

RESOLUTION 20-42

A RESOLUTION TO AWARD CONTRACT TO MAULDIN & JENKINS TO PERFORM AN AUDIT OF THE CITY OF SPRING HILL FINANCIAL RECORDS FOR FISCAL YEARS 2019-20, 2020-21, 2021-22

WHEREAS, it is necessary to perform an audit of the City's financial records and to prepare a financial report at the close of each fiscal year; and

WHEREAS, city staff advertised and received proposals from qualified accounting firms on March 17, 2020; and

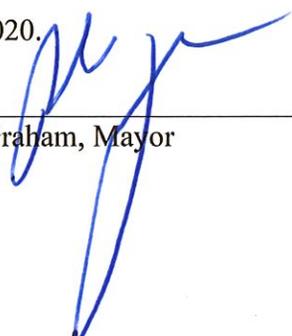
WHEREAS, a Selection Committee composed of the Finance Director, Assistant City Administrator and Finance Associate reviewed all responses and unanimously recommends Mauldin & Jenkins; and

WHEREAS, the firm has proposed a contract for the performance of the 2019-20, 2020-21, and 2021-22 fiscal year audits at a base cost of \$32,000, \$32,000 and \$32,750, respectively.

NOW THEREFORE, BE IT RESOLVED by the Board of Mayor and Aldermen of the City of Spring Hill, that a contract to perform an audit of the City's financial records for fiscal years 2019-20, 2020-21 and 2021-22, is hereby awarded to the firm of Mauldin & Jenkins with three optional annual renewals until fiscal year ending June 30, 2025 at base amounts of \$33,500, \$34,000 and \$35,000.

BE IT FURTHER RESOLVED that the Mayor is hereby authorized to sign any and all documents relating to this award.

Passed and adopted this 20th day of April, 2020.



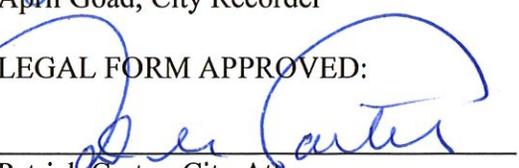
Rick Graham, Mayor

ATTEST:



April Goad, City Recorder

LEGAL FORM APPROVED:



Patrick Carter, City Attorney



**City of Spring Hill
Budget & Finance Advisory Committee
and
Board of Mayor and Aldermen**

Date: March 31, 2020
Memo to: Budget & Finance Advisory Committee and BOMA
From: Patti Amorello, Finance Associate
Re: Proposal award for Auditing Services

RESOLUTION NUMBER 20-42 – A RESOLUTION TO AWARD CONTRACT TO MAULDIN & JENKINS TO PERFORM AN AUDIT OF THE CITY OF SPRING HILL FINANCIAL RECORDS FOR FISCAL YEARS 2019-20, 2020-21, 2021-22

BACKGROUND INFORMATION: The City is required to have an audit performed by external auditors and to issue an annual financial report each year. A Request for Qualifications was prepared and distributed for auditing services for three years beginning with the fiscal year ending June 30, 2020, with an option to renew for an additional three years.

Proposals were received on March 17, 2020 and evaluated by a Selection Committee composed of the Finance Director, Assistant City Administrator and Finance Associate. Proposals were received from four (4) firms and were reviewed and graded based upon technical criteria prior to opening the cost proposals. The Committee was unanimous in recommending proposal award to Mauldin & Jenkins. Reference checks were conducted, with favorable results. The Chattanooga office of Mauldin & Jenkins would be responsible for the City's audit.

The base audit cost for FY 2019-20 is \$32,000. The City doesn't anticipate exceeding the Single Audit threshold for FY 2019-20 (annual grant expenditures exceeding \$750,000). Additional services will be required if the City hits the Single Audit threshold and those charges will be approximately \$3,500 per major program.

ATTACHMENTS: Resolution 20-42, Uniform Contract for Auditing Services.

RECOMMENDATION: Approve Resolution 20-42 to award contract to Mauldin & Jenkins and authorize the Mayor to execute the contract.

CONTRACT TO AUDIT ACCOUNTS
OF

Spring Hill

(Name of Organization)

FROM 7/1/19 TO 6/30/20

This agreement made this _____ day of _____, _____, by and between Mauldin & Jenkins
(Auditor)

200 W. Martin Luther King Blvd, Suite 1100 Chattanooga, TN 37402, hereinafter referred to as the "auditor"
(Full Address of Auditor)

and the City of Spring Hill, Tennessee, of
(Name of Organization)

PO Box 789 Spring Hill, TN 37174, hereinafter referred to as the "organization",
(Full Address of Organization)

as follows:

1. In accordance with the requirements of the laws and/or regulations of the State of Tennessee, the auditor shall perform a financial and compliance audit of the organization for the period beginning July 1, 2019, and ending June 30, 2020 with the **exceptions listed below**:

2. The auditor shall conduct the audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and requirements prescribed by the Comptroller of the Treasury, State of Tennessee, as detailed in the *Audit Manual*. Additional information and procedures necessary to comply with requirements of governments other than the State of Tennessee are permissible provided they do not conflict with or undermine the requirements previously referenced. If applicable, the audit is to be conducted in accordance with the provisions of the Single Audit Act and Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The audit is also to be conducted in accordance with any other applicable federal agency requirements. It is agreed that this audit will conform to standards, procedures, and reporting requirements established by the Comptroller of the Treasury. It is further agreed that any deviation from these standards and procedures will be approved in writing by the Comptroller of the Treasury prior to the execution of the contract. The interpretation of this contract shall be governed by the above-mentioned publications and the laws of the State of Tennessee.

3. The auditor shall, as part of the written audit report, submit to the organization's management and those charged with governance:

- a) a report containing an expression of an unmodified or modified opinion on the financial statements, as prescribed by the *Audit Manual*. This report shall state the audit was performed in accordance with *Government Auditing Standards*, except when a disclaimer of opinion is issued. If the organization is a component unit or fund of another entity, it is agreed that: (a) the financial statements may be included in the financial statements of the other entity; (b) the principal auditor for the other entity may rely upon the contracted auditor's report; and (c) any additional information required by the principal auditor of the other entity will be provided in a timely manner.
- b) a report on the internal control and on compliance with applicable laws and regulations and other matters. This report shall be issued regardless of whether the organization received any federal funding. Audit reports of entities which are subject to the provisions of the Single Audit Act and OMB's Uniform Guidance shall include the additional reports required by that guidance. The reports will set forth findings, recommendations for improvement, concurrence or nonconcurrence of appropriate officials with the audit findings, comments on management's responses as appropriate, and comments on the disposition of prior year findings.

4. If a management letter or any other reports or correspondence relating to other matters involving internal controls or noncompliance are issued in connection with this audit, a copy shall be filed with the Comptroller of the Treasury by the auditor. Such management letters, reports, or correspondence shall be consistent with the findings published in the audit report (i.e., they shall disclose no reportable matters or significant deficiencies not also disclosed in the findings found in the published audit report). The report should also include a corrective action plan for findings developed under OMB's Uniform Guidance and for other findings in accordance with Section 9-3-407, *Tennessee Code Annotated* and the *Audit Manual*. The corrective action plan is only applicable to findings published in the audit report.

5. The auditor shall file one (1) electronic copy of said report with the Comptroller of the Treasury, State of Tennessee. The auditor shall furnish _____ printed copies and/or an electronic copy of the report to the organization's management and those charged with governance. It is anticipated that the auditor's report shall be filed prior to 12/31/2020, but in no case, shall be filed later than six (6) months following the period to be audited, without explanation to the Comptroller of the Treasury, State of Tennessee and the organization. (Audit documentation for centralized cafeteria systems contracted with audits of internal school funds must be completed and available for review by September 30.) Requirements for additional copies, including those to be filed with the appropriate officials of granting agencies, are listed below:

6. The auditor agrees to retain working papers for no less than five (5) years from the date the report is received by the Comptroller of the Treasury, State of Tennessee. In addition, the auditor agrees that all audit working papers shall, upon request, be made available in the manner requested by the Comptroller for review by the Comptroller of the Treasury or the Comptroller's representatives, agents, and legal counsel, while the audit is in progress and/or subsequent to the completion of the report. Furthermore, at the Comptroller's discretion, it is agreed that the working papers will be reviewed at the office of the auditor, the entity, or the Comptroller and that copies of the working papers can be made by the Comptroller's representatives or may be requested to be made by the firm and may be retained by the Comptroller's representatives.

7. Any reasonable suspicion of fraud, (regardless of materiality) or other unlawful acts including, but not limited to, theft, forgery, credit/debit card fraud, or any other act of unlawful taking, waste, or abuse of, or official misconduct, as defined in *Tennessee Code Annotated*, § 39-16-402, involving public money, property, or services shall, upon discovery, be promptly reported in writing by the auditor to the Comptroller of the Treasury, State of Tennessee, who shall under all circumstances have the authority, at the discretion of the Comptroller, to directly investigate such matters. Notwithstanding anything herein to the contrary, the Comptroller of the Treasury, State of Tennessee, acknowledges that the auditor's responsibility hereunder is to design its audit to obtain reasonable, but not absolute, assurance of detecting fraud that would have a material effect on the financial statements, as well as other illegal acts or violations of provisions of contracts or grant agreements having a direct and material effect on financial statement amounts. If the circumstances disclosed by the audit call for a more detailed investigation by the auditor than necessary under ordinary circumstances, the auditor shall inform the organization's management and those in charge of governance in writing of the need for such additional investigation and the additional compensation required therefor. Upon approval by the Comptroller of the Treasury, an amendment to this contract may be made by the organization's management, those charged with governance, and the auditor for such additional investigation.

8. **Group Audits.** The provisions of Section 8, relate exclusively to contracts to audit components of a group under AU-C 600. (See definitions in AU-C 600, Paragraph 11.) Section 8 is only applicable to an auditor that audits a component (e.g. a fund, component unit, or other component) **of a county government that is audited by the Division of Local Government Audit (LGA).** Section 8 is intended to satisfy the communication requirements for the group auditor (LGA) to the component auditor under AU-C 600.

- a) The Division of Local Government Audit (LGA) shall be considered the "group auditor" for any contract to audit a component of an applicable county government. LGA shall present the county's financial statements in compliance with U.S. Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). LGA shall conduct the audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.
- b) The contracting auditor shall be considered the "component auditor" for purposes of this section.
- c) The financial statements audited by the component auditor should be presented in accordance with GAAP as promulgated by GASB. If the financial reporting framework for any component does not conform to this basis, the financial reporting framework should be disclosed in Section 9 (Special Provisions). (Component financial statements that are not presented using the same financial reporting framework as the county's financial statements may cause this contract to be rejected.)
- d) The component auditor shall conduct the component audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.
- e) The component auditor shall cooperate with LGA to accomplish the group audit. It is anticipated that LGA will make reference to the component auditor's report in the group audit report. Should LGA find it necessary to assume responsibility for the component auditor's work, the terms, if any, shall be negotiated under a separate addendum to this contract.
- f) The component auditor shall follow the ethical requirements of *Government Auditing Standards* and affirms that the component auditor is independent to perform the audit and will remain independent throughout the course of the component audit engagement.
- g) The component auditor affirms that the component auditor is professionally competent to perform the audit. LGA may confirm certain aspects of the component auditor's competence through the Tennessee State Board of Accountancy.
- h) The component auditor will be contacted via email by the LGA's Audit Review Manager with the estimated date of the conclusion of LGA's audit of the county government. The component auditor agrees to update subsequent events between the date of the component auditor's report and the date of the conclusion of LGA's audit of the county government. Additional subsequent events should be communicated via email to LGA's Audit Review Manager.
- i) The component auditor shall read LGA's audited financial statements for the county government for the previous fiscal year noting in particular **related parties** in the notes to the financial statements, and **material misstatement** findings in the Findings and Questioned Costs Section. The previous year audited financial statements can be obtained from the Comptroller's website at www.comptroller.tn.gov. As required by generally accepted auditing standards, we have identified Management Override of Controls and Improper Revenue Recognition as presumptive fraud risks. The component auditor shall communicate to LGA (i.e. group management) on a timely basis **related parties** not previously identified by the group management in LGA's prior year audited financial statements. Related parties should be communicated via email to LGA's Audit Review Manager.
- j) The component auditor's report should not be restricted as to use in accordance with AU-C 905.
- k) Sections 1-7 and Sections 9-13 of this contract are also applicable to the component auditor during the performance of the component audit.

9. (Special Provisions) _____

10. In consideration of the satisfactory performance of the provisions of this contract, the organization shall pay to the auditor a fee of (Fees may be fixed amounts or estimated.) (Fixed Amount: \$32,000) or (Estimated gross fee: _____)

(If not a fixed amount, an estimated gross fee should be furnished to the governing unit for budgetary purposes. A schedule of fees and/or rates should be set forth below. Interim billings may be arranged with consent of both parties to this contract.) Provision for the payment of fees under this agreement has been or will be made by appropriation of management and those charged with governance.

SCHEDULE OF FEES AND/OR RATES:

11. As the authorized representative of the firm, I do hereby affirm that:
- our firm and all individuals participating in the audit are in compliance with all requirements of the Tennessee State Board of Accountancy and;
 - our firm has participated in an external quality control review at least once every three (3) years, conducted by an organization not affiliated with our firm, and that a copy of our most recent external quality control review report has been provided to the organization and the office of the Tennessee Comptroller of the Treasury approving this contract;
 - all members of the staff assigned to this audit have obtained the necessary hours of continuing professional education required by *Government Auditing Standards*;
 - all auditors participating in the engagement are independent under the requirements of the American Institute of Certified Public Accountants and *Government Auditing Standards*.

12. This writing, including any amendments or special provisions, contains all terms of this contract. There are no other agreements between the parties hereto and no other agreements relative hereto shall be enforceable, unless entered into in accordance with the procedures set out herein and approved by the Comptroller of the Treasury, State of Tennessee. In the event of a conflict or inconsistency between this contract and the special provisions contained in paragraph 9 of this contract, the special provision(s) are deemed to be void. Any changes to this contract must be agreed to in writing by the parties hereto and must be approved by the Comptroller of the Treasury, State of Tennessee. All parties agree that the digital signatures, that is, the electronic signatures applied by submitting the contract, are acceptable as provided for in the Uniform Electronic Transaction Act. Any paper documents submitted related to this contract will be converted to an electronic format and such electronic document(s) will be treated as the official document(s).

13. If any term of this contract is declared by a court having jurisdiction to be illegal or unenforceable, the validity of the remaining terms will not be affected, and, if possible, the rights and obligations of the parties are to be construed and enforced as if the contract did not contain that term.

Mauldin & Jenkins

Audit Firm

Governmental Unit or Organization

By _____
Signature

By _____
Signature

Title/Position: Partner

Title/Position: _____

E-mail Address: jbence@mjcpa.com

E-mail Address: _____

Date: 4-1-2020

Date: _____

Approved by the Comptroller of the Treasury, State of Tennessee

For the Comptroller:

By _____

Date: _____