

## State Committee for School District Audits

Frankfort, Kentucky

The Nelson County Board of Education requests the financial accounts of the Board be audited for FY 2007-2008 in accordance with the procedures adopted by the State Committee for School District Audits. The Board has chosen the firm of:

**Auditor:** Brown & Company CPA's **Phone #:** 502-349-3000

**Address:** 442 East Stephen Foster Ave. P. O. Box 70 **Fax #:** 502-349-2059

**Address:** Bardstown, KY 40004 **Email:** gbrown@brownccpa.com

The cost of the audit has been estimated at: \$15,500-16,000

**If there is an increase in the audit cost from last year, please provide an explanation:**

SUBMITTED, MAY 20, 2008 NELSON COUNTY  
Board of Education

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Secretary

Send **THREE** (3) copies of this request and **THREE** (3) signed audit contracts no later than May 30, 2008 to:

Division of District Operations  
Kentucky Department of Education  
500 Mero Street, CPT 15<sup>th</sup> Floor  
Frankfort, KY 40601

## INDEPENDENT AUDITOR'S CONTRACT

To provide for a school district audit in compliance with KRS 156.255, 156.265, 156.275, 156.285, and 156.295, this agreement is made and entered into this 20 day of MAY 2008, between the Nelson County Board of Education ("BOARD"), and Brown & Company CPA's, ("ACCOUNTANT"), who is a Certified Public Accountant or a Public Accountant registered with the State Board of Accountancy.

### I. DUTIES OF ACCOUNTANT

- A. ACCOUNTANT shall render an opinion on the financial statements of BOARD for fiscal year 2007-2008. The scope and nature of the audit shall be in accordance with **Appendix I** to this Independent Auditor's Contract - General Audit Requirements and **Appendix II** to this Independent Auditor's Contract - State Audit Requirements. These audit procedures are incorporated as a part of this agreement.
- B. ACCOUNTANT shall address the audit report and written comments to BOARD and to the State Committee for School District Audits (COMMITTEE). ACCOUNTANT shall deliver one (1) electronic copy of the audit report in any of the following formats: Text documents shall be submitted in Microsoft Word, and /or Adobe Acrobat (PDF) format, spreadsheet documents are to be submitted in the Microsoft Excel, and /or Adobe Acrobat (PDF) format along with (2) signed paper copies to COMMITTEE in care of Division of District Operations, Kentucky Department of Education, no later than November 17, 2008. All electronic and paper copies of the audit report must be at the Division of District Operations, KDE, for it to be considered filed timely. No more than three (3) files total (text and spreadsheet) will be accepted electronically, unless alternate arrangements are made through the Division of District Operations.
- C. If necessary, ACCOUNTANT must file a request for extension, fully describing the reasons for the request. The request must reach the Division of Data Management by **October 31, 2008**.

### II. DUTIES OF BOARD

- A. BOARD shall make available to ACCOUNTANT no later than August 1 all books, accounts, reports, vouchers, correspondence files, records, money, and property under its control which may be requested by ACCOUNTANT in the course of performance of the audit.

### III. COMPENSATION

- A. ACCOUNTANT shall be paid an amount agreed upon between the auditor and district which is incorporated herein for the successful completion of the work defined by this agreement.
- B. Final payment is predicated upon completion of the work and delivery of documentation described in section DUTIES OF ACCOUNTANT of this contract.
- C. Compensation to ACCOUNTANT for any increase or decrease of audit scope by authority of Section V SUPPLEMENTAL AGREEMENTS of this contract must **be defined in said agreements and approved by COMMITTEE**.
- D. ACCOUNTANT shall submit to BOARD an invoice for payment which shall be signed by ACCOUNTANT and contain adequate supporting documentation such as: **detail of hours worked by each auditor classification (e.g., partner, manager, supervisor, senior, staff, etc.) in major audit areas or supervisory/administrative functions**.

### IV. AUTHORITY OF COMMITTEE

- A. BOARD, ACCOUNTANT AND COMMITTEE agree:
  - 1. That COMMITTEE and the Kentucky Department of Education may examine work papers of ACCOUNTANT and may perform quality control reviews of the audit procedures utilized during the course of the audit;

2. COMMITTEE and BOARD may prohibit the use of any subcontractor by ACCOUNTANT. During the term of the contract, no subcontractor shall be used without the prior written approval of COMMITTEE and BOARD; and
3. COMMITTEE may allow for extension of time for completion and delivery of the audit report.

#### **V. SUPPLEMENTAL AGREEMENTS**

- A. If during the course of the audit a material exception is noted by ACCOUNTANT that requires additional procedures or an increase in the scope of the audit, the scope of the audit may be increased by written supplemental agreement of BOARD and ACCOUNTANT if the material exceptions have first been reported in writing by ACCOUNTANT to COMMITTEE. The scope of the audit may also be reduced by written supplemental agreement of BOARD and ACCOUNTANT if the reasons for the reduction have first been reported in writing by ACCOUNTANT to COMMITTEE.

#### **VI. DELIVERY OF AUDIT REPORT**

- A. ACCOUNTANT agrees to begin the audit of accounts of BOARD on or about August 1 or 15 days from execution date of this contract, whichever is later, and further agrees to complete and deliver a signed copy of the audit report to BOARD and to COMMITTEE and electronically submit the report to KDE on or before November 17.
- B. A written request for extension of time to deliver the audit report from ACCOUNTANT shall be received by the Division of Data Management, Kentucky Department of Education, on or before October 31. Requests for extensions will include but not be limited to the following information: length of extension, reason for extension, work completed to date, work to be completed and estimated release date of audit.
- C. Failure to request an extension will be grounds for the committee to impose penalties under VII.

#### **VII. LATE PENALTIES**

- A. There shall be a 10% reduction of the original audit fee if any of the following occur: (1) the electronic copy and the two paper copies of the audit report are not delivered on or before November 17 or on the last day of any extension, (2) the audit report does not contain the information shown in Appendix I, Sections 7 and 10, and/or (3) the audit report is not submitted as referenced above in Duties of Accountant, Section I.B., unless alternate arrangements have been made with the Division of District Operations, KDE.
- B. ACCOUNTANT may be ineligible to conduct a school district audit for the upcoming fiscal year if any of the stipulations in section A occur.
- C. COMMITTEE may waive penalties for delays caused by circumstances beyond the control of ACCOUNTANT.

#### **VIII. EFFECTIVE DATE**

- A. This agreement, between the auditor and the school district, shall not become effective until the COMMITTEE has approved the audit contract.

#### **IX. TERMINATION**

- A. The BOARD shall have the right to terminate and cancel this contract at any time without cause upon 30 days written notice served on the ACCOUNTANT by registered or certified mail. The BOARD shall have the right to terminate and cancel this contract for cause upon 5 days written notice served on the ACCOUNTANT by registered or certified mail.

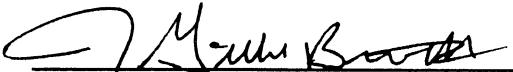

- B. If cause exists to terminate and the BOARD does not terminate, the COMMITTEE may terminate and cancel this contract for cause upon 5 days written notice served on the ACCOUNTANT by registered or certified mail.
- C. "Cause" includes, but is not limited to:
- (a) failure to commence work within 15 days of execution of the contract or August 1, whichever is later;
  - (b) previous history of extension requests by the same ACCOUNTANT for the same district;
  - (c) failure to complete the audit by November 17;
  - (d) failure to communicate to the Kentucky Department of Education in a timely manner problems encountered in conducting the audit.

**Cause shall not include any factor wholly the fault of the BOARD.**

**X. CONFLICTS OF INTEREST**

- A. ACCOUNTANT represents and warrants that (a) ACCOUNTANT is legally able to enter into contracts with BOARD, (b) the performance of this agreement would not violate any conflict of interest statutes, and (c) that ACCOUNTANT has no personal interest in the financial affairs of BOARD or any of its officers or employees.

**AGREED TO BY:**

<p>_____ BOARD OF EDUCATION</p> <p>BY: _____ SCHOOL BOARD CHAIRMAN</p> <p>_____ SECRETARY</p>	<p> ACCOUNTANT</p> <p>BY: <u>Brown &amp; Company</u> FIRM</p> <p> PARTNER</p>
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**STATE COMMITTEE FOR SCHOOL DISTRICT AUDITS**

BY: \_\_\_\_\_  
STATE COMMITTEE CHAIRMAN