

SAMPLE CONTRACT

This Contract is entered into by and between the State of Arizona, Arizona Auditor General, hereinafter referred to as the Office, and [REDACTED], hereinafter referred to as the Firm.

WITNESSETH: In consideration of the mutual promises herein contained, the parties have agreed and do hereby enter into this Contract according to the provisions set out herein:

I. Recitals:

- A. In accordance with the authority granted under the laws of the State of Arizona, the Office wishes to procure the services of Firm to conduct a performance audit of the Maricopa Association of Governments' Regional Transportation Plan for Maricopa County, hereinafter referred to as the MAG RTP, in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.
- B. The Firm desires and is capable of conducting such performance audits and issuing such performance audit reports for the MAG RTP.
- C. The Firm and the Office desire to enter into and execute a written contract involving said services, and to agree upon the terms thereof.

NOW, THEREFORE, in consideration of the foregoing recitals and of the covenants and agreements by the parties made to be kept and performed, the parties agree as follows:

II. Agreement:

A. Term of Agreement

The term of this Agreement shall be for the period beginning on the date signed by the Auditor General and ending two weeks after the day the final follow-up report is submitted. The Office assumes no liability for work performed or costs incurred prior to the beginning date or subsequent to the contract completion date.

B. Services

The Firm, as an independent contractor and not as an agent of the Office, agrees to provide the following services:

1. After receiving formal "Notice to Proceed" from the Office, make all necessary off-site preparations for the Firm to execute the project with minimal support from the Office.
2. Organize, schedule, and facilitate a project entrance conference no later than May 30, 2025, by video or teleconference if necessary, with representatives from the Maricopa Association of Governments (MAG), Valley Metro, and the Arizona Department of Transportation (ADOT), hereinafter referred to as the Auditees and the

Office. The purpose of this entrance conference is to introduce the Firm, establish workspace if needed, identify liaisons for each entity, determine a periodic meeting schedule, and discuss the scope and time frame for the audit.

3. Conduct preliminary work to plan for completing the tasks outlined in Section II B(4)(a)-(e) of this Agreement. This work must include, but is not limited to:
 - a. Assessing the availability of data relevant to the audit areas, including interviewing relevant individuals to determine what data is maintained and where it is stored, how it is used, and what controls are in place to ensure its accuracy and reliability; reviewing the data and data system(s) to determine what data is necessary to address audit issues; and requesting and obtaining the data and ensuring the data provided is fully responsive to the request.
 - b. Conducting data validity/reliability testing after the data is obtained, such as by looking for blank fields, potential errors in logic or calculations, inconsistent names or values within fields, etc., and randomly pulling a sample of hard copy files to test data reliability and completeness.

Based on the results of this work, the Firm should determine the data's reliability for audit purposes. If the Firm determines the data is not available or not reliable for audit purposes, it should contact the Office to discuss and determine alternative procedures for any of the areas listed below for which the Firm has determined data analysis would be useful.

- c. Performing any other work the Firm deems necessary for completing the tasks outlined in Section II(B)(4)(a)-(e) of this Agreement in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, including but not limited to developing work plans and completing work to gain an understanding of the areas to be reviewed.
4. Address the following areas for the MAG RTP:
 - a. Examine whether past RTP expenditures have relieved congestion and improved mobility—As required by A.R.S. §28-6313(C)(2), the performance audit shall review past expenditures of the RTP and examine the performance of the system in relieving congestion and improving mobility. The review period shall encompass the time period since the last audit—fiscal years 2021 through 2025.

For item 4(a), the Firm shall review a sample of expenditures and projects and shall include projects from each major transportation mode outlined in the RTP. In examining these areas, the Firm shall determine the extent to which performance measures have been met for each area and the reasons for any deviations. In examining these areas, the Firm may consider other information such as how effectively the RTP entities have utilized various multimodal

management tools to help ensure that RTP goals and performance standards, such as relieving congestion and improving mobility, have been achieved.

- b. Examine the RTP and projects scheduled for the future within each transportation mode, based on performance factors—As required by A.R.S. §§28-6313(A) and 28-6313(C)(1), the performance audit shall examine the RTP and projects scheduled for funding during the next 5 years within each transportation mode based on the performance factors established in A.R.S. §28-505(A), in the context of the transportation system. The review period shall encompass fiscal years 2026 through 2030.

For item 4(b), the Firm shall review a sample of future planned projects and shall include projects from each major transportation mode outlined in the RTP. In examining these areas, the Firm shall consider how effectively the RTP entities have used performance measures and/or various multimodal management tools to help ensure that future projects will achieve RTP goals and performance standards, such as relieving congestion and improving mobility.

- c. Examine light rail systems against federal criteria—As required by A.R.S. §28-6313(B), when examining light rail systems, the Firm shall consider the criteria the federal transit administration uses (i.e., project justification, including mobility and environmental benefits, and financial commitment) pursuant to 49 United States Code §5309(e)(1)(B) and the interrelationship among the criteria to provide federal funding for light rail systems. For light rail projects that receive federal funding, the Firm may consult with and, as appropriate, confirm with the appropriate federal agency making the grant that the project met the prescribed criteria.
- d. Examine light rail systems against other factors—As required by A.R.S. §28-6313(B), for light rail systems, the Firm shall also consider:
 - 1. Service levels.
 - 2. Capital costs.
 - 3. Operation and maintenance costs.
 - 4. Transit ridership.
 - 5. Farebox revenues.

In examining this area, the Firm shall review light rail system performance metrics established by Valley Metro (the regional public transportation agency for metro Phoenix) and determine the extent to which performance measures have been met for each area and the reasons for any deviations.

- e. Make recommendations—As required by A.R.S. §28-6313(C)(3), the Firm shall make recommendations regarding whether further implementing a project or transportation system is warranted, warranted with modifications, or not warranted. The Firm shall also identify additional recommendations that would be warranted to ensure desired results and statutory requirements are being achieved, public monies and resources are being used in an efficient and effective manner, and address any other factors that the Firm determined impact the proper management of the RTP and/or its projects and expenditures. The Firm will be required to prepare a report detailing its findings and recommendations for improvement.
5. Receive approval from the Office regarding sample sizes and sampling methodology prior to beginning test work. Additionally, the Office reserves the right to provide guidance for the Firm, upon the Firm's request or if the Office determines it is necessary, in matters such as the nature and extent of testing procedures, audit report content and format, and other areas, as applicable, to ensure the Firm fully addresses the issues identified in Sections II(B)(3) and II(B)(4).
6. During the audit, hold a pre-meeting with the Office prior to each monthly meeting with the Auditees.
7. During the audit, schedule and hold periodic meetings (at least 1 meeting every 4 weeks) with Auditees' representatives to update them on the audit's progress, including any preliminary conclusions. The Office must also be invited to attend these meetings.
8. Upon completion of fieldwork, hold a fieldwork exit meeting with the Office and the Auditor General prior to initiation of the report outline.
9. After submitting the report outline to the Office, hold a messaging meeting with the Office to discuss and approve the outline prior to initiation of the report draft.
10. The Firm must hold a follow-up expectations meeting with the Auditees one month following issuance of the final report.
11. Participate in presentations to legislative committees or briefings for legislative members, if requested, including at least 1 in-person trip for a presentation to the legislative committees when the Auditor General requires. The Firm may be required to participate in several presentations or briefings during 1 trip.
12. Conduct at least 2 follow-ups, including 1 at 6 months and 1 at 18 months after the audit report is released.

C. Report requirements

1. The Office requires the Firm to prepare and submit written progress reports every 4 weeks for the purpose of monitoring the status, progress, and direction of the Firm's work, including any preliminary findings, conclusions, and recommendations. The Office may require additional information and/or that the Firm meet to discuss the audit's status, progress, and direction.
2. The Firm agrees prepare and submit by June 1, 2025, its project timeline for completing its work. The Office must approve and agree to the project timeline in writing. The project's timeline must include deadlines for key audit steps, test work, and report pieces to be initiated and completed, and providing the deadline for each of the tasks outlined in Section II(B)(4)(a)-(e) of this Agreement, including but not limited to when the Firm will complete and submit the following:
 - a. A summary report of the Firm's assessment of MAG's past RTP expenditures for fiscal years 2021 through 2025 to examine whether they have relieved congestion and improved mobility (as set forth in Section II(B)(4)(a) of this Agreement).
 - b. A summary report of the Firm's assessment of MAG's planned RTP projects for fiscal years 2026 through 2030 (as set forth in Section II(B)(4)(b) of this Agreement).
 - c. A summary report of the Firm's examination of the Valley Metro light rail systems within MAG's jurisdiction against federal criteria (as set forth in Section II(B)(4)(c) of this Agreement).
 - d. A summary report of the Firm's examination of the Valley Metro light rail systems within MAG's jurisdiction against other factors (as set forth in Section II(B)(4)(d) of this Agreement).
 - e. A summary report of the Firm's recommendations for the Maricopa County audit (as set forth in Section II(B)(4)(e) of this Agreement).
3. The Office requires that the Firm provide reports to the following entities by the following dates, and including the following components:
 - a. A draft report outline must be submitted to the Office on or before January 8, 2026. The Office will provide feedback on the outline, which the Firm must incorporate as it drafts the report.
 - b. An initial draft report of the Firm's findings, conclusions, and recommendations must be submitted to the Office on or before February 4, 2026. The initial draft report must include the information and evidence supporting the Firm's findings, conclusions, and recommendations and must address the issues identified in Section II(B)(4) of this Agreement. The Office will provide feedback on the initial draft, and the Firm must revise the draft based on this input and resubmit the draft to the Office to approve the changes. If the Office determines the resubmitted draft needs additional changes, the Firm must revise the draft to

make these changes and resubmit the draft to the Office to approve the changes. The Firm must not submit the initial draft to the Auditees until the Office has approved the initial draft.

- c. Once the Firm receives the Office's approval, the Firm must submit the initial draft report to the Office and the Auditees on or before April 17, 2026.
 - d. At an exit conference to discuss the initial draft, the Auditees may identify accuracy or other concerns with report information, and the Firm is required to revise the report to address these concerns. The revised draft must be submitted to the Office on or before May 6, 2026. The Office will provide feedback on the revised draft, and the Firm is required to revise the draft based on this input and resubmit the draft to the Office to approve the changes. The Firm must not send the revised draft to the Auditees until the Office has approved all changes made to the report.
 - e. Once the Firm receives the Office's approval, the Firm must submit the revised draft report to the Office and the Auditees on or before May 19, 2026. The revised draft report will be the basis for the Auditees to submit their final written responses, which the Firm must include in the final report.
 - f. The Firm must submit the final report of the Firm's findings, conclusions, and recommendations, including the written responses from the Auditees to the Office on or before May 28, 2026. This final report must be prepared at the completion of the performance audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States. The Firm must provide the Office with an electronic copy of the final report, including any graphics and appendices. The Firm must provide the electronic report version through a ShareFile upload link that the Office will provide to the Firm and must provide the electronic report in PDF format, and it must not be password protected. Further, the Firm must complete final copy editing of the final report prior to providing it to the Office.
 - g. The due dates set forth in Section II(C)(3) of this Agreement will apply unless the Auditor General waives or modifies them in writing. The Firm must submit any request for a waiver or modification to the due dates set forth in Section II(C)(3) of this Agreement in writing to the Office.
4. The Firm must plan and budget time and resources to conduct follow-up work and must issue follow-up reports on the implementation status of the final report's recommendations. The Firm must conduct at least 2 follow-ups, including 1 at 6 months and 1 at 18 months after the audit report is released. The follow-up work and follow-up report format must follow the format of the follow-up reports the Office issues. If subsequent follow-ups are required, such as a 24-month follow-up, these will be negotiated at a later date.

D. Onsite work

The Firm must conduct some work onsite during the audit. At a minimum, the Firm agrees to conduct work onsite during the initial scoping phase to build rapport with Auditees, review data systems and controls, and review hard copy files. During fieldwork, the Firm may also need to conduct work onsite to observe completed and in-process transportation projects and gather other audit information as necessary.

E. Audit standards

The Firm attests that it meets the independence standards of and will conduct the audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States [Government Accountability Office (GAO) Yellow Book].

F. Independence

1. The Firm and anyone conducting work on behalf of or at the direction of the Firm must have no conflict of interest with regard to any other work performed for the State of Arizona or the Auditees, including ADOT, MAG and Valley Metro, or any of the local governments related to these entities. The Auditor General is the sole authority in determining whether any conflicts of interest or independence issues exist. The Firm agrees that the Firm and anyone performing any work pursuant to this Agreement will be independent and remain independent during the Agreement period. The Firm agrees to submit Independence Disclosure Forms to the Office for the Firm and for anyone who will perform any work pursuant to this Agreement. The Firm agrees that the Firm will not commence any work pursuant to this Agreement until the Office has reviewed and approved in writing the Independence Disclosure Form(s) for the Firm. The Firm agrees that any person who will perform work pursuant to this Agreement on behalf of or at the direction of the Firm will not commence any work until the Office has reviewed and approved in writing that person's Independence Disclosure Form.
2. Individuals performing work under this Agreement are not employees of the Auditees or their governing body or bodies, and the Firm has disclosed that it has no contractual relationship with these entities or the government employers that participate in them.

G. Exit conference

Following completion of the draft reports, the Firm must schedule and be available to participate in an exit conference with Auditees. The Firm must hold the exit conference meeting no later than May 1, 2026. Office staff may participate in the exit conference if necessary. The purpose of the exit conference is to discuss the draft performance audit report with the Auditees, identify any errors, and obtain comments on the report's findings and recommendations. The Firm must require the Auditees to provide preliminary written responses to the draft audit report, including whether they agree to the findings and plan to

implement any recommendations directed to them. The response is required to be provided to the Firm and the Office at least 48 hours before the exit conference. The Office will provide specific instructions for the response. Attendance at the exit conference is mandatory for the selected Firm's project manager, and any other staff who performed audit tasks listed in Section II(B)(4) of this Agreement should be prepared to attend the exit conference as needed.

H. Payments and compensation

1. Performance Audit Engagement

- a. Total compensation for the performance audit engagement, including travel costs and out-of-pocket expenses, will be \$XX, excluding compensation for 6-month and 18-month follow-up work.
- b. The Office will pay the Firm in installments based on periodic written progress reports and invoices for the work accomplished to date. Invoices must include a list of the Firm's employees who worked on each of the tasks.
- c. The Office will withhold the final 20 percent of the contract amount set forth in Section II(H)(1)(a) of this Agreement until completion of the last Legislative hearing regarding the final report.

2. Follow-Up Work

- a. Total compensation for the performance audit 6-month and 18-month follow-up work, including travel costs and out-of-pocket expenses, will be \$XX.
- b. The Firm agrees to submit invoices upon completion of the 6-month follow-up report and the 18-month follow-up report, respectively. Invoices must include a list of the Firm's employees who worked on the follow-up.
- c. The Office will pay the Firm 50 percent of the cost set forth in Section II(H)(3)(a) of this Agreement upon acceptance in final form by the Office of the 6-month follow-up report. The Office will pay the Firm 50 percent of the cost set forth in Section II(HI)(3)(a) of this Agreement upon acceptance in final form by the Office of the 18-month follow-up report.

3. Additional Auditing Procedures

- a. If the Office requires additional auditing procedures to address changes in work as set forth in Section II(I) of this Agreement, the estimated costs for the additional auditing procedures will be based on the hourly rate of \$XX.
- b. The Firm agrees to submit an invoice upon completion of the additional auditing procedures. The invoice must include a list of the Firm's employees who worked

on the additional auditing procedures. The Office will pay the Firm 100 percent of the cost set forth in Section II(H)(3)(a) of this Agreement upon acceptance by the Office of a written summary describing all conclusions, deficiencies, and/or errors noted resulting from the additional auditing procedures performed and incorporation of such conclusions, deficiencies, and/or errors into the performance audit report, as directed by the Office.

I. Changes in work

In the event significant changes in the scope, character, or complexity of the work occur, the parties may agree to change the contract amount or duties, or both, based upon a written determination that the changes are advantageous to the State. The Auditor General must authorize contract changes defining, increasing, and/or limiting the work and compensation in writing prior to the performance of the work.

The services as set forth in Section II of this Agreement are the minimum tasks required. The Firm may be required to perform certain additional auditing procedures in connection with the performance audit, as determined by the Office. Within 10 days of notice from the Office that additional auditing procedures are required, the Firm agrees to provide the Office a written estimate of the hours and overall cost necessary to perform the additional auditing procedures, based on the hourly rate set forth in Section II(H)(3)(a) of this Agreement. The Firm must not commence work on the additional auditing procedures until the Office provides written approval of the overall cost. Compensation for any additional auditing procedures will be paid as set forth in Section II(H)(3)(b) of this Agreement. In completing any additional auditing procedures, the Firm must submit a written statement to the Office describing all conclusions, deficiencies, and/or errors noted resulting from the additional auditing procedures performed and must incorporate such conclusions, deficiencies, and/or errors into the performance audit report, as directed by the Office.

III. **Insurance requirements:**

The Firm and subcontractors shall procure and maintain, until all of their obligations have been discharged, including any warranty periods under this Contract, insurance against claims for injury to persons or damage to property arising from, or in connection with, the performance of the work hereunder by the Firm, its agents, representatives, employees, or subcontractors.

The Insurance Requirements herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The State of Arizona in no way warrants that the minimum limits contained herein are sufficient to protect the Firm from liabilities that arise out of the performance of the work under this Contract by the Firm, its agents, representatives, employees, or subcontractors, and the Firm is free to purchase additional insurance.

A. Minimum scope and limits of insurance

The Firm shall provide coverage with limits of liability not less than those stated below.

Disease—Policy Limit \$1,000,000

- a. Policy shall contain a waiver of subrogation against the State of Arizona and the Auditor General and employees of the Arizona Auditor General for losses arising from work performed by or on behalf of the Firm.
- b. This requirement shall not apply to: Separately, EACH Firm or subcontractor that is exempt under A.R.S. §23-901, et. seq., AND when such Firm or subcontractor executes the appropriate waiver form (sole proprietor or independent Firm).

4. Professional Liability (Errors and Omissions Liability)

- Each Claim \$2,000,000
- Annual Aggregate \$2,000,000

- a. In the event that the Professional Liability insurance required by this Contract is written on a claims-made basis, Firm warrants that any retroactive date under the policy shall precede the effective date of this Contract and either continuous coverage will be maintained or an extended discovery period will be exercised for a period of two (2) years beginning at the time work under this Contract is completed.
- b. The policy shall cover professional misconduct or negligent acts for those positions defined in the scope of work of this Contract.

B. Additional insurance requirements

The policies shall include, or be endorsed to include, as required by this written Agreement, the following provisions:

The Firm's policies, as applicable, shall stipulate that the insurance afforded the Firm shall be primary and that any insurance carried by the Arizona Auditor General; its agents, officials, employees; or the State of Arizona shall be excess and not contributory insurance, as provided by A.R.S. §41-621 (E).

Insurance provided by the Firm shall not limit the Firm's liability assumed under the indemnification provisions of this Contract.

C. Notice of cancellation

Applicable to all insurance policies required within the Insurance Requirements of this Contract, Firm's insurance shall not be permitted to expire, be suspended, be canceled, or be materially changed for any reason without thirty (30) days' prior written notice to the Arizona Auditor General. Within two (2) business days of receipt, Firm must provide notice to the Arizona Auditor General if they receive notice of a policy that has been or will be

suspended, canceled, materially changed for any reason, has expired, or will be expiring. Such notice shall be sent directly to the Auditor General and shall be mailed, emailed, hand-delivered, or sent by facsimile transmission to Julie Cantrell, 2910 N. 44th St., Ste. 410, Phoenix, AZ 85018.

D. Acceptability of insurers

The Firm's insurance shall be placed with companies licensed in the State of Arizona or hold approved nonadmitted status on the Arizona Department of Insurance List of Qualified Unauthorized Insurers. Insurers shall have an "A.M. Best" rating of not less than A-VII. The State of Arizona in no way warrants that the above-required minimum insurer rating is sufficient to protect the Firm from potential insurer insolvency.

E. Verification of coverage

The Firm shall furnish the Office with certificates of insurance (valid ACORD form or equivalent approved by the State of Arizona) evidencing that the Firm has the insurance as required by this Contract. An authorized representative of the insurer shall sign the certificates.

All such certificates of insurance and policy endorsements must be received and approved by the Office before work commences.

The State's receipt of any certificates of insurance or policy endorsements that do not comply with this written Agreement shall not waive or otherwise affect the requirements of this Agreement.

Each insurance policy required by this contract must be in effect at, or prior to, commencement of work under this Contract. Failure to maintain the insurance policies as required by this Contract, or to provide evidence of renewal, is a material breach of contract.

All certificates required by this Contract shall be sent directly to Julie Cantrell, 2910 N. 44th St., Ste. 410, Phoenix, AZ 85018. The project description shall be noted on the certificate of insurance. The State of Arizona reserves the right to require complete copies of all insurance policies required by this Contract at any time. DO NOT SEND CERTIFICATES OF INSURANCE TO THE STATE OF ARIZONA'S RISK MANAGEMENT DIVISION.

F. Subcontractors

The Firm's certificate(s) shall include all subcontractors as insureds under its policies or the Firm shall be responsible for ensuring and/or verifying that all subcontractors have valid and collectable insurance as evidenced by the certificates of insurance and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum insurance requirements identified above. The Office reserves the right to require, at any time throughout the life of this Contract, proof from the Firm that its subcontractors have the required coverage.

G. Approval and modifications

Any modification or variation from the insurance requirements in this Contract shall be made by the Auditor General, whose decision shall be final. Such action will not require a formal contract amendment but may be made by administrative action.

IV. Indemnification

To the fullest extent permitted by law, the Firm shall defend, indemnify, and hold harmless the State of Arizona and the Office (hereinafter referred to as "Indemnitee") from and against any and all claims, actions, liabilities, damages, losses, or expenses (including court costs, attorneys' fees, and costs of claim processing, investigation, and litigation) (hereinafter referred to as "Claims") for bodily injury or personal injury (including death), or loss or damage to tangible or intangible property caused, or alleged to be caused, in whole or in part, by the negligent or willful acts or omissions of the Firm or any of its owners, officers, directors, agents, employees, or subcontractors. This indemnity includes any claim or amount arising out of, or recovered under, the Workers' Compensation Law or arising out of the failure of such Firm to conform to any federal, State, or local law, statute, ordinance, rule, regulation, or court decree. It is the specific intention of the parties that the Indemnitee shall, in all instances, except for Claims arising solely from the negligent or willful acts or omissions of the Indemnitee, be indemnified by the Firm from and against any and all claims. It is agreed that the Firm will be responsible for primary loss investigation, defense, and judgment costs where this indemnification is applicable. In consideration of the award of this Contract, the Firm agrees to waive all rights of subrogation against the State of Arizona, its officers, officials, agents, and employees for losses arising from the work performed by the Firm for the State of Arizona.

V. Additional contract terms:

- A. Every payment obligation of the Office under this Agreement is conditioned upon the availability of funds appropriated or allocated for the payment of such obligation. If funds are not allocated and available for the continuance of the Agreement, this Agreement may be terminated by the Auditor General at the end of the period for which funds are available. No liability shall accrue to the Office in the event this provision is exercised, and the Office shall not be obligated or liable for any future payments or for any damages as a result of termination under this paragraph.
- B. The Firm shall advise and obtain approval from the Auditor General in writing prior to accepting additional engagements for professional services from any of the audited entities. Such disclosure to the Auditor General shall include a description of the services to be rendered and fees to be charged.
- C. The Firm warrants that no part of the contract amount provided herein shall be paid directly or indirectly to any officer or employee of the State of Arizona as wages, compensation, or gifts in connection with any work contemplated or performed relative to this Contract.

- D. In accordance with A.R.S. §41-4401, the Firm warrants compliance with all Federal immigration laws and regulations relating to employees and warrants its compliance with Section A.R.S. §23- 214, Subsection A.
- E. It is expressly understood and agreed that this instrument contains the entire agreement between the parties and that, except as otherwise stated herein, there are no collateral conditions, agreements, or representations, all such having been incorporated and resolved into this agreement. Except as specified herein, no document or communication passing between the parties hereto shall be deemed a part of this Agreement.
- F. This Contract may be modified at any time only by written amendment executed by all parties hereto. No agent, employee, or other representative of either the Firm or the Office is empowered to alter any of the terms of this Contract unless it is done in writing and signed by the Auditor General, Lindsey Perry, and an authorized representative of the Firm.
- G. The provisions of this Contract are severable to the extent that any provision or application held to be invalid shall not affect any other provision or application of the Contract, which shall remain in effect without the invalid provision or application.
- H. The Firm will act in its individual capacity and not as an agent, employee, partner, joint venturer, or associate of the Office. An employee, subcontractor, or agent of the Firm shall not be deemed or construed to be the employee or agent of the Office for any purpose.
- I. The Firm shall not assign this Contract or any part of it or enter into subcontracts for or delegate any of the work described herein without obtaining the prior written approval of the Auditor General. The Firm shall not assign this Contract or any part of it or enter into subcontracts for or delegate any of the work described herein without first obtaining the written agreement of the subcontractor, assignee, or delegate to maintain the confidentiality of the working papers during and after this project and to observe the confidentiality requirements of the Office pursuant to A.R.S. §41-1279.05 and any other applicable confidentiality requirements.
- J. Time is of the essence in this Contract. In case the Firm fails to perform the Agreement at the time fixed for performance by the terms of this Contract, the Office may, at the Auditor General's election, terminate the Contract. Such termination shall be in addition to, and not in lieu of, any other legal remedies provided by this Contract or by law.
- K. This Contract and all work hereunder shall be governed and interpreted by the laws, rules, regulations, and decrees of the State of Arizona.

- L. The Office, by written notice, may terminate this Contract in whole or in part when, in the sole discretion of the Auditor General, it is deemed in the best interest of the State of Arizona. If this Contract is so terminated, the Firm will be compensated for work performed up to the time of the termination notification. In no event shall payment for such costs exceed the total current contract price.
- M. Failure to perform any and all of the terms and conditions of this Contract, including the schedule of work, shall be deemed a substantial breach thereof and give the Office cause to cancel this Contract, which cancellation shall be effective upon written notice to the Firm. In the event of cancellation of this Contract for failure to perform, the Firm shall not be entitled to damages and agrees not to sue the Office for damages therefor. Notwithstanding other legal remedies that may be available to the Office because of the Firm's failure to perform, the Firm agrees to indemnify the Office for its costs in procuring the services of a new firm.
- N. Notwithstanding any provision of this Contract, this Contract may be terminated by the Office without penalty or further obligation pursuant to A.R.S. §38-511. Any termination shall be in writing.
- O. The parties agree to use arbitration, after exhausting applicable administrative review, to the extent required by A.R.S. §12-1518, except as may be required by other applicable statute to resolve disputes arising out of this Agreement. In the event such a dispute is arbitrated, the parties hereby agree that the prevailing party is entitled to recover its attorneys' fees and costs. Attorneys' fees shall be based on the prevailing hourly rate for attorneys in Phoenix, Arizona. The arbitrator shall be selected by the parties, and the arbitrator's decision shall be final and not appealable to any court. Any litigation shall be commenced and prosecuted in an appropriate court of competent jurisdiction within Maricopa County, State of Arizona.
- P. The Firm agrees to maintain the confidentiality of the working papers during and after this project and to observe the confidentiality requirements of the Office pursuant to A.R.S. §41-1279.05 and any other applicable confidentiality requirements. The Firm is prohibited from discussing or releasing any findings to anyone other than the Auditee or Office without written approval from the Auditor General prior to the findings being published in the applicable reports. All reports and working papers are the property of the Office and are subject to the laws and policies governing the Office's reports and working papers.
- Q. The Firm shall comply with all applicable federal and State statutes, executive orders, regulations, and other requirements relating to civil rights and nondiscrimination in employment.
- R. The Firm shall retain and shall contractually require each subcontractor to retain all data, books, and other records ("records") relating to this Agreement for a period of 5 years after completion of the Agreement. All records shall be subject to inspection and audit

by the State at reasonable times, free of charge, at a location the Office specifies. Upon request, the Firm shall produce the original of any or all such records. If the Firm or subcontractor does not desire to retain the documentation for such period, the Firm or subcontractor shall give the documentation to the Office for safekeeping.

IN WITNESS WHEREOF, the parties have executed this Contract, consisting of 16 pages, to be effective as of the date of signing by the Auditor General.

STATE OF ARIZONA
ARIZONA AUDITOR GENERAL

FIRM

Lindsey A. Perry, CPA, CFE
Auditor General

EIN

Date

Date