

Independent Auditor's Contract

To provide for a school district audit in compliance with KRS 156.255, 156.265, 156.275, 156.285, 156.295, and 156.480, this agreement is entered into for audit period ending June 30, 2020, between the Hopkins County Board of Education (BOARD), and Alford, Nance, Jones & Oakley, LLP, (ACCOUNTANT), who is a Certified Public Accountant or a Public Accountant registered with the **Kentucky** State Board of Accountancy.

I. DUTIES OF ACCOUNTANT

- A. The ACCOUNTANT shall render an opinion on the financial statements of the BOARD for fiscal year 2019-2020. The scope and nature of the audit shall be in accordance with the Auditor Responsibilities and State Compliance Requirements. These requirements are incorporated as a part of this agreement.
- B. ACCOUNTANT shall address the audit report and written comments to the BOARD and to the State Committee for School District Audits (COMMITTEE).
- C. ACCOUNTANT shall deliver the audit report in accordance with Section VII.A. DELIVERY OF AUDIT REPORT. If the audit report cannot be timely submitted, the ACCOUNTANT shall submit an Audit Extension Request in accordance with Section VI.A. AUDIT EXTENSION REQUEST.

II. DUTIES OF BOARD

- A. The BOARD shall make available to the ACCOUNTANT no later than August 2, 2020, all books, accounts, reports, vouchers, correspondence files, records, money, and property under its control which may be requested by the ACCOUNTANT in the course of performing the audit.

III. AUTHORITY OF COMMITTEE

- A. The COMMITTEE and the Kentucky Department of Education (KDE) may examine work papers of the ACCOUNTANT and may perform quality control reviews of the audit procedures utilized during the course of the audit;
- B. The COMMITTEE and the BOARD may prohibit the use of any subcontractor by the ACCOUNTANT in their sole discretion. During the term of the contract, no subcontractor shall be used without the prior written approval of the COMMITTEE and the BOARD; and
- C. The COMMITTEE will consider Audit Extension Requests submitted by ACCOUNTANT prior to October 1, 2020. Provided the COMMITTEE determines the delay is unavoidable and due to factors beyond the ACCOUNTANT'S control, the COMMITTEE may, in their sole discretion, allow for the audit to be submitted to KDE without penalty after the November 15, 2020 due date.

IV. COMPENSATION

- A. The ACCOUNTANT shall be paid an amount agreed upon between the ACCOUNTANT and the BOARD, consistent with the Audit Acceptance Statement, which is incorporated herein by reference, for the successful completion of the work defined by this agreement.
- B. Final payment is predicated upon completion of the work as described in Section I. DUTIES OF ACCOUNTANT and delivery of documentation as described in Section VII. DELIVERY OF AUDIT REPORT.
- C. Compensation to the ACCOUNTANT in excess of the amount stated on the AUDIT ACCEPTANCE STATEMENT must be approved by the COMMITTEE if said increase exceeds \$1,000 or 10% of the audit fee, whichever is less. The ACCOUNTANT must submit a written explanation to the BOARD and the COMMITTEE for the requested increase in compensation before the COMMITTEE will consider any increase. The requested increase and written explanation must be submitted to the BOARD and Committee no later than submission of ACCOUNTANT'S invoice for payment.
- D. The ACCOUNTANT shall submit to the BOARD an invoice for payment which shall be signed by the 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.

V. SUPPLEMENTAL AGREEMENTS

- A. The scope of the audit may be increased or decreased by written supplemental agreement between the BOARD and the ACCOUNTANT, if the reasons for the increase or decrease have first been reported in writing by the ACCOUNTANT to the COMMITTEE and the COMMITTEE approves the increase or decrease. The audit fee may be adjusted for the increase or decrease in the scope of the audit in accordance with Section IV.C. COMPENSATION.

VI. AUDIT EXTENSION REQUEST

- A. If the audit cannot be completed on or before November 15, 2020, due to factors beyond the control of the ACCOUNTANT, the ACCOUNTANT shall electronically submit an Audit Extension Request form, fully completed by both the ACCOUNTANT and the BOARD, to KDE on or before October 1, 2020. The form is provided in **Appendix I - Audit Extension Request**.

VII. DELIVERY OF AUDIT REPORT

- A. The ACCOUNTANT agrees to begin the audit of the BOARD on or before August 2, 2020 or 15 days from execution date of this contract, whichever is later, and further agrees to complete and deliver a signed paper copy of the audit report to the BOARD, one signed paper copy to the COMMITTEE in care of KDE, and an electronic copy to KDE in accordance with **Appendix II - Instructions for Submission of the Audit Report** on or before November 15, 2020, or at a later date approved by the COMMITTEE. All electronic and paper copies of the audit report must be received by KDE on or before November 15, 2020 for it to be considered filed timely. If the audit report has not been received by KDE on or before November 15, 2020 or by the later date approved by the COMMITTEE, the audit will be considered late and penalties as outlined in Section VIII. PENALTIES may be imposed at the discretion of the COMMITTEE.

VIII. PENALTIES

- A. There may be a 10% reduction of the audit fee if one or more of the following conditions occur: (1) the audit report is not submitted in accordance with VII.A. DELIVERY OF AUDIT REPORT; or (2) the audit report does not contain the information shown under Audit Report Requirements.
- B. The ACCOUNTANT may, in the sole discretion of the COMMITTEE, be ineligible to conduct a school district audit for the upcoming fiscal year if one or more of the conditions in section A occur.
- C. The COMMITTEE may, in its sole discretion, waive penalties for delays caused by circumstances beyond the control of the ACCOUNTANT.

IX. EFFECTIVE DATE

- A. This agreement, between the ACCOUNTANT and the BOARD, shall not become effective until this contract has been approved by the COMMITTEE and signed by the COMMITTEE Chair. This agreement is effective for the 2019-2020 fiscal year.

X. 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 five days written notice served on the ACCOUNTANT by registered or certified mail.
- B. If cause exists to terminate the contract, and the BOARD does not terminate, the COMMITTEE may terminate and cancel this contract for cause upon five days written notice served on the ACCOUNTANT by registered or certified mail.
- C. "Cause" includes, but is not limited to any of the following:
 - 1. Failure to commence work within 15 days of execution of the contract or on or before August 2, 2020, whichever is later;
 - 2. Previous history of extension requests by the same ACCOUNTANT for the same district;
 - 3. Failure to submit the audit on or before November 15, 2020;

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

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Jones, Nale & Mattingly PLC

REPORT ON THE FIRM'S SYSTEM OF QUALITY CONTROL

To the Partners of
Alford, Nance, Jones & Oakley, LLP
and the Peer Review Committee of the Kentucky Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Alford, Nance, Jones & Oakley, LLP (the firm) in effect for the year ended August 31, 2016. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Alford, Nance, Jones & Oakley, LLP in effect for the year ended August 31, 2016, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. Alford, Nance, Jones & Oakley, LLP has received a peer review rating of pass.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
January 6, 2017