

COUNTY COUNCIL OF WICOMICO COUNTY, MARYLAND

2014 Legislative Session

Legislative Day No. 06

Resolution No. 25-2014

Introduced by: The President of the Council at the request of the County Executive

A RESOLUTION APPROVING AN AUDIT CONTRACT BY AND BETWEEN WICOMICO COUNTY, MARYLAND AND PKS & COMPANY, P.A. AND AUTHORIZING THE COUNTY EXECUTIVE TO EXECUTE THE AUDIT CONTRACT.

WHEREAS, pursuant to the Wicomico County Charter, Section 904, the County is required annually to have a complete independent audit of all financial transactions, books and records of the County and its officials and employees receiving and disbursing public funds of the County or handled by the County for other agencies; and

WHEREAS, PKS & Company, P.A. has historically provided auditing services for Wicomico County; and

WHEREAS, the contract with PKS & Company, P.A. ended with the fiscal year 2013 audit; and

WHEREAS, PKS & Company, P.A. desires to continue their engagement in providing auditing services to Wicomico County for fiscal years 2014, 2015 and 2016.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNTY COUNCIL OF WICOMICO COUNTY, MARYLAND as follows:

1. The County Executive of Wicomico County, Maryland is authorized to enter into an Audit Contract with PKS & Company, P.A. for external auditing services for FY 2014 thru FY 2016.
2. The Audit Contract shall be in substantially the form attached hereto as Exhibit "A" and made a part hereof, and in such form the Audit Contract is hereby approved as to form and content.

Done at Salisbury, Maryland, this 18th Day of March 2014.

ATTEST:

COUNTY COUNCIL OF
WICOMICO COUNTY, MARYLAND



Matthew E. Creamer,
Council Administrator



Matt Holloway,
Council President

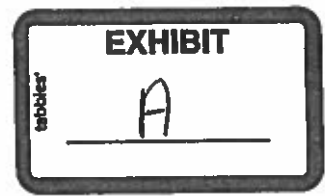
CERTIFICATION

This Resolution was Adopted , Adopted with Amendments , Failed , Withdraw by the County Council on March 18, 2014.

Certified by



Matthew E. Creamer, Council Administrator



AUDIT CONTRACT

THIS CONTRACT, made and entered into this ____ day of March 2014, by and between Wicomico County, Maryland, a body corporate and politic hereinafter called "County" and PKS & Company, P.A., hereinafter called "PKS"

The Project is: The External Audit of Wicomico County, Maryland.

The County and PKS agree as set forth below:

1. Contract Documents

The Contract Documents consist of this Contract, the Engagement Letter dated March 2014 (Exhibit A- with dates modified for each succeeding year), and the Wicomico County Standard Terms and Conditions (Exhibit B). These documents form the Contract and are as fully a part of the Contract as if attached to this Contract or repeated herein. In the event there is a conflict between the documents comprising this Contract, the following order of precedence shall apply: (a) This Contract; (b) Exhibit A, the Engagement Letter; (c) Exhibit B-Terms and Conditions. The Contract represents the entire and integrated Contract between the parties hereto and supersedes prior negotiations, representations or agreements, either written or oral.

2. Scope of Services

Pursuant to this Contract, PKS is retained as an independent contractor to perform for the County the independent audit required and the services described in the Engagement Letter attached hereto as Exhibit "A". PKS's professional services shall be rendered promptly and diligently upon consummation of this Contract. The scope of work described in the Engagement Letter dated March 2014; (Exhibit "A") shall govern PKS's work in Fiscal 2014, Fiscal 2015 and Fiscal 2016. If the scope of work is to be altered in any way, it must be documented in a revised engagement letter signed by both parties.

The County will provide all schedules, reports and journal entries to support PKS's audit work. The County will post all journal entries and close the year by mid-September (this does not include those journal entries beyond the County's control such as arbitrage and health reserve). Grouping for financial statement purposes for additional accounts will be additional billing by PKS unless the added accounts are clearly de minimus.

Before the audit commences each year, PKS shall provide the County a list of personnel assigned to the County audit and the qualifications of such personnel.

3. Commencement of Services

The term of this Contract shall be January 1, 2014 to December 31, 2016. The Contract shall terminate on the expiration of this term. The audit services shall begin annually by September and shall conclude by the end of the calendar year.

4. Compensation

Compensation for PKS's audit services include assistance with and audit of the financial statements for Wicomico County, Wicomico Regional Airport and 911 Emergency Communications, as

well as assistance with preparation and filing of required State and Federal reports and audits. Compensation for these services shall be as follows, broken out by fund:

	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund	\$43,300	\$48,100	\$49,800
Local Management Board	\$2,700	\$2,800	\$2,900
911	\$2,600	\$2,600	\$2,700
Roads*	\$2,700	\$2,800	\$2,900
Urban Services	\$4,000	\$4,100	\$4,200
Civic Center	\$5,000	\$5,100	\$5,300
Airport (includes FAA and PFC)	\$12,200	\$12,500	\$12,800
Solid Waste	\$5,600	\$5,200	\$5,300
Health	\$1,500	\$1,500	\$1,500
Grants Fund	\$9,000	\$9,200	\$9,400
Capital Projects	\$6,300	\$6,400	\$6,500
Tourism	\$3,900	\$3,900	\$4,000
Recreation and Parks	\$500	\$600	\$600
Electrical Board	\$200	\$200	\$200
Total Cost	\$101,500	\$105,000	\$108,100

*(Roads will become a part of the general fund in FY 2015.)

Additionally, fees for special work performed outside the scope of the audit would be at PKS's regular per diem rates, which for fiscal year 2014 audit would be Partner, \$195 per hour; Manager, \$135 per hour; and Senior, \$90 per hour. These may change for fiscal years 2015 and 2016. PKS will update the County on that information prior to beginning any special work. Additional amounts could consist of, but not be limited to, the following:

- Research.
- Conferences regarding non-audit issues.
- Issues due to any computer program problems.

5. Payments

Invoices for fees incurred will be rendered each month as work progresses. Invoices shall be paid by the County within thirty (30) days of receiving the invoice.

6. Notices

All notices given pursuant to this Contract shall be in writing, delivered or mailed by United States mail, postage prepaid or faxed (with hard copy follow up by mail or delivery) and addressed as follows:

To the County:

Andrew G. Mackel
 Director of Finance, Wicomico County
 P.O. Box 4036
 Salisbury, MD 21803

To PKS:

Michael C. Kleger, C.P.A.
PKS & Company, P.A.
1801 Sweetbay Drive
P.O. Box 72
Salisbury, MD 21803

7. Confidentiality

Any confidential information provided to or developed by PKS in the performance of the Contract shall be kept confidential and not made available to any individual or organization by PKS without the prior written approval and consent of the County.

All work products prepared by PKS pursuant to this Contract shall be the joint property of the County and PKS. The audit working papers are the property of PKS and constitute confidential information.

This Contract is entered into as of the day and year first above written and is executed in at least two (2) original copies, of which one is to be delivered to the County and one to PKS.

ATTEST:

WICOMICO COUNTY, MARYLAND

R. Wayne Strausburg
Director of Administration

Richard M. Pollitt, Jr.
Wicomico County Executive

Date: _____

PKS & COMPANY, P.A.,

BY:
Name and Title.

Date: _____

STATE OF MARYLAND, WICOMICO COUNTY TO WIT:

I HEREBY CERTIFY that on this ____ day of _____, 2014, before me, the subscriber, a Notary Public, in and for the state and county aforesaid, personally appeared Richard M. Pollitt, Jr., County Executive for Wicomico County, Maryland and acknowledged that he as said County Executive, being authorized so to do, executed the foregoing instrument for the purposes therein contained.

AS WITNESS my hand and Notarial Seal.

Notary Public _____

STATE OF MARYLAND, WICOMICO COUNTY TO WIT:

I HEREBY CERTIFY that on this ____ day of _____, 2014, before me, the subscriber, a Notary Public, in and for the state and county aforesaid, personally appeared Michael C. Kleger, C.P.A for P.K.S & Company, P.A., and acknowledged that he as said _____, being authorized so to do, executed the foregoing instrument for the purposes therein contained.

AS WITNESS my hand and Notarial Seal.

Notary Public _____



PKS & Company, P.A.

Chartered Accountants

1000 North Salisbury Road

Salisbury, Maryland 21803

March XX, 2014

Richard M. Pollitt, Jr., County Executive
Wicomico County, MD
PO Box 870
Salisbury, MD 21803

www.plsopa.com

Salisbury

Ocean City

Towles

We are pleased to confirm our understanding of the services we are to provide Wicomico County, Maryland for the year ended June 30, 2014. We will audit the financial statements of the governmental activities, the business-type activities, the aggregate 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 Wicomico County, Maryland as of and for the year ended June 30, 2014. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement Wicomico County, Maryland'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 Wicomico County, Maryland's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist 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 the 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:

- 1) Management's Discussion and Analysis.
- 2) Budget and actual – general fund.
- 3) Scheduling of funding progress – primary government.

We have also been engaged to report on supplementary information other than RSI that accompanies Wicomico County, Maryland'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.

- 1) Schedule of expenditures of federal awards.
- 2) Revenue detail – budget and actual – general fund.
- 3) Expenditure detail – budget and actual – general fund.
- 4) Other financing sources (uses) detail – budget and actual – general fund.
- 5) Balance sheet – other governmental funds.

- 6) Statement of revenues, expenditures and changes in fund balances – other governmental funds.
- 7) General fund property tax levies and collections.
- 8) Supplementary debt information.
- 9) Local Management Board.

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 as a whole. The objective also includes reporting on—

- Internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and 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 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 cannot 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 or other-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. We will make reference to TGM Group, LLC's and Gross, Mendelsohn & Associates, P.A.'s audits of Wicomico County Board of Education and Wicomico Nursing Home, respectively, in our report on your financial statements.

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. As part of the audit, we will assist with preparation of your financial statements, schedule of expenditures of federal awards, and related notes. You will be required to acknowledge in the written representation letter our assistance with preparation of the financial statements and schedule of expenditures of federal awards and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. You agree to assume all management responsibilities for any nonaudit services we provide; oversee the services by 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 evaluating and 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 confirming to us in the written 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 30, 2014.

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 include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for 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 include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for 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 views 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.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

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 because 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 require certain written representations from you about the financial statements and related matters.

Audit Procedures—Internal Control

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 Wicomico County, Maryland'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 Wicomico County, Maryland's major programs. The purpose of these procedures will be to express an opinion on Wicomico County, Maryland's compliance with requirements applicable to each of its 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 documents 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 PKS & Company, P.A. and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to oversight agencies or their 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 PKS & Company, P.A. 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 oversight agencies. 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 30, 2014 and issue our reports no later than December 15, 2014. Michael C. Kieger, CPA is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. Our fee for these services will be \$101,500. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 60 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report(s). You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination.

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.

If a dispute arises among the parties hereto, the parties agree to first try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Rules for Professional Accounting and Related Services Disputes before resorting to litigation. The costs of any mediation proceeding shall be shared equally by all parties.

Client and accountant both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the Rules for Professional Accounting & Related Services Disputes of the American Arbitration Association. Such arbitration shall be binding and final.

We both acknowledge that, in the event of a dispute over fees charged by the accountant, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury and instead we are accepting the use of arbitration for resolution.

In accordance with Government Auditing Standards, we have attached to this letter a copy of our most recent external peer review report dated 2012. We will also provide you a copy of any subsequent peer review reports received during the period of this agreement.

We appreciate the opportunity to be of service to Wicomico County, Maryland and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

CERTIFIED PUBLIC ACCOUNTANTS

RESPONSE:

This letter correctly sets forth the understanding of Wicomico County, Maryland.

Signature: _____

Title: _____

Date: _____

cc: Andrew G. Mackel

EXHIBIT "B"

TERMS AND CONDITIONS

The provisions herein do not constitute a complete agreement, and must be appended to a document, executed by all parties, which identifies the specific work to be performed, compensation, term, incorporated attachments, and special conditions, if any. This document and the Contract are intended to be complementary and shall be construed accordingly. As used herein, the term "Department" includes the County, its various departments, unit, agencies, employees or agents as may be appropriate. The term "Contract" shall include a document entitled "agreement" or any other title on a document that is denoting a contract. The Wicomico County Executive is the person authorized to enter into contracts for Wicomico County.

Amendment. This Contract constitutes the entire agreement between the parties and all other communications prior to its execution, whether written or oral, with reference to the subject matter of this Contract are superseded by this Contract. No amendment to this Contract shall be binding unless in writing and signed by the parties.

Subcontracting or Assignment. The benefits and obligations hereunder shall inure to and be binding upon the parties hereto and neither this Contract nor the services to be performed hereunder shall be subcontracted, or assigned or otherwise disposed of, either in whole or in part, except with the prior written consent of the County. The County has the right to withhold such consent for any reason the County deems appropriate.

Insurance Requirements.

- A. Contractor shall obtain, and at all times keep in effect, Commercial General Liability Insurance in the amounts listed below for its activities and operations. The insurance shall include coverage for personal injury, discrimination and civil rights violation claims. All such insurance shall name County, its employees, and agents as ADDITIONAL INSURED. A copy of the certificate of insurance shall be filed with the County prior to the time this Contract is executed, providing coverage in the amount of \$1,000,000 per occurrence and \$2,000,000 general aggregate and \$500,000 for property damage. Coverage shall be written on an occurrence form.
- B. Contractor shall provide the County with certification of Workers' Compensation Insurance, with employer's liability in the minimum amount required by Maryland law in effect for each year of this Contract.
- C. All insurance policies shall have a minimum 60 days notice of cancellation. Immediate written notice to the County shall be required in the event of cancellation or restriction by the insurance company of any insurance policy referred to in this section.
- D. When insurance coverage is renewed Contractor shall provide new certificates of insurance prior to expiration of current policies.

Responsibility of Contractor.

- A. The Contractor shall perform the services with the standard of care, skill, and diligence required by generally accepted auditing standards.
- B. Notwithstanding any review, approval, acceptance or payment for the services by the County, the Contractor shall be responsible for the professional and technical accuracy of its work under this Contract.

Nondiscrimination. A contractor who is the recipient of County funds, or who proposes to perform any work or furnish any goods under this Contract shall not discriminate against any worker, employee or applicant because of religion, race, sex, age, physical or mental disability, or perceived disability. Contractor further agrees that this provision will be incorporated in all sub-contracts entered into in connection with this Contract.

Contingent Fee Prohibition. The Contractor, architect or engineer (as applicable) warrants that it has not employed or retained any person, partnership, corporation, or other entity, other than a bona fide employee or agent working for the Contractor, architect or engineer, to solicit or secure this Contract, and that it has not paid or agreed to pay any person, partnership, corporation or other entity, other than a bona fide employee or agent, any commission, percentage, brokerage or contingent fee or other consideration contingent on the making of this Contract.

Termination. If the Contractor fails to fulfill its obligations under the Contract, including timely completion of the annual audit, or otherwise violates any provision of the Contract, the County may terminate the Contract by written notice to the Contractor. The notice shall specify the acts or omissions relied upon as cause for termination. The County shall pay the Contractor fair and equitable compensation for satisfactory performance prior to receipt of notice of termination.

Termination of Contract for Convenience. The performance of work under this Contract may be terminated by the County, in whole or in part, upon written notice to the Contractor, when the County determines such termination is in the best interest of the County. The termination for convenience is effective on the date specified in the County's written notice. The County will pay all for reasonable costs allocable to the Contract for work or costs incurred by the Contractor up to the date of termination.

Termination of Multi-year Contract. If the County fails to appropriate funds or if funds are not otherwise made available for continued performance for any fiscal period of this Contract succeeding the first fiscal period, this Contract shall be cancelled automatically as of the beginning of the fiscal year for which funds were not appropriated or otherwise made available; provided, however, that this will not affect either the County's rights or the Contractor's rights under any termination clause in this Contract. The effect of termination of the Contract hereunder will be to discharge both the Contractor and the County from future performance of the Contract, but not from their rights and obligations existing at the time of termination. The Contractor shall be reimbursed for the reasonable value of any non-recurring costs incurred but not amortized in the price of the Contract. The County shall notify the Contractor as soon as it has knowledge that funds may not be available for the continuation of this Contract for each succeeding fiscal period beyond the first.

Compliance with Law. The Contractor hereby represents and warrants that:

- A. It has the power and authority to enter into and perform the Contract, that the Contract, when executed and delivered, shall be a valid and binding obligation of Contractor enforceable in accordance with its terms;

- B. Its performance under the Contract shall be in accordance with the professional standards;
- C. It is qualified to do business in the State of Maryland and that it will take such action as, from time to time hereafter, may be necessary to remain so qualified;
- D. It is not in arrears in the payment of any obligations due and owing to the County or any department or unit thereof, including but not limited to the payment of taxes and employee benefits, and that it shall not become so in arrears during the term of this Contract;
- E. It shall comply with all federal, State and local laws, regulations, and ordinances applicable to its activities and obligations under this Contract;
- F. It shall obtain, at its expense, all licenses, permits, insurance and governmental approvals, if any, necessary to the performance of its obligations under this Contract.

Bankruptcy. Upon filing for any bankruptcy proceeding by or against the Contractor, whether voluntary or involuntary, or upon the appointment of a receiver, trustee, or assignee for the benefit of creditors, the Contractor must notify the County immediately. Upon learning of the actions herein identified, the County reserves the right at its sole discretion either to cancel the Contract or to affirm the Contract and hold the Contractor responsible for damages. The exercise of this right is in addition to any other rights the County may have as provided in this County or by law.

Records. Contractor shall maintain all fiscal records relating to this Contract in accordance with generally accepted accounting principles. In addition, Contractor shall maintain any other records pertinent to this Contract in such a manner as to clearly document Contractor's performance hereunder. All such fiscal records, books, documents, papers, plans, and writing shall be retained by Contractor and kept accessible for a minimum of three years, except as required longer by law, following final payment and termination of this Contract, or until the conclusion of any audit, controversy, or litigation arising out of or related to this Contract, whichever date is later. All subcontracts shall also comply with these provisions.

Independent Contractor.

- A. Contractor shall perform the work required by this Contract as an "Independent Contractor." Contractor is responsible for determining the appropriate means and manner of performing the work.
- B. Contractor represents and warrants that Contractor is not an employee of the County, is not currently employed by the Federal Government, and is not an officer, employee or agent of the County.
- C. Contractor shall be responsible for all federal or state taxes applicable to any compensation or payments paid to Contractor under this Contract. Contractor is not eligible for any federal Social Security, unemployment insurance, or workers' compensation benefits from compensation or payments paid to Contractor under this Contract.
- D. Contractor agrees to immediately provide the County notice of any claim related to this Contract made against Contractor by any third party. Contractor also agrees not to assign to any third party, without the County's written consent, any obligation of the County to indemnify Contractor for any actions under this Contract.

Use of County Facilities. Contractor and its employees or agents shall have the right to use only those facilities of the County that are necessary to perform the services under this Contract and shall have no right of access to any facility of the County without prior approval of County Administration. County shall have no responsibility for the loss, theft, mysterious disappearance of or damage to equipment, tools, materials, supplies, and other personal property of Contractor or its employees, subcontractors or agents which may be stored on County premises.

Force Majeure. Neither the County nor Contractor shall be held responsible for delay or default caused by fire, riot, acts of God, County declaration of emergency, or war where such cause was beyond, respectively, the County's or Contractor's reasonable control. The County and Contractor shall make all reasonable efforts to remove or eliminate such a cause of delay or default and shall, upon the cessation of the cause, diligently pursue performance of its obligations under this Contract.

Third Party Beneficiaries. The County and Contractor are the only parties to this Contract and are the only parties entitled to enforce its terms. Nothing in this Contract gives, is intended to give, or shall be construed to give or provide any benefit or right, whether directly, indirectly, or otherwise, to third persons unless such third persons are individually identified by name herein and expressly described as intended beneficiaries of the terms of this Contract.

Severability/Waiver. The County and Contractor agree that, if any term or provision of this Contract is declared by a court of competent jurisdiction to be illegal or in conflict with any law, the validity of the remaining terms and provisions shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if the Contract did not contain the particular term or provision held to be invalid. The failure of either party to enforce any provision of this Contract shall not constitute a waiver by that party of that or any other provision of this Contract.

Governing Law. This Contract shall be governed by and construed in accordance with the laws of the State of Maryland and Wicomico County without regard to principles of conflicts of law.

Whole Contract. This Contract constitutes the complete and exclusive statement of the Contract between the parties relevant to the purpose described herein and supersedes all prior agreements or proposals, oral or written, and all other communication between the parties relating to the subject matter of this Contract.

Counterparts. This Contract may be executed in several counterparts, each of which shall be an original, all of which shall constitute one and the same instrument.