



Item: Approve Three Year Audit Contract with JCCS
From: Cheryl Lucas, Staff Accountant
Initiated By: Fiscal Services Department
Presented By: Melissa Kinzler, Fiscal Services Director
Action Requested: Approve Three Year Audit Contract

Suggested Motion:

1. Commissioner moves:

“I move that the City Commission (approve/reject) a three year contract for audit services with Junkermier, Clark, Campanella, Stevens, PC (JCCS) at a cost of \$48,000 for Fiscal Year (FY) 2013, \$49,000 for FY 2014, and \$50,000 for FY 2015.”

2. Mayor calls for a second, discussion, public comment, and calls the vote.

Staff Recommendation: Staff recommends the City Commission approve a three year contract for audit services with JCCS at a cost of \$48,000 for FY 2013, \$49,000 for FY 2014, and \$50,000 for FY 2015.

Background: The City of Great Falls went out for a request for proposal (RFP) for auditor services for Fiscal Years 2013, 2014 and 2015. The deadline for the RFP was April 5, 2013. The RFP was advertised twice in the Great Falls Tribune. Letters with a copy of the RFP were sent to the four local accounting firms who are listed on the State of Montana’s Roster of Independent Auditors Authorized to Conduct Audits of Local Government Entities. Denning Downing & Associates, P.C. from Kalispell were also sent a letter and RFP, the firm had requested to be put on the RFP list. The City received three responses to the RFP. The firms that responded were Joseph Eve, JCCS and Anderson ZurMuehlen & Co., P.C (Anderson).

Staff reviewed the RFP’s and recommended to the Audit Committee JCCS be awarded the contract. The Audit Committee met and accepted the recommendation from staff.

Evaluation and Selection Process

Annual audits are a professional service, exempt from statutory bidding requirements. The Government Finance Officers Association (GFOA) and The State of Montana Department of Administration provide similar guidance for local governments in selecting professional auditing

services. The State of Montana provides guidance under the **Administrative Rule of Montana (ARM) 2.4.407 Criteria for the Selection of the Independent Auditor**. The rule states:

- (1) In selecting an independent auditor to perform an audit under 2-7-503, MCA, a local government entity shall consider the following criteria:
 - a. Listing on department's roster of independent auditors authorized to conduct local government audits;
 - b. Independence, as defined by applicable auditing standards;
 - c. Demonstrated understanding of the work to be performed;
 - d. Technical experience of the independent auditor to conducting similar types of local government entity audits;
 - e. Qualifications of staff to be assigned to the audit;
 - f. Work history of the independent auditors; and
 - g. The proposed audit fee.

When using the criteria in ARM 2.4.407 the options for selection of an independent auditor are narrowed down considerably. The Department of Administration – Local Government Services Bureau Roster of Independent Auditors Authorized to Conduct Audits of Montana Local Governments for State Fiscal Year 2013 includes 57 qualified auditing firms. Of those 57 firms, only 4 local firms are included (including JCCS). The actual audit contract is between the City of Great Falls, the auditor, and the State of Montana.

Following the RFP selection process, state statute, and the Government Finance Officers Association recommended practices two major requirements were used in reviewing the proposals: 1) The firm's past experience and performance on comparable government engagements and 2) The quality of the firm's professional personnel's experience to be assigned to the engagement and the quality of the firm's management support personnel's experience to be available for technical consultation. The RFP asked that a list be provided of the current and recent government audit clients. It also stated that references from clients that prepare a Comprehensive Annual Financial Report (CAFR) would be preferred. A review of the entities listed in the proposals was done for comparability. Joseph Eve and Anderson do not list a comparable government to the City of Great Falls. None of the audit clients (two small municipalities, two counties, three tribal entities) listed by Joseph Eve have a CAFR posted on their websites. Anderson lists one small municipality, three counties, two school districts, and one authority. While the counties, authority, and one school district do have CAFR's posted on their websites, these entities are not comparable to the City of Great Falls for the accounting requirements for the types of services offered to the citizens and departments. JCCS lists one county, and the Cities of Billings and Great Falls for comparable governments. All three entities do have CAFR's posted on their websites. The City of Billings is comparable to Great Falls for the accounting requirements for the types of services offered to the citizens and departments. JCCS received the highest ranking in this requirement. The RFP stated these two requirements would be 70% of the selection process.

Although cost will not be the primary factor in the selection of an audit firm, the proposed fees were comparable for all three firms. The RFP stated this would be 30% of the selection process. JCCS was recommended even though their cost was slightly higher. JCCS' cost per hour was lower but because more of the hours of the audit would be performed by their senior staff their

total cost was slightly higher than the other two firms. The three year average for Joseph Eve was \$46,583; Anderson was \$48,500 and JCCS was \$49,000.

Conclusion

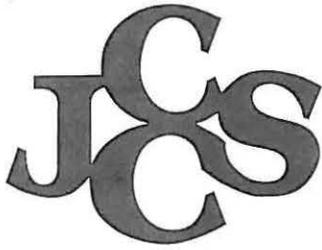
It is recommended that the audit service contract for FY 2013 – 2015 be awarded to JCCS due to their work with entities comparable to the City of Great Falls for the types of services and departments that are offered to the citizens and the percentage of work performed by their senior staff.

Concurrences: The Audit Committee, which had the Mayor, City Manager and Fiscal Services Director present, has reviewed the RFP's and staff's recommendation for the three year audit contract and concurs.

Fiscal Impact: A cost of \$48,000 for FY 2013, \$49,000 for FY 2014, and \$50,000 for FY 2015 for audit services. Each year has the agreed upon procedures on local building code enforcement program included in the total. The cost for FY 2012 was \$48,000 which included the agreed upon procedures on local building code enforcement program. There will be no increase between FY 2012 and FY 2013.

Alternatives: The City Commission may reject the recommendation for the audit service contract, and direct the City Manager to resubmit a Request for Proposals for audit services.

Attachments/Exhibits: Audit Engagement Letter; Audit Contract between the State, JCCS, and the City of Great Falls



Junkermier • Clark
Campanella • Stevens • P.C.

Certified Public Accountants and Business Advisors

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April 24, 2013

City of Great Falls, Montana
City Commissioners
P.O. Box 5021
Great Falls, MT 59403-5021

We are pleased to confirm our understanding of the services we are to provide the City of Great Falls, Montana for the year ended June 30, 2013. We will audit the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Great Falls, Montana as of and for the year ended June 30, 2013. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the City of Great Falls, Montana's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the City of Great Falls, Montana's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist principally of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- Management's discussion and analysis.
- Actuarial valuation of postretirement benefits.
- Budgetary comparison information.

We have also been engaged to report on supplementary information other than RSI that accompanies the City of Great Falls, Montana's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole:

- Schedule of expenditures of federal awards.
- Combining and individual non-major fund financial statements and schedules.

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and for which our auditor's report will not provide an opinion or any assurance.

- Introductory section.
- Statistical section.

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements taken as a whole. The objective also includes reporting on—

- Internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The reports on internal control and compliance will each include a paragraph that states that the purpose of the report is intended solely to describe (1) the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, (2) the scope of testing internal control over compliance for major programs and major program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance, and (3) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance and OMB Circular A-133 in considering internal control over compliance and major program compliance. The paragraph will also state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, and will include tests of accounting records, a determination of major program(s) in accordance with OMB Circular A-133, and other procedures we consider necessary to enable us to express such opinions and to render the required reports. We can not provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter paragraphs. If our opinions on the financial statements or the Single Audit compliance opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

Management Responsibilities

Management is responsible for the basic financial statements, schedule of expenditures of federal awards, and all accompanying information as well as all representations contained therein. Management is also responsible for identifying government award programs and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal awards in accordance with the requirements of OMB Circular A-133. You agree to assume all management responsibilities for any nonaudit services we provide; oversee the services designating an individual, preferably from senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including internal controls over compliance, and for monitoring ongoing activities, to help ensure that appropriate goals and objectives are met and that there is reasonable assurance that government programs are administered in compliance with compliance requirements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for ensuring that management is reliable and financial information is reliable and properly recorded. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants. Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings should be available for our review on September 10, 2013.

You are responsible for preparation of the schedule of expenditures of federal awards in conformity with OMB Circular A-133. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to make the audited financial statements readily available to intended users of the schedule of

expenditures of federal awards no later than the date of the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for the presentation of the schedule of expenditures of federal awards in accordance with OMB Circular A-133; (2) that you believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with OMB Circular A-133; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to make the audited financial statements readily available to intended users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for the presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's view on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

We understand that these financial statements will be used by the following persons/entities for the enumerated purposes:

<u>Users</u>	<u>Purpose</u>
General public	Insure appropriate use of tax and public dollars
City Commission	Measure city compliance with budget, fund use, compliance with laws and regulations, and overall fiscal responsibility
State of Montana	Compliance with laws and regulations
Agencies within the federal government	Monitoring of federal funds
Investors and investment associated agencies	Insuring loan covenant compliance and ability for the City to service its debt obligations

You agree that you will discuss the suitability of the financial statement presentation with us if you intend to submit these financial statements to other users.

Our reports are issued with the understanding that, without our consent, they may be reproduced only in their entirety. Should it be desired to issue or publish a condensation or a portion of this report and our name is to be used in connection therewith, our approval must first be secured.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from you about the financial statements and related matters.

Audit Procedures—Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by OMB Circular A-133, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and OMB Circular A-133.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City of Great Falls, Montana's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Circular A-133 Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the City of Great Falls, Montana's major programs. The purpose of those procedures will be to express an opinion on the City of Great Falls, Montana's compliance with requirements applicable to major programs in our report on compliance issued pursuant to OMB Circular A-133.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any invoices selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include with the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

The audit documentation for this engagement is the property of Junkermier, Clark, Campanella, Stevens, P.C. and constitutes confidential information. However, pursuant to authority given to it by law or regulation, we may be requested to make certain audit documentation available to your cognizant or oversight agency or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities.

We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Junkermier, Clark, Campanella, Stevens, P.C. personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the cognizant agency, oversight agency for audit, or pass-through entity. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit on approximately September 10, 2013, and to issue our reports no later than December 17, 2013. Loran Stensland is the engagement partner and is responsible for supervising the engagement and signing the report. Our fee for these services will be \$46,000. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. Any invoice 60 days past due will be charged interest at the rate of 12% annually, or 1.0% per month. In the event that we find it necessary to assign your invoice to a licensed collection agency, you will be responsible for any collection fees, and/or attorney's fees charged by the agency. The agency would be instructed to collect the fees from you. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comments received during the period of the contract. Our most recent peer review report accompanies this letter.

We appreciate the opportunity to be of service to the City of Great Falls, Montana and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, or comments regarding our service please call Loran Stensland, Branch Manager, or Jerry Lehman, CEO, at 761-2820. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Sincerely yours,



Loran S. Stensland, CPA

RESPONSE

This letter correctly sets forth the understanding of the City of Great Falls, Montana.

By: _____

Title: _____



System Review Report

November 9, 2011

To the Shareholders of
Junkermier, Clark, Campanella, & Stevens, P.C.
and the Peer Review Committee of the Montana CPA Society

We have reviewed the system of quality control for the accounting and auditing practice of Junkermier, Clark, Campanella, & Stevens, P.C. (the firm) in effect for the year ended June 30, 2011. 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. 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. 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. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Junkermier, Clark, Campanella, & Stevens, P.C. in effect for the year ended June 30, 2011, 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*. Junkermier, Clark, Campanella, & Stevens, P.C. has received a peer review rating of *pass*.

Heinold - Banwart, Ltd.

DEPARTMENT OF ADMINISTRATION
LOCAL GOVERNMENT SERVICES BUREAU
STANDARD AUDIT CONTRACT

THIS CONTRACT is made this 24th day of April, 2013, by and between

JUNKERMIER, CLARK, CAMPANELLA, STEVENS P.C.
Certified or Licensed Public Accountant
("Contractor"),
CITY OF GREAT FALLS, MONTANA
Governmental Entity
("Entity"),

and the **Montana Department of Administration, Local Government Services Bureau, ("State")**, PO Box 200547, Helena, MT 59620-054 acting under the authority of Title 2, Chapter 7, Part 5, of the Montana Code Annotated.

1. **State Approval:** This contract is not effective with respect to any party until it is approved and signed by the State, as required by Section 2-7-506(3), MCA. The Contractor may not begin any audit work until the State gives this approval. If the Contractor begins work before the State has approved and signed the contract and the State subsequently does not approve and sign the contract, the Contractor is not entitled to receive any compensation for the work performed.

2. **Audit Period and Payment:** This contract covers the following audit period(s):
July 1, 2012 to June 30, 2015.

A. In consideration of the faithful performance of this contract, the Entity will pay the Contractor for the audit work on the basis of time and necessary out-of-pocket expenses, which will not exceed:

\$ 46,000 for initial (or sole) audit covering 07 / 01 / 12 to 06 / 30 / 13.

\$ 47,000 for subsequent audit covering 07 / 01 / 13 to 06 / 30 / 14.

\$ 48,000 for subsequent audit covering 07 / 01 / 14 to 06 / 30 / 15.

The Entity shall pay the fees listed in Appendices A, B & C, as applicable, which are attached hereto and incorporated by reference.

B. If the cost of any subsequent audit is not agreed upon at the time this contract is executed, the Contractor and the Entity shall negotiate the cost at a later date. The results of this negotiation will be set forth in the Appendices and made a part of this contract. The Contractor shall provide the State and the Entity with a copy of the appropriate Appendices.

C. The contract payments do not include the cost of additional work that may be required if the Contractor discovers a defalcation or material irregularity. Any change in the scope of the audit services to be provided under this contract requires a contract amendment.

3. continued:

- F. Except as provided below, for purposes of determining the scope of the audit, the Entity is considered the financial reporting entity as defined by the Governmental Accounting Standards Board. This provision does not preclude the Entity from engaging a different audit firm for the audit of a segment, fund or component unit of the Entity. However, both the Entity and Contractor shall notify the State whenever the Entity elects to engage a different audit firm for the audit of a segment, fund or governmental component unit. Such additional audit must be contracted for on the State's Standard Audit Contract, and the audit firm shall be on the Roster of Independent Auditors authorized to conduct audits of Montana local governments that is maintained by the State.

If this contract is for an audit of a segment, fund, or governmental component unit of the primary government, the Entity is considered to be the segment, fund or component unit.

- G. Any school district audit must also include auditing procedures sufficient to provide an opinion as to whether the following supplemental information is fairly stated in relation to the basic financial statements:
- (1) the school district's enrollment for the fiscal year or years being audited as reported to the Office of Public Instruction in the Fall and Spring enrollment reports; and
 - (2) when applicable, the extracurricular funds for pupil functions.
- H. If the Entity is a school district or associated cooperative, the Contractor shall contact the State Office of Public Instruction and the county superintendent of schools before or during the audit of the Entity. The Contractor shall determine whether those offices are aware of potential financial or legal compliance problems relating to the Entity that could affect the scope of the audit.
- I. The Contractor shall immediately notify the Entity and the State in writing of any material irregularities it discovers. If the Entity is a school district or special education cooperative, the Contractor shall also immediately notify the State Office of Public Instruction in writing.
- J. The Contractor shall provide the Entity with a copy of its most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the contract period.
- K. The Contractor shall notify the Entity of all proposed audit adjustments and, if the Entity concurs, shall obtain written acceptance of these proposed adjustments. The State reserves the right to request documentation of these proposed and accepted audit adjustments.

4. **Entity's Responsibilities:** The Entity shall be responsible for:

- A. its basic financial statements, including note disclosures;
- B. all supplementary information required by GASB and by provisions of this contract;
- C. establishing and maintaining effective internal control over financial reporting, including internal controls related to the prevention and detection of fraud;
- D. ensuring that it complies with the laws and regulations applicable to its activities;

8. continued:

State of those conditions and describe the financial statements that will be presented. The applicable auditor's reports must also be modified as required to reflect a departure from generally accepted accounting principles.

- C. If the audit is of a school district with separate elementary and high school district general funds, the general funds must be combined as a single major fund. All other funds must be separately considered for major fund criteria.
- D. If the audit is a biennial audit covering two years, the Contractor shall present complete financial statements as specified above for each year covered by the audit. However, note disclosures for both fiscal years may be in one set of notes, with separate fiscal year disclosures as necessary. The two years must be presented under one audit report cover and opined upon in one Independent Auditor's Report.

9. **Auditor's Reports:** All audit reports must contain the following auditor's reports, which must comply with applicable professional standards in effect for the fiscal year or years being audited:

- A. an independent auditor's report on the financial statements of the Entity;
- B. a report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards. If applicable, this report must include information about fraud, illegal acts, significant violations of provisions of contracts or grant agreements, and significant abuse, or indications of these acts.
- C. a report disclosing any lack of compliance with State statutes, rules, regulations, or ordinances that would not have a material effect on the financial statements, but of which the Contractor becomes aware during the course of the audit. This report must be referred to in the report required in 9.B. above. This report may be combined with other reports if appropriate, or the findings may be included in a management letter. If included in a management letter, that letter must be included as a part of, or accompanying, the audit report.
- D. a report on any supplemental schedules or information presented, if any such schedules or information are presented in the audit report. This report may be given in a supplemental information paragraph of the auditor's report on the financial statements (9.A. above), or in a separate report. For the following supplemental information, the Contractor shall report on whether the information is fairly stated, in all material respects, "in relation to" the financial statements as a whole, unless the condition of the financial records do not allow the auditor to render such an opinion:
 - Supplemental schedule of school district enrollment required in paragraph 11.A;
 - Supplemental schedule of school district extracurricular fund financial activities required in paragraph 11B; and
 - Supplemental schedule of expenditures of federal awards required by OMB circular A-133 and in paragraph 10.A.
- E. a report disclosing the action taken by the Entity to correct any deficiencies or implement any recommendations contained in the prior audit report. This report must be in a format that specifically identifies, by title or summary, each deficiency or recommendation contained in the prior audit report and the action taken by the Entity on each such deficiency or recommendation.
- F. If the Contractor includes audit findings in the reports referenced in 9.B. and 9.C. above or in a

11. continued:
information/schedules:
 - A. a schedule of the district's enrollment as reported to the Office of Public Instruction for the fiscal year or years being audited. The schedule must contain the enrollment both as reported in the Fall and Spring enrollment reports and as documented by the school district's enrollment records; and
 - B. a detailed schedule of extracurricular fund financial activities.
12. **Written Report to Entity:** The Contractor shall render a single, written report for the Entity audited. **The report must include, or be accompanied by, all written reports and letters discussing findings and recommendations from the Contractor to the Entity, including but not limited to the reports and schedules referred to in paragraphs 9 and 10 above as well as any management letters that include findings and recommendations.**
13. **Exit Interview:** Before submitting the final audit report, the Contractor shall hold an exit review conference in which the audit results are discussed with those charged with governance and appropriate Entity officials and employees. **The Contractor shall ensure that all members of the governing body and key members of management are notified of this exit conference.** The Contractor further agrees that before submitting the final report, it will not discuss the audit findings with anyone other than the Entity or the State. However, once the Contractor delivers the final audit report, the report is deemed to be a public record.
14. **Report Distribution:** The Contractor and Entity shall file copies of the audit report as specified below:
 - A. The Contractor shall provide the Entity with the number of copies of the audit report specified in Appendices A, B and C and the cost of those copies is included in the total price for the engagement as set out in paragraph 2.A., above, and in the Appendices. The Contractor shall submit one of these copies to the attorney for the Entity.
 - B. Upon request by the Entity, the Contractor shall provide additional copies of the audit report at a price per copy agreed upon by the Entity and Contractor.
 - C. The Contractor shall provide the State with four copies of each audit report at no charge. **These copies must be sent to the State at the same time the Contractor delivers the final audit report to the Entity and must include any management letters that include findings and recommendations.** A letter of transmittal must accompany the State's copies, advising the State of the date of the exit conference, the date the final report was delivered to the Entity, the date of the audit report, the actual number of hours spent by the Contractor in the conduct of the audit, the total audit fees billed the Entity, whether the audit was conducted in accordance with the provisions of OMB Circular A-133, and whether there were any findings or opinion qualifications in the audit report, and, if so, whether the entity's corrective action plan or response was included as part of or submitted with the audit report.
 - D. If the Entity is a school district or associated cooperative, the Contractor shall provide copies of the audit report to the Office of Public Instruction, the county superintendent of schools, and the county attorney.
 - E. If the Entity is a city or town fire department relief association disability and pension fund, the Contractor shall provide one copy of the audit report to the city or town clerk.
 - F. If the audit is a single audit conducted in accordance with the provisions of OMB Circular A-133, the

20. continued:
available to the State for use by the State or other public accounting firms as directed by the State in future audits of the Entity. The Contractor shall make the audit programs and supporting working papers available to the cognizant or oversight agency for audit or its designee, federal agencies providing direct or indirect funding, or the U.S. General Accounting Office, if requested. Access to working papers includes the right of federal agencies to obtain copies of working papers, as is reasonable and necessary. The Contractor shall retain the audit report, audit programs, and audit working papers for a minimum of five years from the date of the audit report, unless the State notifies the Contractor to extend the retention period. If professional standards or other applicable laws, rules, or regulations require a longer retention period, the Contractor shall retain the above materials for that specified period.
21. **State Review:** As provided by Section 2-7-522, MCA, the State may review the audit report submitted by the Contractor. If the State determines that reporting requirements have not been met, it will notify the Entity and the Contractor of the significant issues of noncompliance. The Contractor shall correct the identified deficiencies within 60 days of notification.
22. **Independent Contractor:** The Entity and the State recognize that the Contractor is an independent contractor and neither its principals nor its employees are employees of the State or Entity for purposes of tax, retirement system, or social security (FICA) withholding.
23. **Workers' Compensation:** The Contractor certifies that it carries Workers' Compensation for its employees and that it has either elected Workers' Compensation or has an approved Independent Contractor's Exemption covering the Contractor while performing work under this contract. (Montana Code Annotated, Title 39, Chapter 71) Neither the Contractor nor its employees are State employees for the purposes of this paragraph.
24. **Indemnification:** The Contractor agrees to protect, defend, and save the State and Entity, their elected and appointed officials, agents, and employees, while acting within the scope of their duties as such, harmless from and against all claims, demands, and causes of action of any kind or character, including the cost of defense thereof, arising in favor of the Contractor's employees or third parties on account of bodily or personal injuries, death, or damage to property arising out of services performed or omissions of services or in any way resulting from the acts or omission of the Contractor and/or its agents, employees, representatives, assigns, and subcontractors, except the sole negligence of the State or Entity, under this agreement.

If the Contractor is or may be obligated to pay any cost, settlement, judgment, fine, penalty, or similar award or sanction as a result of a claim, investigation, or other proceeding instituted by any third party, then to the extent that such obligation is or may be a direct or indirect result of the Entity's intentional or knowing misrepresentation or provision to the Contractor of inaccurate or incomplete information in connection with this engagement, and not any failure on the Contractor's part to comply with professional standards, the Entity shall indemnify, defend, and hold harmless the Contractor against such obligations.

25. **Insurance:** Contractor shall maintain for the duration of the contract, at its cost and expense, occurrence coverage insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work by the Contractor, and/or its agents, employees, representatives, assigns, or subcontractors. The Contractor's insurance coverage shall be primary insurance for the Contractor's negligence as respects the State and Entity and their elected officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the State and Entity, their officers, officials, employees or volunteers shall be excess of the Contractor's insurance and shall not contribute with it

The Contractor shall purchase and maintain occurrence coverage to cover such claims as may be caused by any

29. continued:
Contractor and the Entity mutually agree to cancel this contract for convenience; the State shall consent to cancellation of the contract upon written notification by the Contractor and the Entity of their agreement to cancel this contract.
30. **Professional Requirements:** By signing this contract, the Contractor certifies that it is in compliance with the continuing professional education requirements and the external quality control review requirements as set out in Government Auditing Standards, as established by the Comptroller General of the United States. The State may require the Contractor to provide evidence that it has met the above requirements.
31. **Single Audit Act Certification:** If the audit is required to meet the requirements of the Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996 and OMB Circular A-133, the Contractor certifies that neither it nor any of its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from performing audits by any Federal department or agency.
32. **Governing Law and Venue:** This Contract is governed by the laws of Montana. The parties agree that any litigation concerning this Contract in which the State is named as a party must be brought in the First Judicial District in and for the County of Lewis and Clark, State of Montana, and each party shall pay its own costs and attorney fees. The parties also agree that any litigation concerning this Contract in which the State is not named as a party must be brought in the Judicial District in and for the County in which the Entity is located, and each party shall pay its own costs and attorney fees.
33. **Notice:** All notices under this contract must be in writing and will be deemed given if delivered personally, by mail, certified, return receipt requested, or by e-mail. All notices will (a) if delivered personally, be deemed given upon delivery, (b) if delivered by mail, be deemed given upon receipt, or (c) if delivered by e-mail be deemed given upon receipt.
34. **Invalid Provision:** If any provision of this contract is held to be illegal or unenforceable and the parties' rights or obligations will not be materially and adversely affected, such provision will be (1) severed from the contract, (b) the contract will be interpreted as if such provision was never a part of the contract and (c) the remaining provisions will stay in effect.
35. **Authority:** Each party represents that the person signing this contract has the authority to bind that party.
36. **Entire Agreement and Amendment:** This contract and the attached Appendices contain the entire understanding and agreement of the parties. No modification or amendment of this contract is valid unless it is reduced to writing, signed by the parties, and made a part of this contract.

APPENDIX A

Initial or Sole Audit under this Contract

GOVERNMENTAL ENTITY (ENTITY): City of Great Falls, Montana

Telephone: 406-761-1180

Address: P.O. Box 5021
(Street Address or P.O. Box)

Great Falls, MT 59403-5021
(City/Town) (Zip Code)

Contact Person(s):
Melissa Kinzler

PUBLIC ACCOUNTANT/ACCOUNTING

FIRM (CONTRACTOR): Junkermier, Clark, Campanella, Stevens P.C.

Address: P.O. Box 989
(Street Address or P.O. Box)

Telephone: 406-761-2820

Great Falls, MT 59403-0989
(City/Town) (Zip Code)

Contact Person(s):
Loran Stensland or Kelby Donnelly

1. Audit Period and Dates of Engagement:

A. This audit will cover the fiscal year(s) ending
June 30, 2013 (and _____).
(Month & Day) (Year) (Year)

B. Date to commence audit work: September 10, 2013

C. Date to submit final audit report
to Entity and State: December 17, 2013

2. Time and Price for Engagement:

A. Estimated total hours - 465

B. Price for audit personnel \$ 46,000
Price for Travel _____
Price for typing, clerical
and report preparation _____
Total price for this
engagement \$46,000

3. The reporting entity contains the following discretely presented component units: Great Falls Business Improvement District, the Great Falls Tourism Business Improvement District, and the Great Falls Public Library Foundation

4. Date Annual Financial Report or a trial balance will be available: September 3, 2013

5. Number of copies of audit report Contractor will provide to Entity:

APPENDIX B

Subsequent Audit under this Contract

GOVERNMENTAL ENTITY (ENTITY): City of Great Falls, Montana

Telephone: 406-761-1180

Address: P.O. Box 5021
(Street Address or P.O. Box)

Great Falls, MT 59403-5021
(City/Town) (Zip Code)

Contact Person(s):
Melissa Kinzler

PUBLIC ACCOUNTANT/ACCOUNTING
FIRM (CONTRACTOR):

Junkermier, Clark, Campanella, Stevens P.C.

Telephone: 406-761-2820

Address: P.O. Box 989
(Street Address or P.O. Box)

Great Falls, MT 59403-0989
(City/Town) (Zip Code)

Contact Person(s):
Loran Stensland or Kelby Donnelly

1. Audit Period and Dates of Engagement:

A. This audit will cover the fiscal year(s) ending
June 30, 2014 (and _____).
(Month & Day) (Year) (Year)

B. Date to commence audit work: September 15, 2014

C. Date to submit final audit report
to Entity and State: December 16, 2014

2. Time and Price for Engagement:

A. Estimated total hours - 465

B. Price for audit personnel \$ 47,000
Price for Travel _____
Price for typing, clerical
and report preparation _____
Total price for this
engagement \$ 47,000

3. The reporting entity contains the following discretely presented component units: Great Falls Business Improvement District, the Great Falls Tourism Business Improvement District, and the Great Falls Public Library Foundation

4. Date Annual Financial Report or a trial balance will be available: September 8, 2014

5. Number of copies of audit report Contractor will provide to Entity:

APPENDIX C

Subsequent Audit under this Contract

GOVERNMENTAL ENTITY (ENTITY): City of Great Falls, Montana

Telephone: 406-761-1180

Address: P.O. Box 5021
(Street Address or P.O. Box)

Great Falls, MT 59403-5021
(City/Town) (Zip Code)

Contact Person(s):
Melissa Kinzler

PUBLIC ACCOUNTANT/ACCOUNTING
FIRM (CONTRACTOR):

Junkermier, Clark, Campanella, Stevens P.C.

Address: P.O. Box 989
(Street Address or P.O. Box)

Telephone: 406-761-2820

Great Falls, MT 59403-0989
(City/Town) (Zip Code)

Contact Person(s):
Loran Stensland or Kelby Donnelly

1. Audit Period and Dates of Engagement:

A. This audit will cover the fiscal year(s) ending
June 30, 2015 (and _____).
(Month & Day) (Year) (Year)

B. Date to commence audit work: September 14, 2015

C. Date to submit final audit report
to Entity and State: December 15, 2015

2. Time and Price for Engagement:

A. Estimated total hours - 465

B. Price for audit personnel \$ 48,000

Price for Travel _____

Price for typing, clerical _____

and report preparation _____

Total price for this _____

engagement \$48,000

3. The reporting entity contains the following discretely presented component units: Great Falls Business Improvement District, the Great Falls Tourism Business Improvement District, and the Great Falls Public Library Foundation

4. Date Annual Financial Report or a trial balance will be available: September 7, 2015

5. Number of copies of audit report Contractor will provide to Entity: