial and renewal license/certificate from

the Auditee, and the National State Auditors Association's (NSAA) *NSAA's Guidance for Carrying Out a Regulatory Program*.

- ii. Gaining an understanding of the Auditee's overall licensing/certification process to facilitate audit testwork, including staff roles and responsibilities and process steps for receiving, storing, and reviewing applications and associated documentation. At a minimum, this step should include reviewing the Auditee's written policies, procedures, standard work, and/or other staff guidance documents related to its process for reviewing applications for initial and renewal licenses/certificates to determine if the applicants are qualified. If the Auditee lacks written policies and procedures or other written guidance related to its licensing process, gaining an understanding of the process should include interviewing and observing Auditee licensing staff.
 - iii. After gaining an understanding of the Auditee's licensing/certification process, assessing whether the process and internal controls (e.g. policies and procedures, checklists, reviews, etc.) appear adequately designed to help ensure applicable requirements are met.
 - iv. If the Auditee's licensing data is available and reliable, determining the total population of initial/renewal applications the Auditee received and approved/denied in fiscal year 2025. The Firm agrees to follow the steps set forth in Section II(C)(2)(b) of this Agreement if the Auditee's data is unavailable or unreliable.
 - v. Reviewing applicant files and associated documentation for licenses/certificates issued and renewed in fiscal year 2025 to determine if the Auditee received/reviewed documentation demonstrating the applicant met the qualifications required by statute and rule; and determining if the Auditee correctly approved or denied the application based on the applicant's qualifications/lack of qualifications. Depending on the size of the population, this review may be conducted on a sample basis.
 - vi. If the Auditee did not issue and/or deny initial or renewal licenses/certificates based on applicant qualifications, determining the primary causes and identifying the impacts (e.g. fiscal, health, welfare, operational).
 - vii. Developing recommendations to address the condition and the identified causes.
- b. Evaluate if the Auditee reviewed and either approved or denied initial and renewal licenses/certificates within time frames established in rule by:
- i. Reviewing applicable time frame requirements in rule, including time frames for administrative and substantive review.
 - ii. Assessing whether the Auditee's licensing/certification process and internal controls (e.g. tracking or reports) appear adequately designed to help ensure time frames are met.

- iii. If the Auditee's licensing data is available and reliable, assessing whether the Auditee issued or denied initial and renewal licenses/certificates in fiscal year 2025 within time frames established in rule. The Firm agrees to follow the steps set forth in Section II(C)(2)(b) of this Agreement if the Auditee's data is unavailable or unreliable.
 - iv. If the Auditee did not issue or deny initial and renewal licenses/certificates within the time frames established in rule during fiscal year 2025, determining the primary reasons causes and identifying the impacts (e.g. fiscal, health, welfare, operational). This review can be done on a sample basis and/or in conjunction with the file review of licenses/certificates to verify the applicant met the qualifications required by statute and rule.
 - v. Developing recommendations to address the condition and the identified causes.
- c. Evaluate if the Auditee opens, prioritizes, investigates, and adjudicates complaints consistent with statute, rule, the Arizona Agency Handbook, NSAA's Guidance for Carrying Out a Regulatory Program, and/or Auditee policy requirements by:
- i. Reviewing the Auditee's response to sunset factor 6 and relevant criteria, including applicable statutory and rule requirements, Auditee policies, the Arizona Agency Handbook, the *NSAA's Guidance for Carrying Out a Regulatory Program*, and other potential requirements and guidance, including, but not limited to, applicable federal laws, regulations, and guidance.
 - ii. Gaining an understanding of the Auditee's complaint handling process to facilitate testwork, including staff roles and responsibilities and process steps for opening, prioritizing, investigating, adjudicating, and documenting complaints. At a minimum, this step should include reviewing the Auditee's written policies, procedures, standard work, and/or other staff guidance documents. If the Auditee lacks written policies and procedures or other written guidance related to its complaint-handling process, the Firm's work to gain an understanding of the process should include interviewing and observing Auditee complaint-handling staff.
 - iii. After gaining an understanding of the Auditee's complaint handling process, assessing whether the complaint handling process and internal controls (e.g. policies and procedures, tracking, reports, etc.) appear adequately designed to help ensure applicable requirements are met.
 - iv. If the Auditee's complaint data is available and reliable, determining the total population of complaints the Auditee received in fiscal year 2025. The Firm agrees to follow the steps set forth in Section II(C)(2)(b) of this Agreement if the Auditee's data is unavailable or unreliable.
 - v. Reviewing complaints received in fiscal year 2025 to determine if the complaints were resolved in accordance with applicable requirements; Auditee members/staff and contract investigators engaged in reasonable practices,

such as prioritizing complaints, identifying potential violations, notifying and interviewing involved parties, gathering sufficient evidence, and documenting Auditee decisions; investigation and adjudication processes were sufficiently separated; Auditee issued discipline when violations were identified; discipline appears reasonable for the violations and is consistent with Auditee policy; and Auditee took progressive sanctions against repeat offenders. Depending on the size of the population, this review may be conducted on a sample basis.

- vi. Reviewing Auditee meeting minutes or observing Auditee meetings, as needed, to assess the adjudication process, such as whether discipline is consistent with statutes/rules/Auditee policy or whether the Auditee took progressive sanctions against repeat offenders in fiscal year 2025.
 - vii. If the Auditee did not open, prioritize, investigate, and adjudicate complaints consistent with statute and/or policy requirements during fiscal year 2025, determining the primary causes and identifying the impacts (e.g. fiscal, health, welfare, operational).
 - viii. Developing recommendations to address the condition and the identified causes.
- d. Evaluate if the Auditee adjudicates similar complaints in a consistent manner by determining, in conjunction with Section II(C)(3)(e), whether the Auditee has policies, procedures, or other written guidance for ensuring that the discipline issued is reasonable for the violations and consistent for similar violations; and reviewing complaints and observing Auditee meetings and/or reviewing meeting minutes to determine whether adjudication is consistent for similar complaints. If the Auditee does not adjudicate similar complaints in a consistent manner, determine the primary causes and identifying the impacts (e.g. fiscal, health, welfare, operational); and develop recommendations to address the condition and the identified causes.
- e. Evaluate if the Auditee resolves complaints within 180 days or other applicable time frames by:
- i. Reviewing statute, Auditee policy, or industry standards to determine if there are other applicable time frames for resolving complaints besides the 180-day standard used by the Office.
 - ii. If the Auditee's complaint data is available and reliable, assessing whether complaints were resolved in 180 days (or other applicable criteria) in fiscal year 2025; and determining the number of open complaints, if any, and the range of time the open complaints have been unresolved. The Firm agrees to follow the steps set forth in Section II(C)(2)(b) of this Agreement if the Auditee's data is unavailable or unreliable.

- iii. If any complaints were not resolved within 180 days (or other applicable criteria) during fiscal year 2025, determining the primary causes and identifying the impacts (e.g. fiscal, health, welfare, operational).
 - iv. Developing recommendations to address the condition and the identified causes.
- f. Evaluate if the Auditee performs inspections and addresses inspections deficiencies consistent with statute, rule, and/or policy requirements by:
- i. Reviewing relevant criteria, including applicable statutory and rule requirements, policy, and other potential requirements such as applicable federal laws and regulations requiring the Auditee to perform inspections, and NSAA's Guidance for Carrying Out a Regulatory Program and other best practices for risk-based inspections.
 - ii. Gaining an understanding of the Auditee's overall inspection process to facilitate audit testwork, including staff roles and responsibilities and process steps for conducting, tracking and documenting investigations. At a minimum, this step should include reviewing the Auditee's written policies, procedures, standard work, and/or other staff guidance documents related to its investigation process. If the Auditee lacks written policies and procedures or other written guidance related to its investigation process, gaining an understanding of the process should include interviewing and observing Auditee inspection staff.
 - iii. After gaining an understanding of the Auditee's inspection process, assess whether the inspection process and internal controls (e.g. policies and procedures, forms, tracking, etc.) appear adequately designed to help ensure applicable requirements are met.
 - iv. If the Auditee's inspection data is available and reliable, determine the total number of inspections performed during fiscal year 2025. The Firm agrees to follow the steps set forth in Section II(C)(2)(b) of this Agreement if the Auditee's data is unavailable or unreliable.
 - v. Reviewing inspection files to test compliance with applicable requirements, including whether inspections are being completed within any required time frames and Auditee addressed deficiencies consistent with requirements. Depending on the size of the population, this review may be conducted on a sample basis.
 - vi. If the Auditee did not perform inspections and/or address inspection deficiencies consistent with requirements during fiscal year 2025, determining the primary causes and identifying the impacts (e.g. fiscal, health, welfare, operational).
 - vii. Developing recommendations to address the condition and the identified causes.

- g. Evaluate if the Auditee's fees are consistent with statute by:
 - i. Reviewing applicable statutory requirements for the Auditee's fees.
 - ii. Reviewing the Auditee's fees in rule, in application documents, and as charged in online payment systems.
 - iii. If Auditee's fees are not consistent with statute, determining the primary causes and identifying the impacts (e.g. fiscal, health, welfare, operational).
 - iv. Developing recommendations to address the condition and the identified causes.
- h. Evaluate if the Auditee establishes its fees based on cost and if it periodically evaluates the appropriateness of its fees, consistent with best practices for fee setting by:
 - i. Reviewing fee-setting best practices.
 - ii. Gaining an understanding of the Auditee's fee-setting and review process and fee history, including when fees were last reviewed, the size of its fund balance, and whether the fund balance has increased/decreased over time. If the Auditee has not established its fees based on cost and/or does not periodically evaluate the appropriateness of its fees, determining the primary causes and identifying the impacts (e.g. fiscal, health, welfare, operational).
 - iii. Developing recommendations to address the condition and the identified causes.
- i. Evaluate if the Auditee provides public information on its website consistent with statutory requirements by:
 - i. Reviewing statutory requirements for Auditees to post information on their website (A.R.S. §41-1091.01 and either A.R.S. §32-3214 for health regulatory boards and A.R.S. §41-3505 for nonhealth regulatory boards) and determining if any federal laws apply.
 - ii. Gaining an understanding of the Auditee's process for posting on its website.
 - iii. Reviewing the Auditee's website to determine whether information about licensed/certified professionals is disclosed or withheld on the Auditee's website as required by statute and whether this information is complete and accurate. This could be done in conjunction with licensing and complaint-handling file reviews. Depending on the size of the population, this review may be conducted on a sample basis.
 - iv. Reviewing the Auditee's website to determine if it has posted substantive policies, rules, and notices in accordance with applicable statutes.

- v. If the Auditee did not provide information on its website consistent with statute, determining the primary causes and identifying the impacts (e.g. fiscal, health, welfare, operational).
 - vi. Developing recommendations to address the condition and the identified causes.
- j. Evaluate if the Auditee provides accurate and complete public information about licensees and certificate holders upon request as required by statute by:
 - i. Reviewing the applicable statutory requirements, the Auditee's rules, the Arizona Attorney General's *Arizona Agency Handbook*, Chapter 6, the Arizona Ombudsman-Citizen's Aide's *Arizona Public Records Law*, 2023 edition, and the Auditee's policies and procedures for responding to public information requests.
 - ii. Gaining an understanding of the Auditee's process for responding to public information requests about licensees/certificate holders.
 - iii. Placing 2 to 4 anonymous phone calls to Auditee staff requesting information about licensed/certified professionals to test the Auditee's compliance with its process and to determine if staff provide or withhold information as required.
 - iv. If the Auditee did not provide accurate and complete public information about licensees and certificate holders upon request, determining the primary causes and identifying the impacts (e.g. fiscal, health, welfare, operational).
 - v. Developing recommendations to address the condition and the identified causes.
- 4. Obtain and evaluate information necessary to address the following statutory sunset factor questions:
 - a. The key statutory objectives and purposes in establishing the Auditee. Specific procedures that should be completed to answer this question include:
 - i. Reviewing the Auditee's sunset factors response, enabling statutes, and if necessary, the Auditee's mission statement, strategic plan, or other key Auditee documents to establish the Auditee's key statutory objectives and purpose.
 - b. The Auditee's effectiveness and efficiency in fulfilling its key statutory objectives and purposes. Specific procedures that should be completed to answer this question include:
 - i. Reviewing the Auditee's sunset factor response and evaluating the Auditee's enabling statutes and other items, such as the Arizona Master List of State Government Programs for the auditee, the Joint Legislative Budget Committee's appropriation report for the auditee, recent session laws related

to the auditee, the auditee's website, and conducting interviews with agency management.

- c. The extent to which the Auditee's key statutory objectives and purposes duplicate the objectives and purposes of other government agencies or private enterprises. Specific procedures that should be completed to answer this question include:
 - i. Reviewing the Auditee's sunset factor response and conducting research on whether the Auditee's key statutory objectives and purposes duplicate any other governmental agencies or private enterprises, such as federal government agencies, state government agencies, county government agencies, city government agencies, or private associations that regulate the industry.
- d. The extent to which rules adopted by the Auditee are consistent with the legislative mandate. Specific procedures that should be completed to answer this question include:
 - i. Reviewing and validating the Auditee's sunset factor response to help ensure the Auditee provided all statutes that require the agency to adopt rules; and in consultation with the Office, reviewing either all or a sample of statutes that require rules and verify that the Auditee has adopted the rules required.
- e. The extent to which the Auditee has provided appropriate public access to records, meetings, and rulemakings, including soliciting public input in making rules and decisions. Specific procedures that should be completed to answer this question include:
 - i. Reviewing the Auditee's sunset factor response and evaluating if the Auditee has complied with statutory public records laws (see A.R.S. §39-101 through 39-171; §41-151; and §41-1376.01). At a minimum, this work must determine if the Auditee has: developed policies and procedures to help it comply with State Public Records laws, posted required contact information on its website, maintained a log/tracker for public records requests, and notified requesters of receiving the request and when they can expect the request to be fulfilled.
 - ii. Evaluating if the Auditee has complied with statutory rulemaking requirements (see A.R.S. §41-1021 through §41-1023) by reviewing the auditee's 3 most recent rulemakings conducted between fiscal years 2021 and 2025. At a minimum, this work must determine if the auditee provided all statutorily required public notices and opportunities for public input, review if/how the auditee considered and incorporated public input into its rules, and develop recommendations to address any identified problems.
 - iii. Evaluating if the Auditee complies with the State's Open Meeting Law (OML) (see A.R.S. §38-431 through §38-431.03 and the Arizona Agency Handbook Ch. 7) requirements by: observing Auditee meetings and reviewing Auditee meeting materials to assess if the Auditee is complying with OML requirements (if needed, the Office will conduct work related to executive

session meetings); reviewing the Auditee's policies, procedures, and processes for ensuring it complies with OML requirements; assessing whether these policies, procedures, and processes appear adequately designed to ensure compliance with OML requirements and/or have contributed to any observed noncompliance; in consultation with the Office, reviewing information from the Attorney General's Office and the State Ombudsman on whether the agency has received any OML complaints; and developing recommendations to address any identified problems.

- f. The extent to which the Auditee timely investigated and resolved complaints that are within its jurisdiction. Specific procedures that should be completed to answer this question include:
 - i. Summarizing the results of your work on complaint handling.
- g. The extent to which the level of regulation exercised by the Auditee is appropriate as compared to other states or best practices, or both. Specific procedures that should be completed to answer this question include:
 - i. Reviewing the Auditee's sunset factor response and identifying if there are any national associations or other organizations that collect information on the 50 states (i.e., a compendium) that could be used to compare level of regulation. If no association or organization exists then the Firm must work with the Office to select some states for the Firm to conduct research, including contacting the state, if necessary, to determine how these states regulate these individuals.
- h. The extent to which the Auditee has established safeguards against possible conflicts of interest. Specific procedures that should be completed to answer this question include:
 - i. Reviewing the Auditee's sunset factor response and evaluating if the Auditee's conflict-of-interest practices comply with the State's conflict-of-interest statutes (see A.R.S. §38-501 et seq. and the Arizona Attorney General's Agency Handbook, Ch. 8) and recommended practices by: reviewing the Auditee's policies, procedures, and processes for ensuring the Auditee complies with the State's conflict-of-interest statutes and recommended practices; assessing whether these policies, procedures, and processes appear adequately designed to ensure compliance with conflict-of-interest statutes and recommended practices; reviewing the Auditee's compliance with State conflict-of-interest requirements and its policies and procedures by reviewing employee/Auditee member conflict-of-interest forms, reviewing the Auditee's special file of conflict-of-interest forms, observing Auditee meetings, and conducting any additional procedures to review its processes for identifying and mitigating conflicts of interest; and developing recommendations to address any identified problems. The Firm must review conflict-of-interest forms for all employees and Board members unless the agency has more than

30 combined employees and Board members, in which case the Firm may review a sample with approval from the Office.

- i. The extent to which changes are necessary for the Auditee to more effectively and efficiently fulfill its key statutory objectives and purposes or to eliminate statutory responsibilities that are no longer necessary. Specific procedures that should be completed to answer this question include:
 - i. Reviewing the Auditee's sunset factors response.
 - ii. If necessary, monitoring any proposed legislation related to your audit objectives during the legislative process; following up with the Auditee if it has identified any statutory responsibilities that are not necessary; and determining whether your audit work has identified any statutory changes that are needed to help the auditee more effectively and efficiently fulfill its key statutory objectives and purposes.
 - j. The extent to which the termination of the Auditee would significantly affect the public health, safety, or welfare. Specific procedures that should be completed to answer this question include:
 - i. Reviewing the Auditee's sunset factors response and determining if there are any critical state or federal requirements that would have to continue and be transferred to another agency if the auditee was terminated; identifying the number and type of individuals impacted by the Auditee's key statutory objective and purposes; using information from your audit work on whether auditee's key statutory objectives and purposes duplicate the objectives and purposes of other government agencies or private enterprises.
5. Review the Auditee's sunset factor response and obtain and review additional information necessary to assess the Auditee's financial internal controls and IT controls.
 6. Obtain background information on the Auditee necessary to develop a report introduction, including but not limited to:
 - a. The Auditee's mission, statutory purpose, and key statutory responsibilities.
 - b. The Auditee's organization and staffing.
 - c. The Auditee's revenues, expenditures, and year-end fund balances for fiscal years 2024, 2025, and 2026 using State accounting data (unless the Office approves an alternate source in advance) for inclusion in a financial table.
 7. Receive approval from the Office regarding sample sizes and sampling methodology prior to beginning test work. Additionally, the Office reserves the right to provide guidance for the Firm, upon the Firm's request or if the Office determines it is necessary, in matters such as the nature and extent of testing procedures, audit report content and format, and other areas, as applicable, to ensure the Firm fully addresses the issues identified in Section II(C)(3)-(6).

8. During the audit, hold a pre-meeting with the Office prior to each monthly meeting with Auditee representatives.
9. During the audit, schedule and hold periodic meetings (at least 1 meeting every 4 weeks) with representatives from the Auditee and other appropriate entities as determined by the Office to update them on the audit's progress, including any preliminary conclusions. The Office must also be invited to attend these meetings.
10. Upon completion of fieldwork, hold a fieldwork exit meeting with the Office and the Auditor General prior to initiation of the report outline.
11. After submitting the report outline to the Office, hold a messaging meeting with the Office to discuss and approve the outline prior to initiation of the report draft.
12. Upon receiving the Auditee's written response to the audit, meet with the Office to prepare for the draft exit meeting.
13. If the Office exercises the option for legislative presentations as set forth in Section II(I)(2) of this Agreement, participate in presentations to legislative committees or briefings for legislative members, if requested, including at least 1 in-person trip for a presentation to the legislative committees when the Auditor General requires. The Firm may be required to participate in several presentations or briefings during 1 trip.
14. Upon the Office exercising the option for Contract extension to perform follow-up work as set forth in Section II(B) of this Agreement, the Firm must hold a follow-up expectations meeting with the Auditee one month following issuance of the final report.

D. Report requirements

1. The Office requires the Firm to prepare and submit written progress reports every 4 weeks for the purpose of monitoring the status, progress, and direction of the Firm's work, including any preliminary findings, conclusions, and recommendations. The Office may require additional information and/or that the Firm meet to discuss the audit's status, progress, and direction.
2. The Office requires the Firm to prepare and submit by March 11th, 2026, its detailed fieldwork plan. The fieldwork plan must include the detailed procedures, methodology, and steps the Firm will perform to address each of the areas outlined in Section II(C)(3), the budgeted hours for each area, and the deadlines for key audit steps.
 - Whether the Auditee reviews applications for and issues and/or denies initial and renewal licenses/certificates based on applicant qualifications as required by statute and rule.
 - Whether the Auditee reviewed and either approved or denied initial and renewal licenses/certificates within time frames established in rule.
 - Whether the Auditee opens, prioritizes, investigates, and adjudicates complaints consistent with statute, rule, the Arizona Agency Handbook, NSAA's Guidance for Carrying Out a Regulatory Program, and/or Auditee policy requirements.

- Whether the Auditee adjudicates similar complaints in a consistent manner.
- Whether the Auditee resolves complaints within 180 days or other applicable time frames.
- Whether the Auditee performs inspections and addresses inspections deficiencies consistent with statute, rule, and/or policy requirements.
- Whether the Auditee provides public information on its website consistent with statutory requirements.
- Whether the Auditee provides accurate and complete public information about licensees and certificate holders upon request as required by statute.
- Whether the Auditee complies with the State's Open Meeting Law (OML) requirements.
- Whether the Auditee has established safeguards against possible conflicts of interest.

The Office must approve and agree to the fieldwork plan in writing. The agreed-upon deadlines will apply unless the Auditor General waives or modifies them in writing.

3. The Office requires the Firm to prepare and submit by June 9th, 2026 a fieldwork exit meeting PowerPoint presentation to the Office using a format prescribed by the Office. The Office will provide feedback on the PowerPoint which the Firm must incorporate into its fieldwork exit meeting presentation for the Auditor General on June 15th, 2026.
4. The Office requires that the Firm provide reports to the following entities by the following dates:
 - a. A draft report outline must be submitted to the Office on or before June 29th, 2026. The Office will provide feedback on the outline, which the Firm must incorporate as it drafts the report.
 - b. An initial draft report of the Firm's findings, conclusions, and recommendations must be submitted to the Office on or before July 27th, 2026. The initial draft report must include the information and evidence supporting the Firm's findings, conclusions, and recommendations and must address all items identified in Section II(C)(3) of this Agreement. The Office will provide feedback on the initial draft, and the Firm must revise the draft based on this input and resubmit the draft to the Office to approve the changes. If the Office determines the resubmitted draft needs additional changes, the Firm must revise the draft to make these changes and resubmit the draft to the Office to approve the changes. The Firm must not submit the initial draft to the Auditees until the Office has approved the initial draft.
 - c. Once the Firm receives the Office's approval, the Firm must submit the initial draft report to the Office and the Auditee on or before October 6th, 2026.

- d. At a draft exit meeting to discuss the initial draft, the Auditees may identify accuracy or other concerns with report information, and the Firm is required to revise the report to address these concerns. The revised draft must be submitted to the Office on or before October 26th, 2026. The Office will provide feedback on the revised draft, and the Firm is required to revise the draft based on this input and resubmit the draft to the Office to approve the changes. The Firm must not send the revised draft to the Auditees until the Office has approved all changes made to the report.
- e. Once the Firm receives the Office's approval, the Firm must submit the revised draft report to the Office and the Auditees on or before November 6th, 2026. The revised draft report will be the basis for the Auditees to submit their final written responses, which the Firm must include in the final report.
- f. The Firm must submit the final report of the Firm's findings, conclusions, and recommendations, including the written response from the Auditee to the Office on or before November 17th, 2026. The Firm must provide the Office with an electronic copy of the final report, including any graphics and appendices. The Firm must provide the electronic report version through a ShareFile upload link that the Office will provide to the Firm and must provide the electronic report in PDF format, and it must not be password protected. Further, the Firm must complete final copy editing of the final report prior to providing it to the Office.

For all report drafts outlined in Sections II(D)(3)(a)-(f) of this Agreement, the Firm is responsible for conducting all quality management responsibilities, including those outlined in *Government Auditing Standards*, issued by the Comptroller General of the United States [Government Accountability Office (GAO) Yellow Book].

The due dates set forth in Sections II(D)(3)(a)-(f) of this Agreement will apply unless the Auditor General waives or modifies them in writing. The Firm must submit any request for a waiver or modification to the due dates set forth in Section II(D)(3) of this Agreement in writing to the Office.

- 5. Upon the Office exercising the option for Contract extension to perform follow-up work as set for in Section II(B) of this Agreement, the Firm must plan and budget time and resources to conduct follow-up work and must issue follow-up reports at 6 months and 18 months after the audit report is released on the implementation status of the final report's recommendations. The follow-up work and follow-up report format must follow the format of the follow-up reports the Office issues. If subsequent follow-ups are required, such as a 24-month follow-up, these will be negotiated at a later date.

E. Onsite work

The Firm must conduct some work onsite at the Auditee's location. At a minimum, the Firm must conduct work onsite during the initial scoping phase to build rapport with the Auditee, review the Auditee's data system and controls, and review hard copy files. During fieldwork, the Firm must conduct work onsite to observe Auditee meeting(s) to verify that the Auditee is complying with open meeting law and conflict-of-interest requirements.

F. Audit standards

The Firm attests that it meets the independence standards of and will conduct the audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States [Government Accountability Office (GAO) Yellow Book].

G. Independence

1. The Firm and anyone conducting work on behalf of or at the direction of the Firm must have no conflict of interest with regard to any other work performed for the State of Arizona or Auditee. The Auditor General is the sole authority in determining whether any conflicts of interest or independence issues exist. The Firm agrees that the Firm and anyone performing any work pursuant to this Agreement will be independent and remain independent during the Agreement period. The Firm agrees to submit Independence Disclosure Forms to the Office for the Firm and for anyone who will perform any work pursuant to this Agreement. The Firm agrees that the Firm will not commence any work pursuant to this Agreement until the Office has reviewed and approved in writing the Independence Disclosure Form(s) for the Firm. The Firm agrees that any person who will perform work pursuant to this Agreement on behalf of or at the direction of the Firm will not commence any work until the Office has reviewed and approved in writing that person's Independence Disclosure Form.
2. Individuals performing work under this Agreement are not employees of the Auditee or its governing body or bodies, and the Firm has disclosed that it has no contractual relationship with these entities or the government employers that participate in them.

H. Exit conference

Following completion of the draft report, the Firm must be available to participate in an exit conference with Auditee officials. The Firm must hold the exit conference meeting no later than October 21st, 2026. Office staff may participate in the exit conference if necessary. The purpose of the exit conference is to discuss the draft performance audit report with the Auditee, identify any errors, and obtain comments on the report's findings and recommendations. The Firm must require the Auditee to provide a preliminary written response to the draft audit report, including whether it agrees to the findings and plans to implement any recommendations directed to it. The response is required to be provided to the Firm and the Office at least 48 hours before the draft exit meeting. The Office will provide specific instructions for the response. Attendance at the draft exit conference is mandatory for the selected Firm's project manager and key staff who oversaw tasks as listed in Sections II(C)(2) and II(C)(3) of this Agreement.

I. Payments and compensation

1. Performance Audit Engagement
 - a. Total compensation for the performance audit engagement, including travel costs and out-of-pocket expenses, will be \$_____, excluding compensation for optional Legislative Presentations and the optional 6-month and 18-month follow-up work.

- b. The Office will pay the Firm in installments based on periodic written progress reports and invoices for the work accomplished to date. Invoices must include a list of the Firm's employees who worked on each of the tasks.
- c. The Office will withhold the final 20 percent of the contract amount set forth in Section II(I)(1)(a) of this Agreement until the written report is accepted in final form by the Office.

2. Legislative Presentations

- a. The Office reserves the option to require the Firm to participate in presentations to legislative committees or briefings for legislative members, including at least 1 in-person trip for a presentation to the legislative committees when the Auditor General requires. The Firm may be required to participate in several presentations or briefings during 1 trip.
- b. If the Office exercises the option for Legislative Presentations as set forth in Section II(I)(2) of this Agreement, total compensation for these services, including travel and out-of-pocket expenses, will be \$_____.
- c. The Office will pay the Firm the amount set forth in Section II(I)(2)(b) of this Agreement after completion of the Legislative Presentations set forth in Section II(I)(2)(a) of this Agreement.

3. Option for Follow-Up Work

- a. If the Office exercises its option to extend the contract to include follow-up work, total compensation for the performance audit follow-up work, including travel costs and out-of-pocket expenses, will be \$_____ for the 6-month follow-up and \$_____ for the 18-month follow-up.
- b. The Firm agrees to submit invoices upon completion of the 6-month follow-up report and the 18-month follow-up report, respectively. Invoices must include a list of the Firm's employees who worked on the follow-up.
- c. After receiving an invoice as set forth in Section II(I)(3)(b) of this Agreement and upon acceptance in final form by the Office of the follow-up report the Office will pay the Firm the cost set forth in Section II(I)(3)(a) of this Agreement for the follow-up work.

4. Additional Auditing Procedures

- a. If the Office requires additional auditing procedures to address changes in work as set forth in Section II(J) of this Agreement, the estimated costs for the additional auditing procedures will be based on the hourly rate of \$_____.
- b. The Firm agrees to submit an invoice upon completion of the additional auditing procedures. The invoice must include a list of the Firm's employees who worked on

the additional auditing procedures. The Office will pay the Firm 100 percent of the costs approved in writing as set forth in Section II(J) of this Agreement upon acceptance by the Office of a written summary describing all conclusions, deficiencies, and/or errors noted resulting from the additional auditing procedures performed and incorporation of such conclusions, deficiencies, and/or errors into the performance audit report, as directed by the Office.

J. 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, unless the parties determine during the performance of services pursuant to this Agreement that less work is necessary for the Firm to adequately perform the services in this Agreement in which case the parties agree to modify the compensation amount for the performance audit engagement or the follow-up work to reflect the actual costs of the reduced work.

The services as set forth in Section II of this Agreement are the minimum tasks required. The Firm may be required to perform certain additional auditing procedures in connection with the performance audit, as determined by the Office. Within 10 days of notice from the Office that additional auditing procedures are required, the Firm agrees to provide the Office a written estimate of the hours and overall cost necessary to perform the additional auditing procedures, based on the hourly rate set forth in Section II(I)(4)(a) of this Agreement. The Firm must not commence work on the additional auditing procedures until the Office provides written approval of the overall cost. Compensation for any additional auditing procedures will be paid as set forth in Section II(I)(4)(b) of this Agreement. In completing any additional auditing procedures, the Firm must submit a written statement to the Office describing all conclusions, deficiencies, and/or errors noted resulting from the additional auditing procedures performed and must incorporate such conclusions, deficiencies, and/or errors into the performance audit report, as directed by the Office.

III. **Insurance requirements:**

The 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 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 Firm from liabilities that arise out of the performance of the work under this Contract by the Firm, its agents, representatives, employees, or subcontractors, and the Firm is free to purchase additional insurance.

1. Minimum scope and limits of insurance

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

1. **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 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 Firm.

2. **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 Firm, involving automobiles owned, leased, hired, or borrowed by the 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 Firm.

3. **Workers' Compensation and Employers' Liability**

- Workers' Compensation Statutory

- Employers' Liability

Each Accident	\$1,000,000
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Disease—Each Employee	\$1,000,000
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Disease—Policy Limit	\$1,000,000
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- 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 Firm.
- This requirement shall not apply to: Separately, EACH Firm or subcontractor that is exempt under A.R.S. §23-901, et. seq., AND when such Firm or subcontractor executes the appropriate waiver form (sole proprietor or independent Firm).

4. Professional Liability (Errors and Omissions Liability)

- Each Claim \$2,000,000

- Annual Aggregate \$2,000,000

- In the event that the Professional Liability insurance required by this Contract is written on a claims-made basis, 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.
- The policy shall cover professional misconduct or negligent acts for those positions defined in the scope of work of this Contract.

2. Additional insurance requirements

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

The Firm's policies, as applicable, shall stipulate that the insurance afforded the 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 Firm shall not limit the Firm's liability assumed under the indemnification provisions of this Contract.

3. Notice of cancellation

Applicable to all insurance policies required within the Insurance Requirements of this Contract, 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, 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.

4. Acceptability of insurers

The 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 "A.M. 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 Firm from potential insurer insolvency.

5. Verification of coverage

The Firm shall furnish the Office with certificates of insurance (valid ACORD form or equivalent approved by the State of Arizona) evidencing that the 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.

6. Subcontractors

The Firm's certificate(s) shall include all subcontractors as insureds under its policies or the 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 Firm that its subcontractors have the required coverage.

7. 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.

IV. Indemnification

To the fullest extent permitted by law, the Firm shall defend, indemnify, and hold harmless the State of Arizona and the Office (hereinafter referred to as "Indemnatee") 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 the 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 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 Indemnatee shall, in all instances, except for Claims arising solely from the negligent or willful acts or omissions of the Indemnatee, be indemnified by the Firm from and against any and all claims. It is agreed that the 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 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 Firm for the State of Arizona.

V. 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 Firm shall advise and obtain approval from the Auditor General in writing prior to accepting additional engagements for professional services from the Auditee. Such disclosure to the Auditor General shall include a description of the services to be rendered and fees to be charged.
3. The Firm shall not, and shall ensure that its employees, agents, subcontractors, assignees, and delegates do not, use any Artificial Intelligence (AI) software, tools platforms or technologies, including but not limited to generative AI, large language models, and machine learning models, in connection with this Agreement without first obtaining the prior written approval of the Auditor General. The Firm acknowledges and agrees that any use of AI software, tools, platforms, or technologies must and will

comply at all times with the confidentiality requirements set forth in Section III (Q) of this Agreement.

4. The 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.
5. In accordance with A.R.S. §41-4401, the Firm warrants compliance with all Federal immigration laws and regulations relating to employees and warrants its compliance with Section A.R.S. §23- 214, Subsection A.
6. 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.
7. 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 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 Firm.
8. 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.
9. The 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 Firm shall not be deemed or construed to be the employee or agent of the Office for any purpose.
10. The 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. The 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 first obtaining the written agreement of the subcontractor, assignee, or delegate 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.
11. Time is of the essence in this Contract. In case the 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.

12. This Contract and all work hereunder shall be governed and interpreted by the laws, rules, regulations, and decrees of the State of Arizona.
13. 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 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.
14. 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 Firm. In the event of cancellation of this Contract for failure to perform, the 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 Firm's failure to perform, the Firm agrees to indemnify the Office for its costs in procuring the services of a new firm.
15. 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.
16. 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.
17. The 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 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 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.
18. The Firm shall comply with all applicable federal and State statutes, executive orders, regulations, and other requirements relating to civil rights and nondiscrimination in employment.

19. The 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, free of charge, at a location the Office specifies. Upon request, the Firm shall produce the original of any or all such records. If the Firm or subcontractor does not desire to retain the documentation for such period, the Firm or subcontractor shall give the documentation to the Office for safekeeping.

IN WITNESS WHEREOF, the parties have executed this Contract, consisting of 24 pages, to be effective as of the date of signing by the Auditor General.

STATE OF ARIZONA
ARIZONA AUDITOR GENERAL

FIRM

Lindsey A. Perry, CPA, CFE
Auditor General

EIN

Date

Date