

AGREEMENT FOR FINANCIAL AUDIT SERVICES

THIS AGREEMENT ("Agreement") is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 2014, by the County of San Luis Obispo (hereinafter "COUNTY"), and the auditing firm of BROWN ARMSTRONG ACCOUNTANCY CORPORATION, a professional corporation and independent contractor (hereinafter "CONTRACTOR").

WITNESSETH

WHEREAS, the COUNTY is a public agency existing under the laws of the State of California; and

WHEREAS, under the provisions of Government Code section 25250, it is the duty of the Board of Supervisors of the COUNTY to examine and audit, or cause to be audited, the financial accounts and records of all officers having responsibility for the care, management, collection, or disbursement of money belonging to the COUNTY or money received or disbursed by them under authority of law; and

WHEREAS, the Single Audit Act of 1984 (Public Law 98-502), as codified in 31 United States Code sections 7501 et. Seq. and the regulations and guidelines promulgated pursuant thereto require that an audit of federal monies received by local governments be conducted for compliance with applicable federal laws; and

WHEREAS, it is in the best interest of the COUNTY of San Luis Obispo to hire a contract auditor to perform financial audits for the COUNTY as required by Government Code section 25250; and

WHEREAS, the Board of Supervisors of the COUNTY desires to employ the services of an experienced professional auditor to perform financial audits for the fiscal years 2014-2015, 2015-2016, 2016-2017, and 2017-2018, and desires to employ competent personnel for the foregoing purposes; and

WHEREAS, CONTRACTOR is a professional corporation of certified public accountants and competent to conduct and supervise personnel for the audits referred to in this Agreement.

NOW, THEREFORE, in consideration of the promises and mutual covenants herein contained, IT IS MUTUALLY AGREED as follows:

1. EMPLOYMENT OF CONTRACTOR. The COUNTY agrees to engage CONTRACTOR, and CONTRACTOR agrees to perform the professional services and advice as hereinafter set forth.

2. ADMINISTRATOR OF AGREEMENT. The COUNTY has designated the following individual as the Contract Administrator (hereinafter "CA"):

COUNTY ADMINISTRATIVE OFFICER OR DESIGNATED REPRESENTATIVE

The CA will chair CONTRACTOR progress meetings and in conjunction with the COUNTY Auditor-Controller will coordinate the COUNTY'S activity with CONTRACTOR when necessary. The CA is designated to receive and approve CONTRACTOR invoices for payment, audit and inspect records, inspect CONTRACTOR services, and provide other technical guidance as required. The CA is not authorized to change any term or condition of this Agreement. Changes will be made only by the Board of Supervisors of the COUNTY through issuance of a properly executed Agreement amendment in accordance with section 28.

3. SCOPE OF SERVICES. In accordance with generally accepted auditing standards, and the "Government Auditing Standards" issued by the United States Comptroller General, and to satisfy the provisions of 1) Federal OMB Circular A-133; the Single Audit Act as amended, 2) Title 14, Section 158.67 of the Code of Federal Regulations relating to Passenger Facilities Charges, 3) California Public Utilities Code Section 99245 for Transportation Development Act (TDA) funding, 4) California Government Code Sections 27134 relating to the County's Treasury Oversight Committee (CTOC), and 5) California Government Code Section 26920 relating to Treasury Reviews, CONTRACTOR agrees to perform, complete, and comply with the following tasks and responsibilities:

- a. CONTRACTOR shall conduct four (4) consecutive yearly audits of the County's financial statements in accordance with generally accepted auditing standards for the purposes of expressing an opinion on the conformity of the financial statements with generally accepted accounting principles. Also, CONTRACTOR will assist the COUNTY to meet the requirements of the Governmental Finance Officers Association Certificate of Achievement for Excellence in the Financial Reporting Program, and recommend improvements in any areas brought to CONTRACTOR'S attention during the course of the audits. Specifically, CONTRACTOR will perform such audits and evaluations of the COUNTY'S financial statements for the fiscal years ending June 30, 2015, June 30, 2016, June 30, 2017, and June 30, 2018;
- b. CONTRACTOR shall submit reports on its examination of the June 30, 2015, June 30, 2016, June 30, 2017, and June 30, 2018, financial statements which will express an opinion as to the fairness of their presentation in conformity with generally accepted accounting principles. CONTRACTOR shall report on the COUNTY'S combining, individual fund and government-wide financial statements only in relation to the combined financial statements taken as a whole;

- c. CONTRACTOR shall review internal controls of COUNTY accounting systems and procedures during the course of its examination as required by generally accepted auditing standards, and issue a written management report based on that review. CONTRACTOR'S report will also include recommendations for improvements in these areas as well as such other areas as may come to its attention during the course of its examination;
- d. CONTRACTOR shall conduct four (4) consecutive annual financial and compliance audits, for fiscal years 2014-2015, 2015-2016, 2016-2017 and 2017-2018, and provide related reporting as required by the Federal OMB Circular A-133 and the provisions of the Single Audit Act of 1984 and all subsequent amendments, together with Federal Assistance Reports, Auditor's opinion letters and a Corrective Action Plan. CONTRACTOR will work with individual COUNTY departments to conduct the necessary audit work and compile each department's corrective action plan, where applicable;
- e. CONTRACTOR shall, as part of the Single Audit, conduct four (4) consecutive annual audits, for fiscal years 2014-2015, 2015-2016, 2016-2017, and 2017-2018, of the Passenger Facility Charge (PFC) for the purpose of issuing a report that expresses an opinion of the fairness and reasonableness of San Luis Obispo County's procedures for receiving, holding, and using PFC revenue as well as whether the quarterly report required under Code of Federal Regulations Title 14, Section 158.63 fairly represents the net transactions within the PFC account (schedule). CONTRACTOR will coordinate with Airport staff to conduct the necessary audit work;
- f. CONTRACTOR shall conduct four (4) consecutive annual audits, for fiscal years 2014-2015, 2015-2016, 2016-2017, and 2017-2018, of the financial statements of the County's Transportation Development Act Non-Transit Purposes monies in accordance with generally accepted auditing standards for the purposes of expressing an opinion on the conformity of the financial statements with generally accepted accounting principles and for the purposes of issuing a report that expresses an opinion on the County's compliance over financial reporting based on an audit of financial statements performed in accordance with the statutes, rules, and regulations of the California Transportation Development Act and the Allocation Instructions and Resolutions of the County of San Luis Obispo. CONTRACTOR will coordinate with Public Works staff to conduct the necessary audit work;
- g. CONTRACTOR shall conduct four (4) consecutive annual reviews, for fiscal years 2014-2015, 2015-2016, 2016-2017, and 2017-2018, of the appropriation limit calculation for all jurisdictions coming

under the scope of the annual financial audit and provide a compliance letter stating the results of the review;

- h. CONTRACTOR shall conduct four (4) consecutive comparisons of the COUNTY'S Los Osos Landfill Financial Means Test Certification to the COUNTY'S audited financial statements for the fiscal years 2014-2015, 2015-2016, 2016-2017 and 2017-2018 and prepare a report each year certifying the results of the comparison;
- i. Subject to the County Treasury Oversight Committee's approval of the CONTRACTOR, CONTRACTOR shall conduct four (4) annual compliance audits for the fiscal years 2014-2015, 2015-2016, 2016-2017 and 2017-2018 of the County's compliance with the Treasury Oversight Committee provisions contained in Sections 27130-27137 of the California Government Code in accordance with standards established by the American Institute of Certified Public Accountants, and provide an audit compliance report;
- j. CONTRACTOR shall conduct sixteen (16) quarterly reviews beginning with the first quarter of fiscal year 2014-2015 and ending with the last quarter of fiscal year 2017-2018, of the Treasurer's statement of assets in the County Treasury including: 1) counting cash in the County Treasury, 2) verifying that the records of the County Treasurer's division and Auditor's division are reconciled pursuant to California Government Code Section 26905, and 3) issuing a report to the Board of Supervisors in accordance with Yellow Book standards;
- k. CONTRACTOR shall compile the County's Comprehensive Annual Financial Report (CAFR) in accordance with generally accepted accounting principles and the GFOA's Certificate of Achievement for Excellence in Financial Reporting program. CONTRACTOR will provide the COUNTY with a portable document form (PDF) file that will include all components of the COUNTY's CAFR including the notes, management's discussion and analysis (MD&A) and the statistical section of the report. The COUNTY will provide fund trial balances, budgetary and encumbrance data, cash flow statements for proprietary funds, along with draft CAFR notes and government-wide adjustments to assist the CONTRACTOR in preparing the CAFR;
- l. CONTRACTOR shall compile the Transportation Development Act Non-Transit Purposes financial statements in accordance with generally accepted accounting principles and the California Transportation Development Act. CONTRACTOR will provide the COUNTY with a portable document form (PDF) file that will include all components of the County's TDA financial statements including the notes. The COUNTY will provide TDA accounting information;

- m. CONTRACTOR agrees to appear in person before the COUNTY Board of Supervisors at any time during the performance of this Agreement, and to consult with and report as to the progress of the examination and all other matters pertaining thereto, when requested by the COUNTY;
- n. CONTRACTOR shall type, reproduce, and provide one (1) PDF file with the COUNTY's CAFR including the opinion letter, statements, notes, Management's Discussion and Analysis (MD&A) and statistical section, fifty (50) copies of the CONTRACTOR'S Report to Management, fifty (50) copies of the Federal Financial Assistance Reports (A-133 Report) and Corrective Action Plan, fifteen (15) copies of the Appropriation Limit Calculation, and five (5) copies of the Financial Means Test Certification letter to the County Auditor-Controller-Treasurer-Tax Collector for appropriate distribution, or lesser report quantities as agreed upon by the County Auditor-Controller-Treasurer-Tax Collector. CONTRACTOR shall provide three (3) reports relating to each of the following: County Treasury Oversight Board, Quarterly Treasury Cash, Passenger Facility Charges, and Transportation Development Act Funds for appropriate distribution, or lesser report quantities as agreed upon by the County Auditor-Controller-Treasurer-Tax Collector;
- o. CONTRACTOR'S staff and COUNTY'S internal audit staff will work to minimize duplication of effort to the fullest extent possible during the term of the Agreement. In this regard, CONTRACTOR will review internal audit reports issued during the years audited and rely on such reports to the greatest extent it deems appropriate. CONTRACTOR will meet with the COUNTY Auditor-Controller-Treasurer-Tax Collector to discuss its audit approach to provide a basis for reliance thereon by the internal auditors. CONTRACTOR shall make available to the COUNTY'S internal audit staff CONTRACTOR'S internal training program resources as deemed necessary and appropriate by COUNTY and CONTRACTOR;
- p. CONTRACTOR agrees that in the event that irregularities, unforeseen conditions, or the need for special inquiry requiring investigation beyond the scope of services required by this Agreement are discovered, CONTRACTOR will immediately report such conditions to the CA. CONTRACTOR acknowledges that further investigation beyond the scope of services required by this Agreement would require the negotiation and execution of a separate agreement or amendment to this Agreement pursuant to section 28;
- q. It is agreed that in the event the CONTRACTOR performs services under this Agreement which are subsequently determined not to be

charges against the COUNTY, neither the COUNTY, Board of Supervisors, nor any of their officers, employees, members, or agents shall be held personally liable for any such expenditures;

- r. CONTRACTOR shall schedule an exit interview with the CA, the COUNTY Auditor-Controller-Treasurer-Tax Collector, and other appropriate COUNTY representatives to discuss any report and recommendations at the completion of the field work and prior to filing its report;
- s. CONTRACTOR shall complete its examinations and provide the PDF file of the completed CAFR, Federal Financial Assistance Reports (A133) and Corrective Action Plan, Report to Management, appropriation limit calculation, Passenger Facility Charges Report, Transportation Development Act Non-Transit Purposes report, and Financial Means Test Certification letter and copies thereof, on or before December 15 for the fiscal year previously audited. The timely completion of these audits and reports is necessary because of the COUNTY'S intention to submit financial statements to the Government Finance Officers' Association (GFOA) by December 31<sup>st</sup> each year for the GFOA's Certificate of Achievement for Excellence in Financial Reporting;
- t. CONTRACTOR shall provide the PDF file of the completed Quarterly Treasury review within 60 days of the end of the quarter being reviewed.
- u. Subject to the County Treasury Oversight Committee's approval of the CONTRACTOR, CONTRACTOR shall provide the PDF file of the completed County Treasury Oversight Committee compliance audit on or before September 30.
- v. CONTRACTOR shall meet with and discuss each of its final reports and Report to Management with the CA, the COUNTY Auditor-Controller-Treasurer-Tax Collector, and any other appropriate COUNTY representatives;
- w. CONTRACTOR shall make presentations of the work performed to the Board of Supervisors if requested.

4. TERM OF AGREEMENT. The term of this Agreement is for the period commencing at the time of approval by the COUNTY Board of Supervisors, to the completion of CONTRACTOR'S responsibilities as reflected in Section 3 above, but in no event later than February 28, 2019.

5. COMPLIANCE WITH FEDERAL AND STATE REQUIREMENTS. CONTRACTOR warrants that audit procedures performed under this Agreement will be:

In accordance with all applicable federal laws and requirements including but not limited to:

- California Government Code Section 25250
  - Generally Accepted Auditing Standards
  - The U.S. General Accounting Office "Government Auditing Standards"
  - The Single Audit Act of 1984 (Public Law 98-502) as codified in 31 United States Code sections 7501 et. Seq. and guidelines and regulations issued pursuant thereto, OMB Circular A-133 and any compliance supplements approved by OMB
  - Section 1.5 Article XIII B of the California Constitution
  - Code of Federal Regulations Title 14, Section 158.67
  - California Public Utilities Code Section 99245
  - California Government Code Section 26920
  - California Government Code Section 27134
- b. In addition to working closely with the COUNTY Auditor-Controller-Treasurer-Tax Collector's staff, the CONTRACTOR will be required to coordinate with the cognizant audit agency to ensure that the requirements of the Single Audit Act of 1984 and its regulations and all other applicable federal requirements are met.

6. COMPENSATION. The COUNTY shall pay to the CONTRACTOR a sum not to exceed \$125,000 for fiscal year 2014-2015, and a sum not to exceed \$125,000 for fiscal year 2015-2016, and a sum not to exceed \$125,000 for fiscal year 2016-2017, and a sum not to exceed \$125,000 for fiscal year 2017-2018. Said sum shall include all out-of-pocket expenses for the services required by this Agreement. CONTRACTOR shall keep complete and detailed records of the time expended by each member of its auditing staff engaged in said audits, and all such records and accounts shall be open to inspection by the COUNTY and the U.S. General Accounting Office or their designates.

7. METHOD OF PAYMENT. Compensation under this Agreement shall be paid in arrears as follows:

- a. COUNTY shall monthly pay the CONTRACTOR a sum of money determined by the hourly rates charged for the services of the several classifications of personnel employed by CONTRACTOR in performance of this Agreement, plus out-of-pocket expenses, as follows:

<u>Classification</u>	<u>Hourly \$ Rate</u>
Partner CPA	210
Audit Manager	150
Senior Staff (CPA)	110
Staff	90
Administrative	65

- b. "Out of pocket expenses" may include travel, lodging, meals, copying, and such other expenses which are reasonably related to CONTRACTOR'S required performance under this Agreement and in reasonable amounts, all as approved by the CA.
- c. In the event the actual fee computed on the above hourly rates for services rendered under this Agreement, plus out-of-pocket expenses, produces a fee which is less than the maximum amount agreed to, the County shall be obligated to pay CONTRACTOR only the lesser actual amount.
- d. Monthly progress payments shall be made by the COUNTY to the CONTRACTOR during the performance of all such services within thirty (30) days of receipt from CONTRACTOR of an itemized billing for work performed in the preceding month, but not to exceed 80% of the total annual compensation. The balance shall be paid by COUNTY within 30 days of delivery of the annual final reports and management letter of recommendations.
- e. Such payment shall be considered progress payments for work performed, and shall be paid only upon a claim properly submitted by CONTRACTOR. Each claim shall be approved by the CA prior to payment. Each claim so approved and paid shall constitute full and complete compensation to CONTRACTOR for the period covered by the claim. In the event less than all services are performed in a proper and timely manner, CONTRACTOR shall be paid only the reasonable costs for the payment period.

8. DISALLOWANCE. In the event the CONTRACTOR receives payment for services under this Agreement for which reimbursement is later disallowed by the COUNTY, the CONTRACTOR shall promptly refund the disallowed amount to the COUNTY or, if approved by the COUNTY, offset the amount disallowed from any future payment due to the CONTRACTOR under this Agreement.

9. AVAILABILITY OF FUNDS. The COUNTY'S obligation for payment of any contract beyond the current fiscal year end is contingent upon the availability of funds from which payment can be made. No legal liability on the part of the COUNTY shall arise under this Agreement for payment beyond June 30th of the calendar year unless funds are made available for such performance.

10. CONTRACTOR'S EMPLOYEES AND EQUIPMENT. CONTRACTOR agrees that CONTRACTOR has secured or will secure at CONTRACTOR'S own expense all persons, employees, and equipment required to perform the services required under this Agreement and that all services will be performed by CONTRACTOR, or under CONTRACTOR'S supervision, by persons authorized by law to perform such services.

11. INSURANCE COVERAGE: CONTRACOTR shall procure and maintain for the duration of the contract insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the Contractor, its agents, representatives, or employees.

#### MINIMUM SCOPE AND LIMIT OF INSURANCE

Coverage shall be at least as broad as:

1. **Commercial General Liability (CGL)**: Insurance Services Office (ISO) Form CG 00 01 covering CGL on an "occurrence" basis for bodily injury and property damage, including products-completed operations, personal injury and advertising injury, with limits no less than **\$1,000,000** per occurrence. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.
2. **Automobile Liability**: ISO Form Number CA 0001 covering, Code 1 (any auto), or if Contractor has no owned autos, Code 8 (hired) and 9 (non-owned), with limit no less than **\$1,000,000** per accident for bodily injury and property damage.
3. **Workers' Compensation** insurance as required by the State of California, with Statutory Limits, and Employer's Liability Insurance with limit of no less than **\$1,000,000** per accident for bodily injury or disease.
4. **Professional Liability/Errors and Omissions**: Insurance covering Contractor's liability arising from or related to this Contract, with limits of not less than \$1,000,000 per claim and \$2,000,000 aggregate. Further, Contractor understands and agrees it shall maintain such coverage for a period of not less than three (3) years following this Agreement's expiration, termination or cancellation.

If the Contractor maintains higher limits than the minimums shown above, the County requires and shall be entitled to coverage for the higher limits maintained by the contractor.

#### OTHER INSURANCE Provisions

**The insurance policies are to contain, or be endorsed to contain, the following provisions:**

##### *Additional Insured Status*

The County, its officers, officials, employees, and volunteers are to be covered as insureds on the auto policy with respect to liability arising out of automobiles owned, leased, hired or borrowed by or on behalf of the Contractor; and on the CGL policy with respect to liability arising out of work or operations performed by or on behalf of the Contractor including materials, parts, or equipment furnished in connection with such work or operations. General liability coverage can be provided in the form of an endorsement to the Contractor's insurance (at least as broad as ISO Form CG 20 10, 11 85 or both CG 20 10 and CG 23 37 forms if later revisions used).

***Primary Coverage***

For any claims related to this contract, the **Contractor's insurance coverage shall be primary** insurance as respects the County, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the County, its officers, officials, employees, or volunteers shall be excess of the Contractor's insurance and shall not contribute with it.

***Notice of Cancellation***

Each insurance policy required above shall state that **coverage shall not be canceled, except after thirty (30) days' prior written notice** (10 days for non-payment) has been given to the County.

***Failure to Maintain Insurance***

Contractor's failure to maintain or to provide acceptable evidence that it maintains the required insurance shall constitute a material breach of the Contract, upon which the County immediately may withhold payments due to Contractor, and/or suspend or terminate this Contract. The County, at its sole discretion, may obtain damages from Contractor resulting from said breach.

***Waiver of Subrogation***

Contractor hereby grants to County a waiver of any right to subrogation which any insurer of said Contractor may acquire against the County by virtue of the payment of any loss under such insurance. Contractor agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not the County has received a waiver of subrogation endorsement from the insurer.

***Deductibles and Self-Insured Retentions***

Any deductibles or self-insured retentions must be declared to and approved by the County. The County may require the Contractor to provide proof of ability to pay losses and related investigations, claim administration, and defense expenses within the retention.

***Acceptability of Insurers***

Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII, unless otherwise acceptable to the County.

***Claims Made Policies***

If any of the required policies provide coverage on a claims-made basis:

1. The Retroactive Date must be shown and must be before the date of the contract or the beginning of contract work.
2. Insurance must be maintained and evidence of insurance must be provided ***for at least five (5) years after completion of the contract of work***
3. If coverage is canceled or non-renewed, and not ***replaced with another claims-made policy form with a Retroactive Date*** prior to the contract

effective date, the Contractor must purchase "extended reporting" coverage for a minimum of *five (5)* years after completion of contract work.

***Separation of Insureds***

All liability policies shall provide cross-liability coverage as would be afforded by the standard ISO (Insurance Services Office, Inc.) separation of insureds provision with no insured versus insured exclusions or limitations.

***Verification of Coverage***

Contractor shall furnish the County with original certificates and amendatory endorsements or copies of the applicable policy language effecting coverage required by this clause. All certificates and endorsements are to be received and approved by the County before work commences. However, failure to obtain the required documents prior to the work beginning shall not waive the Contractor's obligation to provide them. The County reserves the right to require complete, certified copies of all required insurance policies, including endorsements required by these specifications, at any time.

Certificates and copies of any required endorsements shall be sent to:

San Luis Obispo Auditor-Controller-Treasurer-Tax Collector  
Attn: Assistant Auditor-Controller-Treasurer-Tax Collector  
P. O. Box 1149  
San Luis Obispo, CA 93406-1149

***Subcontractors***

Contractor shall require and verify that all subcontractors maintain insurance meeting all the requirements stated herein.

***Special Risks or Circumstances***

County reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other special circumstances.

12. INDEMNIFICATION. CONTRACTOR shall defend, indemnify and save harmless the COUNTY, its officers, agents and employees, from all claims, demands, damages, costs, expenses, judgments, attorney fees, liabilities or other losses that may be asserted by any person or entity, and that arise out of or are made in connection with the acts or omissions relating to the performance of any duty, obligation, or work hereunder. The obligation to indemnify shall be effective and shall extend to all such claims and losses, in their entirety, even when such claims or losses arise from the comparative negligence of the COUNTY, its officers, and employees. However, this indemnity will not extend to any claims or losses arising out of the sole negligence or willful misconduct of the COUNTY, its officers and employees. This applies to any theory of recovery relating to said act or omission by the CONTRACTOR, including, but not limited to the following: 1) Violation of statute, ordinance, or regulation; 2) Professional malpractice; 3) Willful, intentional or other wrongful acts, or failures to act; 4) Negligence or recklessness; 5) Furnishing of defective or dangerous products; 6) Premises liability; 7) Strict liability; 8) Violation of civil rights; 9) Violation of any federal

or state statute, regulation, or ruling resulting in a determination by the IRS, California Franchise Tax Board, or any other California public entity responsible for collection of payroll taxes, that the CONTRACTOR is not an independent contractor. It is the intent of the parties to provide the COUNTY the fullest indemnification, defense, and "hold harmless" rights allowed under the law. If any word(s) contained herein are deemed by a court to be in contravention of applicable law, said word(s) shall be severed from this contract and the remaining language shall be given full force and effect.

13. RECORDS.

- a. CONTRACTOR shall keep complete and accurate records for the services performed pursuant to this Agreement including but not limited to detailed time and cost records for work relating to Federal grants, and any other records required by law or government regulations.
- b. CONTRACTOR shall assure the confidentiality of any records that are required by law to be so maintained.
- c. At any time during normal business hours and as often as the COUNTY may deem necessary, CONTRACTOR shall make available to the COUNTY for examination all of the data and records relating to all matters covered by this Agreement and will permit the COUNTY to audit, examine and make excerpts or transcripts from such records of personnel and other data relating to all matters covered by this Agreement. The CONTRACTOR shall maintain such data and records in an accessible location. The State of California or a federal agency having an interest in the subject of this Agreement shall have the same rights conferred upon the COUNTY by this subsection.
- d. CONTRACTOR shall prepare and forward such additional or supplementary records as COUNTY may reasonably request.

14. INSPECTION OF SERVICE.

- a. All services shall be subject to inspection and test by the COUNTY, to the extent practicable at all times and places during the term of this Agreement. The CONTRACTOR shall provide adequate cooperation with any inspector assigned by the COUNTY to permit determination of the CONTRACTOR'S conformity with these specifications and the adequacy of the services. All inspection by the COUNTY shall be made in such a manner as not to interfere unduly with or delay the work.
- b. If any services performed hereunder are not in conformity with the specifications and requirements of this Agreement, the COUNTY shall have the right to require the CONTRACTOR to perform the

services again in conformity with said specifications and requirements at no additional expense to the COUNTY. When the services to be performed are of such a nature that the defect cannot be corrected, the COUNTY shall have the right to require the CONTRACTOR to immediately take all necessary steps to ensure future performance of the services are in conformity with requirements of this Agreement and reduce the contract price to reflect the reduced value of the services performed. In the event the CONTRACTOR fails to perform the services promptly or to take necessary steps to ensure future performance of the services are in conformity with the specifications and requirements of this Agreement, the COUNTY shall have the right to, by either contract or purchase order, have the services performed in conformity with the contract specifications by terminating this Agreement as provided in Sections 15 and 16.

- c. Nothing herein contained shall preclude the COUNTY or Grand Jury from contracting for such further services as may be required to enable COUNTY or Grand Jury to carry out their audit duties according to law.

15. TERMINATION OF CONTRACT FOR CONVENIENCE OF EITHER PARTY.

Either party may terminate this Agreement at any time by giving to the other party ninety (90) days written notice of such termination. Termination shall have no effect upon the rights and obligations of the parties arising out of a transaction occurring prior to the effective date of said termination. The CONTRACTOR shall be paid for all work completed in accordance with this agreement prior to the effective date of said termination in an amount to be determined by the CA in accordance with the terms of this Agreement.

16. TERMINATION OF CONTRACT FOR CAUSE. If CONTRACTOR fails to perform CONTRACTOR'S material duties in accordance with this Agreement or if Contractor fails to fulfill in a timely and professional manner CONTRACTOR'S material obligations under this Agreement, or if CONTRACTOR shall violate any of the material terms or provisions of this Agreement or if CONTRACTOR, CONTRACTOR'S agents or employees fail to exercise good behavior either during or outside working hours that is of such a nature as to bring discredit upon the COUNTY, then COUNTY shall have the right to terminate this Agreement effective immediately upon the COUNTY giving written notice thereof to the CONTRACTOR. Termination shall have no affect upon the rights and obligations of the parties arising out of any transaction occurring prior to the effective date of such termination. If COUNTY'S termination of CONTRACTOR for cause is defective for any reason, including but not limited to County's reliance on erroneous facts concerning CONTRACTOR'S performance, or any defect in notice thereof, COUNTY'S maximum liability shall not exceed the amount payable to CONTRACTOR under Section 6 above.

17. NON-DISCRIMINATION. The CONTRACTOR shall comply with the applicable provision of Presidential Executive Order No. 11246, dated September 24,

1965, including but not limited to, Section 202 of said Executive Order. The CONTRACTOR shall also comply with all other applicable orders, regulations, and laws governing non-discrimination in employment.

18. INDEPENDENT INVESTIGATION AND RESEARCH. CONTRACTOR by independent investigation and research has acquired full knowledge of all conditions affecting the work to be done and labor and material needed, and the execution of this Agreement is to be based upon such independent investigation and research, and not upon any representation made by the COUNTY, or any of its officers, agents, or employees, except as provided herein and in the Request for Proposal.

19. ASSIGNABILITY. Inasmuch as this Agreement is intended to secure the specialized services of the CONTRACTOR, CONTRACTOR may not assign, transfer, or delegate any interest therein without the prior written consent of COUNTY and any such assignment, transfer, or delegation without the COUNTY'S prior written consent shall be considered null and void.

20. SUBCONTRACTORS FOR WORK OR SERVICE. No contract shall be made by the CONTRACTOR with any other party for furnishing any of the work, or services required herein without the prior written approval of the CA. This provision shall not require the approval of contracts of employment between the CONTRACTOR and personnel assigned for services under this Agreement; however, the assignment of personnel to the scope of services work under this Agreement will be in accordance with the Personnel Assignment and Reassignment clause contained in Section 21.

21. PERSONNEL ASSIGNMENT AND REASSIGNMENT.

- a. Resumes not previously submitted to COUNTY of all individuals to be assigned to the project will be furnished to the CA within one week of the execution date of this Agreement.
- b. A project manager for the CONTRACTOR will be assigned as the individual responsible for the overall performance of this Agreement and will be directly responsible for responding to the CA at all times during the term of this Agreement.
- c. No reassignments or reassignments of personnel from those assignments indicated in CONTRACTOR'S proposal will be allowed unless full resumes of all affected personnel have been submitted to, and approved by, the CA and the Auditor-Controller.
- d. CONTRACTOR warrants that CONTRACTOR and each of the personnel employed or otherwise retained by CONTRACTOR are properly certified and licensed under the laws and regulations of the State of California to provide the special services herein agreed to. Approval by COUNTY shall not be deemed to lessen contractor's performance liability.

22. EMPLOYMENT STATUS. CONTRACTOR shall, during the entire term of this Agreement, be construed to be an independent contractor and nothing in this Agreement is intended nor shall be construed to create an employer-employee relationship, a joint venture relationship, or to allow COUNTY to exercise discretion or control over the professional manner in which Contractor performs the services which are the subject matter of this Agreement; however, the services to be provided by CONTRACTOR shall be provided in a manner consistent with all applicable standards and regulations governing such services. CONTRACTOR understands and agrees that CONTRACTOR'S personnel are not and will not be eligible for membership in or any benefits from any COUNTY group plan for hospital, surgical or medical insurance or for membership in any COUNTY retirement program or for paid vacation, paid sick leave or other leave, with or without pay or for any other benefit which accrues to a COUNTY employee.

23. INTEREST AND CONDUCT OF CONTRACTOR. CONTRACTOR covenants that CONTRACTOR presently has no interest, including but not limited to, other projects or independent contracts, and shall not acquire any such interest, direct or indirect, which would conflict in any manner or degree with the performance of services required to be performed under this Agreement. CONTRACTOR further covenants that in the performance of this Agreement no person having any such interest shall be employed or retained by CONTRACTOR under this Agreement.

- a. The CONTRACTOR shall not, under circumstances which might reasonably be interpreted as an attempt to influence the recipient in the conduct of his duties, accept or seek any gratuity or special favor from individuals or organizations with whom the CONTRACTOR is doing business or proposing to do business, in accomplishing the work under the Agreement.
- b. The CONTRACTOR shall not use for personal gain or make other improper use of privileged information that is acquired in connection with the contract. In this connection, the "privileged information" includes, but is not limited to, unpublished information relating to medical, personnel, or security records of individuals, anticipated material requirements or pricing actions, and knowledge of selections of contractors or subcontractors in advance of official announcement.
- c. The CONTRACTOR shall not offer directly or indirectly gifts, gratuity, favors, entertainment or other items of monetary value to an employee of the COUNTY.

24. DUPLICATION OF WORK. CONTRACTOR shall not duplicate work done to satisfy one part of the scope of services when working in the areas of other parts of this Agreement, but instead should maximize its knowledge gained in previous works.

25. FINDINGS CONFIDENTIAL. Any reports, information, data, statistics, forms, procedures, systems, studies and any other communication or form of

knowledge given to or prepared or assembled by CONTRACTOR under this Agreement which COUNTY requests to be kept as confidential shall not be made available to any individual or organization by CONTRACTOR without the prior written approval of the CA.

26. OWNERSHIP, PUBLICATION, REPRODUCTIONS AND USE OF MATERIAL. With the exception of proprietary computer software and educational material, all reports, studies, information, data, statistics, forms, designs, plans, procedures, systems, and any other materials or properties produced and delivered under this Agreement shall be the sole and exclusive property of the COUNTY. No such materials or properties produced and delivered in whole or in part under this Agreement shall be subject to private use, copyright or patent right by CONTRACTOR without the express written consent of COUNTY. COUNTY shall have unrestricted authority to publish, disclose, distribute and otherwise use, copyright or patent, in whole or in part, any such reports, studies, data, statistics, forms or other materials or properties produced and delivered under this Agreement.

27. CALIFORNIA LAW. It is agreed that this Contract shall be governed by the laws of the State of California. This contract has been executed and delivered in the State of California and the validity, enforceability and interpretation of any of the clauses of this Contract shall be determined and governed by the laws of the State of California.

All duties and obligations of the parties created hereunder are performable in San Luis Obispo County and said COUNTY shall be the venue for any action or proceeding that may be brought or arise out of, in connection with, or by reason of, this Agreement.

It is agreed that any breach of this Agreement by the CONTRACTOR shall entitle the County to apply to any court of competent jurisdiction to enjoin any violation, threatened or actual, of this Agreement.

28. ENTIRE AGREEMENT AND MODIFICATION. This Agreement supersedes all previous contracts and constitutes the entire understanding of the parties hereto. CONTRACTOR shall be entitled to no other benefits than those specified herein. No changes, amendments or alterations shall be effective unless in writing and signed by both parties. CONTRACTOR specifically acknowledges that in entering into and executing this Agreement, CONTRACTOR relies solely upon the provisions contained in this Agreement and no others.

29. ENFORCEABILITY. If any term, covenant, condition or provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions hereof shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby.

30. NOTICES. Any notice required to be given pursuant to the terms and provisions hereof shall be in writing and shall be sent by first class mail to the COUNTY:

San Luis Obispo County Auditor-Controller-Treasurer-Tax Collector's Office

Attn: Assistant Auditor-Controller-Treasurer-Tax Collector  
PO Box 1149  
San Luis Obispo CA 93406-1149

and to the CONTRACTOR:

Thomas M. Young, CPA, Partner  
Brown Armstrong, CPAs  
4200 Truxtun Ave., Suite 300  
Bakersfield, CA 93309

31. This Agreement shall be deemed effective as of the year and date first set forth above.

IN WITNESS WHEREOF, the parties hereto subscribe their names on the day and month hereinabove written.

COUNTY OF SAN LUIS OBISPO

By: \_\_\_\_\_  
Chairman, Board of Supervisors

ATTEST:

CONTRACTOR:  
Brown Armstrong, Accountancy Corp

\_\_\_\_\_  
County Clerk Recorder  
County of San Luis Obispo  
State of California

By: *[Signature]*  
Principal  
Title  
*[Signature]*  
Principal  
Title

(SEAL)

APPROVED AS TO FORM AND LEGAL EFFECT:  
RITA L. NEAL  
County Counsel

By: *[Signature]*  
Chief Deputy County Counsel

Dated: 8/14/14