May 6, 2015

TO: Randolph G. Moore
Chairperson, Board of Regents

VIA: David Lassner
President

FROM: Kalbert K. Young
Vice President for B&F/GFO

SUBJECT: Request Approval of Selection of External Auditor

SPECIFIC ACTION REQUESTED
Pursuant to Section 304A-321, Hawaii Revised Statutes, the Board of Regents of the University of Hawaii is requested to approve the selection of Accuity LLP as external auditors to conduct work for:

(1) Audited consolidated annual financial statements of the University.

(2) A-133 compliance audits of the University to comply with Office of Management and Budget (OMB) circular.

(3) Audit of UH Manoa Athletics.

(4) Annual NCAA Agreed Upon Procedures (UH Manoa).

(5) UH Hilo NCAA Procedures review.

(6) Other services related to the completion of schedules, financial statements, reviews, etc., for the construction of audited reports.

RECOMMENDED EFFECTIVE DATE
Board of Regents approval of the selection of Accuity LLP, is requested to be effective as soon as procedurally executed by delegated direction of the Board of Regents to the
President, or designee, to execute a contract with Accuity LLP, but not later than June 30, 2015.

Work by Accuity LLP, as the external auditor is operationally necessary to conduct financial audits for the fiscal year ending June 30, 2015.

ADDITIONAL COST
The contract with Accuity LLP, is estimated to cost:

- $746,073 for the FY15 audits (anticipated to be expended FY16)
- $767,330 for FY16 audits (anticipated to be expended in FY17)
- $838,325 for FY17 audits (anticipated to be expended in FY18)
- At the University’s discretion, Accuity LLP, can be extended for the FY18 audits (with cost anticipated to be expended in FY19) for an amount to be negotiated and mutually agreed upon.

A draft copy of the contract is provided as attached.

PURPOSE
As a governmental business entity of the State of Hawaii, the University of Hawaii ("University") is required to produce audited financial statements on an annual basis. The Consolidated Annual Financial Statements (CAFS) of the University and other related annual audits are required by Hawaii Revised Statutes (HRS) and expected as a matter of governance and transparency. In order to produce the CAFS and other related annual audits, the University has contracted with external auditing and accounting firms to assist with the work, review, compilation, and production of financial schedules or components to be included as part of audit reports and the CAFS.

The audit reports are used for a variety of purposes and are intended for general public audience, which includes Regents, management, legislature, investors, and the public at-large. In general, such audit reports are expected as standard financial reporting governance – of which timely review is expected as part of normal management procedures.

BACKGROUND INFORMATION
Accuity LLP, has been the contracted external auditors of the University for producing and auditing the annual financial statements for the past number of consecutive fiscal years - concluding June 30, 2014. With conclusion of their contract, it was necessary to procure for a new contract for external auditing services.

The University advertised to procure for auditing services in conformance with Chapter 103D-104, HRS. Six auditing firms did respond to the advertisement. A selection committee comprised of eight university personnel evaluated the submittals and based on their collective evaluations, selected Accuity LLP, as the finalist.
Attached is a presentation that highlights the selection process, criterion, and fee schedule provided under the intended contract.

**ACTION RECOMMENDED**

University Administration recommends the Board of Regents – Committee on Independent Audit recommend to the Board of Regents the selection of Accuity LLP as the University of Hawaii’s contracted external auditors for the contract period to complete audits pertaining to fiscal years FY2016, FY2017, and FY2018. University Administration recommends the Board of Regents – Committee on Independent Audit authorizes the President or designee to sign a contract with Accuity LLP for audit services.

Attachments
UNIVERSITY OF HAWAII
AGREEMENT FOR SERVICES

This Agreement, effective the ______ day of ______________, 2015, is entered into between the University of Hawaii (hereinafter "UNIVERSITY"), ______________ Acuity LLP ________________________,

(Hereinafter "CONTRACTOR"), a ____________________________, (Insert "corporation," "partnership," "joint venture," "sole proprietorship," or other legal form of the Contractor.) under the laws of the State of Hawaii ______________, whose business address and taxpayer identification number are as follows: 999 Bishop Street, Suite 1900, Honolulu, Hawaii 96813; Federal ID No.: 20-5325889 ______________.

RECATALS

A. The UNIVERSITY is in need of the services described in this Agreement and its attachments.

B. The UNIVERSITY desires to retain and engage the CONTRACTOR to provide said services, and the CONTRACTOR is agreeable to providing said services.

C. This Agreement will be funded pursuant to:

(1) ______________ (Identify state sources) or

(2) ______________ (Identify federal sources)

or both, in the following amounts:

State $ ______________

Federal $ ______________

D. Pursuant to Section 304-4, Hawaii Revised Statutes, as amended, the UNIVERSITY is authorized to enter into this Agreement.

NOW, THEREFORE, in consideration of the promises contained in this Agreement, the UNIVERSITY and the CONTRACTOR agree as follows:

1. Scope of Services. The CONTRACTOR shall, in a proper and satisfactory manner as determined by the UNIVERSITY, provide all the services set forth in Attachment 1, which is hereby made a part of this Agreement.

2. Time of Performance. The services required of the CONTRACTOR under this Agreement shall be performed and completed in accordance with the "Time Schedule" set forth in Attachment 2, which is hereby made a part of this Agreement.
3. **Compensation.** The CONTRACTOR shall be compensated for services rendered and costs incurred under this Agreement in a total amount not to exceed **SEVEN HUNDRED FORTY SIX THOUSAND SEVEN THREE AND NO/100** DOLLARS ($ 746,073.00), including taxes, according to the "Compensation and Payment Schedule" set forth in Attachment 3, which is hereby made a part of this Agreement.

4. **Standards of Conduct Declaration.** The Standards of Conduct Declaration by CONTRACTOR, set forth in Attachment 4, is hereby made a part of this Agreement.

5. **Notices.** Any written notices required to be given by a party to this Agreement shall be (a) delivered personally, or (b) sent by United States first class mail, postage prepaid, to the UNIVERSITY at the DIRECTOR’s office in Honolulu, Hawaii at 1400 Lower Campus Road, Room 15, Honolulu, Hawaii 96822, or to the CONTRACTOR at the CONTRACTOR’s address as indicated in the Agreement. A notice shall be deemed to have been received by the recipient THREE (3) days after mailing or at the time of actual receipt, whichever is earlier. The CONTRACTOR is responsible for notifying the UNIVERSITY in writing of any change of address.

6. **Other Terms and Conditions.** The General Conditions and the Special Conditions (if any) set forth in Attachments 5 and 6, respectively, are hereby made a part of this Agreement. The term "DIRECTOR" in the General Conditions shall be understood to refer to the UNIVERSITY’s Director of the Office of Procurement and Real Property Management, who is also the Procurement Officer. In the event of a conflict between the General Conditions and the Special Conditions, the Special Conditions shall control.

IN WITNESS WHEREOF, the UNIVERSITY and the CONTRACTOR have executed this Agreement effective as of the date first above written.

**UNIVERSITY**

By ________________________________

Its Director of the Office of Procurement and Real Property Management

**CONTRACTOR**

By ________________________________

Title ________________________________

*Evidence of authority of the CONTRACTOR’s representative to sign this Agreement for the CONTRACTOR must be attached.*
CONTRACTOR'S ACKNOWLEDGMENT

State of Hawaii  

)  ) SS.

_______ and County of ________________  

On this ______ day of ______________________, ___________, before me personally appeared
______________________________ to me personally known, who being by me duly sworn, did
say that he/she is the_________________________________________________________ of
________________________________________________________

the CONTRACTOR named in the foregoing instrument, and that he/she is authorized to sign said instrument in
behalf of the CONTRACTOR, and acknowledges that he executed said instrument as the free act and deed of the

CONTRACTOR.

________________________________________

Notary Public. __________________________________

My commission expires: ________________________
SCOPE OF SERVICES

Pursuant to 103D-304, Hawaii Revised Statutes, the CONTRACTOR has been selected to provide audit and accounting services to the University of Hawaii (UNIVERSITY), as follows:

1) Audit of the consolidated financial statements of the UNIVERSITY;

2) Compliance audits of the UNIVERSITY in accordance with the Office of Management and Budget (OMB) Circular A-133;

3) Audit of the financial statements of the University of Hawaii at Manoa Intercollegiate Athletics (MANOA ATHLETICS) and a compliance audit of MANOA ATHLETICS to evaluate compliance with National Collegiate Athletics Association (NCAA) bylaws;

4) Provide audit assistance in the preparation of the consolidated financial statements report and footnotes schedule;

5) Preparation of supplemental schedules and financial statements for UH Manoa, UH Hilo, UH West Oahu, UH Maui College, and the Community College System;

6) Conduct a review of Bond System (BOND SYSTEM) procedures and prepare summary schedules of activities and account balances;

7) Provide services in connection with agreed-upon procedures to assess the Statement of Revenues and Expenses of the UH Hilo Athletics Department for compliance with NCAA bylaws for the year ending June 30, 2017 only.

WHEREAS, the CONTRACTOR has been determined by the selection committee to be the highest ranked firm on the University’s qualified list of firms to provide the audit and accounting services to the UNIVERSITY;

WHEREAS, the UNIVERSITY has negotiated this Agreement with the CONTRACTOR;

NOW, THEREFORE, the CONTRACTOR agrees to provide the audit and accounting services to the UNIVERSITY as set forth in this Agreement, and in accordance with CONTRACTOR’s fee proposal dated March 20, 2015, incorporated herein by reference, as follows:

A) GENERAL REQUIREMENTS

1. General.

   a. The CONTRACTOR shall be licensed and possess a current permit to practice accountancy in the State of Hawaii.

   b. The CONTRACTOR shall be responsible for the professional quality, technical accuracy, timely completion, and coordination of all audit services provided under the audit contract.

   c. Approval by the UNIVERSITY of any of the audit reports shall not in any way relieve the CONTRACTOR of responsibility under professional auditing standards pursuant to OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, Government Auditing Standards and accounting principles generally accepted in the United States of America.
2. **Audit Objectives.** The objectives of the audits, are:

   a. To provide a basis for the CONTRACTOR to render opinions on the fair representation of the UNIVERSITY's consolidated financial statements, MANOA ATHLETICS' financial statements, and the Bond System procedures and activities, in conformity with accounting principles generally accepted in the in the United States of America (GAAP).

   b. To provide a basis for the CONTRACTOR to render an opinion on the UNIVERSITY's compliance with requirements that could have a direct and material effect on each of major federal programs and on internal control over compliance in accordance with OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations* in addition to the Schedule of Expenditures of Federal Awards.

   c. To assess the UNIVERSITY's and MANOA ATHLETICS internal controls over financial reporting and on compliance and other matters based on audits of the respective financial statements performed in accordance with *Government Auditing Standards*.

   d. To report the CONTRACTOR's observations and recommendations about whether the UNIVERSITY's internal control is adequate in assuring that there is effective control over proper accounting of revenues, expenditures, assets, and liabilities.

   e. To provide a basis for the CONTRACTOR to issue an agreed-upon procedures report to assist the UNIVERSITY in evaluating MANOA ATHLETICS and for the year ending June 30, 2017, UH Hilo Athletics Department compliance with certain bylaws of the NCAA.

**B) CONSOLIDATED FINANCIAL STATEMENT AUDIT AND OMB CIRCULAR A-133 AUDIT**

**Background.** The UNIVERSITY, founded in 1907, is today a multi-campus system of post-secondary education serving the State of Hawaii, the Nation, and the world community. It includes the University of Hawaii at Manoa, University of Hawaii at Hilo, University of Hawaii at West Oahu, University of Hawaii Maui College, six Community Colleges and nine educational centers distributed across six islands throughout the State.

1. **Audit Scope.** The OMB Circular A-133 audit shall include an examination of the UNIVERSITY's consolidated financial statements, internal controls over financial reporting and compliance with laws, regulations, contracts, and grants. The CONTRACTOR shall:

   a. Conduct a general audit of the financial statements, transactions, books, and accounts of the UNIVERSITY for the fiscal year(s) specified. The term "general audit" is defined as a test audit of the financial transactions for the period specified; the CONTRACTOR is expected to verify every transaction but may perform the general audit based on tests and samples. The general audit shall include tests of the financial data to provide the CONTRACTOR with a basis to report on the fair presentation of the consolidated financial statements and on whether expenditures and other disbursements have been made and all revenues and other receipts to which the UNIVERSITY is entitled have been collected in accordance with OMB Circular A-133. The audit shall include all fund types and account groups, except as specified.

   b. Report on internal controls over financial reporting and on compliance and other matters in accordance with *Government Auditing Standards*.

   c. Report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with OMB Circular A-133.
d. Based on an audit of the UNIVERSITY's consolidated financial statements, report on the Schedule of Expenditures of Federal Awards in accordance with OMB Circular A-133.

e. Prepare a report to the Board of Regents addressing the CONTRACTOR's required auditor communications in accordance with auditing standards generally accepted in the United States of America.

2. Audit Standards. The CONTRACTOR will conduct the audit in accordance with auditing standards generally accepted in the United States of America as prescribed by the American Institute of Certified Public Accountants (AICPA); the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations.

3. Audit Activities.

a. Legal Authority. In ascertaining whether the financial transactions are in compliance with the applicable laws, rules and regulations, administrative directives, and policies and procedures, the CONTRACTOR shall, at a minimum, become sufficiently knowledgeable with the applicable sections of the following reference documents:

1) Federal law relating to each major federal financial assistance program of the UNIVERSITY.

2) Applicable titles of the Code of Federal Regulations promulgated to implement the provisions of the above federal laws.

3) Federal circulars:

   a) OMB Circular A-21

   b) OMB Circular A-110 and Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments.

   c) OMB Circular A-133

4) Constitution of the State of Hawaii

5) Applicable laws of the State of Hawaii

6) Applicable rules and regulations, and administrative directives issued by the following relating to State of Hawaii financial transactions, account systems, and internal controls:

   i) Office of the Governor

   ii) Department of Accounting and General Services

   iii) Department of the Attorney General

   iv) Department of Budget and Finance

   v) Department of Human Resources Development
4. Deliverables and Reports.
   a. The consolidated financial and compliance audit reports, supplementary information, and internal and business issues reports shall be prepared and issued in conformity with applicable laws, rules and professional standards.
   
b. Preliminary Drafts. The CONTRACTOR shall deliver the preliminary drafts of each deliverable to the UNIVERSITY and discuss the same with the UNIVERSITY.
   
c. Final Reports. The CONTRACTOR shall deliver the final reports of each deliverable and submit the number of copies as specified below, to the UNIVERSITY.
   
5. Data Collection Form. The UNIVERSITY shall compile and complete the data collection form (SF-SAC) related to its federal programs. The CONTRACTOR shall complete the applicable auditor section of the data collection form. Both a senior-level representative of the UNIVERSITY and CONTRACTOR shall sign the data collection form and the UNIVERSITY shall be responsible to filing the original signed data collection form with the appropriate federal agency by the applicable federal due date.
   
6. Assistance by UNIVERSITY Personnel.

   UNIVERSITY personnel will provide assistance in the preparation or typing of:
   - Detail schedules of account balances
   - Preliminary financial statements
   - Confirmations and letters

   UNIVERSITY personnel will also provide assistance by retrieving grant or contract folders and other documents selected for detail testing.
   
7. Time Limitations.
   - Expected date for audit contract to be awarded: May 2015
   - Expected date for commencement of audit:
     - Fiscal year ending June 30, 2015: May 2015
     - Fiscal year ending June 30, 2016: May 1, 2016
     - Fiscal year ending June 30, 2017: May 1, 2017
   - Expected date for submittal of preliminary draft consolidated financial statements and audit reports:
     - Fiscal year ending June 30, 2015: October 31, 2015
     - Fiscal year ending June 30, 2016: October 31, 2016
     - Fiscal year ending June 30, 2017: October 31, 2017
   - Expected date for issuance of final draft of the consolidated financial statements and audit reports:
     - Consolidated financial statements and independent accountants' report:
       - Fiscal year ending June 30, 2015: November 30, 2015
       - Fiscal year ending June 30, 2016: November 30, 2016
       - Fiscal year ending June 30, 2017: November 30, 2017
8. Delivery of Final Audit Reports.

a. **OMB Circular A-133**

   - Number of separately bound copies of the final OMB Circular A-133, Consolidated Financial Statements, and Internal Control and Business Issues Reports:
     
     5 bound copies
     1 unbound copy to be used for duplication
     Portable Document Format (PDF) file of the final reports

   - Address to deliver final OMB Circular A-133, Consolidated Financial Statements, and Internal Control and Business Issues Reports:
     
     University of Hawaii
     Office of Research Services
     Sinclair 1
     2425 Campus Road
     Honolulu, Hawaii 96822

   *In case of specific questions, contact person to call:

     Name: Ms. Yaa-Yin Fong, Director, Office of Research Services
     Telephone: 956-7800

b. **Consolidated Financial Statements and Supplementary Information**

   - Number of copies of the final Consolidated Financial Statements report:
     
     25 bound copies
     1 unbound copy to be used for duplication
     Portable Document Format (PDF) file for Financial Management Office website

   - Address to deliver final Consolidated Financial Statements report:
     
     University of Hawaii
     Financial Management Office, Room 41
     1406 Lower Campus Road
     Honolulu, Hawaii 96822
For Consolidated Financial Statements only, contact person to call:

Name: Ms. Susan Lin, Director, Financial Management Office and Controller
Telephone: 956-7161

C) UH MANOA ATHLETICS AUDIT AND AGREED-UPON PROCEDURES

Background. University of Hawaii at Manoa Intercollegiate Athletics (MANOA ATHLETICS) is organized and conducted as an integral part of the total educational process of the University of Hawaii at Manoa, and is administered in accordance with the rules, regulations, policies and procedures of the federal government, State of Hawaii, University of Hawaii, National Collegiate Athletic Association (NCAA), and various conference affiliations (Big West Conference, Mountain West Conference, Mountain Pacific Sports Federation and the Pacific Coast Intercollegiate Yacht Racing Association).

MANOA ATHLETICS’ goal is to provide a comprehensive and competitive program of intercollegiate athletics for the students and the community. MANOA ATHLETICS encompasses both men’s and women’s athletics, and support services, such as the Pep Squad and Band. Intramural activities and physical education are not a part of MANOA ATHLETICS.

The University of Hawaii at Manoa Intercollegiate Athletics Booster Organizations are administered by the University of Hawaii Foundation.

1. Audit Scope. The MANOA ATHLETICS audit shall include an examination of the financial statements, internal controls over financial reporting and on compliance and other matters, and the issuance of an agreed-upon procedures report evaluating MANOA ATHLETICS compliance with certain bylaws of the NCAA. The CONTRACTOR shall:

   a. Conduct an audit of the financial statements and transactions of MANOA ATHLETICS in order to provide a basis for an opinion on the fairness of its financial statements for the fiscal year as specified.

   b. Ascertain that all Athletic assets, liabilities, revenues and expenditures have been accounted for in accordance with the laws, rules and regulations, and policies and procedures of the State of Hawaii and UNIVERSITY.

   c. Report on internal controls over financial reporting and on compliance and other matters in accordance with Government Auditing Standards.

   d. Report on the current status of audit recommendations included in the prior year’s internal controls and business issues reports.

   e. Perform and report on the agreed-upon procedures required by NCAA Audit Guidelines.

   f. Perform procedures for the Football Actual Attendance Summary in compliance with the NCAA.

2. Audit Standards. The CONTRACTOR will conduct the audit in accordance with auditing standards generally accepted in the United States of America as prescribed by the American Institute of Certified Public Accountants (AICPA); the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with the applicable NCAA Audit Guidelines.
3. **Audit Activities.**

   a. **Legal Authority.** In ascertaining whether the financial transactions are in compliance with the applicable laws, rules and regulations, administrative directives, and policies and procedures, the CONTRACTOR shall, at a minimum, become sufficiently knowledgeable with the applicable sections of the following reference documents:

   2) Applicable laws of the State of Hawaii pertaining to the UNIVERSITY.
   3) Applicable rules and regulations, and administrative directives issued by the following agencies relating to the State of Hawaii financial transactions, account systems, internal controls:

      i) Office of the Governor
      ii) Department of Accounting and General Services
      iii) Department of the Attorney General
      iv) Department of Budget and Finance
      v) Department of Human Resources Development

4. **Deliverables and Reports.**

   The financial statements and supplementary information and internal control and business issues report shall be prepared and issued in conformity with applicable laws, rules and professional standards.

5. **Assistance by UNIVERSITY Personnel.**

   UNIVERSITY personnel will provide assistance in the preparation or typing of:

   - Detail schedules of account balances
   - Preliminary financial statements
   - Confirmations and letters

6. **Time Limitations.**

   - **Expected date for audit contract to be awarded:** May 2015
   - **Expected date for commencement of audit:**
     - Fiscal year ending June 30, 2015 September 2015
     - Fiscal year ending June 30, 2016 September 2016
     - Fiscal year ending June 30, 2017 September 2017
   - **Expected date for submittal of preliminary draft financial statements and agreed-upon procedures report:**
     - Fiscal year ending June 30, 2015 November 2015
     - Fiscal year ending June 30, 2016 November 2016
     - Fiscal year ending June 30, 2017 November 2017
Expected date for issuance of final draft financial statements and agreed-upon procedures report:
- Fiscal year ending June 30, 2015 December 2015
- Fiscal year ending June 30, 2016 December 2016
- Fiscal year ending June 30, 2017 December 2017

Issuance of financial statements and agreed-upon procedures report will be subject to final approval by the Board of Regents.

Expected date for internal control and business issues report:
- Fiscal year ending June 30, 2015 January 2015
- Fiscal year ending June 30, 2016 January 2016
- Fiscal year ending June 30, 2017 January 2017

7. Delivery of Final Audit Reports.

- Number of copies of the final audit report: 40 (38 bound/2 unbound)
  Portable Document Format (PDF) file of the final report

- Address to deliver final reports:
  University of Hawaii
  Intercollegiate Athletics
  1465 Lower Campus Road
  PE/A 109
  Honolulu, Hawaii 96822

  In case of specific questions, contact person to call:
  Name: Ms. Tiffany Kuraoka, Assistant Athletic Director for Business Operations
  Telephone: 956-6505

D) **PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS REPORT AND FOOTNOTE SCHEDULE**

CONTRACTOR’S Field work shall commence in September for the fiscal year(s) specified with presentation to the Board of Regents in December preparation of the consolidated financial statements report and footnotes schedule.

E) **PREPARATION OF SUPPLEMENTAL SCHEDULES AND FINANCIAL STATEMENT FOR UH MANOA, UH H ILO, UH WEST OAHU, UH MAUI COLLEGE, AND THE COMMUNITY COLLEGE SYSTEM**

CONTRACTOR shall prepare campus supplemental financial statements for UH Manoa, UH Hilo, UH West Oahu, UH Maui College, and the Community College System for the fiscal year(s) specified with presentation to the Board of Regents in December.

F) **REVIEW OF BOND SYSTEM PROCEDURES AND PREPARE SUMMARY SCHEDULES OF ACTIVITIES AND ACCOUNT BALANCES**

CONTRACTOR shall prepare separate supplemental schedules for Bond indenture requirements for the fiscal year(s) specified to be presented to the Board of Regents in December.
G) AGREED-UPON PROCEDURES TO ASSESS THE STATEMENT OF REVENUES AND EXPENSES OF THE UH HILO ATHLETICS DEPARTMENT FOR COMPLIANCE WITH NCAA BYLAWS FOR THE YEAR ENDING JUNE 30, 2017 ONLY

For the year ending June 30, 2017, provide additional services in connection with the agreed-upon procedures to assess the Statement of Revenues and Expenses of the UH Hilo Athletics Department for compliance with NCAA bylaws. Field work to commence in October 2017 with presentation of the agreed-upon procedures report and management letter to the Board of Regents in December 2017.

H) APPLICABLE TO ALL AUDITS

1. **Meetings**. The CONTRACTOR agrees to meet with the UNIVERSITY as follows:

   a. **A-133 Audit**

      Formal Entry Conference – The Director, Financial Management Office & Controller, the Director, Office of Research Services and appropriate individual campus representatives affected by the Student Financial Assistance program portion of the audit preceding the commencement of each annual audit to establish a mutual understanding of the scope, timing and results expected from the audit.

      Fieldwork Exit/Audit Status Conference - The Director, Financial Management Office & Controller, the Director, Office of Research Services and appropriate individual campus representatives affected by the Student Financial Assistance program portion of the audit on the last day of the scheduled field work testing to review preliminary results in the annual audit and/or discuss the status of the audit.

      Preliminary Exit Conference – The Director, Financial Management Office & Controller, the Director, Office of Research Services and appropriate individual campus representatives to review the final status of the annual audit findings.

      Formal Exit Conference - The Director, Financial Management Office & Controller, the Director, Office of Research Services and appropriate individual campus representatives affected by the Student Financial Assistance program portion of the audit preceding the finalization of the Independent Auditor’s Report, Financial and Compliance Report, and Internal Control and Business Issues Report to review and evaluate its contents and presentation. CONTRACTOR’s partner/principal to attend Board of Regents Committee on University Audits and Board of Regents meetings to present the final reports.

   b. **UH Manoa Athletics Audit**

      Entry Conference – Preceding the commencement of the engagement, to establish a mutual understanding of the scope, timing, and results expected from the audit.


      Formal Exit Conference – CONTRACTOR’s partner/principal to attend Board of Regents Committee on University Audits and Board of Regents meetings to present the final reports.

2. **Audit Workpapers**. The audit workpapers are the property of the CONTRACTOR. However, the CONTRACTOR shall during and subsequent to the completion of any audit, make available to the
UNIVERSITY for its inspections and review, all workpapers developed during the audits, including among others the following:

a. The audit program and internal controls questionnaire.

b. The working trial balance.

c. Schedules, computations, analysis, audit notes, confirmation letters and replies, and other data representing a record of work done in support of account transactions and balances, and systems analysis.

d. Documents obtained and other workpapers relating to the audit.

The workpapers shall not be made available to others except by mutual consents of the UNIVERSITY and the CONTRACTOR. The workpapers shall be retained for a minimum of FIVE (5) years from the date of the audit reports, unless the CONTRACTOR is notified in writing by the UNIVERSITY to extend the retention period, but not more than SEVEN (7) years.

3. Discovery of Unusual Condition. If at any time during the performance of services, the CONTRACTOR discovers a deficiency that is highly unusual or of such a nature as to require immediate correction or of such character that to complete the audit, a significant amount of time or resources beyond initially contemplated by the parties to the contract would be require, the CONTRACTOR shall immediately notify the UNIVERSITY in writing. If the deficiency is of such character as to require the expenditure of additional time or resources, the CONTRACTOR shall include in the notification and estimate of the additional time and cost that would be required. The CONTRACTOR shall proceed to complete the performance of services only upon written authorization of the UNIVERSITY.

4. Additional/Reduction of Services. If at any time during the term of this Agreement, the UNIVERSITY discovers an audit is no longer required, the UNIVERSITY shall immediately notify the CONTRACTOR in writing. The UNIVERSITY and CONTRACTOR shall negotiate in good faith a reduction in the audit fee, including all out-of-pocket expenses and applicable taxes, based on an estimate of the time, effort, and materials eliminated and avoided. In addition, the UNIVERSITY, at its sole discretion, may add to the scope of services in Attachment 1. The UNIVERSITY and CONTRACTOR shall negotiate in good faith additional audit fees, including all out-of-pocket expenses and applicable taxes, based on an estimate of additional time, effort, and materials required.

5. Office of Internal Audit (Internal Audit) Assistance. The audit fees described in Attachment 3 of this Agreement contemplate Internal Audit providing the CONTRACTOR with 1,000 hours of non-student audit hours of assistance at a conversion ratio of 2:1 (i.e. 1,000 Internal Audit hours are equivalent to 500 CONTRACTOR hours) at the CONTRACTOR’s Associate hourly charge rates. The CONTRACTOR, the Director, Financial Management Office & Controller, and the Director, Office of Internal Audit will mutually agree on the specific assistance to be provided, staffing requirements, and timing prior to the commencement of any fieldwork involving Internal Audit and will memorialize such agreement in an Audit Task Plan, which will be of sufficient detail that is mutually agreed upon by all parties. The CONTRACTOR will provide Internal Audit with all prior workpapers and audit schedules listed in the Audit Task Plan. The Audit Task Plan will be updated weekly by the CONTRACTOR and discussed with the Director, Office of Internal Audit at weekly audit status meetings. Internal Audit’s work product will be deemed final upon review and acceptance by the CONTRACTOR’s Partner/ Principals or Managers. All questions regarding Internal Audit’s work products are to be directed to the Director, Office of Internal Audit or the Director’s designee. At the conclusion of each audit cycle, the CONTRACTOR will provide feedback to the Director, Office of Internal Audit on the performance of Internal Audit staff assigned to assist the CONTRACTOR.
PERIOD OF PERFORMANCE

The services to be rendered by CONTRACTOR under this Agreement shall be for the audit of THREE (3) fiscal years (July 1, 2014 to June 30, 2015, July 1, 2015 to June 30, 2016, and July 1, 2015 to June 30, 2017). It is expressly understood and agreed that funds available for the scope of service for the fiscal year ending June 30, 2015 are currently limited to $746,073.00 and that funds for the remaining scope of work for the fiscal years ending June 30, 2016 and 2017 are contingent upon the anticipated funding of $767,330.00 and $838,325.00, respectively, through the normal budget process. In addition, the UNIVERSITY, at its discretion, has an option to extend the Agreement for one (1) additional year at a price to be negotiated and mutually agreed upon. Further, the UNIVERSITY may terminate this contract at any time upon THIRTY (30) days' prior written notice. The final Audit Reports for each fiscal year, in the quantities specified, unless otherwise extended in writing by the UNIVERSITY, shall be delivered as specified. This agreement shall be completed on the date of delivery of the final report.
COMPENSATION AND PAYMENT SCHEDULE

1. **Payment.** The UNIVERSITY shall pay the CONTRACTOR for the services rendered under this Agreement, a fee based upon the actual man-hours expended in providing the services according to the following schedule of charges:

<table>
<thead>
<tr>
<th>Personnel Classification</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partners/Principals</td>
<td>386</td>
<td>394</td>
<td>402</td>
</tr>
<tr>
<td>Managers</td>
<td>259</td>
<td>264</td>
<td>269</td>
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<tr>
<td>Computer Audit Specialists</td>
<td>240</td>
<td>245</td>
<td>250</td>
</tr>
<tr>
<td>Senior Associates</td>
<td>197</td>
<td>201</td>
<td>205</td>
</tr>
<tr>
<td>Associates</td>
<td>130</td>
<td>133</td>
<td>136</td>
</tr>
</tbody>
</table>

The fee per audit, including all out-of-pocket expenses and applicable taxes, shall not exceed the following amounts:

a. **Consolidated Financial Statements Audit:**
   1) For year ending June 30, 2015
      THREE HUNDRED THIRTY-ONE THOUSAND FOUR HUNDRED THIRTEEN AND NO/DOLLARS ($331,413.00).
   2) For year ending June 30, 2016
      THREE HUNDRED THIRTY-SEVEN THOUSAND SEVEN HUNDRED FORTY-NINE AND NO/DOLLARS ($337,749.00).
   3) For year ending June 30, 2017
      THREE HUNDRED SIXTY-SIX THOUSAND SEVENTY-THREE AND NO/DOLLARS ($366,073.00).

b. **OMB Circular A-133 Audit:**
   1) For year ending June 30, 2015
      TWO HUNDRED EIGHTY-ONE THOUSAND NINE HUNDRED EIGHTY-NINE AND NO/DOLLARS ($281,989.00).
   2) For year ending June 30, 2016
      TWO HUNDRED NINETY-FIVE THOUSAND THREE HUNDRED SEVENTY-TWO AND NO/DOLLARS ($295,372.00).
   3) For year ending June 30, 2017
      THREE HUNDRED SEVEN THOUSAND SEVEN HUNDRED SEVEN AND NO/DOLLARS ($307,707.00).
c. UH Manoa Athletics Audit and Agreed-Upon Procedures:

1) For year ending June 30, 2015
   SEVENTY-FIVE THOUSAND SIX HUNDRED TWO AND NO/DOLLARS ($75,602.00).

2) For year ending June 30, 2016
   SEVENTY-FIVE THOUSAND NINE HUNDRED THIRTY-SEVEN AND NO/DOLLARS
   ($75,937.00).

3) For year ending June 30, 2017
   SEVENTY-SEVEN THOUSAND THREE HUNDRED NINETEEN AND NO/DOLLARS
   ($77,319.00).

d Consolidated Financial Statements Report and Footnote Schedule:

1) For year ending June 30, 2015
   TWENTY-FOUR THOUSAND EIGHTY-FOUR AND NO/DOLLARS ($24,084.02).

2) For year ending June 30, 2016
   TWENTY-FOUR THOUSAND SIX HUNDRED SEVEN AND NO/DOLLARS ($24,607.00).

3) For year ending June 30, 2017
   TWENTY-FIVE THOUSAND ONE HUNDRED THIRTY-ONE AND NO/DOLLARS
   ($25,131.00).

e. Supplemental Schedules and Financial Statement for UH Manoa, UH Hilo, UH West Oahu, UH
   Maui College, and the Community Colleges:

1) For year ending June 30, 2015
   TWENTY-SEVEN THOUSAND SEVEN HUNDRED FORTY NINE AND NO/DOLLARS
   ($27,749.00).

2) For year ending June 30, 2016
   TWENTY-EIGHT THOUSAND THREE HUNDRED TWENTY-FIVE AND NO/DOLLARS
   ($28,325.00).

3) For year ending June 30, 2017
   TWENTY-EIGHT THOUSAND NINE HUNDRED ONE AND NO/DOLLARS ($28,901.00).

f. Bond System Procedures:

1) For year ending June 30, 2015
   FIVE THOUSAND TWO HUNDRED THIRTY-SIX AND NO/DOLLARS ($5,236.00).

2) For year ending June 30, 2016
   FIVE THOUSAND THREE HUNDRED FORTY AND NO/DOLLARS ($5,340.00).

3) For year ending June 30, 2017
   FIVE THOUSAND FOUR HUNDRED FORTY-FIVE AND NO/DOLLARS ($5,445.00).

f. UH Hilo NCAA Agreed Upon Procedures:

1) For the year ending June 30, 2017
   TWENTY-SEVEN THOUSAND SEVEN HUNDRED FORTY-NINE AND NO/DOLLARS
   ($27,749.00).
The total contract amount per audit year (June 30, 2015, June 30, 2016, June 30, 2017) shall not exceed SEVEN HUNDRED FORTY-SIX THOUSAND SEVENTY-THREE AND NO/DOLLARS ($746,073.00), SEVEN HUNDRED SIXTY-SEVEN THOUSAND THREE HUNDRED THIRTY AND NO/DOLLARS ($767,330.00), EIGHT HUNDRED THIRTY-EIGHT THOUSAND THREE HUNDRED TWENTY-FIVE AND NO/DOLLARS ($838,325.00), respectively, including all out-of-pocket expenses and applicable taxes. The fee does not include any work beyond the scope of work specified in Attachment 1. Additional services required shall be compensated for as provided in Attachment 1.

2. The fee shall be paid in increments as services are actually rendered, as follows:

   a. Progress payments shall be remunerated upon submission of properly executed invoices in original and ONE (1) copy, indicating the contract number and listing the respective classes, rates, and number of hours worked, to the Financial Management Office. The invoice shall indicate the total actual charges incurred as well as the maximum fee provided for in this Agreement. The cumulative amount of progress payments (exclusive of the amount of the final payment) shall amount of no more than NINETY-FIVE PERCENT (95%) of this Agreement.

   b. The last installment or final payment shall be made after the CONTRACTOR has satisfactorily complied with all terms of this Agreement and delivery of the final report has been made to the Board of Regents. Upon notification by the Financial Management Office, the CONTRACTOR shall submit: 1) an invoice for the final payment and 2) a certificate of vendor compliance to furnish proof of compliance with the requirements of 103D-310(c), Hawaii Revised Statutes.

*****
STANDARDS OF CONDUCT DECLARATION

For the purposes of this declaration:

"Controlling interest" means an interest in a business or other undertaking which is sufficient in fact to control, whether the interest is greater or less than FIFTY PERCENT (50%).

"Employee" means any nominated, appointed, or elected officer or employee of the State, including members of boards, commissions, and committees, and employees under contract to the State or of the constitutional convention, but excluding legislators, delegates to the constitutional convention, justices, and judges.

On behalf of _______________________________________, CONTRACTOR, the undersigned does declare, under penalty of perjury, as follows:

1. CONTRACTOR is a legislator or an employee or a business in which a legislator or an employee has a controlling interest.*

2. CONTRACTOR has not been assisted or represented by a legislator or employee for a fee or other compensation to obtain this Agreement and will not be assisted or represented by a legislator or employee for a fee or other compensation in the performance of the Agreement, if the legislator or employee had been involved in the development or award of the Agreement.

3. CONTRACTOR has not been assisted or represented for a fee or other compensation in the award of this Agreement by a UNIVERSITY employee or, in the case of the Legislature, by a legislator.

4. CONTRACTOR has not been represented or assisted personally on matters related to the Agreement by a person who has been an employee of the UNIVERSITY within the preceding TWO (2) years and who participated while in state office or employment on the matter with which the Agreement is directly concerned.

5. CONTRACTOR has not been represented or assisted on matters related to this Agreement, for a fee or other consideration by an individual who, within the past TWELVE (12) months, has been a UNIVERSITY employee, or in the case of the Legislature, a legislator.

6. CONTRACTOR has not been represented or assisted in the award of this Agreement for a fee or other consideration by an individual who, a) within the past TWELVE (12) months, served as a UNIVERSITY employee or in the case of the Legislature, a legislator, and b) participated while an employee or legislator on matters related to this Agreement.

CONTRACTOR understands that the Agreement to which this document is attached is voidable on behalf of the UNIVERSITY if this Agreement was entered into in violation of any provision of chapter 84, Hawaii Revised Statutes, commonly referred to as the Code of Ethics, including the provisions which are the source of the declarations above. Additionally, any fee, compensation, gift or profit received by any person as a result of a violation of the Code of Ethics may be recovered by the UNIVERSITY.

DATED: Honolulu, Hawaii, _____________________________, __________

CONTRACTOR

By _______________________________________

Title _______________________________________

- Reminder to UNIVERSITY PROGRAM: If "is" is circled, YOUR PROGRAM is required. under Section 84-15, Hawaii Revised Statutes, to file with the State Ethics Commission, TEN (10) days before the Agreement is entered into, a written justification as to why the Agreement was not required to be competitively bid.
UNIVERSITY OF HAWAII
AGREEMENT FOR SERVICES
GENERAL CONDITIONS

1. Relationship of Parties: Independent Contractor Status and Responsibilities, Including Tax
   Responsibilities

   a. In the performance of services required under this Agreement, the CONTRACTOR is an "independent
      contractor," with the authority and responsibility to control and direct the performance and details of
      the work and services required under this Agreement; however, the UNIVERSITY shall have a general right
      to inspect work in progress to determine whether, in the UNIVERSITY's opinion, the services are being
      performed by the CONTRACTOR in compliance with this Agreement. It is understood that the
      UNIVERSITY does not agree to use the CONTRACTOR exclusively, and that the CONTRACTOR is free
      to contract to provide services to other individuals or entities while under contract with the UNIVERSITY.

   b. The CONTRACTOR and the CONTRACTOR's employees and agents are not by reason of this
      Agreement, agents or employees of the UNIVERSITY for any purpose, and the CONTRACTOR and the
      CONTRACTOR's employees and agents shall not be entitled to claim or receive from the UNIVERSITY
      any vacation, sick leave, retirement, worker's compensation, unemployment insurance, or other benefits
      provided to UNIVERSITY employees.

   c. The CONTRACTOR shall be responsible for the accuracy, completeness, and adequacy of the
      CONTRACTOR's performance under this Agreement. Furthermore, the CONTRACTOR intentionally,
      voluntarily, and knowingly assumes the sole and entire liability to the CONTRACTOR's employees and
      agents, and to any individual not a party to this Agreement, for all loss, damage, or injury caused by
      the CONTRACTOR, or the CONTRACTOR's employees or agents in the course of their employment.

   d. The CONTRACTOR shall be responsible for payment of all applicable federal, state, and county taxes
      and fees which may become due and owing by the CONTRACTOR by reason of this Agreement,
      including but not limited to (i) income taxes, (ii) employment related fees, assessments, and taxes, and
      (iii) general excise taxes. The CONTRACTOR also is responsible for obtaining all licenses, permits, and
      certificates that may be required in order to perform this Agreement.

   e. The CONTRACTOR shall obtain a general excise tax license from the Department of Taxation, State of
      Hawaii, in accordance with Section 237-9, Hawaii Revised Statutes, and shall comply with all
      requirements thereof. The CONTRACTOR shall be solely responsible for meeting all requirements
      necessary to obtain the tax clearance certificates required for execution of the Agreement and for final
      payment under Sections 103-53 and 237-45, Hawaii Revised Statutes, and Section 17 of these General
      Conditions.

   f. The CONTRACTOR is responsible for securing all employee-related insurance coverage for the
      CONTRACTOR and the CONTRACTOR's employees and agents that is or may be required by law, and
      for payment of all premiums, costs, and other liabilities associated with securing the insurance coverage.

2. Personnel Requirements

   a. The CONTRACTOR shall secure, at the CONTRACTOR's own expense, all personnel required to
      perform this Agreement.
b. The CONTRACTOR shall ensure that the CONTRACTOR's employees or agents are experienced and fully qualified to engage in the activities and perform the services required under this Agreement, and that all applicable licensing and operating requirements imposed or required under federal, state, or county law, and all applicable accreditation and other standards of quality generally accepted in the field of the activities of such employees and agents are complied with and satisfied.

3. **Nondiscrimination**

No person performing work under this Agreement, including any subcontractor, employee, or agent of the CONTRACTOR, shall engage in any discrimination that is prohibited by any applicable federal, state, or county law.

4. **Subcontracts and Assignments**

The CONTRACTOR shall not assign or subcontract any of the CONTRACTOR's duties, obligations, or interests under this Agreement without the prior written consent of the UNIVERSITY. Additionally, no assignment by the CONTRACTOR of the CONTRACTOR's right to compensation under this Agreement shall be effective unless and until the assignment is approved by the Vice President for Administration and Chief Financial Officer of the University of Hawaii, as provided in Section 40-58, Hawaii Revised Statutes.

5. **Conflicts of Interest**

The CONTRACTOR represents that neither the CONTRACTOR, nor any employee or agent of the CONTRACTOR, presently has any interest, and promises that no such interest, direct or indirect, shall be acquired, that would or might conflict in any manner or degree with the CONTRACTOR's performance under this Agreement.

6. **Compliance with Laws**

The CONTRACTOR shall comply with all federal, state, and county laws, ordinances, codes, rules, and regulations, as the same may be amended from time to time, that in any way affect the CONTRACTOR's performance of this Agreement.

7. **Indemnification and Defense**

The CONTRACTOR shall defend, indemnify, and hold harmless the UNIVERSITY and its officers, employees and agents from and against all liability, loss, damage, cost and expense, including all attorneys' fees, and all claims, suits and demands therefore, arising out of or resulting from the acts or omissions of the CONTRACTOR or the CONTRACTOR's employees, officers, agents or subcontractors under this Agreement. In no event will the CONTRACTOR be liable for any loss, damage, cost or expense attributable to any negligence, willful misconduct or misrepresentations by the UNIVERSITY, its BOARD OF REGENTS, or its employees. The UNIVERSITY shall be responsible, to the extent permitted by law, for damage or injury caused by the UNIVERSITY's officers and employees in the scope of their employment provided that the UNIVERSITY's liability for such damage or injury has been determined by a court of law or agreed to by the UNIVERSITY. The provisions of this paragraph shall remain in full force and effect notwithstanding the expiration or early termination of the Agreement for services performed by the CONTRACTOR under such Agreement.

8. **Modification of Agreement**

Any modification, alteration, amendment, change, or extension of any term, provision, or condition of this Agreement shall be made only by written amendment to this Agreement, signed by the CONTRACTOR and the UNIVERSITY, provided that change orders shall be made in accordance with paragraph 9, Change Orders, herein.
9. Change Orders

a. By a written order, at any time, and without notice to any surety, the procurement officer may, subject to all appropriate adjustments, make changes within the general scope of this Agreement as may be found to be necessary or desirable. Such changes shall not invalidate the contract or release the sureties, and the CONTRACTOR will perform the work as changed, as though it had been part of the original contract.

b. Adjustments of price or time for performance. If any change order increases or decreases the CONTRACTOR's cost of, or the time required for, performance of any part of the work under this Agreement, whether or not changed by the order, an adjustment shall be made and the Agreement modified in writing accordingly. Any adjustment in Agreement price made pursuant to this paragraph shall be determined in accordance with the price adjustment paragraph of this Agreement. Failure of the parties to agree to an adjustment shall not excuse the CONTRACTOR from proceeding with the Agreement as changed, provided that the agency procurement officer promptly and duly makes the provisional adjustments in payment or time for performance as may be reasonable. By proceeding with the work, the CONTRACTOR shall not be deemed to have prejudiced any claim for additional compensation, or an extension of time for completion.

c. Time period for claim. Within TEN (10) days after receipt of a written change order under 9.a, unless the period is extended by the agency procurement officer in writing, the CONTRACTOR shall file notice of intent to assert a claim for an adjustment. The requirement for a timely written response cannot be waived and shall be a condition precedent to the assertion of a claim.

d. Claim barred after final payment. No claim by the CONTRACTOR for an adjustment hereunder shall be allowed if written notice is not given prior to final payment under this Agreement.

e. Other claims not barred. In the absence of a change order, nothing in this paragraph shall be deemed to restrict the CONTRACTOR's right to pursue a claim under the Agreement or for breach of contract.

10. Price Adjustment

a. Price adjustment. Any adjustment in Agreement price pursuant to a provision in this Agreement shall be made in one or more of the following ways:

(1) By agreement on a fixed price adjustment before commencement of the pertinent performance or as soon thereafter as practicable;

(2) By unit prices specified in the Agreement or subsequently agreed upon;

(3) By the costs attributable to the event or situation covered by the provision, plus appropriate profit or fee, all as specified in the Agreement or subsequently agreed upon;

(4) In such other manner as the parties may mutually agree; or

(5) In the absence of agreement between the parties, by a unilateral determination by the agency procurement officer of the costs attributable to the event or situation covered by the provisions, plus appropriate profit or fee, all as computed by the UNIVERSITY in accordance with generally accepted accounting principles.

b. Submission of cost or pricing data. The CONTRACTOR shall provide cost or pricing data for any price adjustments.
11. Suspension of Agreement

The UNIVERSITY reserves the right at any time and for any reason to suspend this Agreement for any reasonable period, upon written notice to the CONTRACTOR in accordance with the provisions herein.

a. Order to stop performance. The procurement officer may, by written order to the CONTRACTOR, at any time, and without notice to any surety, require the CONTRACTOR to stop all or any part of the performance called for by this Agreement. This order shall be for a specified period not exceeding SIXTY (60) days after the order is delivered to the CONTRACTOR, unless the parties agree to any further period. Any such order shall be identified specifically as a stop performance order issued pursuant to this paragraph. Upon receipt of such an order, the CONTRACTOR shall forthwith comply with its terms and suspend all performance under this Agreement at the time stated, provided, however, the CONTRACTOR shall take all reasonable steps to minimize the occurrence of costs allocable to the performance covered by the order during the period of performance stoppage. Before the stop performance order expires, or within any further period to which the parties shall have agreed, the agency procurement officer shall either:

(1) Cancel the stop performance order; or

(2) Terminate the performance covered by such order as provided in the termination for default provisions or the termination for convenience provisions of this Agreement.

b. Cancellation or expiration of the order. If a stop performance order issued under this section is cancelled at any time during the period specified in the order, or if the period of the order or any extension thereof expires, the CONTRACTOR shall have the right to resume performance. An appropriate adjustment shall be made in the delivery schedule or Agreement price, or both, and the Agreement shall be modified in writing accordingly if:

(1) The stop performance order results in an increase in the time required for, or in the CONTRACTOR's cost properly allocable to, the performance of any part of this Agreement; and

(2) The CONTRACTOR asserts a claim for such an adjustment within THIRTY (30) days after the end of the period of performance stoppage; provided that, if the procurement officer decides that the facts justify such action, any such claim asserted may be received and acted upon at any time prior to final payment under this Agreement.

c. Termination of stopped performance. If a stop performance order is not cancelled and the performance covered by such order is terminated for default or convenience, the reasonable costs resulting from the stop performance order shall be allowable by adjustment or otherwise.

d. Adjustment of price. Any adjustment in Agreement price made pursuant to this paragraph shall be determined in accordance with the price adjustment provision of this Agreement.

12. Disputes

All disputes arising under or related to this contract shall be resolved in accordance with this clause.

a. A claim by the CONTRACTOR shall be made, in writing, and submitted to the DIRECTOR for a written decision.

b. The DIRECTOR shall render a decision within NINETY (90) days of the request, subject to reasonable extension on showing of good cause. The finding and decision shall be written and shall be furnished to the CONTRACTOR providing evidence of receipt.
c. The decision shall be in accordance with University Administrative Procedure A8.275. The DIRECTOR's decision shall be final.

13. Claims Based on a Procurement Officer's Actions or Omissions

a. Changes in scope. If any action or omission on the part of a procurement officer or designee of such officer, requiring performance changes within the scope of the Agreement constitutes the basis for a claim by the CONTRACTOR for additional compensation, damages, or an extension of time for completion, the CONTRACTOR shall continue with performance of the Agreement in compliance with the directions or orders of such officials, but by so doing, the CONTRACTOR shall not be deemed to have prejudiced any claim for additional compensation, damages, or an extension of time for completion; provided:

(1) Written notice required. The CONTRACTOR shall have given written notice to the procurement officer or designee of such officer:

   (A) Prior to the commencement of the performance involved, if at that time the CONTRACTOR knows of the occurrence of such action or omission;

   (B) Within THIRTY (30) days after the CONTRACTOR knows of the occurrence of such action or omission, if the CONTRACTOR did not have such knowledge prior to the commencement of the performance; or

   (C) Within such further time as may be allowed by the procurement officer in writing.

(2) Notice content. This notice shall state that the CONTRACTOR regards the act or omission as a reason which may entitle the CONTRACTOR to additional compensation, damages, or an extension of time. The procurement officer or designee of such officer, upon receipt of such notice, may rescind such action, remedy such omission, or take such other steps as may be deemed advisable in the discretion of the procurement officer or designee of such officer;

(3) Basis must be explained. The notice required by paragraph 13.a.(1) describes as clearly as practicable at the time the reasons why the CONTRACTOR believes that additional compensation, damages, or an extension of time may be remedies to which the CONTRACTOR is entitled; and

(4) Claim must be justified. The CONTRACTOR must maintain and upon request make available to the procurement officer within a reasonable time, detailed records to the extent practicable, and other documentation and evidence satisfactory to the UNIVERSITY, justifying the claimed additional costs or an extension of time in connection with such changes.

b. CONTRACTOR not excused. Nothing herein contained, however, shall excuse the CONTRACTOR from compliance with any rules or laws precluding any state officers and CONTRACTOR from acting in collusion or bad faith in issuing or performing change orders which are clearly not within the scope of the Agreement.

c. Price adjustment. Any adjustment in the price made pursuant to this paragraph shall be determined in accordance with the price adjustment provision of this Agreement.

14. Confidentiality of Material

a. All material given to or made available to the CONTRACTOR by virtue of this Agreement, which is identified as proprietary or confidential information, will be safeguarded by the CONTRACTOR and shall not be disclosed to any individual or organization without the prior written approval of the UNIVERSITY.
b. All information, data, or other material provided by the CONTRACTOR to the UNIVERSITY shall be subject to the Uniform Information Practices Act, chapter 92F, Hawaii Revised Statutes.

15. Ownership Rights and Copyright

The UNIVERSITY shall have complete ownership of all material, both finished and unfinished, which is developed, prepared, assembled, or conceived by the CONTRACTOR pursuant to this Agreement, and all such material shall be considered "works made for hire." All such material shall be delivered to the UNIVERSITY upon expiration or termination of this Agreement. The UNIVERSITY, in its sole discretion, shall have the exclusive right to copyright any product, concept, or material developed, prepared, assembled, or conceived by the CONTRACTOR pursuant to this Agreement.

16. Publicity

The CONTRACTOR shall not refer to the UNIVERSITY, or any office, agency, or officer thereof, including the CPO, the CPO's designee, the DIRECTOR, the agency procurement officer, or to the services provided under this Agreement, in any of the CONTRACTOR's brochures, advertisements, or other publicity of the CONTRACTOR. All media contacts with the CONTRACTOR about this Agreement or the performance under this Agreement shall be referred to the procurement officer or designee of such officer.

17. Payment Procedures; Final Payment; Tax Clearance

All payments under this Agreement shall be made only upon submission by CONTRACTOR of invoices specifying the amount due and certifying that services requested under the Agreement have been performed by CONTRACTOR according to the Agreement. Such payments are subject to availability of funds and allotment by the Director of Finance in accordance with chapter 37, Hawaii Revised Statutes. Further, all payments shall be made in accordance with and subject to chapter 40, Hawaii Revised Statutes. Final payment under this Agreement shall be subject to Sections 103-53 and 237-45, Hawaii Revised Statutes, which require a valid tax clearance, FORM A-6 (Rev. 2003), from the State of Hawaii, Department of Taxation and the Internal Revenue Service (IRS) showing that all tax returns due have been filed, and all taxes, interest, and penalties levied or accrued under the provisions of Title 14 that are administered by the Department of Taxation and under the Internal Revenue Code against the CONTRACTOR have been paid.

18. Termination for Default

a. Default. If the CONTRACTOR refuses or fails to perform any of the provisions of this Agreement with such diligence as will ensure its completion within the time specified in this Agreement, or any extension thereof, otherwise fails to timely satisfy the Agreement provisions, or commits any other substantial breach of this Agreement, the procurement officer may notify the CONTRACTOR in writing of the delay or non-performance and if not cured in TEN (10) days or any longer time specified in writing by the procurement officer, such officer may terminate the CONTRACTOR's right to proceed with the Agreement or such part of the Agreement as to which there has been delay or failure to properly perform. In the event of termination in whole or in part the procurement officer may procure similar goods or services in a manner and upon terms deemed appropriate by the procurement officer. The CONTRACTOR shall continue performance of the Agreement to the extent it is not terminated and shall be liable for excess costs incurred in procuring similar goods or services.

b. CONTRACTOR's duties. Notwithstanding termination of the Agreement and subject to any directions from the procurement officer, the CONTRACTOR shall take timely, reasonable, and necessary action to protect and preserve property in the possession of the CONTRACTOR in which the UNIVERSITY has an interest.

c. Compensation. Payment for completed services delivered and accepted by the UNIVERSITY shall be at the price set forth in the Agreement. Payment for the protection and preservation of property shall be in an amount agreed upon by the CONTRACTOR and the procurement officer; if the parties fail to agree,
the procurement officer shall set an amount consistent with the CONTRACTOR's rights under the Agreement. The UNIVERSITY may withhold from amounts due the CONTRACTOR such sums as the procurement officer deems to be necessary to protect the UNIVERSITY against loss because of outstanding liens or claims of former lien holders and to reimburse the UNIVERSITY for the excess costs incurred in procuring similar services.

d. **Excuse for nonperformance or delayed performance.** Except with respect to defaults of subcontractors, the CONTRACTOR shall not be in default by reason of any failure in performance of this Agreement in accordance with its terms, including any failure by the CONTRACTOR to make progress in the prosecution of the performance hereunder which endangers such performance, if the CONTRACTOR has notified the procurement officer within FIFTEEN (15) days after the cause of the delay and the failure arises out of causes such as: acts of God; acts of the public enemy; acts of the State and any other governmental body in its sovereign or contractual capacity; fires; floods; epidemics; quarantine restrictions; strikes or other labor disputes; freight embargoes; or unusually severe weather. If the failure to perform is caused by the failure of a subcontractor to perform or to make progress, and if such failure arises out of causes similar to those set forth above, the CONTRACTOR shall not be deemed to be in default, unless the services to be furnished by the subcontractor were reasonably obtainable from other sources in sufficient time to permit CONTRACTOR to meet the requirements of the Agreement. Upon request of the CONTRACTOR, the procurement officer shall ascertain the facts and extent of such failure, and, if such officer determines that any failure to perform was occasioned by any one or more of the excusable causes, and that, but for the excusable cause, the CONTRACTOR's progress and performance would have met the terms of the Agreement, the delivery schedule shall be revised accordingly, subject to the rights of the UNIVERSITY under the Agreement. As used in this part of this paragraph 18(c), the term 'subcontractor' means subcontractor at any tier.

e. **Erroneous termination for default.** If, after notice of termination of the CONTRACTOR's right to proceed under the provisions of this paragraph 18, it is determined for any reason that the CONTRACTOR was not in default under the provisions of this Agreement or that the delay was excusable under the provisions of 18.d., 'Excuse for nonperformance or delayed performance,' the rights and obligations of the parties shall, if the Agreement contains a provision providing for termination for convenience of the UNIVERSITY, be the same as if the notice of termination had been issued pursuant to such provision. If, in the foregoing circumstances, this Agreement does not contain a provision providing for termination for convenience of the UNIVERSITY, the Agreement shall be adjusted to compensate for such termination and the Agreement modified accordingly.

f. **Additional rights and remedies.** The rights and remedies provided in this paragraph 18 are in addition to any other rights and remedies provided by law or under this Agreement.

19. **Termination for Convenience**

a. **Termination.** The procurement officer may, when the interests of the UNIVERSITY so require, terminate this Agreement, in whole or in part, for the convenience of the UNIVERSITY. The procurement officer shall give written notice of the termination to the CONTRACTOR specifying the part of the Agreement terminated and when termination becomes effective.

b. **CONTRACTOR's obligations.** The CONTRACTOR shall incur no further obligations in connection with the terminated performance, and on the date(s) set in the notice of termination the CONTRACTOR will stop performance to the extent specified. The CONTRACTOR shall also terminate outstanding orders and subcontracts as they relate to the terminated performance. The CONTRACTOR shall settle the liabilities and claims arising out of the termination of subcontracts and orders connected with the terminated performance. The procurement officer may direct the CONTRACTOR to assign the CONTRACTOR's right, title, and interest under terminated orders or subcontracts to the UNIVERSITY. The CONTRACTOR must still complete the performance not terminated by the notice of termination and may incur obligations as necessary to do so.
20. **Governing Law**

The validity of this Agreement and any of its terms or provisions, as well as the rights and duties of the parties to this Agreement, shall be governed by the laws of the State of Hawaii. Any action at law or in equity to enforce or interpret the provisions of this Agreement shall be brought in a state court of competent jurisdiction in Honolulu, Hawaii.

21. **Severability**

In the event that any provision of this Agreement is declared invalid or unenforceable by a court, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining terms of this Agreement.

22. **Waiver**

The failure of the UNIVERSITY to insist upon the strict compliance with any term, provision, or condition of this Agreement shall not constitute or be deemed to constitute a waiver or relinquishment of the UNIVERSITY’s right to enforce the same in accordance with this Agreement.

23. **Campaign Contributions by State and County Contractors Prohibited**

If awarded a contract in response to this solicitation, offeror agrees to comply with Section 11-355, HRS, which states that campaign contributions are prohibited from State and County government contractors during the term of the contract if the contractor is paid with funds appropriated by the legislative body between the execution of the contract through the completion of the contract. Further information is available from the Campaign Spending Commission’s Executive Director or its General Counsel at (808) 586-0285.
Financial Management Office

External Audit Services Contract

Tuesday, May 12, 2015
Topics

- Selection Process for the External Auditor Procurement
- External Audit Services Selection Committee
- Selection Criteria and Results
- Approval Requests
  - Auditor
  - Scope of External Audit Services
  - Fees
Selection Process for Auditor Procurement

- Professional services pursuant to HRS Section 103D-104 are those services within the scope of the practices of architecture, engineering, law, medicine, accounting, etc.
- UH management conducted the following steps in accordance with HRS Section 103D-104:
  - A solicitation notice was sent out to invite accounting firms to submit service proposals.
  - Six firms submitted their proposals for the UH external audit services and were included in the qualified list for the evaluation of the External Audit Services Selection Committee.
  - Accuity LLP, Deloitte & Touche LLP, Ernst & Young LLP, KMH LLP, KPMG, N&K CPAs, Inc
# External Audit Services Selection Committee

<table>
<thead>
<tr>
<th>Name</th>
<th>Professional Background</th>
</tr>
</thead>
<tbody>
<tr>
<td>Susan Lin (Chair)</td>
<td>Director of Financial Management and Controller</td>
</tr>
<tr>
<td>Glenn Shizumura</td>
<td>Director, Office of Internal Audit</td>
</tr>
<tr>
<td>Yaa-Yin Fong</td>
<td>Director, Office of Research Services</td>
</tr>
<tr>
<td>Steven Smith</td>
<td>Assoc. VP/Duty Chief Information Officer</td>
</tr>
<tr>
<td>Karen Morimoto</td>
<td>Director, General Accounting and Loan Collection</td>
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<tr>
<td>Gregg Yoshimura</td>
<td>Financial Aid Specialist, Office of VP for Student Affairs</td>
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<tr>
<td>Tiffany Kuraoka</td>
<td>Asst. Athletics Director for Business Operations</td>
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<tr>
<td>Mason Kuo</td>
<td>Director, Business Office, Administrative Affairs, UHH</td>
</tr>
</tbody>
</table>
Selection Criteria

• Pursuant to HRS Section 103D-104, the following selection criteria were employed in descending order of importance:
  ▫ Rating System
    • Given a scale of 1-5 (poor, below average, average, good, excellent)
    • Given points to each criteria based on importance prescribed by HRS 103D-104
  ▫ Experience and professional qualifications relevant to the engagement (4 points)
    • Firm experiences and qualifications
    • Qualifications and experience of audit personnel
    • Firms in good standing with the AICPA and HSCPA
    • Industry technical resources
    • Licensed and qualified to provide audit services in the State of Hawaii
    • Peer review (current and no deficiencies)
  ▫ Past performance on projects of similar scope (3 points)
    • A-133 audits on major programs for research institution (size and complexity)
    • Similar audits for higher educational institutions (e.g. student financial aid programs) (size, complexity)
    • Similar audits for governmental agencies (size, complexity)
Selection Criteria (cont.)

- **Ability to Meet Project Schedule (2 points)**
  - Number of personnel available for University engagements
  - Time of performance
  - Firm wide resources
  - Level of communication commitment
  - Firm commitment to meeting deadlines
  - Relevance and size of proposed University engagement compared to other active clients

- **Audit Plan and Audit Approach (1 point)**
  - Relevant and applicable to the University
  - Effective and efficient with minimal disruptions to University personnel
  - Identification of inherent audit risk and concerns and approach
  - Innovation

- **Interest in Required Services (1 point)**
  - Type of service is relevant to this engagement
  - Audit timing is relevant to this engagement
Selection Results

- External Audit Services Selection Committee gave the highest points to Accuity LLP.
- There was 31 point difference in rating between Accuity LLP and the firm that received the second highest points.
- The Committee recommends Accuity LLP to be the auditor for the UH external audit services.
Accuity LLP

- Accuity LLP is a local firm in Hawaii, employing 84 professionals and offers a full range of assurance, tax and advisory services.
- Accuity LLP is the successor firm to PricewaterhouseCoopers LLP and has been the audit firm to UH for the past eight years. [1]
  - Dennis Tsuhako was the engagement leader/partner for the first 5 years
  - Cory Kubota has been the engagement leader/partner for the last 3 years and would continue to be the engagement leader, if the service contract is awarded to Accuity LLP
- Although there is no requirement to rotate audit firms, the SEC Commission's Rules on Auditor Independence will have to be followed regarding partner rotation for this engagement [2]:
  - "...the "relationship" partner meets the definition of an "audit partner" and, therefore, is subject to the partner rotation requirements. "Lead" and "concurring" partners are required to rotate off an engagement after a maximum of five years in either capacity and, upon rotation, must be off the engagement for five years. Other "audit partners" are subject to rotation after seven years on the engagement and must be off the engagement for two years. A "relationship" partner who is not the "lead" or "concurring" partner would, therefore, be subject to the seven years of service, two years time out rotation requirement.

NOTES
1. Accuity LLP has been UH auditors for past 8 years. And its predecessor firms serviced UH contract prior to then.
2. This requirement is for publicly-held organizations. This is not a requirement for government audits.
Approval Request - Auditor

- UH management recommends Accuity LLP to be the audit firm to perform the UH external audit services for the next three fiscal years with the option to extend for one additional year:
  - Fiscal year July 1, 2014 to June 30, 2015
  - Fiscal year July 1, 2015 to June 30, 2016
  - Fiscal year July 1, 2016 to June 30, 2017
  - Fiscal year July 1, 2017 to June 30, 2018 (option to extend)
# Scope of External Audit Services and Fees

<table>
<thead>
<tr>
<th>Proposed by Accuity* With Internal Audit Assistance</th>
</tr>
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<tbody>
<tr>
<td><strong>Consolidated Financial Statements &amp; Supplemental Schedules (Bond)</strong></td>
</tr>
<tr>
<td><strong>A-133 Compliance</strong></td>
</tr>
<tr>
<td><strong>Manoa Athletics Financial Statements</strong></td>
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<tr>
<td><strong>Subtotal</strong></td>
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<tr>
<td><strong>UH Hilo NCAA Agreed Upon Procedures</strong></td>
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<tr>
<td><strong>A-133 Compliance Additional Programs</strong></td>
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<tr>
<td><strong>Audit Assistance (Preparation of Report and Footnote Schedules)</strong></td>
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<tr>
<td><strong>Campus Supplemental Schedules</strong></td>
</tr>
<tr>
<td><strong>University Bond System Procedures</strong></td>
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<tr>
<td><strong>Bond System Prelim Offering Statement</strong></td>
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<tr>
<td><strong>KFS Implementation</strong></td>
</tr>
<tr>
<td><strong>Total Fees</strong></td>
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</tbody>
</table>

* See notes in the next slide
Notes to the Fee Table

- Fees were based on 1,000 hours of audit assistance to be provided by UH Internal Audit.
- 2% inflation is built into the contract each year.
- Increased OPEB testing in FY 2017 will add 15 senior associate hours and 60 associate hours and $15,000 in expenses for 3rd party actuary review.
- H-Zone inventory and revenue and expense testing will add 10 senior associate hours and 10 associate hours.
- AKA testing will add 5 senior associate hours and 10 associate hours.
- Supercircular A-133 testing will add 20 senior associate hours and 40 associate hours.
- GASB 68 implementation will add 5 partner hours, 10 manager hours, 15 supervisor hours.
- A-133 compliance audit contracted costs are based on the number of major Federal programs anticipated for audit over the period of the contract. Programs subject to audit may be added or deleted based on expenditure levels in the audit year.
- Per Accuity LLP, the total hours per engagement year to year is impacted by the experience level of personnel required/assigned (i.e. Partners, Managers, Sr. Associates, Associates). For example, Sr. Associates require less time than Associates to accomplish the same tasks.
Accuity Fees without IA Assistance

- 500 additional Accuity staff hours would be required if 1000 hours of audit assistance were not provided by internal audit.

<table>
<thead>
<tr>
<th></th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
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<tbody>
<tr>
<td>Fees with IA Assistance</td>
<td>$746,073</td>
<td>$767,330</td>
<td>$838,325</td>
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<tr>
<td>Fees without IA Assistance</td>
<td>$814,137</td>
<td>$836,963</td>
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<tr>
<td>Saving ($)</td>
<td>$68,064</td>
<td>$69,633</td>
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<tr>
<td>Saving (hour)*</td>
<td>500 hours</td>
<td>500 hours</td>
<td>500 hours</td>
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<tr>
<td>Consolidated financial audit</td>
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<td>Athletics</td>
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<td>A-133</td>
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<tr>
<td><strong>Supplemental schedules</strong></td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>500</strong></td>
</tr>
</tbody>
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QUESTIONS?