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# 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, 2017, between the Lee County Board of Education (BOARD), and White & Associates, PSC, (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 2016-2017. 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, 2017, 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, 2017. 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, 2017 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, 2017, 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, 2017. 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, 2017 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, 2017, 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, 2017 for it to be considered filed timely. If the audit report has not been received by KDE on or before November 15, 2017 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 2016-2017 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, 2017, 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, 2017;
   4. Failure to communicate to KDE timely about problems encountered in conducting the audit;
   5. Violation of any of the provisions in Section XI. REPRESENTATIONS AND WARRANTIES; or
   6. Failure to abide by any of the terms and conditions of this agreement.

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

## XI. REPRESENTATION AND WARRANTIES

A. The ACCOUNTANT is legally able and authorized to enter into contracts with the BOARD, including on behalf of any entity under which the ACCOUNTANT practices.

B. The performance of this agreement would not violate any conflict of interest law, including but not limited to KRS 156.480.

C. The ACCOUNTANT has no personal interest in the financial affairs of the BOARD or any of its officers or employees.

## XII. MATERIALS INCORPORATED BY REFERENCE

A. Any materials referred to herein are incorporated by reference and made a part of this contract, which shall include the materials attached hereto and supplied to the ACCOUNTANT, consisting of 30 pages.

**THIS AGREEMENT ENTERED INTO AS DATED BELOW:**

**AGREED TO BY:**

Lee County
**BOARD OF EDUCATION**

WHITE & ASSOCIATES, PSC
**ACCOUNTANT/FIRM**

William Owens 5/3/17
**BY: SCHOOL BOARD CHAIR** **DATE**

4/17/17
**BY: PARTNER** **DATE**

James Everman 5/3/17
**SECRETARY** **DATE**

**ACCEPTED BY:**

**STATE COMMITTEE FOR SCHOOL DISTRICT AUDITS**

6/23/17
**BY: STATE COMMITTEE CHAIR** **DATE**