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OFFICE OF THE COUNTY AUDITOR
COUNTY OF MAUI
2145 WELLS STREET, SUITE 106
WAILUKU, MAUI, HAWAII 96793
<http://www.mauicounty.gov/auditor>

**OFFICE OF THE
COUNTY COUNCIL**

April 8, 2019

Honorable Keani Rawlins-Fernandez, Chair
and Members of the Economic Development and Budget Committee
Maui County Council
200 South High Street
Wailuku, HI 96793

Dear Chair Rawlins-Fernandez and Members:

**SUBJECT: REQUESTS/QUESTIONS FROM THE APRIL 1, 2019
MEETING (OCA-2) (EDB-1)**

As requested in your April 3, 2019 letter relating to Audit Services on pages 3-20 of the Budget Details (index code 901013B-6103), we respond as follows:

- 1. A five-year Contract was awarded in November 2018 for the amount of \$450,000. Is the contract a total of \$450,000 for the duration of five years or is it \$450,000 per year for five years? (MM).*

Contract No. C6643 with N&K CPAs, Inc. ("N&K") is for audits of the Comprehensive Annual Financial Report (more commonly known as the CAFR), the Department of Water Supply financial statements; and the Single Audit for the Fiscal Year Ending ("FYE") June 30, 2019. This contract includes options to retain the services of N&K for Fiscal Years 2020 through 2023. The contract amount for the FYE June 30, 2019 audits is \$286,000 and may be increased according to the number of major Federal programs audited in the Single Audit, and to include the audits of the Department of Housing and Human Concern's Section 8 Housing Choice Vouchers and Family Self-Sufficiency Programs.

A copy of Contract No. C6643 is enclosed for your reference.

Please be aware that this \$450,000 appropriation is used to pay the State of Hawaii Office of the Auditor for the County's share of the audits of the State of Hawaii Employer-Union Health Benefits Trust Fund (more commonly known as the EUTF)

Honorable Keani Rawlins-Fernandez, Chair
and Members of the Economic Development and Budget Committee
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Page 2

and State of Hawaii Employees' Retirement System (more commonly known as ERS). This appropriation also allows for third-party audits that may be initiated by the Office of County Auditor throughout the fiscal year.

2. *Please provide the scope of work for this contract. (MM)*

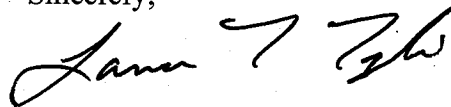
Please see pages 3-4 of the enclosed Request for Proposals No. 19-01OCA.

3. *Are there fee increases built into the contract for future years? (MM)*

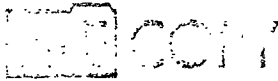
Please see pages 57-60 of the enclosed proposal from N&K CPAs, Inc.

Please contact me should you have further questions.

Sincerely,



LANCE T. TAGUCHI
County Auditor



CONTRACT CERTIFICATION

I, **MARK R. WALKER**, Director of Finance of the County of Maui, State of Hawaii, do certify that there is available appropriation or balance of an appropriation over and above all outstanding contracts, sufficient to cover the amount required by the foregoing contract, i.e.

Appropriation Index	Title		Amount Required
901013B	COUNTY AUDITOR	(6103)	\$250,000.00

CONTRACT NO. C 6643 N&K CPAs, INC.

Date: 19 day of DECEMBER 2018
Time of Performance: NTP Through April 30, 2020

MARK R. WALKER
Director of Finance

Financial Audit of the
County of Maui for OCA
RFP #19-01OCA
ORDINANCE NO.4861 (FY2019)

FY 2019

jh *01/12/19*
402

12/19

CONTRACT CERTIFICATION

I, **MARK R. WALKER**, Director of Finance of the County of Maui, State of Hawaii, do certify that there is available appropriation or balance of an appropriation over and above all outstanding contracts, sufficient to cover the amount required by the foregoing contract, i.e.

<u>Appropriation Index</u>	<u>Title</u>	<u>Amount Required</u>
953083B-6132/1026-605	DWS – Fiscal & Administration Professional Svc	\$36,000.00

Contract No. WC0970 N and K CPA'S INC.(016916)

Dated this 26th day of December 2018

County amount \$250,000.00

DWS amount: \$ 36,000.00

Total \$286,000.00

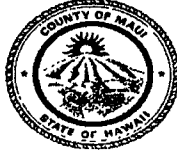
Water portion of the County of Maui fiscal year ending June 30, 2018.



MARK R. WALKER
Director of Finance

@ 5/18
11/20/18

ALAN M. ARAKAWA
Mayor



MARK R. WALKER
Director

JOHN C. KULP
Deputy Director

COUNTY OF MAUI
DEPARTMENT OF FINANCE
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793

December 27, 2018

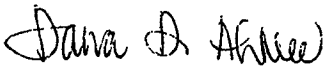
N&K CPAs, Inc.
1001 Bishop Street, Suite 1700
Honolulu, HI 96813

RE: CONTRACT FOR PROFESSIONAL SERVICES – FINANCIAL AUDIT OF THE
COUNTY OF MAUI FOR THE OFFICE OF THE COUNTY AUDITOR
RFP NO. 19-01OCA
CONTRACT NO. C6643

Dear N&K CPAs, Inc.:

Enclosed is a copy of the fully executed contract for your file. You will be receiving your official notice to proceed on the project from the County Auditor of the Office of the County Auditor or his designated representative.

Sincerely,

for 
Mark R. Walker
Director of Finance

MRW:dda
Enclosure

xc: Office of the County Auditor

CONTRACT NO. C6643

CONTRACT FOR PROFESSIONAL SERVICES

Department: Office of the County Auditor
Project Title: Financial Audit of the County of Maui
RFP No.: 19-01OCA
Certification Requested from County: \$286,000.00

This CONTRACT is made and entered into by and between the COUNTY OF MAUI, a political subdivision of the State of Hawaii, whose business address is 200 South High Street, Wailuku, Maui, Hawaii 96793, hereinafter referred to as the "County", and N&K CPAs, Inc., a Hawaii corporation, whose mailing address is 1001 Bishop Street, Suite 1700, Honolulu, Hawaii 96813, hereinafter referred to as the "Contractor". County and Contractor shall hereinafter be referred to collectively as the "Parties".

Source of Funds. The source(s) and availability of the funds for this Contract shall be as set forth in the Contract Certification signed by the Director of Finance of the County of Maui on or before the effective date of this Contract. Contract Certification shall be on file in the office of the Director of Finance of the County of Maui.

RECITALS:

WHEREAS, the County has issued its Request for Competitive Sealed Proposal for RFP No. 19-01OCA ("RFP"), as identified above, and has received and reviewed proposals submitted in response to the RFP; and

WHEREAS, the Contractor has been identified as the responsible offeror whose proposal was determined to be the most advantageous, taking into consideration price and the evaluation factors set forth in the RFP; and

WHEREAS, this Contract is for professional services as defined in Section 103D-104, Hawaii Revised Statutes ("HRS"), and Section 3-122-1, Hawaii Administrative Rules ("HAR"); and

CONTRACT NO. C6643

CONTRACT FOR PROFESSIONAL SERVICES

WHEREAS, pursuant to Section 46-1.5(4), HRS, the County is authorized to enter into this Contract.

NOW, THEREFORE, in consideration of the following mutual promises and agreements set forth, the Parties agree as follows:

1. Scope of Work. The Contractor shall, in a proper and satisfactory manner as determined by the County, provide all goods or services, or both, in accordance with County's RFP No. 19-01OCA, and any attachments thereto, and Contractor's Proposal dated October 25, 2018, and any attachments thereto (hereinafter, collectively, "Contract Documents"). Contract Documents are on file in the Office of the County Auditor of the County of Maui, and are incorporated herein by reference and hereby made a part of this Contract.

2. Time of Performance. The Contractor shall commence performance under this Contract upon issuance of the Notice to Proceed, and shall continue performance for an initial term through April 30, 2020, unless sooner completed, terminated, or extended in compliance with the terms of this Contract. The timeframe for each audit report year is as set forth in the Contractor's Proposal at page 56 ("Time Period of Audit"). The Parties acknowledge that the funding stated above relates only to the county's current fiscal year, which ends June 30, 2019, and funding for subsequent fiscal years is subject to appropriation by the County Council in its sole and absolute discretion.

This Contract may be extended by the County, at its sole discretion, for 4 additional terms of 1 year each, each such extension term corresponding to the performance of the audit for each of the four subsequent audit report years; each such extension term shall be governed by the same terms and conditions as in the previous term, unless such terms and conditions are revised by agreement of the Parties in compliance with all applicable laws and the terms of the Contract;

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CONTRACT FOR PROFESSIONAL SERVICES

and each such extension shall be memorialized in the form of a Contract Amendment signed by the Parties.

3. Compensation and Payment Schedule. The Contractor shall be compensated for services rendered and costs incurred under this Contract for a total amount not to exceed the amount of certification requested as set forth above, subject to appropriation, and inclusive of all taxes. County will pay Contractor in accordance with the fee schedule set forth starting at page 57 of the Contractor's Proposal, subject to and in accordance with Section 17 of the General Conditions.

4. *[This paragraph is intentionally left blank.]*

5. General Conditions. The Contractor shall comply with the General Conditions of this Contract (the "General Conditions"), which are attached hereto and are hereby made a part of this Contract.

6. Standards of Conduct Declaration. The Standards of Conduct Declaration of the Contractor is attached hereto and is made a part of this Contract.

7. Other Terms and Conditions. Any Special Conditions are attached hereto and made a part of this Contract. In the event of any inconsistencies or conflict between the General Conditions and the Special Conditions, the Special Conditions shall control. Any general, miscellaneous, or other terms, conditions, or provisions that are found in any of the Contractor's proposals for this Contract or in any sub-contractor's proposals attached thereto shall be unenforceable as against the County, unless the subject of such terms, conditions, or provisions is addressed in the County's General Conditions, and such terms, conditions, or provisions are consistent with the County's General Conditions.

8. *[This paragraph is intentionally left blank.]*

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CONTRACT FOR PROFESSIONAL SERVICES

9. Conflict. In the event of any conflict between or among this Contract and other documents that are attached hereto or incorporated herein by reference or both, the terms of this Contract shall control first, the County's General Conditions second, other documents prepared by the County third, and documents prepared or submitted, or both, by the Contractor last.

10. Notices. Any written notice required to be given by a party to this Contract shall be (a) delivered personally, or (b) sent by United States first class mail, postage prepaid. Notice required to be given to the County shall be sent to:

Office of the County Auditor
County of Maui
2145 Wells Street, Suite 106
Wailuku, Maui, Hawaii 96793

Notice to the Contractor shall be sent to the Contractor's address as indicated in this Contract. A notice shall be deemed to have been received three (3) days after mailing or at the time of actual receipt, whichever is earlier. The Contractor is responsible for notifying the County in writing of any change of address.

11. Officer-in-Charge. The County Auditor of the County of Maui, or an authorized representative, shall be the Officer-in-Charge for all services provided herein, and shall have the right to oversee the successful completion of contract requirements, including monitoring, coordinating and assessing Contractor's performance and approving completed work/services with verification of same for Contractor's invoices or requests for payment. The Officer-in-Charge also serves as the point of contact for the Contractor from award to contract completion.

IN WITNESS WHEREOF, the Parties execute this Contract by their signatures, on the dates below, to be effective as of the date of last signature hereto.

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CONTRACT FOR PROFESSIONAL SERVICES

I hereby represent and warrant that I have the legal right and authority to execute this Contract on behalf of the Contractor.

CONTRACTOR:

N&K CPAs, Inc.

By 
(Signature)

Dwayne Takeno
(Print Name)

Its Principal/Vice President
(Title)

Date December 3, 2018

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

CONTRACT NO. C6643

CONTRACT FOR PROFESSIONAL SERVICES

STATE OF Hawaii)
City and County of Honolulu) SS.

On this 3rd day of December, 2018, before me personally appeared Dwayne Takero, to me personally known, who, being by me duly sworn or affirmed, did say that such person executed the foregoing instrument as the free act and deed of such person, and if applicable, in the capacity shown, having been duly authorized to execute such instrument in such capacity.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Vicki K. H. Shinsato
Notary Public, State of Hawaii
Print Name: Vicki K. H. Shinsato
My commission expires: Aug. 1, 2021

NOTARY PUBLIC CERTIFICATION			
Doc. Date:	<u>December 3, 2018</u>	# Pages:	<u>24</u>
Notary Name:	<u>Vicki K. H. Shinsato</u>	Judicial Circuit:	<u>First</u>
Doc. Description:	<u>Contract No. C6643</u> <u>Contract for Professional Services</u> <u>Office of the County Auditor</u> <u>Financial Audit of the County of Maui</u>		
Notary Signature:	<u>Vicki K. H. Shinsato</u>		
Date:	<u>December 3, 2018</u>		

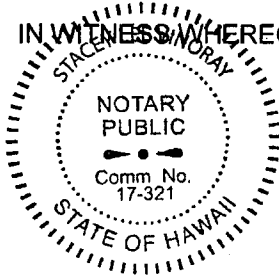
CONTRACT NO. C6643

CONTRACT FOR PROFESSIONAL SERVICES

STATE OF HAWAII)
) SS.
COUNTY OF MAUI)

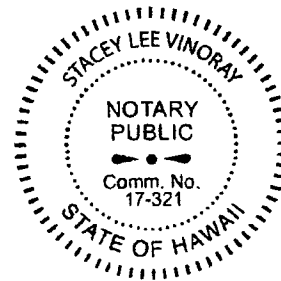
On this 14th day of December, 2018, before me appeared MICHAEL B. WHITE, to me personally known, who being by me duly sworn, did say that he is the Chair of the Council of the County of Maui, a political subdivision of the State of Hawaii, and that the seal affixed to the foregoing instrument is the lawful seal of the said County of Maui, and that the said instrument was signed and sealed on behalf of said County of Maui pursuant to Section 9-18 of the Charter of the County of Maui; and the said MICHAEL B. WHITE acknowledged the said instrument to be the free act and deed of said County of Maui.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.



Stacey Lee Vinoray
Notary Public, State of Hawaii
Print Name: Stacey Lee Vinoray
My commission expires: 08/20/2021

NOTARY PUBLIC CERTIFICATION			
Doc. Date:	<u>December 14, 2018</u>	# Pages:	<u>24</u>
Notary Name:	<u>Stacey Lee Vinoray</u>	Judicial Circuit:	<u>2nd</u>
Doc. Description:	<u>Contract No. C6643</u> <u>Contract for Professional Services</u> <u>Financial Audit of the County of Maui</u> <u>RFP No. 19-B10CA</u>		
Notary Signature:	<u>Stacey Lee Vinoray</u>		
Date:	<u>12/14/18</u>		

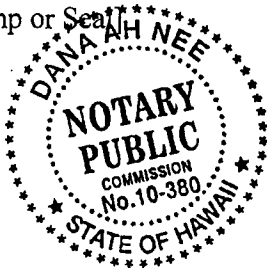


STATE OF HAWAII)
 : SS.
COUNTY OF MAUI)

On this 12th day of December, 2018, before me personally appeared **JOHN C. KULP**, to me personally known, who, being by me duly sworn, did say that he is the Finance Deputy Director of the County of Maui, a political subdivision of the State of Hawaii, and that the seal affixed to the foregoing instrument is the lawful seal of the said County of Maui, and that the said instrument was signed and sealed on behalf of said County of Maui by authority of its Charter; and the said **JOHN C. KULP** acknowledged the said instrument to be the free act and deed of said County of Maui.

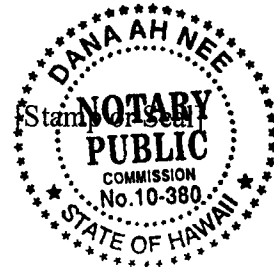
IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

[Stamp or Seal]



Dana Ah Nee
Notary Public, State of Hawaii
Print Name DANA AH NEE
My commission expires: NOV 14 2022

NOTARY PUBLIC CERTIFICATION			
Doc. Date:	<u>DEC 12 2018</u>	# Pages:	<u>25</u>
Notary Name:	<u>DANA AH NEE</u>	Judicial Circuit:	<u>2nd</u>
Doc. Description	<u>Contract No. C1643 - Contract for Professional Services - Financial Audit of the County of Maui, RFP NO. 19-010CA</u>		
Notary Signature:	<u>Dana Ah Nee</u>		
Date:	<u>DEC 12 2018</u>		



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CONTRACT FOR PROFESSIONAL SERVICES

CONTRACTOR'S STANDARDS OF CONDUCT DECLARATION

For the purposes of this declaration:

"Substantial 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 per cent (50%).

"Employee" means any nominated, appointed, or elected officer or employee of the County, including members of boards, commissions, and committees, and employees under contract to the County, but excluding members of the County Council ("County Council Members").

On behalf of N&K CPAs, Inc., Contractor, the undersigned does declare as follows:

1. Contractor is ^{DT} is not a County Council Member or an Employee or a business in which a County Council Member or an Employee has a substantial interest.
2. Contractor has not been represented or assisted personally in the matter by an individual who has been an Employee of the County department awarding this Contract within the preceding year and who participated while so employed in the matter with which the Contract is directly concerned.
3. Contractor has not been assisted or represented by a County Council Member or Employee for a fee or other compensation to obtain this Contract and will not be assisted or represented by a County Council Member or Employee for a fee or other compensation in the performance of this Contract, if the County Council Member or Employee has been involved in the development or award of the Contract.
4. Contractor has not been represented on matters related to this Contract, for a fee or other consideration by an individual who, within the past twelve (12) months, has been an Employee, or in the case of the County Council, a County Council Member, and participated while an Employee or a County Council Member on matters related to this Contract.

*Reminder to agency: If the "is" block is checked and if the Contract involves goods or services of a value in excess of \$500, the Contract may not be awarded unless the Contract is made after competitive bidding.

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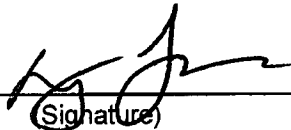
CONTRACT FOR PROFESSIONAL SERVICES

Contractor understands that the Contract to which this document is attached is voidable on behalf of the County if this Contract was entered into in violation of any provision of Article 10 of the Revised Charter of the County of Maui ("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 County.

CONTRACTOR:

N&K CPAs, Inc.

By



(Signature)

Dwayne Takeno

(Print Name)

Its Principal/Vice President

(Title)

Date December 3, 2018

CONTRACT NO. C6643

CONTRACT FOR PROFESSIONAL SERVICES

**COUNTY OF MAUI
GENERAL CONDITIONS
FOR PROFESSIONAL SERVICES CONTRACTS**

1. COORDINATION OF SERVICES BY THE COUNTY. The Officer-in-Charge shall coordinate the services to be provided by the CONTRACTOR in order to complete the performance required in this Contract. The CONTRACTOR shall maintain communications with the Officer-in-Charge at all stages of the CONTRACTOR's work, and submit to the head of the purchasing agency for resolution any questions which may arise as to the performance of this Contract "Purchasing agency" as used in these General Conditions means and includes any COUNTY department or division which is authorized to enter into contracts for the procurement of goods and services

2. CONTRACTOR STATUS AND RESPONSIBILITIES, INCLUDING TAX RESPONSIBILITIES.

a. SUSPENSION AND DEBARMENT.

1) This contract is a covered transaction for purposes of 2 C.F.R. pt. 180 and 2 C.F.R. pt. 3000. As such, the CONTRACTOR is required to verify that none of the CONTRACTOR, its principals (defined at 2 C.F.R. § 180.995), or its affiliates (defined at 2 C.F.R. § 180.905) are excluded (defined at 2 C.F.R. § 180.940) or disqualified (defined at 2 C.F.R. § 180.935).

2) The CONTRACTOR must comply with 2 C.F.R. pt. 180, subpart C and 2 C.F.R. pt. 3000, subpart C and must include a requirement to comply with these regulations in any lower tier covered transaction it enters into.

3) This certification is a material representation of fact relied upon by the County. If it is later determined that the CONTRACTOR did not comply with 2 C.F.R. pt. 180, subpart C and 2 C.F.R. pt. 3000, subpart C, in addition to remedies available to the County, the federal government may pursue available remedies, including but not limited to suspension and/or debarment.

4) The CONTRACTOR shall comply with the requirements of 2 C.F.R. pt. 180, subpart C and 2 C.F.R. pt. 3000, subpart C throughout the term of this Contract, and further agrees to include a provision requiring such compliance in its lower tier covered transactions.

b. COMPLIANCE WITH THE CONTRACT WORK HOURS AND SAFETY STANDARDS ACT.

1) Overtime requirements No CONTRACTOR or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics shall require or permit any such laborer or mechanic in any workweek in which he or she is employed on such work to work in excess of forty hours in such workweek unless such laborer or mechanic receives compensation at a rate not less than one and one-half times the basic rate of pay for all hours worked in excess of forty hours in such workweek.

2) Violation, liability for unpaid wages; liquidated damages. In the event of any violation of the clause set forth in paragraph (1) of this section the CONTRACTOR and any subcontractor responsible therefor shall be liable for the unpaid wages. In addition, such CONTRACTOR and subcontractor shall be liable to the United States, for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic, including watchmen and guards, employed in violation of the clause set forth in paragraph (1) of this section, in the sum of \$10 for each calendar day on which such individual was required or permitted to work in excess of the standard workweek of forty hours without payment of the overtime wages required by the clause set forth in paragraph (1) of this section.

3) Withholding for unpaid wages and liquidated damages County shall upon its own action or upon written request of an authorized representative of the Department of Labor withhold or cause to be withheld, from any moneys payable on account of work performed by the CONTRACTOR or subcontractor under any such contract or any other Federal contract with the same prime CONTRACTOR, or any other federally-assisted contract subject to the Contract Work Hours and Safety Standards Act, which is held by the same prime CONTRACTOR, such sums as may be determined to be necessary to satisfy any liabilities of such CONTRACTOR or subcontractor for unpaid wages and liquidated damages as provided in the clause set forth in paragraph (2) of this section.

4) Subcontracts. The CONTRACTOR or subcontractor shall insert in any subcontracts the clauses set forth in paragraph (1) through (4) of this section and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime CONTRACTOR shall be responsible for compliance by any subcontractor or lower tier subcontractor with the clauses set forth in paragraphs (1) through (4) of this section.

c. FRAUD AND FALSE OR FRAUDULENT OR RELATED ACTS. The CONTRACTOR acknowledges that 31 U.S.C. Chap. 38 (Administrative Remedies for False Claims and Statements) applies to the CONTRACTOR's actions pertaining to this contract

d. INDEPENDENT CONTRACTOR. In the performance of services required under this Contract, 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 COUNTY shall have a general right to inspect work in progress to determine whether, in the COUNTY's opinion, the services are being performed by the CONTRACTOR in compliance with this Contract. Unless otherwise provided by special condition, it

CONTRACT NO. C6643

CONTRACT FOR PROFESSIONAL SERVICES

is understood that the COUNTY 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 COUNTY.

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

f. The CONTRACTOR shall be responsible for the accuracy, completeness, and adequacy of the CONTRACTOR'S performance under this Contract. 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 Contract, for all loss, damage, or injury caused by the CONTRACTOR, or the CONTRACTOR'S employees or agents in the course of their employment.

g. 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 Contract, including but not limited to (i) income taxes, (ii) employment related fees, assessments, and taxes and (iii) general excise taxes. Unless provided otherwise by agreement between the parties, the CONTRACTOR also is responsible for obtaining all licenses, permits, and certificates that may be required in order to perform this Contract.

h. 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 ("HRS"), and shall comply with all requirements thereof. The CONTRACTOR shall obtain a tax clearance certificate with all requirements thereof. The CONTRACTOR shall obtain a tax clearance certificate from the Director of Taxation, State of Hawaii, showing that all delinquent taxes, if any, levied or accrued under State law against the CONTRACTOR have been paid and submit the same to the COUNTY prior to commencing any performance under this Contract. The CONTRACTOR shall also be solely responsible for meeting all requirements necessary to obtain the tax clearance certificate required for final payment under Section 103-53, HRS and Paragraph 17 of these General Conditions.

i. 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.

j. The CONTRACTOR shall obtain a certificate of compliance issued by the Department of Labor and Industrial Relations, State of Hawaii, in accordance with section 103D-310, HRS, and sections 3-122-112, Hawaii Administrative rules, ("HAR") that is current within six months of the date of issuance

k. The CONTRACTOR shall obtain a certificate of good standing issued by the Department of Commerce and Consumer Affairs, State of Hawaii, in accordance with section 103D-310, HRS, and section 3-122-112, HAR, that is current within six months of the date of issuance

3. PERSONNEL REQUIREMENTS.

a. The CONTRACTOR shall secure, at the CONTRACTOR's own expense, all personnel required to perform this Contract

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 Contract, 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.

4. NONDISCRIMINATION. No person performing work under this Contract, 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.

5. CONFLICTS OF INTEREST. The CONTRACTOR represents that neither the CONTRACTOR, nor any employees 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 Contract.

6. SUBCONTRACTS AND ASSIGNMENTS; CHANGE OF NAME.

a. No assignment without consent. The CONTRACTOR shall not assign or subcontract any of the CONTRACTOR'S duties, obligations, or interests under this Contract and no such assignment or subcontract shall be effective unless (1) the CONTRACTOR obtains the prior written consent of the COUNTY and (2) the CONTRACTOR'S assignee or subcontractor submits to the COUNTY a tax clearance certificate from the Director of Taxation, State of Hawaii, showing that all delinquent taxes, if any, levied or accrued under State law against the CONTRACTOR'S assignee or subcontractor have been paid. Additionally, no assignment by the CONTRACTOR of the CONTRACTOR'S right to compensation under this Contract shall be effective unless and until the assignment is approved by the COUNTY.

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b. Recognition of a successor in interest. When in the best interests of the COUNTY, a successor in interest may be recognized in an assignment agreement in which the COUNTY, the CONTRACTOR and the assignee or transferee (hereinafter referred to as the "Assignee") agree that

- 1) The Assignee assumes all of the CONTRACTOR'S obligations;
- 2) The CONTRACTOR remains liable for all obligations under this Contract but waives all rights under this Contract as against the COUNTY, and
- 3) The CONTRACTOR shall continue to furnish, and the Assignee shall also furnish, all required bonds.

c. Change of name. When the CONTRACTOR asks to change the name under which it holds this Contract with the COUNTY, the contract officer of the purchasing agency shall, upon receipt of a document acceptable or satisfactory to said officer indicating such change of name (for example, an amendment to the CONTRACTOR'S articles of incorporation), enter into an amendment to this Contract with the CONTRACTOR to effect such a change of name. The amendment to this Contract changing the CONTRACTOR'S name shall specifically indicate that no other terms or conditions of this Contract are thereby changed.

d. Reports. All assignment contracts and amendments to this Contract effecting changes of CONTRACTOR'S name or novation hereunder shall be reported to the chief procurement officer as defined in section 103D-203(b), HRS, within 30 days of the date that the assignment contract or amendment becomes effective.

e. Actions affecting more than one purchasing agency. Notwithstanding the provisions of Subparagraphs b. through d. herein, when the CONTRACTOR holds contracts with more than one purchasing agency of the COUNTY, the assignment contracts and the novation and change of name amendments herein authorized shall be processed only through the County Department of Finance

7. INDEMNIFICATION AND DEFENSE. Except as provided for in Section 103D-713, HRS, the CONTRACTOR shall defend, indemnify and hold harmless the COUNTY, the contracting department and their directors, employees and agents from and against all liability, loss, damage, cost and expense, including all attorneys' fees and costs, and all claims, suits and demands therefor, arising out of or in connection with any acts or omissions of the CONTRACTOR or the CONTRACTOR'S employees, officers, agents or subcontractors under this Contract. The provisions of this Paragraph shall remain in full force and effect notwithstanding the expiration or early termination of this Contract for any reason.

8. COST OF LITIGATION. In case the COUNTY shall, without any fault on its part, be made a party to any litigation commenced by or against the CONTRACTOR in connection with this Contract, the CONTRACTOR shall pay any cost and expense incurred by or imposed on the COUNTY, including attorneys' fees.

9. LIQUIDATED DAMAGES. When the CONTRACTOR is given notice of delay or nonperformance as specified in Paragraph 13 (Termination for Default) and fails to cure in the time specified, it is agreed the CONTRACTOR shall pay to the COUNTY the amount, if any, set forth in this Contract per calendar day from the date set for cure until either (i) the COUNTY reasonably obtains similar goods or services, or both, if the CONTRACTOR is terminated for default, or (ii) until the CONTRACTOR provides the goods or services, or both, if the CONTRACTOR is not terminated for default. To the extent that the CONTRACTOR's delay or nonperformance is excused under Subparagraph 13.d. (Excuse for Nonperformance or Delay Performance), liquidated damages shall not be assessable against the CONTRACTOR. The CONTRACTOR shall remain liable for damages caused other than by delay. This Paragraph is of no force and effect unless the amount of liquidated damages is specified in the Contract

10. COUNTY'S RIGHT OF OFFSET. The COUNTY may offset against any monies or other obligations the COUNTY owes to the CONTRACTOR under this Contract, any amounts owed to the COUNTY by the CONTRACTOR under this Contract or any other contracts, or pursuant to any law or other obligation owed to the COUNTY by the CONTRACTOR, including, without limitation, the payment of any taxes or levies of any kind or nature. The COUNTY will notify the CONTRACTOR in writing of any offset and the nature of such offset. For purposes of this Paragraph, amounts owed to the COUNTY shall not include debts or obligations which have been liquidated, agreed to by the CONTRACTOR, and are covered by an installment payment or other settlement plan approved by the COUNTY, provided, however, that the CONTRACTOR shall be entitled to such exclusion only to the extent that the CONTRACTOR is current with, and not delinquent on, any payments or obligations owed to the COUNTY under such payment or other settlement plan.

11. ADMINISTRATIVE, CONTRACTUAL, OR LEGAL REMEDIES. CONTRACTOR agrees to be bound by the administrative, contractual, or legal remedies set forth in these General Terms and Conditions, and HRS Section 103D-701, et seq., which govern CONTRACTOR'S violation or breach of contract terms and appropriate sanctions and penalties.

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12. SUSPENSION OF AGREEMENT. The COUNTY reserves the right at any time and for any reason to suspend this Contract for any reasonable period, upon written notice to the CONTRACTOR in accordance with the provisions herein.

a. Order to stop performance. The head of the purchasing agency 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 Contract. This order shall be for a specified period of time 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 section. Upon receipt of such an order, the CONTRACTOR shall forthwith comply with its terms and 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 head of the purchasing agency shall either:

1) Cancel the stop performance order, or
2) Terminate the performance covered by such order as provided in the termination for default provision or the termination for convenience provision of this Contract.

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 or performance schedule or compensation, or both, and the Contract 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 Contract and

2) The CONTRACTOR asserts a claim for such adjustment within thirty (30) days after the end of the period of performance stoppage provided that if the head of the purchasing agency 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 Contract.

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 contract price made pursuant to this Paragraph shall be determined in accordance with the price adjustment provisions of this Contract.

13. TERMINATION FOR DEFAULT.

a. Default. If the CONTRACTOR refuses or fails to perform any of the provisions of this Contract with such diligence as will ensure its completion within the time specified in this Contract, or any extension thereof, or otherwise fails to timely satisfy the Contract provisions, or commits any other substantial breach of this Contract, the head of the purchasing agency 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 head of the purchasing agency, the head of the purchasing agency may terminate the CONTRACTOR'S right to proceed with the Contract or such part of the Contract as to which there has been delay or failure to properly perform. In the event of termination in whole or in part the head of the purchasing agency may procure similar goods or services in a manner and upon the terms deemed appropriate by the head of the purchasing agency. The CONTRACTOR shall continue performance of the Contract to the extent it is not terminated and shall be liable for excess costs incurred in procuring similar goods and services.

b. CONTRACTOR'S duties. Notwithstanding termination of the Contract and subject to any directions from the head of the purchasing agency, the CONTRACTOR shall take timely, reasonable, and necessary action to protect and preserve property in the possession of the CONTRACTOR in which the COUNTY has an interest.

c. Compensation. Payment for completed goods and services delivered and accepted by the COUNTY shall be at the price set forth in the Contract. Payment for the protection and preservation of property shall be in an amount agreed upon by the CONTRACTOR and the head of the purchasing agency. If the parties fail to agree, the head of the purchasing agency shall set the amount subject to the CONTRACTOR'S rights under chapter 3-126, HAR. The COUNTY may withhold from amounts due the CONTRACTOR such sums as the head of the purchasing agency deems to be necessary to protect the COUNTY against loss because of outstanding liens or claims of former lien holders and to reimburse the COUNTY for the excess costs incurred by the COUNTY in procuring similar goods and 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 Contract in accordance with its terms, if the CONTRACTOR has notified the head of the purchasing agency within fifteen (15) days after the cause of the delay and the failure arises out of causes including 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

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to those set forth above, the CONTRACTOR shall not be deemed to be in default, unless the goods and services to be furnished by the subcontractor were obtainable from other sources in sufficient time to permit the CONTRACTOR to meet the requirements of the Contract. Upon request of the CONTRACTOR, the head of the purchasing agency shall ascertain the facts and extent of the failure, and, if he or she 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 Contract, the delivery schedule or the time of performance shall be revised accordingly, subject to the rights of the COUNTY under the clause entitled, in fixed-price contracts, "Termination for Convenience," and in cost-reimbursement contracts, "Termination." As used in this Paragraph 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 this Paragraph, it is determined for any reason that the CONTRACTOR was not in default under this Paragraph, or that the delay was excusable under the provisions of Subparagraph d., "Excuse for nonperformance or delayed performance," the rights and obligations of the parties shall be the same as if the notice of termination had been issued pursuant to Paragraph 14.

f. Additional rights and remedies. The rights and remedies provided in this Paragraph are in addition to any other rights and remedies provided by law or under this Contract.

14. TERMINATION FOR CONVENIENCE BY THE COUNTY.

a. Termination for convenience. The head of the purchasing agency may, when the interests of the COUNTY so require, terminate this Contract in whole or in part, for the convenience of the COUNTY. The head of the purchasing agency shall give written notice of the termination to the CONTRACTOR specifying the part of the Contract terminated and when such 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 shall 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 subject to the County's approval. The head of the purchasing agency may direct the CONTRACTOR to assign the CONTRACTOR'S right, title, and interest under terminated orders or subcontracts to the COUNTY. The CONTRACTOR must still complete the performance not terminated by the notice of termination and may incur obligations as are necessary to do so.

c. Right to goods and work product. The head of the purchasing agency may require the CONTRACTOR to transfer title and deliver to the COUNTY in the manner and to the extent directed by the head of the purchasing agency

1) Any completed goods or work product or both; and
2) The partially completed goods and materials, parts, tools, dies, jigs, fixtures, plans, drawings, information, and contract rights (hereinafter called "manufacturing material") as the CONTRACTOR has specifically produced or specially acquired for the performance of the terminated part of this Contract. The CONTRACTOR shall, upon direction of the head of the purchasing agency, protect and preserve property in the possession of the CONTRACTOR in which the COUNTY has an interest. If the head of the purchasing agency does not exercise this right, the CONTRACTOR shall use CONTRACTOR'S best efforts to sell such goods and manufacturing materials. Use of this Paragraph in no way implies that the COUNTY has breached the Contract by exercise of the termination for convenience provision.

d. Compensation.

1) The CONTRACTOR shall submit a termination claim specifying the amounts due because of the termination for convenience, together with cost or pricing data to the extent required by subchapter 15, chapter 3-122 of the HAR, bearing on the claim. If the CONTRACTOR fails to file a termination claim within one year from the effective date of termination, the head of the purchasing agency may pay the CONTRACTOR, if at all, an amount set in accordance with (d)(3) below.

2) The head of the purchasing agency and the CONTRACTOR may agree to a settlement provided the CONTRACTOR has filed a termination claim supported by cost or pricing data submitted to the extent required by subchapter 15, chapter 3-122, HAR, and that the settlement does not exceed the total Contract price plus settlement costs reduced by payments previously made by the COUNTY, the proceeds of any sales of goods and manufacturing materials under Subparagraph c. of this Paragraph, and the Contract price of the performance not terminated.

3) Absent complete agreement under Subparagraph (d)(2) above, the head of the purchasing agency shall pay the CONTRACTOR the following amounts, provided payments agreed to under Subparagraph d.2) shall not duplicate payments under this Subparagraph for the following:

(A) Contract prices for goods or services or both accepted under the Contract;

(B) Costs incurred in preparing to perform and performing the terminated portion of the work or performance plus a five per cent markup on actual direct costs on the portion of the work or performance, the markup shall not include anticipatory profit or consequential damages, less amounts paid or to be paid for accepted

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goods or services or both; provided, however, that if it appears that the CONTRACTOR would have sustained a loss if the entire Contract would have completed, no markup shall be allowed or included and the amount of compensation shall be reduced to reflect the anticipated rate of loss;

(C) Subject to the prior approval of the head of the purchasing agency, costs of settling and paying claims arising out of the termination of subcontracts or orders pursuant to Subparagraph b. Subcontractors shall be entitled to a markup of no more than ten per cent on direct costs incurred to the date of termination. These costs must not include costs paid in accordance with Subparagraph (d)(3)(B).

(D) The total sum to be paid the CONTRACTOR under this Subparagraph shall not exceed the total Contract price reduced by the amount of payments otherwise made, the proceeds of any sales of supplies and manufacturing materials under Subparagraph c.3) and the Contract price of performance not terminated.

4) Costs claimed, agreed to, or established under Subparagraphs d.2) and d.3) above shall be in accordance with Chapter 3-123, HAR.

15. CLAIMS BASED ON THE HEAD OF THE PURCHASING AGENCY'S ACTIONS OR OMISSIONS.

a. Change in scope. If any action or omission on the part of the head of the purchasing agency (which term includes the designee of such person) requiring performance changes within the scope of the Contract 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 Contract in compliance with the directions or orders of proper officials, but by so doing, the CONTRACTOR shall not be deemed to have prejudiced any claim for additional compensation, damages or extension of time for completion, provided.

1) The CONTRACTOR shall have given written notice to the head of the purchasing agency:
(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 head of the purchasing agency in writing

2) 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 head of the purchasing agency or his or her designee, upon receipt of such a notice, may rescind such action, remedy such omission or take such other steps as may be deemed advisable in the discretion of the head of the purchasing agency or his or her designee.

3) The notice required by Subparagraph a 1) of this Paragraph must describe 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) The CONTRACTOR must maintain and, upon request, make available to the head of the purchasing agency within a reasonable time, detailed records to the extent practicable, and other documentation and evidence satisfactory to the COUNTY, of the claimed additional costs or an extension of time in connection with such changes.

b. Nothing herein contained, however shall excuse the CONTRACTOR from compliance with any rules or laws precluding any County 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 Contract.

c. Any adjustment in the price made pursuant to this Paragraph shall be determined in accordance with the price adjustment provisions of the Contract and these General Conditions.

16. COST AND EXPENSE. Any reimbursement due the CONTRACTOR for per diem and transportation expenses under this Contract shall be subject to chapter 3-123 (Cost Principles), HAR, and the following guidelines:

a. Reimbursement for air transportation shall be for actual cost or coach class airfare, whichever is less.

b. Reimbursement for ground transportation costs shall not exceed the actual cost of renting an intermediate-sized vehicle.

c. Unless prior written approval of the head of the purchasing agency is obtained, reimbursement for subsistence allowable allowance (i.e., hotel and meals) shall not exceed the applicable daily authorized rates for inter-island or out-of-state travel for County officers and employees in the executive branch who are excluded from collective bargaining coverage. No other travel or living expense (e.g., tips, entertainment, alcohol, etc.) shall be reimbursed by the COUNTY, other than those items listed in Subparagraphs a. and b. of this Paragraph. Invoices shall document the days of travel by including the name of the traveler, itinerary, airfare receipt, hotel receipt, and ground transportation receipts. All travel must be pre-approved by the COUNTY Officer-in-Charge.

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d. CONTRACTORS with an office located on the same island as the site of the services to be provided pursuant to this Contract are not entitled to per diem or transportation expense reimbursement unless expressly specified in the Contract.

17. PAYMENT PROCEDURES; FINAL PAYMENT; TAX CLEARANCE.

a. Original invoices required. All payments under this Contract shall be made only upon submission by the CONTRACTOR of original invoices specifying the amount due and certifying that services requested under the Contract have been performed by the CONTRACTOR according to the Contract.

b. Subject to available funds. Such payments are subject to availability of funds, and all payments shall be made in accordance with and subject to Article 9 of the County of Maui Charter.

c. Payment only for work under contract. The COUNTY is not responsible to pay for work performed by CONTRACTOR or its subcontractors that is not in this Contract and any amendments or change orders thereto. CONTRACTOR must follow Paragraph 19, Contract Modifications, or Paragraph 20, Change Orders, and must have proper authorization before performing work outside the original Contract.

d. Compensation Retained

1) Pursuant to §103-32.1(a), HRS, the County may retain a portion of the amount due under the contract to the CONTRACTOR to ensure proper performance of the contract, provided that the sum withheld shall not exceed five percent (5%) of the amount due the CONTRACTOR and that after fifty percent (50%) of the contract is completed and progress is satisfactory, no additional sum shall be withheld, provided further that if progress is not satisfactory, the Procurement Officer may continue to withhold as compensation retained sums not exceeding five percent (5%) of the amount due the CONTRACTOR; provided further that the compensation retained shall not include sums deducted and withheld separately as liquidated damages from moneys due or that may become due the CONTRACTOR under the contract.

2) The County may enter into an agreement with the CONTRACTOR which will allow the CONTRACTOR to withdraw from time to time the whole or any portion of the sum retained under sub-paragraph (a) upon depositing with the County any general obligation bond of the State or its political subdivisions with a market value not less than the sum to be withdrawn, provided that the County may require that the total market value of such bond be greater than the sum to be withdrawn.

e. Final payment. Final payment under this Contract shall be subject to sections 103-53 and 103D-328, HRS, which require a tax clearance from the Director of Taxation, State of Hawaii, and the Internal Revenue Service, U.S. Department of Treasury, showing that all delinquent taxes, if any, levied or accrued under state law and the Internal Revenue Code of 1986, as amended, against the CONTRACTOR have been paid. Further, in accordance with section 3-122-112, HAR, CONTRACTOR shall provide a certificate affirming that the CONTRACTOR has remained in compliance with all applicable laws as required by this section

18. FEDERAL OR STATE FUNDS. If this Contract is payable in whole or in part from federal or state of Hawaii ("State") funds, CONTRACTOR agrees that, as to the portion of the compensation under this Contract to be payable from federal or State funds, the CONTRACTOR shall be paid only from such funds received from the federal or State government, and shall not be paid from any other funds. Failure of the County to receive anticipated federal or State funds shall not be considered a breach by the County or an excuse for nonperformance by the CONTRACTOR.

19. CONTRACT MODIFICATIONS.

a. Modification in writing; no verbal modification. At any time, and without notice to any surety, the head of the purchasing agency, subject to mutual agreement of the parties to the Contract in writing and all appropriate adjustments, may make modifications within the general scope of this Contract to include any one or more of the following.

- 1) Drawings, designs, or specifications, for the goods to be furnished or services to be performed;
- 2) Method of shipment or packing,
- 3) Place of delivery;
- 4) Description of services to be performed;
- 5) Time of performance (i. e., hours of the day, days of the week, etc.);
- 6) Place of performance of the services; or
- 7) Other provisions of the contract accomplished by mutual action of the parties to the contract.

b. No verbal modification. No verbal modification, alteration, amendment, change or extension of any term, provision or condition of this Contract shall be permitted or acknowledged.

c. Adjustment of price or time for performance. If any modification increases or decreases the CONTRACTOR'S cost of, or the time required for, performance of any part of the work under this Contract, an adjustment shall be made and this Contract modified in writing accordingly. Any adjustment in price made pursuant to this clause shall be determined, where applicable, in accordance with the price adjustment clause of this Contract or as negotiated.

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d. Claim barred after final payment. No claim by the CONTRACTOR for an adjustment hereunder shall be allowed if the claim is not received by the head of the purchasing agency prior to final payment under this Contract.

e. Other claims not barred. In the absence of a written modification to the Contract, nothing in this clause shall be deemed to restrict the CONTRACTOR'S right to pursue a claim under this Contract or for a breach of contract.

f. Professional Services Contract. If this is a professional services contract awarded pursuant to Section 103D-304, HRS, any modification, alteration, amendment, change or extension of any term, provision or extension of this Contract which increases the amount payable to the CONTRACTOR by at least \$25,000.00 and ten per cent (10%) or more of the initial Contract price must receive the prior approval of the County Director of Finance.

g. Tax clearance. The COUNTY may, at its discretion, require the CONTRACTOR to submit to the COUNTY, prior to the COUNTY'S approval of any modification, alteration, amendment, change or extension of any term, provision or condition of the Contract, a tax clearance from the Director of Taxation, State of Hawaii, showing that all delinquent taxes, if any, levied or accrued against the CONTRACTOR have been paid.

h. Sole source agreements. Amendments to sole source agreements that would change the original scope of the agreement, or increase the original contract price by ten percent or more, may only be made with the approval of the Chief Procurement Officer. Annual renewal of a sole source agreement for services shall not be submitted as an amendment.

20. CHANGE ORDERS. A change order is a written order signed by the head of the purchasing agency, directing the CONTRACTOR to make changes which the "changes clause" described below authorizes the head of the purchasing agency to order without the consent of the CONTRACTOR

a. Changes Clause Generally. By written order, at any time, and without notice to any surety, the head of the purchasing agency may, unilaterally, order of the CONTRACTOR.

1) Changes in the work within the scope of the Contract, and
2) Changes in the time of performance of the Contract that do not alter the scope of the contract work.

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 Contract, an adjustment shall be made and the Contract modified in writing accordingly. Any adjustment in contract price made pursuant to this clause shall be determined, where applicable, in accordance with the price adjustment provision of this Contract. Failure of the parties to agree to an adjustment in contract price shall be resolved in accordance with Subparagraph a 5) of Paragraph 21 on Price Adjustment. Failure of the parties to agree to an adjustment in time shall not excuse the CONTRACTOR from proceeding with the Contract as changed, provided that the head of the purchasing agency, within fourteen days after the changed work commences, makes the provisional adjustments in time as the head of the purchasing agency deems reasonable. The right of the CONTRACTOR to dispute the contract price or time required for performance or both shall not be waived by its performing the work, provided however, that it follows the written notice requirements for disputes and claims established by the Contract

c. Time period for claim. Except as may be provided otherwise by section 103D-501(b), HRS, the CONTRACTOR must file a written claim disputing the contract price or time provided in a change order within ten days after receipt of a written change order, unless such period for filing is extended by the head of the purchasing agency in writing. The requirement for filing a timely written claim cannot be waived and shall be a condition precedent to the assertion of a claim.

1) Claim barred after final payment. No claim by the CONTRACTOR for an adjustment hereunder shall be allowed if the claim is not received by the head of the purchasing agency prior to final payment under this Contract.

2) Other claims not barred. In the absence of such a change order, nothing in this clause shall be deemed to restrict the CONTRACTOR'S right to pursue a claim under the Contract or for breach of contract.

21. PRICE ADJUSTMENT.

a. Price adjustment. Any adjustment in the Contract price pursuant to a provision in this Contract 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;

2) By unit prices specified in the Contract or subsequently agreed upon before commencement of the pertinent performance;

3) By the costs attributable to the events or situations covered by the provision, plus appropriate profit or fee, all as specified in the Contract or subsequently agreed upon before commencement of the pertinent performance;

4) In such other manner as the parties may mutually agree upon before commencement of the pertinent performance, or

5) In the absence of agreement between the parties, the adjustment shall be made pursuant to 103D-501(b)(5), HRS.

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b. Submission of cost or pricing data. The CONTRACTOR shall be required to submit cost or pricing data for any price adjustment subject to the provisions of subchapter 15, chapter 3-122, HAR. A fully executed change order or other document permitting billing for the adjustment in price under any method listed in Subparagraph (a)(1) through (a)(4) of this Paragraph shall be issued within ten days after agreement on the method of adjustment.

22. VARIATIONS IN QUANTITY FOR ANY DEFINITE QUANTITY CONTRACT. If this is a definite quantity goods or services contract, upon the agreement of the COUNTY and the CONTRACTOR, the quantity of goods or services, or both, specified in this Contract, may be increased by a maximum of ten per cent (10%), provided (1) the unit prices will remain the same except for any price adjustments otherwise applicable; and (2) the head of the purchasing agency makes a written determination that such an increase will either be more economical than awarding another Contract or that it would not be practical to award another agreement.

23. CHANGES IN COST-REIMBURSEMENT CONTRACT. If this Contract is a cost-reimbursement contract, the following provisions shall apply:

a. The head of the purchasing agency may at any time by written order, and without notice to the sureties, in any, make changes within the general scope of the Contract in any one or more of the following

- 1) Description of performance;
- 2) Time of performance (i.e., hours of the day, days of the week, etc.)
- 3) Place of performance of services;
- 4) Drawings, designs, or specifications when the supplies to be furnished are to be specially manufactured for the COUNTY in accordance with the drawings, designs, or specifications;
- 5) Method of shipment or packing of supplies; or
- 6) Place of delivery.

b. If any change causes an increase or decrease in the estimated cost of, or the time required for performance of, any part of the performance under this Contract, whether or not changed by the order, or otherwise affects any other terms and conditions of this Contract, the head of the purchasing agency shall make an equitable adjustment in the 1) estimated cost, deliver or completion schedule, or both; 2) amount of any fixed fee; and 3) other affected terms and shall modify the Contract accordingly

c. The CONTRACTOR must assert the CONTRACTOR's rights to an adjustment under this provision within 30 days from the day of receipt of the written order. However, if the head of the purchasing agency decides that the facts justify it, the head of the purchasing agency may receive and act upon a proposal submitted before final payment under the Contract.

d. Failure to agree to any adjustment shall be a dispute under the provision on Dispute herein. However, nothing in this provision shall excuse the CONTRACTOR from proceeding with the Contract as changed.

e. Notwithstanding the terms and conditions of Subparagraphs a. and b. of this Paragraph, the estimated cost of this Contract and, if this Contract is incrementally funded, the funds allotted for the performance of this Contract, shall not be increased or considered to be increased except by specific written modification of the Contract indicating the new contract estimated cost and, if the contract is incrementally funded, the new amount allotted to the contract.

24. PROMPT PAYMENT OF SUBCONTRACTORS.

a. Generally Any money paid to a CONTRACTOR shall be disbursed to subcontractors within ten days after receipt of the money in accordance with the terms of the subcontract; provided that the subcontractor has met all the terms and conditions of the subcontract and there are no bona fide disputes on which the procurement agency has withheld payment

b. Final payment. Upon final payment to the CONTRACTOR, full payment to the subcontractor, including retainage, shall be made within ten days after receipt of the money; provided that there are no bona fide disputes over the subcontractor's performance under the subcontract.

c. Penalty. The procurement officer or the CONTRACTOR, as applicable, will be subject to a penalty of one and one-half per cent per month upon outstanding amounts due that were not timely paid by the responsible party under the following conditions. Where a subcontractor has provided evidence to the CONTRACTOR of satisfactorily completing all work under their subcontract and has provided a properly documented final payment request as described in Subparagraph d. of this Paragraph, and:

1) Has provided to the CONTRACTOR an acceptable performance and payment bond for the project executed by a surety company authorized to do business in the State, as provided in section 103-32.1, HRS, or

2) The following has occurred:
(A) A period of ninety days after the day on which the last of the labor was done or performed and the last of the material was furnished or supplied has elapsed without written notice of a claim given to CONTRACTOR and the surety, as provided for in section 103D-324, HRS; and

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(B) The subcontractor has provided to the CONTRACTOR, an acceptable release of retainage bond, executed by a surety company authorized to do business in the State, in an amount of not more than two times the amount being retained or withheld by the CONTRACTOR; any other bond acceptable to the CONTRACTOR; or any other form of mutually acceptable collateral, then, all sums retained or withheld from a subcontractor and otherwise due to the subcontractor for satisfactory performance under the subcontract shall be paid by the procurement officer to the CONTRACTOR and subsequently, upon receipt from the procurement officer, by the CONTRACTOR to the subcontractor within the applicable time periods specified in Subparagraph b. of this Paragraph and section 103-10, HRS. The penalty may be withheld from future payment due to the CONTRACTOR, if the CONTRACTOR was the responsible party. If a CONTRACTOR has violated Subparagraph b three or more times within two years of the first violation, the CONTRACTOR shall be referred by the procurement officer to the CONTRACTOR's license board for appropriate action, including action under section 444-17(14), HRS.

d. A properly documented final payment request from a subcontractor, as required by Subparagraph c., shall include:

- 1) Substantiation of the amounts requested,
- 2) A certification by the subcontractor, to the best of the subcontractor's knowledge and belief,

that:

(A) The amounts requested are only for performance in accordance with the specifications, terms, and conditions of the subcontract,

(B) The subcontractor has made payments due to its subcontractors and suppliers from previous payments received under the subcontract and will make timely payments from the proceeds of the payment covered by the certification, in accordance with their subcontract agreements and the requirements of this section; and

(C) The payment request does not include any amount that the subcontractor intends to withhold or retain from a subcontractor or supplier in accordance with the terms and conditions of their subcontract; and

3) The submission of documentation confirming that all other terms and conditions required under the subcontract agreement have been fully satisfied

The procurement officer shall return any final payment request that is defective to the CONTRACTOR within seven days after receipt, with a statement identifying the defect.

e. This section shall not be construed to impair the right of a CONTRACTOR or a subcontractor at any tier to negotiate and to include in their respective subcontracts provisions that provide for additional terms and conditions that are requested to be met before the subcontractor shall be entitled to receive final payment under Subparagraph c of this Paragraph; provided that any such payments withheld shall be withheld by the procurement officer.

25. ACCEPTANCE OF GOODS AND SERVICES. The COUNTY shall accept goods and services or give CONTRACTOR notice of rejection within a reasonable time, notwithstanding any payment, prior test, or inspection. No inspection, test, delay or failure to inspect or test, or failure to discover any defect or other nonconformance with the specifications, shall relieve CONTRACTOR of any obligations under this Contract or impair any rights or remedies of the COUNTY.

26. OBSOLETE PARTS/LONG TERM PARTS AVAILABILITY. CONTRACTOR shall timely report on the status of end of life (EOL) hardware that has been procured for the purchased or leased product. EOL hardware includes the following: electronic components/piece parts and mechanical hardware. CONTRACTOR shall provide advanced notification in writing to the Officer-in-Charge of any changes to tooling, facilities, materials, availability of parts, or processes that could affect the contracted product. This includes but is not limited to fabrication, assembly, handling, inspection, acceptance, testing, facility relocation, or introduction of a new manufacturer. CONTRACTOR shall notify the COUNTY of any pending or contemplated future action to discontinue articles purchased or replacement parts for the articles purchased pursuant to this Contract and shall work with the COUNTY to determine the need to stockpile any parts for the likely life of the product and offer those parts to the COUNTY prior to the actual discontinuance. CONTRACTOR shall extend opportunities to the COUNTY to place last time buys of such articles with deliveries not to exceed twelve months after the last time buy date.

27. CONFIDENTIALITY OF MATERIAL.

a. All material given to or made available to the CONTRACTOR by virtue of this Contract, 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 COUNTY.

b. All information, data, or other material provided by the CONTRACTOR to the COUNTY is subject to the Uniform Information Practices Act, chapter 92F, HRS

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28. PUBLICITY AND USE OF COUNTY, STATE, OR FEDERAL SEAL, LOGO, AND FLAGS. The CONTRACTOR shall not refer to the COUNTY or any office, agency, or officer thereof, or any COUNTY employee, including the head of the purchasing agency, the County procurement officers, the County council members, or members or directors of any County board or commission, or to the services or goods, or both, provided under this Contract, in any of the CONTRACTOR's brochures, advertisements, or other publicity of the CONTRACTOR without the explicit written consent of the COUNTY. All media contacts with the CONTRACTOR about the subject matter of this Contract shall be referred to the head of the purchasing agency

The CONTRACTOR shall not use federal, state, or County seal(s), logos, crests, or reproductions of flags or likenesses of any agency official without specific pre-approval in writing.

29. OWNERSHIP RIGHTS AND COPYRIGHT. The COUNTY shall have complete ownership of all material, both finished and unfinished, which is developed, prepared, assembled or conceived by the CONTRACTOR pursuant to this Contract and all such material shall be considered "works for hire." All such materials shall be delivered to the COUNTY upon expiration or termination of this Contract. The COUNTY, 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 Contract.

30. INSURANCE. During the term of this Contract, CONTRACTOR shall maintain at all times or cause to be maintained general and professional liability insurance coverage for CONTRACTOR and its employees rendering services to the COUNTY under this Contract. The insurance policies shall be issued by a company or companies authorized to do business in Hawaii and approved by the COUNTY, with combined single limits of not less than ONE MILLION DOLLARS (\$1,000,000) per occurrence and TWO MILLION DOLLARS (\$2,000,000) in the aggregate for Contracts with a total certified amount of \$1,000,000 or less, and THREE MILLION DOLLARS (\$3,000,000) in the aggregate for Contracts with a total certified amount of \$1,000,001 or more, or such greater amount as may be required from time to time by the COUNTY. CONTRACTOR shall also carry workers' compensation insurance for CONTRACTOR'S employees in the amounts required by applicable law. CONTRACTOR shall provide COUNTY not less than thirty (30) days' notice prior to any cancellation or material change or reduction in coverage. No such material change or reduction may be made without approval from the COUNTY. The COUNTY shall be listed as an additional insured on all policies, with the exception of professional liability and workers' compensation policies. Prior to the commencement of this Contract, CONTRACTOR shall provide the COUNTY with a certificate of insurance. Thereafter, prior to the expiration of each policy period, the insurance carriers for CONTRACTOR shall provide the COUNTY with certificates of insurance evidencing the foregoing coverage and provisions. The COUNTY reserves the right to request and receive a certified copy of the policies. Failure to maintain the necessary insurance in accordance with the provisions set forth herein shall constitute a material breach of this Contract and the COUNTY shall thereafter have the options of pursuing remedies for such breach and/or immediate termination of this Contract.

31. LIENS AND WARRANTIES.

- a. Liens. All products provided under this Contract shall be free of all liens and encumbrances.
- b. Warranties for products and services. In the event this Contract is for the provision of products (goods or equipment), CONTRACTOR warrants that it has all rights, title and interest in and to all products sold, leased or licensed to the COUNTY. CONTRACTOR also warrants that the products shall substantially conform to all descriptions, specifications, statements of work and representations set forth in the Contract, schedules, publications of CONTRACTOR and/or any order(s) and will be free from defects in materials, performance, workmanship and design. CONTRACTOR further warrants that it will perform any services required with promptness, diligence and in accordance with prevailing standards in the industry to the reasonable satisfaction of the COUNTY. The Warranty period shall commence after Acceptance, as defined in this Contract. Any specific warranty periods shall be as set forth in the proposals, schedules, orders or Special Conditions pertaining to this Contract but in any event such warranty period shall not be less than one (1) year.

32. ACCESS TO AND AUDIT OF BOOKS AND RECORDS OF THE CONTRACTOR. The COUNTY may, at reasonable times and places, audit the books and records of the CONTRACTOR, prospective CONTRACTOR, subcontractor, or prospective subcontractor which are related to:

- a. The cost or pricing data.
- b. Subcontracts, other than those related to a firm fixed-price Contract.
- c. The following access to records requirements additionally apply to any Contract funded in whole or in part by the state or federal government:
 - 1) The CONTRACTOR agrees to provide the County, State of Hawaii, Federal Emergency Management Agency or other federal agency, the Comptroller General of the United States, or any of their authorized representatives access to any books, documents, papers, and records of the CONTRACTOR which are directly pertinent to this contract for the purposes of making audits, examinations, excerpts, and transcriptions.

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2) The CONTRACTOR agrees to permit any of the foregoing parties to reproduce by any means whatsoever or to copy excerpts and transcriptions as reasonably needed.

3) The CONTRACTOR agrees to provide access to construction or other work sites pertaining to the work being completed under the contract.

33. COST OR PRICING DATA.

a. Cost or pricing data must be submitted to the head of the purchasing agency and timely certified as accurate for contracts over \$100,000 unless the contract is for a multiple-term or as otherwise specified by the head of the purchasing agency

b. If certified cost or pricing data are subsequently found to have been inaccurate, incomplete, or noncurrent as of the date stated in the certificate, the County is entitled to an adjustment of the contract price, including profit or fee, to exclude any significant sum by which the price, including profit or fee, was increased because of the defective data. It is presumed that overstated cost or pricing data increased the contract price in the amount of the defect plus related overhead and profit or fee. Therefore, unless there is a clear indication that the defective data was not used or relied upon, the price will be reduced in such amount

34. RECORDS RETENTION.

a. Upon any termination of this Contract or as otherwise required by applicable law, CONTRACTOR shall, pursuant to chapter 487R, HRS, destroy all copies (paper or electronic form) of personal information received from the COUNTY.

b. The CONTRACTOR and any subcontractors shall maintain the files, books, and records that relate to the Contract, including any personal information created or received by the CONTRACTOR on behalf of the COUNTY, and any cost or pricing data, for at least three years after the date of final payment under the Contract. The personal information shall continue to be confidential and shall only be disclosed as permitted or required by law. After the three year or longer retention period as required by law has ended, the files, books, and records that contain personal information shall be destroyed pursuant to chapter 487R, HRS, or returned to the County at the request of the County.

35. ANTITRUST CLAIMS. The COUNTY and the CONTRACTOR recognize that in actual economic practice, overcharges resulting from antitrust violations are in fact usually borne by the purchaser. Therefore, the CONTRACTOR hereby assigns to the COUNTY any and all claims for overcharges as to goods and materials purchased in connection with this Contract, except as to overcharges which result from violations commencing after the price is established under this Contract and which are not passed on to the COUNTY under an escalation clause.

36. PATENTED ARTICLES. The CONTRACTOR shall defend, indemnify, and hold harmless the COUNTY, and its officers, employees, and agents from and against all liability, loss, damage, cost, and expense, including all attorney's fees, and all claims, suits, and demands arising out of or resulting from any claims, demands, or actions by the patent holder for infringement or other improper or unauthorized use of any patented article, patented process, or patented appliance in connection with this Contract. The CONTRACTOR shall be solely responsible for correcting or curing to the satisfaction of the COUNTY any such infringement or improper or unauthorized use, including, without limitation a. furnishing at no cost to the COUNTY a substitute article, process, or appliance acceptable to the COUNTY, b. paying royalties or other required payments to the patent holder; c. obtaining proper authorizations or releases from the patent holder; and d. furnishing such security to or making such arrangements with the patent holder as may be necessary to correct or cure any such infringement or improper or unauthorized use.

37. POLLUTION CONTROL. If during the performance of this Contract, the CONTRACTOR encounters a "release" or a "threatened release" of a reportable quantity of a "hazardous substance," "pollutant," or "contaminant" as those terms are defined in section 128D-1, HRS, the CONTRACTOR shall immediately notify the COUNTY and all other appropriate state, county, or federal agencies as required by law. The CONTRACTOR shall take all necessary actions, including stopping work, to avoid causing, contributing to, or making worse a release of a hazardous substance, pollutant, or contaminant, and shall promptly obey any orders the Environmental Protection Agency or the state Department of Health issues in response to the release. In the event there is an ensuing cease-work period, and the COUNTY determines that this Contract requires an adjustment of the time for performance, the Contract shall be modified in writing accordingly.

CONTRACTOR further agrees to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act, 42 U.S.C. § 7401-7671 et seq., and the Federal Water Pollution Control Act, as amended, 33 U.S.C. §1251-1387, and will report violations to the County, Federal Emergency Management Agency, and the regional office of the Environmental Protection Agency. The CONTRACTOR agrees to include these requirements in each subcontract

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38. RECOVERED AND RECYCLED MATERIALS. To the extent applicable to this contract, CONTRACTOR agrees to comply with section 6002 of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act. Section 6002 requires CONTRACTOR to use only items, designated in guidelines of the Environmental Protection Agency at 40 C.F.R. part 247, that contain the highest percentage of recovered materials practicable, consistent with maintaining a satisfactory level of competition, where the purchase price of the item exceeds \$10,000.

a. In the performance of this contract, the CONTRACTOR shall make maximum use of products containing recovered materials that are EPA- designated items unless the product cannot be acquired (i) Competitively within a timeframe providing for compliance with the contract performance schedule; (ii) Meeting contract performance requirements; or (iii) At a reasonable price.

b. Information about this requirement, along with the list of EPA-designate items, is available at EPA's Comprehensive Procurement Guidelines web site, <https://www.epa.gov/smm/comprehensive-procurement-guideline-cpg-program>.

39. ENERGY EFFICIENCY. To the extent applicable to this Contract, CONTRACTOR agrees to comply with all applicable mandatory standards and policies relating to energy efficiency of the State of Hawaii or County.

40. CONFIDENTIALITY OF PERSONAL INFORMATION.

a. Definitions.

"Personal information" means an individual's first name or first initial and last name in combination with any one or more of the following data elements, when either name or data elements are not encrypted:

- 1) Social security number;
- 2) Driver's license number or Hawaii identification card number; or
- 3) Account number, credit or debit card number, access code, or password that would permit

access to an individual's financial information.

Personal information does not include publicly available information that is lawfully made available to the general public from federal, state, or local government records.

"Technological safeguards" means the technology and the policy and procedure for use of the technology to protect and control access to personal information.

b. Confidentiality of Material.

1) All material given to or made available to the CONTRACTOR by the COUNTY by virtue of this Contract which is identified as personal information shall be safeguarded by the CONTRACTOR and shall not be disclosed without the prior written approval of the COUNTY.

2) CONTRACTOR agrees not to retain, use, or disclose personal information for any purpose other than as permitted or required by this Contract.

3) CONTRACTOR agrees to implement appropriate "technological safeguards" that are acceptable to the COUNTY to reduce the risk of unauthorized access to personal information.

4) CONTRACTOR shall report to the COUNTY in a prompt and complete manner any security breaches involving personal information.

5) CONTRACTOR agrees to mitigate, to the extent practicable, any harmful effect that is known to CONTRACTOR because of a use or disclosure of personal information by CONTRACTOR in violation of the requirements of this Paragraph.

6) CONTRACTOR shall complete and retain a log of all disclosures made of personal information received from the COUNTY, or personal information created or received by CONTRACTOR on behalf of the COUNTY.

c. Security awareness training and confidentiality agreements.

1) CONTRACTOR certifies that all of its employees who will have access to the personal information have completed training on security awareness topics relating to protecting personal information.

2) CONTRACTOR certifies that confidentiality agreements have been signed by all of its employees who will have access to the personal information acknowledging that

(A) The personal information collected, used, or maintained by the CONTRACTOR will be treated as confidential;

(B) Access to the personal information will be allowed only as necessary to perform the Contract; and

(C) Use of the personal information will be restricted to uses consistent with the services subject to this Contract.

d. Termination for Cause. In addition to any other remedies provided for by this Contract, if the COUNTY learns of a material breach by CONTRACTOR of this Paragraph by CONTRACTOR, the COUNTY may at its sole discretion:

- 1) Provide an opportunity for the CONTRACTOR to cure the breach or end the violation; or
- 2) Immediately terminate this Contract.

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41. GOVERNING LAW. The validity of this Contract and any of its terms or provisions, as well as the rights and duties of the parties to this Contract, 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 Contract shall be brought in a State court of competent jurisdiction in Wailuku, Maui, Hawaii.

42. COMPLIANCE WITH LAWS. This is an acknowledgement that state or federal financial assistance may be used to fund the contract only. The CONTRACTOR shall comply with all federal, State, and county laws, ordinances, codes, rules, regulations, executive orders, and agency policies, procedures, and directives, as the same may be amended from time to time, that in any way affect the CONTRACTOR'S performance of this Contract. This specifically includes, without limitation, Sections 103-55 and 103-55.5, HRS, dealing with wages, hours and working conditions of employees of contractors providing services or construction.

The state and federal government are not party to this contract and is not subject to any obligations or liabilities to the County, CONTRACTOR, or any other party pertaining to any matter resulting from the contract.

43. CONFLICT BETWEEN GENERAL CONDITIONS AND PROCUREMENT RULES. In the event of a conflict between the General Conditions and the procurement rules in the HAR, the procurement rules in effect on the date this Contract became effective shall control and are hereby incorporated by reference.

44. ELECTION-RELATED CONTRIBUTIONS BY COUNTY CONTRACTORS. CONTRACTOR acknowledges and shall comply with Section 11-355, HRS

45. BYRD ANTI-LOBBYING AMENDMENT. If this contract is for an award of \$100,000 or more, CONTRACTOR shall file a written declaration with the County certifying that CONTRACTOR has not and will not use federally appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any federal agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any federal contract, grant or any other award covered by 31 U.S.C. § 1352. Included within the written declaration shall be the name of any registrant under the Lobbying Disclosure Act of 1995 who has made lobbying contacts on behalf of CONTRACTOR with respect to this contract. CONTRACTOR also agrees to disclose any lobbying with non-federal funds that takes place in connection with obtaining any federal award

46. DRAFTING. No provision of this Contract shall be interpreted for or against any party on the basis that such party was the draftsman of such provision, and no presumption of burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Contract

47. CAPTIONS. The captions contained herein are used solely for convenience and shall not be deemed to define or limit the provisions of this Agreement.

48. COUNTERPARTS. This Contract may be executed in any number of counterparts with the same effect as if all of the parties had signed the same document. Such executions may be transmitted to the parties by facsimile or electronically and such facsimile or electronic execution and transmission shall have the full force and effect of an original signature. All fully executed counterparts, whether original executions or facsimile or electronic executions or a combination thereof shall be construed together and shall constitute one and the same Contract

49. SEVERABILITY. In the event that any provision of this Contract is declared invalid or unenforceable by a court, such invalidity or non-enforceability shall not affect the validity or enforceability of the remaining Contract terms.

50. WAIVER. The failure of the COUNTY to insist upon the strict compliance with any term, provision, or condition of this Contract shall not constitute or be deemed to constitute a waiver or relinquishment of the COUNTY's right to enforce the same in accordance with this Contract. The fact that the COUNTY specifically refers to one provision of the law, and does not include other provisions shall not constitute a waiver or relinquishment of the COUNTY's rights or the CONTRACTOR's obligations under the law.

51. ENTIRE AGREEMENT. This Contract sets forth all of the agreements, conditions, understandings, promises, warranties, and representations between the COUNTY and the CONTRACTOR relative to this Contract. This Contract supersedes all prior agreements, conditions, understandings, promises, warranties, and representations, which shall have no further force or effect. There are no agreements, conditions, understandings, promises, warranties, or representations, oral or written, express or implied, between the COUNTY and the CONTRACTOR other than as set forth or as referred to herein

[END OF GENERAL CONDITIONS FOR GOODS & SERVICES CONTRACTS]

REQUEST FOR PROPOSALS
FINANCIAL AUDIT OF THE COUNTY OF MAUI

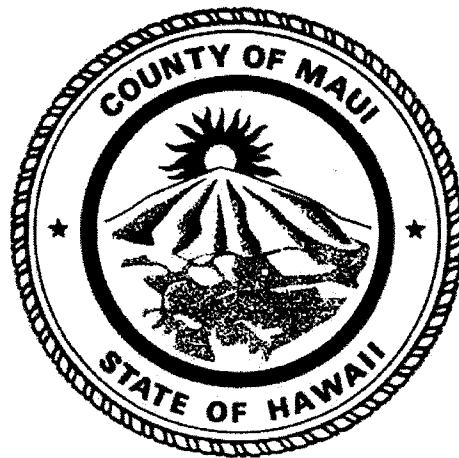
FOR THE FISCAL YEAR ENDING JUNE 30, 2019

THE FISCAL YEAR ENDING JUNE 30, 2020

THE FISCAL YEAR ENDING JUNE 30, 2021

THE FISCAL YEAR ENDING JUNE 30, 2022

AND THE FISCAL YEAR ENDING JUNE 30, 2023



OFFICE OF THE COUNTY AUDITOR

County of Maui
2145 Wells Street, Suite 106
Wailuku, Maui, Hawaii 96793

NOTICE TO PROPOSERS

SEALED PROPOSALS will be received on or before **4:30 p.m. on Friday, November 2, 2018**, by the County Auditor, County of Maui, 2145 Wells Street, Suite 106, Wailuku, Maui, Hawaii, for the following:

REQUEST FOR PROPOSALS No. 19-01OCA

FINANCIAL AUDIT OF THE COUNTY OF MAUI

Written requests for clarifications regarding this Request for Proposals may be directed to the County Auditor, Office of the County Auditor at county.auditor@mauicounty.us. Questions or requests for clarifications on this Request for Proposals must be submitted in writing no later than **Monday, October 15, 2018**.

The County of Maui does not have the ability to track who may have downloaded this Request for Proposal. Therefore, it is the responsibility of the proposer to check for any addendums to this Request for Proposals and incorporate any changes to their proposal that may be required.



Michael B. White
Council Chair

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INTRODUCTION

Section 9-13 of the Revised Charter of the County of Maui (1983), as amended, requires the County Auditor to “conduct or cause to be conducted an independent financial audit of the funds, accounts, and other evidences of financial transactions of the county...”. Funds for the audit have been appropriated, and the County Auditor is in the process of procuring the services of a certified public accountant or firm of certified public accountants (“Contract Auditor”) to conduct financial audits of the County of Maui for Fiscal Year 2019. The County Auditor will retain options to engage the Contract Auditor for Fiscal Year 2020, Fiscal Year 2021, Fiscal Year 2022, and Fiscal Year 2023. However, the County Auditor may decide to undergo procurement for Fiscal Year 2020, Fiscal Year 2021, Fiscal Year 2022, and Fiscal Year 2023.

This Request for Proposals describes the scope and nature of the work that is required of the Contract Auditor. Also, this Request for Proposals is intended to assist prospective proposers in the preparation of proposals for the audit. Unless otherwise expressly provided in the contract, all provisions of these specifications and instructions shall be part of the audit contract recommended by the County Auditor and entered into by the Contract Auditor and the Council Chair.

Copies of the most recent audit contract and audit reports may be inspected in person at the Office of the County Auditor, 2145 Wells Street, Suite 106, Wailuku, Hawaii. Additionally, audit reports may be inspected online at <https://www.mauicounty.gov/2032/Audit-Reports-Projects>.

SPECIFICATIONS

- A. Definitions. Unless the context requires otherwise, terms used in this document shall have the following definitions:
1. “Contract Auditor” means the following:
 - a. A certified public accountant or a certified public accounting firm, licensed to practice in the State of Hawaii, which contracts with the Council Chair to conduct a financial audit of the County of Maui; or
 - b. A certified public accountant or certified public accounting firm, licensed to practice in the State of Hawaii, which contracts with the Council Chair to conduct a financial audit of the County of Maui, along with subcontracted certified public accountants or certified public accounting firms; provided, that in all instances there shall be one certified public accountant, or one partner or principal of a certified public accounting firm, designated to represent the Contract Auditor.

2. "County Auditor" means the head of the Office of the County Auditor, pursuant to Section 3-9.1 of the Revised Charter of the County of Maui (1983), as amended, or designated representative.
3. "Council Chair" means the Chair of the County Council of the County of Maui, as the Chief Procurement Officer of the County's Legislative Branch, or designated representative.
4. "County" means the County of Maui, including its Department of Water Supply.
5. "Fiscal Year 2019" means the County of Maui fiscal year ending June 30, 2019.
6. "Fiscal Year 2020" means the County of Maui fiscal year ending June 30, 2020.
7. "Fiscal Year 2021" means the County of Maui fiscal year ending June 30, 2021.
8. "Fiscal Year 2022" means the County of Maui fiscal year ending June 30, 2022.
9. "Fiscal Year 2023" means the County of Maui fiscal year ending June 30, 2023.

B. Audit Objectives. The objectives of the audit are as follows:

1. To assess and provide a report on the adequacy, effectiveness, and efficiency of the systems and procedures for the financial accounting, internal control, and financial reporting of the County;
2. To ascertain whether expenditures and other disbursements have been made and revenues and other receipts have been collected and accounted for in accordance with Federal, State, and County laws, including appropriation and disbursement restrictions;
3. To assist in the County management's efforts in preparing a Comprehensive Annual Financial Report;
4. To provide recommendations as appropriate;
5. To report the status of the previous Contract Auditor's recommendations;

6. To provide a report complying with Federal Single Audit requirements with specific recommendations on meeting Single Audit notice and audit resolution requirements, and to submit the final report to appropriate Federal and State agencies; and
7. To assist in the County management's efforts in qualifying for the Government Finance Officers Association's Certificate of Conformance in financial reporting.

C. Audit Scope.

1. The Contract Auditor shall conduct a **financial audit** of all fund types and groups in the County for Fiscal Year 2019 and, if the appropriate options are exercised, for Fiscal Year 2020, Fiscal Year 2021, Fiscal Year 2022, and Fiscal Year 2023, to establish the basis of reporting on the fairness of the financial statements, and on the accounting of all revenues and other receipts.

The Contract Auditor shall conduct a financial audit of the County as a whole, including its Department of Water Supply. In addition, the Contract Auditor shall conduct a financial audit of the Department of Water Supply.

2. In connection with the financial audit, the Contract Auditor shall examine the existing accounting, reporting, and internal control structures to provide a basis for the audit, and make appropriate recommendations for improving operations, including budget processes, revenue processes (including assessment, billing, and collection procedures), payroll systems and procedures, all funds (including special assessment funds), property inventory and control, records, management information systems, and accounting and other operating procedures.
3. The Contract Auditor shall conduct an audit as required by the Federal **Single Audit** Act, as amended, the U.S. Office of Management Budget Circular No. A-133 and Title 2 of the Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("2 CFR Part 200")*. Additional work, which may be required by specific agencies (e.g., reports required to be filed by a public housing authority [Section 8 Program] through the U.S. Department of Housing and Urban Development Real Estate Assessment Center) shall be addressed by an "Agreed-Upon Procedures Engagement". The Contract Auditor may or may not be engaged to perform this additional work.
4. The Contract Auditor may be requested to assist the Office of the County Auditor with the planning of additional work related to the audits. The

Contract Auditor may or may not be engaged to perform this additional audit work.

5. This Request for Proposals pertains to Fiscal Year 2019, Fiscal Year 2020, Fiscal Year 2021, Fiscal Year 2022, and Fiscal Year 2023; however, the initial contract shall pertain only to the audit for Fiscal Year 2019. The contract will provide for options to retain the Contract Auditor for Fiscal Year 2020, Fiscal Year 2021, Fiscal Year 2022, and Fiscal Year 2023.

D. Audit Standards.

1. The audit examination shall be performed in accordance with pertinent auditing standards of the American Institute of Certified Public Accountants, the U.S. General Accounting Office, Office of Management and Budget ("OMB"), and the Governmental Accounting Standards Board.
2. The Single Audit shall be performed in accordance with the Federal Single Audit Act, as amended, 2 CFR Part 200, and the related regulations, interpretations, and guidance issued by applicable Federal agencies.
3. The Contract Auditor shall comply with any other accounting and auditing standards, policies, and procedures required by law or promulgated by accepted standard-setting authorities in the accounting and auditing professions.
4. The audit reports shall, if practicable, be plainly worded, and avoid the use of technical terms.

E. Reports to Be Issued.

1. Preliminary and Final Drafts of Audit Reports.
 - a. From drafts prepared by the County, the Contract Auditor shall type, format, and produce a preliminary draft of the Comprehensive Annual Financial Report and other reports, financial statements, and schedules required under the engagement.
 - b. One (1) electronic copy of each of the preliminary drafts of reports, financial statements, and schedules shall be submitted to and discussed with the County Auditor fourteen (14) days prior to printing and delivery by the Contract Auditor. (Adherence to deadlines is especially important in meeting filing requirements for the purposes of the Federal Single Audit Act, as amended, and in applying to the Government Finance Officers Association for a Certificate of Conformance. Proposers shall be responsible for verifying the dates to meet these filing deadlines.) The Contract

Auditor shall perform additional fieldwork as required to clarify and support statements made in the preliminary draft of the audit report.

- c. Thereafter, the Contract Auditor shall print and deliver to the County Auditor two-hundred-fifteen (215) bound copies of the Comprehensive Annual Financial Report; one (1) copy of the Communication letter; sixty (60) bound copies of the financial audit of the Department of Water Supply; and one hundred (100) bound copies of other reports, financial statements, and schedules for distribution. Copies shall also be provided in an electronic format that is acceptable to the County Auditor.
2. Written reports of all information that indicate irregularities that could result in illegal acts shall be submitted immediately to the County Auditor, whether or not material to the financial statements.
3. The Contract Auditor shall provide a prompt written notification of any deficiency that is highly unusual, or of such a nature as to require immediate correction, or of such character that in order to complete the audit, a significant amount of time or resources beyond that initially agreed to in the audit contract would be required. If the deficiency is of such a character as to require the expenditure of additional time or resources, the Contract Auditor shall include in the notification an estimate of the additional time and cost that would be required. In this situation, the Contract Auditor shall proceed to complete the audit only upon written authorization of the County Auditor.
4. Any reportable conditions found during the audit shall be communicated to the County Auditor. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which would adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions that are also material weaknesses shall be identified as such in the audit report. Nonreportable conditions discovered by the Contract Auditor shall be reported in a separate letter to the County Auditor, which shall be referred to in the report on internal controls.
5. At minimum, the Contract Auditor shall provide written reports on or before August 30, September 30, October 30, and November 30, respectively, on the progress of the audit to the County Auditor, as well as any other progress reports as may be requested by the County Auditor. The progress reports shall explain any deviations from schedule and shall identify and describe in detail all significant findings and recommendations.

6. The Contract Auditor may request legal advice from the Department of the Corporation Counsel relating to the engagement. The Contract Auditor shall immediately submit a written report to the County Auditor detailing any legal advice received. A copy of any written advice received will be submitted. A request that is unanswered for more than a week will be reported.

F. Audit Activities.

1. Audit Working Papers. At any time during and subsequent to the completion of the audit, the Contract Auditor shall make available to the County Auditor and Federal audit agencies for their inspection and review, the working papers developed during the audit, as may be required by the terms and conditions under which Federal funds are received by the County, including, but not limited to, the following:
 - a. The audit program and internal control structure documentation;
 - b. The schedules, recommendations, computations, analyses, audit notes, confirmation letters and replies, and other data representing a record of work done in support of account transactions and balances and systems; and
 - c. The documents obtained and other working papers relating to the audit.

The working papers shall not be made available to others except by consent of the County Auditor. Public disclosure of the working papers shall be governed by Chapter 92F of the Hawaii Revised Statutes (HRS). The State of Hawaii Office of Information Practices in Op. Ltr. No. 92-25 stated that the working papers of a certified public accounting firm are government records subject to the State of Hawaii Uniform Information Practices Act (Chapter 92F, HRS). The Contract Auditor shall consult with the County Auditor in the event that it receives a request to inspect and copy the working papers.

All working papers and reports must be retained, at the Contract Auditor's expense, for a minimum of five (5) years beyond the end of any contract under this procurement, unless the firm is notified in writing by the County of the need to extend the retention period.

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

2. Consultation. The Contract Auditor shall be available for consultation regarding the audit with the County Auditor, Council Chair, with the Council and its committees, and with successor auditors. Typically, these meetings are held after the completion of the work required, to discuss the audit reports with a knowledgeable representative of the Contract Auditor.
3. Restrictions on Other Engagements. Except with the written consent of the County Auditor, the Contract Auditor and its subcontractors shall not contract with the County (other than with the County Auditor, Council Chair, or Council) for the performance of accounting, auditing, management consulting, or other services for a period of two years after final payment under this engagement.

BUDGET LIMITATIONS AND PAYMENT SCHEDULE

- A. The total sum to be allocated for conducting the audit shall be limited to the extent of funds appropriated for this purpose and the continued availability of such funds during the course of the project.
- B. To the extent practicable, a payment schedule for services provided by the Contract Auditor shall be based on the delivery of the various audit reports for the County and for its Department of Water Supply.
 1. In the case of the Single Audit reports, final payment shall be made after documents have been submitted showing that appropriate reports have been prepared for management's distribution to the appropriate Federal agencies in a timely manner, and after the Contract Auditor has recommended corrective action to resolve instances of material noncompliance.
 2. The final payment to the Contract Auditor shall be made after the Contract Auditor has delivered the final draft of all reports, acceptable to the County Auditor.
 3. The progress billing invoices shall be supported with a synopsis of the number of hours expended by staff classification, a description of the work performed, and a percentage of completion.

PROPOSAL

In preparing the proposal for the audit, the proposer shall fully describe the following:

- A. Methodology. The plan, approach, method, and procedure that the proposer intends to take in performing the audit shall be described. In addition, the proposed phases and steps to be followed and the tests and standards to be used in performing the work required shall be outlined.

B. Description of the Proposer. The proposer's background, staff, and work previously conducted shall be described, as outlined below.

1. Background:

- a. Describe the nature of services provided by the proposer.
- b. Explain how the proposer is organized to manage the operation of the audit.
- c. If the proposer is a joint venture or intends to subcontract a portion of the audit, provide a brief description of all venturers and/or subcontractors.
- d. Describe any record of substandard audit work.

2. Staff. Provide the number of the total full-time staff currently employed by the proposer, including joint venturers and subcontractors in Hawaii by categories (services, professional and other classification, offices).

3. Quality control program. Briefly describe the quality control system for the organization and provide a copy of the latest external quality control review report.

4. Previous work. Indicate previous audit work relating to the State of Hawaii and the counties of Hawaii, including all such work done within the last three years.

5. Independence. Provide an affirmative statement that it is independent of the County.

C. Resources to Be Used. Identify the resources that the proposer intends to commit to the work, including the qualifications, experience, and recent relevant training of the audit management (e.g., partners and managers) and staff assigned to the engagement.

1. Indicate the number of hours to be worked by the partners and managers, and by other audit staff assigned to the engagement. Partners and managers shall work at least 15 percent of the hours, and audit staff shall work the remaining hours.

2. Certify that personnel to be assigned to the audit meet the continuing education requirements set forth in the U.S. General Accounting Office's Government Auditing Standards. The proposal shall identify the individual who will represent the Contract Auditor in all matters concerning the audit.

3. Indicate how the quality of staff over the term of the agreement will be assured.
4. Request written permission of the County Auditor prior to making changes to consultants and subcontractors mentioned in this Request for Proposals.
5. Identify other similar audit engagements that the Contract Auditor will be committed to perform during the months of June through March of the calendar years 2019, 2020, 2021, 2022, and 2023.

D. Timetable and Compensation. The proposal shall include a timetable of the dates for the delivery of the various reports required and the proposed compensation, including a payment schedule. In order to recover nonrecurring initial investment costs, compensation may be proposed by two methods: (1) equal payments for each year, with an additional fee in the event of nonrenewal; or (2) first-year compensation that includes nonrecurring initial investment costs, and lower costs in subsequent years.

1. The proposal shall, to the extent possible, show the cost schedule of the audit project by fiscal year based on the time allocation of the staffing classifications (i.e., partner, principal, manager, supervisory staff, and staff), corresponding rates, and estimated out-of-pocket expenses. For each year, a distinction should be made between the time and cost of conducting the County's Comprehensive Annual Financial Report, the Federal Single Audit, and the Department of Water Supply Audit.
2. If it should become necessary for the County of Maui to request the Contract Auditor to render any additional services to either supplement the services requested in this Request for Proposals or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the contract, recommended by the County Auditor, and entered into by the Council Chair and the Contract Auditor.
3. The proposal for the Federal Single Audit shall be based on the assumption of a minimum requirement of three major programs; and further, should include cost detail to support a fixed fee or lump sum cost for each additional major program over three required to be audited in order to comply with the provisions of the Single Audit Act, as amended, and OMB Circular No. A-133 and 2 CFR Part 200.
4. The proposal shall show hourly rates, by staffing classifications, for additional services required by the County in connection with the work performed pursuant to this engagement, as may be required.

E. Address Where the Audit Will Be Conducted. The proposal shall specify the address of the office from which the Contract Auditor shall conduct and coordinate its activities. The proposal shall specify any facilities, equipment, or other resources that the proposer requires the County to provide. Available office space within the County building is scarce and providing a room to the Contract Auditor will probably not be possible, particularly during the months prior to elections. However, the County will make a good-faith effort to accommodate the needs of the Contract Auditor.

F. Submittal of Proposal.

1. Each proposal for conducting the audit as outlined herein, along with six (6) copies, shall be submitted in sealed envelopes or packages marked "Financial Audit Proposal" and mailed or delivered to:

County Auditor
County of Maui
2145 Wells Street, Suite 106
Wailuku, Hawaii 96793

2. The proposal shall be submitted to the County Auditor not later than 4:30 p.m. (Hawaii Standard Time) on Friday, November 2, 2018. Timely receipt of offers shall be evidenced by the date and time registered by the Office of the County Auditor's time stamp clock. Proposals received after the deadline shall be rejected and returned.
3. Proposals will not be publicly opened but shall be opened only in the presence of two or more members of the Evaluation Committee. Proposals will become public information after the posting of the award or rejection of all proposals.
4. Proposals submitted via email or facsimile shall not be accepted.
5. Performance and payment bonds are NOT required for responding to this Request for Proposals.
6. Multiple or alternate proposals shall not be accepted.
7. The County Auditor may cancel this Request for Proposals, and any and all proposals may be rejected in whole or in part when it is in the best interest of the County.
8. Discussions may be conducted with proposers who submit proposals determined to be reasonably susceptible of being selected for award, but proposals may be accepted without such discussions.

9. Pursuant to Section 3-122-112 of the Hawaii Administrative Rules, as amended, the successful proposer shall provide the following:
 - a. A Tax Clearance Certificate from the State of Hawaii Department of Taxation and the U.S. Internal Revenue Service;
 - b. A Certificate of Compliance from the State of Hawaii Department of Labor and Industrial Relations; and
 - c. A Certificate of Good Standing from the Business Registration Division of the State of Hawaii Department of Commerce and Consumer Affairs.

Verification of compliance with the applicable statutes, administrative rules, and procedures is through the Department of Accounting and General Services' Hawaii Compliance Express at <http://vendors.ehawaii.gov/hce/splash/welcome.html>. Vendors wishing to do business with the State of Hawaii or County should register with Hawaii Compliance Express and show compliance with all applicable statutes, administrative rules, and procedures. State of Hawaii and County agencies must verify compliance prior to award.

10. Each proposer shall designate, in writing, portions of the proposal containing trade secrets or other proprietary data that are to remain confidential subject to Section 3-122-58 of the Hawaii Administrative Rules, as amended. The material designated as confidential shall be readily separable from the proposal in order to facilitate inspection of the nonconfidential portion.
11. Each proposer shall submit a current copy of its Professional Liability Insurance certificate.
12. A statement by the proposer, agreeing to abide by the terms of this Request for Proposals, shall be included in the proposal.
13. No proposal security is required.

- G. Official Contact. The official contact for all technical communication regarding this Request for Proposals is:

County Auditor
County of Maui
Office of the County Auditor
2145 Wells Street, Suite 106
Wailuku, Hawaii 96793

county.auditor@mauicounty.us

EVALUATION AND SELECTION PROCEDURES

A. General.

Proposals submitted will be evaluated in compliance with current State laws and regulations by an Evaluation Committee. Proposals shall be evaluated based on the following criteria:

1. Relevant experience of the proposer.
2. Suitability and feasibility, including consideration of schedule and facilities required.
3. Price and cost structure.
4. Qualifications of firm and personnel who will work on this audit, including consideration of external quality control reviews.
5. Overall responsiveness to this Request for Proposals.

Specific scoring values and weighting factors are shown on Exhibit "A" of this document. If the proposals are deemed sufficiently similar, then accessibility of audit personnel and audit rotation also may be considered.

After the Evaluation Committee has made a determination, the successful proposer shall be notified in writing by the County Auditor that it has been selected as the Contract Auditor, and the contract shall be awarded with reasonable promptness.

B. Selection Process.

1. The Evaluation Committee reserves the right to make its recommendations based only upon proposals submitted, or may request additional information. The Evaluation Committee may, at its discretion, conduct discussions with proposers in accordance with Section 3-122-53 of the Hawaii Administrative Rules, as amended, relating to procurement.

2. The Evaluation Committee reserves the right to accept or reject any proposal that does not address the general evaluation criteria listed above.

COMPLIANCE WITH COUNTY GENERAL TERMS AND CONDITIONS

The substance of the standard general terms and conditions for County contracts shall be incorporated into the contract to the extent pertinent. A copy of the standard general terms and conditions are attached as Exhibit "B" of this document.

SERVICES NOT EXCLUSIVE

During the contract term, the County Auditor or the Council Chair may or may not contract with other entities for audit services other than those within the scope of this Request for Proposals.

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EXHIBIT "A"

EVALUATION CRITERIA

Proposals will be awarded a maximum of 100 Technical Points based upon an evaluation of the proposal's content. A maximum of 30 additional Cost Points will be awarded based upon cost and added to the proposal's technical points subtotal score.

Cost Points: The proposal having the lowest total cost (annual base + estimated of cost for one additional major program over three programs) for five years will be awarded the maximum number of points assigned to cost. The following formula will be used to assign the cost points for each proposal:

$$\frac{\text{Price of Lowest Cost Proposal}}{\text{Price of Proposal Being Rated}} \times \text{Maximum Points for Cost (30)} = \text{Points}$$

Name of Proposer: _____

Value scale per Factor: 0-10 (Unacceptable to Outstanding) Technical Points Max Score = 100

	Factor	Value	X	Weight	=	Score
1	Relevant experience of the proposer		X	3.25	=	
2	Suitability and feasibility, including consideration of schedule and facilities requirement		X	3.25	=	
3	Qualifications of firm and personnel who will work on the audit, including consideration of external quality control reviews		X	2.25	=	
4	Overall responsiveness to the Request for Proposals		X	1.25	=	
	Technical Points score					
5	Cost Points					
	TOTAL SCORE					

EXHIBIT "B"

COUNTY OF MAUI GENERAL CONDITIONS FOR GOODS & SERVICES CONTRACTS

1. **COORDINATION OF SERVICES BY THE COUNTY.** The Officer-in-Charge shall coordinate the services to be provided by the CONTRACTOR in order to complete the performance required in this Contract. The CONTRACTOR shall maintain communications with the Officer-in-Charge at all stages of the CONTRACTOR's work, and submit to the head of the purchasing agency for resolution any questions which may arise as to the performance of this Contract. "Purchasing agency" as used in these General Conditions means and includes any COUNTY department or division which is authorized to enter into contracts for the procurement of goods and services.

2. **CONTRACTOR STATUS AND RESPONSIBILITIES, INCLUDING TAX RESPONSIBILITIES.**

a. **SUSPENSION AND DEBARMENT.**

1) This contract is a covered transaction for purposes of 2 C.F.R. pt. 180 and 2 C.F.R. pt. 3000. As such, the CONTRACTOR is required to verify that none of the CONTRACTOR, its principals (defined at 2 C.F.R. § 180.995), or its affiliates (defined at 2 C.F.R. § 180.905) are excluded (defined at 2 C.F.R. § 180.940) or disqualified (defined at 2 C.F.R. § 180.935).

2) The CONTRACTOR must comply with 2 C.F.R. pt. 180, subpart C and 2 C.F.R. pt. 3000, subpart C and must include a requirement to comply with these regulations in any lower tier covered transaction it enters into.

3) This certification is a material representation of fact relied upon by the County. If it is later determined that the CONTRACTOR did not comply with 2 C.F.R. pt. 180, subpart C and 2 C.F.R. pt. 3000, subpart C, in addition to remedies available to the County, the federal government may pursue available remedies, including but not limited to suspension and/or debarment.

4) The CONTRACTOR shall comply with the requirements of 2 C.F.R. pt. 180, subpart C and 2 C.F.R. pt. 3000, subpart C throughout the term of this Contract, and further agrees to include a provision requiring such compliance in its lower tier covered transactions.

b. **COMPLIANCE WITH THE CONTRACT WORK HOURS AND SAFETY STANDARDS ACT.**

1) Overtime requirements. No CONTRACTOR or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics shall require or permit any such laborer or mechanic in any workweek in which he or she is employed on such work to work in excess of forty hours in such workweek unless such laborer or mechanic receives compensation at a rate not less than one and one-half times the basic rate of pay for all hours worked in excess of forty hours in such workweek.

2) Violation; liability for unpaid wages; liquidated damages. In the event of any violation of the clause set forth in paragraph (1) of this section the CONTRACTOR and any subcontractor responsible therefor shall be liable for the unpaid wages. In addition, such CONTRACTOR and subcontractor shall be liable to the United States, for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic, including watchmen and guards, employed in violation of the clause set forth in paragraph (1) of this section, in the sum of \$10 for each calendar day on which such individual was required or permitted to work in excess of the standard workweek of forty hours without payment of the overtime wages required by the clause set forth in paragraph (1) of this section.

3) Withholding for unpaid wages and liquidated damages. County shall upon its own action or upon written request of an authorized representative of the Department of Labor withhold or cause to be withheld, from any moneys payable on account of work performed by the CONTRACTOR or subcontractor under any such contract or any other Federal contract with the same prime CONTRACTOR, or any other federally-assisted contract subject to the Contract Work Hours and Safety Standards Act, which is held by the same prime CONTRACTOR, such sums as may be determined to be necessary to satisfy any liabilities of such CONTRACTOR or subcontractor for unpaid wages and liquidated damages as provided in the clause set forth in paragraph (2) of this section.

4) Subcontracts. The CONTRACTOR or subcontractor shall insert in any subcontracts the clauses set forth in paragraph (1) through (4) of this section and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime CONTRACTOR shall be responsible for compliance by any subcontractor or lower tier subcontractor with the clauses set forth in paragraphs (1) through (4) of this section.

c. **FRAUD AND FALSE OR FRAUDULENT OR RELATED ACTS.** The CONTRACTOR acknowledges that 31 U.S.C. Chap. 38 (Administrative Remedies for False Claims and Statements) applies to the CONTRACTOR's actions pertaining to this contract.

d. **INDEPENDENT CONTRACTOR.** In the performance of services required under this Contract, 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 COUNTY shall have a general right to inspect work in progress to determine whether, in the COUNTY's opinion, the services are being performed by the CONTRACTOR in compliance with this Contract. Unless otherwise provided by special condition, it

is understood that the COUNTY 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 COUNTY.

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

f. The CONTRACTOR shall be responsible for the accuracy, completeness, and adequacy of the CONTRACTOR'S performance under this Contract. 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 Contract, for all loss, damage, or injury caused by the CONTRACTOR, or the CONTRACTOR'S employees or agents in the course of their employment.

g. 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 Contract, including but not limited to (i) income taxes, (ii) employment related fees, assessments, and taxes and (iii) general excise taxes. Unless provided otherwise by agreement between the parties, the CONTRACTOR also is responsible for obtaining all licenses, permits, and certificates that may be required in order to perform this Contract.

h. 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 ("HRS"), and shall comply with all requirements thereof. The CONTRACTOR shall obtain a tax clearance certificate with all requirements thereof. The CONTRACTOR shall obtain a tax clearance certificate from the Director of Taxation, State of Hawaii, showing that all delinquent taxes, if any, levied or accrued under State law against the CONTRACTOR, have been paid and submit the same to the COUNTY prior to commencing any performance under this Contract. The CONTRACTOR shall also be solely responsible for meeting all requirements necessary to obtain the tax clearance certificate required for final payment under Section 103-53, HRS and Paragraph 17 of these General Conditions.

i. 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.

j. The CONTRACTOR shall obtain a certificate of compliance issued by the Department of Labor and Industrial Relations, State of Hawaii, in accordance with section 103D-310, HRS, and sections 3-122-112, Hawaii Administrative rules, ("HAR") that is current within six months of the date of issuance.

k. The CONTRACTOR shall obtain a certificate of good standing issued by the Department of Commerce and Consumer Affairs, State of Hawaii, in accordance with section 103D-310, HRS, and section 3-122-112, HAR, that is current within six months of the date of issuance.

3. PERSONNEL REQUIREMENTS.

a. The CONTRACTOR shall secure, at the CONTRACTOR's own expense, all personnel required to perform this Contract.

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 Contract, 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.

4. NONDISCRIMINATION. No person performing work under this Contract, 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.

5. CONFLICTS OF INTEREST. The CONTRACTOR represents that neither the CONTRACTOR, nor any employees 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 Contract.

6. SUBCONTRACTS AND ASSIGNMENTS; CHANGE OF NAME.

a. No assignment without consent. The CONTRACTOR shall not assign or subcontract any of the CONTRACTOR'S duties, obligations, or interests under this Contract and no such assignment or subcontract shall be effective unless (1) the CONTRACTOR obtains the prior written consent of the COUNTY and (2) the CONTRACTOR'S assignee or subcontractor submits to the COUNTY a tax clearance certificate from the Director of Taxation, State of Hawaii, showing that all delinquent taxes, if any, levied or accrued under State law against the CONTRACTOR'S assignee or subcontractor have been paid. Additionally, no assignment by the CONTRACTOR of the CONTRACTOR'S right to compensation under this Contract shall be effective unless and until the assignment is approved by the COUNTY.

b. Recognition of a successor in interest. When in the best interests of the COUNTY, a successor in interest may be recognized in an assignment agreement in which the COUNTY, the CONTRACTOR and the assignee or transferee (hereinafter referred to as the "Assignee") agree that:

- 1) The Assignee assumes all of the CONTRACTOR'S obligations;
- 2) The CONTRACTOR remains liable for all obligations under this Contract but waives all rights under this Contract as against the COUNTY; and
- 3) The CONTRACTOR shall continue to furnish, and the Assignee shall also furnish, all required bonds.

c. Change of name. When the CONTRACTOR asks to change the name under which it holds this Contract with the COUNTY, the contract officer of the purchasing agency shall, upon receipt of a document acceptable or satisfactory to said officer indicating such change of name (for example, an amendment to the CONTRACTOR'S articles of incorporation), enter into an amendment to this Contract with the CONTRACTOR to effect such a change of name. The amendment to this Contract changing the CONTRACTOR'S name shall specifically indicate that no other terms or conditions of this Contract are thereby changed.

d. Reports. All assignment contracts and amendments to this Contract effecting changes of CONTRACTOR'S name or novation hereunder shall be reported to the chief procurement officer as defined in section 103D-203(b), HRS, within 30 days of the date that the assignment contract or amendment becomes effective.

e. Actions affecting more than one purchasing agency. Notwithstanding the provisions of Subparagraphs b. through d. herein, when the CONTRACTOR holds contracts with more than one purchasing agency of the COUNTY, the assignment contracts and the novation and change of name amendments herein authorized shall be processed only through the County Department of Finance

7. INDEMNIFICATION AND DEFENSE. Except as provided for in Section 103D-713, HRS, the CONTRACTOR shall defend, indemnify and hold harmless the COUNTY, the contracting department and their directors, employees and agents from and against all liability, loss, damage, cost and expense, including all attorneys' fees and costs, and all claims, suits and demands therefor, arising out of or in connection with any acts or omissions of the CONTRACTOR or the CONTRACTOR'S employees, officers, agents or subcontractors under this Contract. The provisions of this Paragraph shall remain in full force and effect notwithstanding the expiration or early termination of this Contract for any reason.

8. COST OF LITIGATION. In case the COUNTY shall, without any fault on its part, be made a party to any litigation commenced by or against the CONTRACTOR in connection with this Contract, the CONTRACTOR shall pay any cost and expense incurred by or imposed on the COUNTY, including attorneys' fees.

9. LIQUIDATED DAMAGES. When the CONTRACTOR is given notice of delay or nonperformance as specified in Paragraph 13 (Termination for Default) and fails to cure in the time specified, it is agreed the CONTRACTOR shall pay to the COUNTY the amount, if any, set forth in this Contract per calendar day from the date set for cure until either (i) the COUNTY reasonably obtains similar goods or services, or both, if the CONTRACTOR is terminated for default, or (ii) until the CONTRACTOR provides the goods or services, or both, if the CONTRACTOR is not terminated for default. To the extent that the CONTRACTOR's delay or nonperformance is excused under Subparagraph 13.d. (Excuse for Nonperformance or Delay Performance), liquidated damages shall not be assessable against the CONTRACTOR. The CONTRACTOR shall remain liable for damages caused other than by delay. This Paragraph is of no force and effect unless the amount of liquidated damages is specified in the Contract.

10. COUNTY'S RIGHT OF OFFSET. The COUNTY may offset against any monies or other obligations the COUNTY owes to the CONTRACTOR under this Contract, any amounts owed to the COUNTY by the CONTRACTOR under this Contract or any other contracts, or pursuant to any law or other obligation owed to the COUNTY by the CONTRACTOR, including, without limitation, the payment of any taxes or levies of any kind or nature. The COUNTY will notify the CONTRACTOR in writing of any offset and the nature of such offset. For purposes of this Paragraph, amounts owed to the COUNTY shall not include debts or obligations which have been liquidated, agreed to by the CONTRACTOR, and are covered by an installment payment or other settlement plan approved by the COUNTY, provided, however, that the CONTRACTOR shall be entitled to such exclusion only to the extent that the CONTRACTOR is current with, and not delinquent on, any payments or obligations owed to the COUNTY under such payment or other settlement plan.

11. ADMINISTRATIVE, CONTRACTUAL, OR LEGAL REMEDIES. CONTRACTOR agrees to be bound by the administrative, contractual, or legal remedies set forth in these General Terms and Conditions, and HRS Section 103D-701, et seq., which govern CONTRACTOR'S violation or breach of contract terms and appropriate sanctions and penalties.

12. SUSPENSION OF AGREEMENT. The COUNTY reserves the right at any time and for any reason to suspend this Contract for any reasonable period, upon written notice to the CONTRACTOR in accordance with the provisions herein.

a. Order to stop performance. The head of the purchasing agency 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 Contract. This order shall be for a specified period of time 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 section. Upon receipt of such an order, the CONTRACTOR shall forthwith comply with its terms and 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 head of the purchasing agency shall either:

1) Cancel the stop performance order; or
2) Terminate the performance covered by such order as provided in the termination for default provision or the termination for convenience provision of this Contract.

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 or performance schedule or compensation, or both, and the Contract 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 Contract and

2) The CONTRACTOR asserts a claim for such adjustment within thirty (30) days after the end of the period of performance stoppage provided that if the head of the purchasing agency 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 Contract.

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 contract price made pursuant to this Paragraph shall be determined in accordance with the price adjustment provisions of this Contract.

13. TERMINATION FOR DEFAULT.

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

b. CONTRACTOR'S duties. Notwithstanding termination of the Contract and subject to any directions from the head of the purchasing agency, the CONTRACTOR shall take timely, reasonable, and necessary action to protect and preserve property in the possession of the CONTRACTOR in which the COUNTY has an interest.

c. Compensation. Payment for completed goods and services delivered and accepted by the COUNTY shall be at the price set forth in the Contract. Payment for the protection and preservation of property shall be in an amount agreed upon by the CONTRACTOR and the head of the purchasing agency. If the parties fail to agree, the head of the purchasing agency shall set the amount subject to the CONTRACTOR's rights under chapter 3-126, HAR. The COUNTY may withhold from amounts due the CONTRACTOR such sums as the head of the purchasing agency deems to be necessary to protect the COUNTY against loss because of outstanding liens or claims of former lien holders and to reimburse the COUNTY for the excess costs incurred by the COUNTY in procuring similar goods and 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 Contract in accordance with its terms, if the CONTRACTOR has notified the head of the purchasing agency within fifteen (15) days after the cause of the delay and the failure arises out of causes including 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 goods and services to be furnished by the subcontractor were obtainable from other sources in sufficient time to permit the CONTRACTOR to meet the requirements of the Contract. Upon request of the CONTRACTOR, the head of the purchasing agency shall ascertain the facts and extent of the failure, and, if he or she 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 Contract, the delivery schedule or the time of performance shall be revised accordingly, subject to the rights of the COUNTY under the clause entitled, in fixed-price contracts, "Termination for Convenience," and in cost-reimbursement contracts, "Termination." As used in this Paragraph 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 this Paragraph, it is determined for any reason that the CONTRACTOR was not in default under this Paragraph, or that the delay was excusable under the provisions of Subparagraph d., "Excuse for nonperformance or delayed performance," the rights and obligations of the parties shall be the same as if the notice of termination had been issued pursuant to Paragraph 14.

f. Additional rights and remedies. The rights and remedies provided in this Paragraph are in addition to any other rights and remedies provided by law or under this Contract.

14. TERMINATION FOR CONVENIENCE BY THE COUNTY.

a. Termination for convenience. The head of the purchasing agency may, when the interests of the COUNTY so require, terminate this Contract in whole or in part, for the convenience of the COUNTY. The head of the purchasing agency shall give written notice of the termination to the CONTRACTOR specifying the part of the Contract terminated and when such 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 shall 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 subject to the County's approval. The head of the purchasing agency may direct the CONTRACTOR to assign the CONTRACTOR'S right, title, and interest under terminated orders or subcontracts to the COUNTY. The CONTRACTOR must still complete the performance not terminated by the notice of termination and may incur obligations as are necessary to do so.

c. Right to goods and work product. The head of the purchasing agency may require the CONTRACTOR to transfer title and deliver to the COUNTY in the manner and to the extent directed by the head of the purchasing agency:

1) Any completed goods or work product or both; and
2) The partially completed goods and materials, parts, tools, dies, jigs, fixtures, plans, drawings, information, and contract rights (hereinafter called "manufacturing material") as the CONTRACTOR has specifically produced or specially acquired for the performance of the terminated part of this Contract. The CONTRACTOR shall, upon direction of the head of the purchasing agency, protect and preserve property in the possession of the CONTRACTOR in which the COUNTY has an interest. If the head of the purchasing agency does not exercise this right, the CONTRACTOR shall use CONTRACTOR'S best efforts to sell such goods and manufacturing materials. Use of this Paragraph in no way implies that the COUNTY has breached the Contract by exercise of the termination for convenience provision.

d. Compensation.

1) The CONTRACTOR shall submit a termination claim specifying the amounts due because of the termination for convenience, together with cost or pricing data to the extent required by subchapter 15, chapter 3-122 of the HAR, bearing on the claim. If the CONTRACTOR fails to file a termination claim within one year from the effective date of termination, the head of the purchasing agency may pay the CONTRACTOR, if at all, an amount set in accordance with (d)(3) below.

2) The head of the purchasing agency and the CONTRACTOR may agree to a settlement provided the CONTRACTOR has filed a termination claim supported by cost or pricing data submitted to the extent required by subchapter 15, chapter 3-122, HAR, and that the settlement does not exceed the total Contract price plus settlement costs reduced by payments previously made by the COUNTY, the proceeds of any sales of goods and manufacturing materials under Subparagraph c. of this Paragraph, and the Contract price of the performance not terminated.

3) Absent complete agreement under Subparagraph (d)(2) above, the head of the purchasing agency shall pay the CONTRACTOR the following amounts, provided payments agreed to under Subparagraph d.(2) shall not duplicate payments under this Subparagraph for the following:

(A) Contract prices for goods or services or both accepted under the Contract;
(B) Costs incurred in preparing to perform and performing the terminated portion of the work or performance plus a five per cent markup on actual direct costs on the portion of the work or performance, the markup shall not include anticipatory profit or consequential damages, less amounts paid or to be paid for accepted

goods or services or both; provided, however, that if it appears that the CONTRACTOR would have sustained a loss if the entire Contract would have completed, no markup shall be allowed or included and the amount of compensation shall be reduced to reflect the anticipated rate of loss;

(C) Subject to the prior approval of the head of the purchasing agency, costs of settling and paying claims arising out of the termination of subcontracts or orders pursuant to Subparagraph b. Subcontractors shall be entitled to a markup of no more than ten per cent on direct costs incurred to the date of termination. These costs must not include costs paid in accordance with Subparagraph (d)(3)(B).

(D) The total sum to be paid the CONTRACTOR under this Subparagraph shall not exceed the total Contract price reduced by the amount of payments otherwise made, the proceeds of any sales of supplies and manufacturing materials under Subparagraph c.3) and the Contract price of performance not terminated.

4) Costs claimed, agreed to, or established under Subparagraphs d.2) and d.3) above shall be in accordance with Chapter 3-123, HAR.

15. CLAIMS BASED ON THE HEAD OF THE PURCHASING AGENCY'S ACTIONS OR OMISSIONS.

a. Change in scope. If any action or omission on the part of the head of the purchasing agency (which term includes the designee of such person) requiring performance changes within the scope of the Contract 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 Contract in compliance with the directions or orders of proper officials, but by so doing, the CONTRACTOR shall not be deemed to have prejudiced any claim for additional compensation, damages or extension of time for completion, provided:

1) The CONTRACTOR shall have given written notice to the head of the purchasing agency:
(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 head of the purchasing agency in writing.

2) 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 head of the purchasing agency or his or her designee, upon receipt of such a notice, may rescind such action, remedy such omission or take such other steps as may be deemed advisable in the discretion of the head of the purchasing agency or his or her designee.

3) The notice required by Subparagraph a.1) of this Paragraph must describe 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) The CONTRACTOR must maintain and, upon request, make available to the head of the purchasing agency within a reasonable time, detailed records to the extent practicable, and other documentation and evidence satisfactory to the COUNTY, of the claimed additional costs or an extension of time in connection with such changes.

b. Nothing herein contained, however shall excuse the CONTRACTOR from compliance with any rules or laws precluding any County 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 Contract.

c. Any adjustment in the price made pursuant to this Paragraph shall be determined in accordance with the price adjustment provisions of the Contract and these General Conditions.

16. COST AND EXPENSE. Any reimbursement due the CONTRACTOR for per diem and transportation expenses under this Contract shall be subject to chapter 3-123 (Cost Principles), HAR, and the following guidelines:

a. Reimbursement for air transportation shall be for actual cost or coach class airfare, whichever is less.

b. Reimbursement for ground transportation costs shall not exceed the actual cost of renting an intermediate-sized vehicle.

c. Unless prior written approval of the head of the purchasing agency is obtained, reimbursement for subsistence allowable allowance (i.e., hotel and meals) shall not exceed the applicable daily authorized rates for inter-island or out-of-state travel for County officers and employees in the executive branch who are excluded from collective bargaining coverage. No other travel or living expense (e.g., tips, entertainment, alcohol, etc.) shall be reimbursed by the COUNTY, other than those items listed in Subparagraphs a. and b. of this Paragraph. Invoices shall document the days of travel by including the name of the traveler, itinerary, airfare receipt, hotel receipt, and ground transportation receipts. All travel must be pre-approved by the COUNTY Officer-in-Charge.

d. CONTRACTORS with an office located on the same island as the site of the services to be provided pursuant to this Contract are not entitled to per diem or transportation expense reimbursement unless expressly specified in the Contract.

17. PAYMENT PROCEDURES; FINAL PAYMENT; TAX CLEARANCE.

a. Original invoices required. All payments under this Contract shall be made only upon submission by the CONTRACTOR of original invoices specifying the amount due and certifying that services requested under the Contract have been performed by the CONTRACTOR according to the Contract.

b. Subject to available funds. Such payments are subject to availability of funds, and all payments shall be made in accordance with and subject to Article 9 of the County of Maui Charter.

c. Payment only for work under contract. The COUNTY is not responsible to pay for work performed by CONTRACTOR or its subcontractors that is not in this Contract and any amendments or change orders thereto. CONTRACTOR must follow Paragraph 19, Contract Modifications, or Paragraph 20, Change Orders, and must have proper authorization before performing work outside the original Contract.

d. Compensation Retained.

1) Pursuant to §103-32.1(a), HRS, the County may retain a portion of the amount due under the contract to the CONTRACTOR to ensure proper performance of the contract, provided that the sum withheld shall not exceed five percent (5%) of the amount due the CONTRACTOR and that after fifty percent (50%) of the contract is completed and progress is satisfactory, no additional sum shall be withheld; provided further that if progress is not satisfactory, the Procurement Officer may continue to withhold as compensation retained sums not exceeding five percent (5%) of the amount due the CONTRACTOR; provided further that the compensation retained shall not include sums deducted and withheld separately as liquidated damages from moneys due or that may become due the CONTRACTOR under the contract.

2) The County may enter into an agreement with the CONTRACTOR which will allow the CONTRACTOR to withdraw from time to time the whole or any portion of the sum retained under sub-paragraph (a) upon depositing with the County any general obligation bond of the State or its political subdivisions with a market value not less than the sum to be withdrawn; provided that the County may require that the total market value of such bond be greater than the sum to be withdrawn.

e. Final payment. Final payment under this Contract shall be subject to sections 103-53 and 103D-328, HRS, which require a tax clearance from the Director of Taxation, State of Hawaii, and the Internal Revenue Service, U.S. Department of Treasury, showing that all delinquent taxes, if any, levied or accrued under state law and the Internal Revenue Code of 1986, as amended, against the CONTRACTOR have been paid. Further, in accordance with section 3-122-112, HAR, CONTRACTOR shall provide a certificate affirming that the CONTRACTOR has remained in compliance with all applicable laws as required by this section.

18. FEDERAL OR STATE FUNDS. If this Contract is payable in whole or in part from federal or state of Hawaii ("State") funds, CONTRACTOR agrees that, as to the portion of the compensation under this Contract to be payable from federal or State funds, the CONTRACTOR shall be paid only from such funds received from the federal or State government, and shall not be paid from any other funds. Failure of the County to receive anticipated federal or State funds shall not be considered a breach by the County or an excuse for nonperformance by the CONTRACTOR.

19. CONTRACT MODIFICATIONS.

a. Modification in writing; no verbal modification. At any time, and without notice to any surety, the head of the purchasing agency, subject to mutual agreement of the parties to the Contract in writing and all appropriate adjustments, may make modifications within the general scope of this Contract to include any one or more of the following:

- 1) Drawings, designs, or specifications, for the goods to be furnished or services to be performed;
- 2) Method of shipment or packing;
- 3) Place of delivery;
- 4) Description of services to be performed;
- 5) Time of performance (i. e., hours of the day, days of the week, etc.);
- 6) Place of performance of the services; or
- 7) Other provisions of the contract accomplished by mutual action of the parties to the contract.

b. No verbal modification. No verbal modification, alteration, amendment, change or extension of any term, provision or condition of this Contract shall be permitted or acknowledged.

c. Adjustment of price or time for performance. If any modification increases or decreases the CONTRACTOR'S cost of, or the time required for, performance of any part of the work under this Contract, an adjustment shall be made and this Contract modified in writing accordingly. Any adjustment in price made pursuant to this clause shall be determined, where applicable, in accordance with the price adjustment clause of this Contract or as negotiated.

d. Claim barred after final payment. No claim by the CONTRACTOR for an adjustment hereunder shall be allowed if the claim is not received by the head of the purchasing agency prior to final payment under this Contract.

e. Other claims not barred. In the absence of a written modification to the Contract, nothing in this clause shall be deemed to restrict the CONTRACTOR'S right to pursue a claim under this Contract or for a breach of contract.

f. Professional Services Contract. If this is a professional services contract awarded pursuant to Section 103D-304, HRS, any modification, alteration, amendment, change or extension of any term, provision or extension of this Contract which increases the amount payable to the CONTRACTOR by at least \$25,000.00 and ten per cent (10%) or more of the initial Contract price must receive the prior approval of the County Director of Finance.

g. Tax clearance. The COUNTY may, at its discretion, require the CONTRACTOR to submit to the COUNTY, prior to the COUNTY'S approval of any modification, alteration, amendment, change or extension of any term, provision or condition of the Contract, a tax clearance from the Director of Taxation, State of Hawaii, showing that all delinquent taxes, if any, levied or accrued against the CONTRACTOR have been paid.

h. Sole source agreements. Amendments to sole source agreements that would change the original scope of the agreement, or increase the original contract price by ten percent or more, may only be made with the approval of the Chief Procurement Officer. Annual renewal of a sole source agreement for services shall not be submitted as an amendment.

20. CHANGE ORDERS. A change order is a written order signed by the head of the purchasing agency, directing the CONTRACTOR to make changes which the "changes clause" described below authorizes the head of the purchasing agency to order without the consent of the CONTRACTOR.

a. Changes Clause Generally. By written order, at any time, and without notice to any surety, the head of the purchasing agency may, unilaterally, order of the CONTRACTOR:

- 1) Changes in the work within the scope of the Contract; and
- 2) Changes in the time of performance of the Contract that do not alter the scope of the

contract work.

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 Contract, an adjustment shall be made and the Contract modified in writing accordingly. Any adjustment in contract price made pursuant to this clause shall be determined, where applicable, in accordance with the price adjustment provision of this Contract. Failure of the parties to agree to an adjustment in contract price shall be resolved in accordance with Subparagraph a.5) of Paragraph 21 on Price Adjustment. Failure of the parties to agree to an adjustment in time shall not excuse the CONTRACTOR from proceeding with the Contract as changed, provided that the head of the purchasing agency, within fourteen days after the changed work commences, makes the provisional adjustments in time as the head of the purchasing agency deems reasonable. The right of the CONTRACTOR to dispute the contract price or time required for performance or both shall not be waived by its performing the work, provided however, that it follows the written notice requirements for disputes and claims established by the Contract.

c. Time period for claim. Except as may be provided otherwise by section 103D-501(b), HRS, the CONTRACTOR must file a written claim disputing the contract price or time provided in a change order within ten days after receipt of a written change order, unless such period for filing is extended by the head of the purchasing agency in writing. The requirement for filing a timely written claim cannot be waived and shall be a condition precedent to the assertion of a claim.

1) Claim barred after final payment. No claim by the CONTRACTOR for an adjustment hereunder shall be allowed if the claim is not received by the head of the purchasing agency prior to final payment under this Contract.

2) Other claims not barred. In the absence of such a change order, nothing in this clause shall be deemed to restrict the CONTRACTOR'S right to pursue a claim under the Contract or for breach of contract.

21. PRICE ADJUSTMENT.

a. Price adjustment. Any adjustment in the Contract price pursuant to a provision in this Contract 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;

2) By unit prices specified in the Contract or subsequently agreed upon before commencement of the pertinent performance;

3) By the costs attributable to the events or situations covered by the provision, plus appropriate profit or fee, all as specified in the Contract or subsequently agreed upon before commencement of the pertinent performance;

4) In such other manner as the parties may mutually agree upon before commencement of the pertinent performance; or

5) In the absence of agreement between the parties, the adjustment shall be made pursuant to 103D-501(b)(5), HRS.

b. Submission of cost or pricing data. The CONTRACTOR shall be required to submit cost or pricing data for any price adjustment subject to the provisions of subchapter 15, chapter 3-122, HAR. A fully executed change order or other document permitting billing for the adjustment in price under any method listed in Subparagraph (a)(1) through (a)(4) of this Paragraph shall be issued within ten days after agreement on the method of adjustment.

22. VARIATIONS IN QUANTITY FOR ANY DEFINITE QUANTITY CONTRACT. If this is a definite quantity goods or services contract, upon the agreement of the COUNTY and the CONTRACTOR, the quantity of goods or services, or both, specified in this Contract, may be increased by a maximum of ten per cent (10%), provided (1) the unit prices will remain the same except for any price adjustments otherwise applicable; and (2) the head of the purchasing agency makes a written determination that such an increase will either be more economical than awarding another Contract or that it would not be practical to award another agreement.

23. CHANGES IN COST-REIMBURSEMENT CONTRACT. If this Contract is a cost-reimbursement contract, the following provisions shall apply:

a. The head of the purchasing agency may at any time by written order, and without notice to the sureties, in any, make changes within the general scope of the Contract in any one or more of the following:

- 1) Description of performance;
- 2) Time of performance (i.e., hours of the day, days of the week, etc.)
- 3) Place of performance of services;
- 4) Drawings, designs, or specifications when the supplies to be furnished are to be specially manufactured for the COUNTY in accordance with the drawings, designs, or specifications;
- 5) Method of shipment or packing of supplies; or
- 6) Place of delivery.

b. If any change causes an increase or decrease in the estimated cost of, or the time required for performance of, any part of the performance under this Contract, whether or not changed by the order, or otherwise affects any other terms and conditions of this Contract, the head of the purchasing agency shall make an equitable adjustment in the 1) estimated cost, deliver or completion schedule, or both; 2) amount of any fixed fee; and 3) other affected terms and shall modify the Contract accordingly.

c. The CONTRACTOR must assert the CONTRACTOR's rights to an adjustment under this provision within 30 days from the day of receipt of the written order. However, if the head of the purchasing agency decides that the facts justify it, the head of the purchasing agency may receive and act upon a proposal submitted before final payment under the Contract.

d. Failure to agree to any adjustment shall be a dispute under the provision on Dispute herein. However, nothing in this provision shall excuse the CONTRACTOR from proceeding with the Contract as changed.

e. Notwithstanding the terms and conditions of Subparagraphs a. and b. of this Paragraph, the estimated cost of this Contract and, if this Contract is incrementally funded, the funds allotted for the performance of this Contract, shall not be increased or considered to be increased except by specific written modification of the Contract indicating the new contract estimated cost and, if the contract is incrementally funded, the new amount allotted to the contract.

24. PROMPT PAYMENT OF SUBCONTRACTORS.

a. Generally. Any money paid to a CONTRACTOR shall be disbursed to subcontractors within ten days after receipt of the money in accordance with the terms of the subcontract; provided that the subcontractor has met all the terms and conditions of the subcontract and there are no bona fide disputes on which the procurement agency has withheld payment.

b. Final payment. Upon final payment to the CONTRACTOR, full payment to the subcontractor, including retainage, shall be made within ten days after receipt of the money; provided that there are no bona fide disputes over the subcontractor's performance under the subcontract.

c. Penalty. The procurement officer or the CONTRACTOR, as applicable, will be subject to a penalty of one and one-half per cent per month upon outstanding amounts due that were not timely paid by the responsible party under the following conditions. Where a subcontractor has provided evidence to the CONTRACTOR of satisfactorily completing all work under their subcontract and has provided a properly documented final payment request as described in Subparagraph d. of this Paragraph, and:

1) Has provided to the CONTRACTOR an acceptable performance and payment bond for the project executed by a surety company authorized to do business in the State, as provided in section 103-32.1, HRS; or

2) The following has occurred:

(A) A period of ninety days after the day on which the last of the labor was done or performed and the last of the material was furnished or supplied has elapsed without written notice of a claim given to CONTRACTOR and the surety, as provided for in section 103D-324, HRS; and

(B) The subcontractor has provided to the CONTRACTOR, an acceptable release of retainage bond, executed by a surety company authorized to do business in the State, in an amount of not more than two times the amount being retained or withheld by the CONTRACTOR; any other bond acceptable to the CONTRACTOR; or any other form of mutually acceptable collateral, then, all sums retained or withheld from a subcontractor and otherwise due to the subcontractor for satisfactory performance under the subcontract shall be paid by the procurement officer to the CONTRACTOR and subsequently, upon receipt from the procurement officer, by the CONTRACTOR to the subcontractor within the applicable time periods specified in Subparagraph b. of this Paragraph and section 103-10, HRS. The penalty may be withheld from future payment due to the CONTRACTOR, if the CONTRACTOR was the responsible party. If a CONTRACTOR has violated Subparagraph b. three or more times within two years of the first violation, the CONTRACTOR shall be referred by the procurement officer to the CONTRACTOR's license board for appropriate action, including action under section 444-17(14), HRS.

d. A properly documented final payment request from a subcontractor, as required by Subparagraph c., shall include:

- 1) Substantiation of the amounts requested;
- 2) A certification by the subcontractor, to the best of the subcontractor's knowledge and belief,

that:

(A) The amounts requested are only for performance in accordance with the specifications, terms, and conditions of the subcontract;

(B) The subcontractor has made payments due to its subcontractors and suppliers from previous payments received under the subcontract and will make timely payments from the proceeds of the payment covered by the certification, in accordance with their subcontract agreements and the requirements of this section; and

(C) The payment request does not include any amount that the subcontractor intends to withhold or retain from a subcontractor or supplier in accordance with the terms and conditions of their subcontract; and

3) The submission of documentation confirming that all other terms and conditions required under the subcontract agreement have been fully satisfied.

The procurement officer shall return any final payment request that is defective to the CONTRACTOR within seven days after receipt, with a statement identifying the defect.

e. This section shall not be construed to impair the right of a CONTRACTOR or a subcontractor at any tier to negotiate and to include in their respective subcontracts provisions that provide for additional terms and conditions that are requested to be met before the subcontractor shall be entitled to receive final payment under Subparagraph c. of this Paragraph; provided that any such payments withheld shall be withheld by the procurement officer.

25. ACCEPTANCE OF GOODS AND SERVICES. The COUNTY shall accept goods and services or give CONTRACTOR notice of rejection within a reasonable time, notwithstanding any payment, prior test, or inspection. No inspection, test, delay or failure to inspect or test, or failure to discover any defect or other nonconformance with the specifications, shall relieve CONTRACTOR of any obligations under this Contract or impair any rights or remedies of the COUNTY.

26. OBSOLETE PARTS/LONG TERM PARTS AVAILABILITY. CONTRACTOR shall timely report on the status of end of life (EOL) hardware that has been procured for the purchased or leased product. EOL hardware includes the following: electronic components/piece parts and mechanical hardware. CONTRACTOR shall provide advanced notification in writing to the Officer-in-Charge of any changes to tooling, facilities, materials, availability of parts, or processes that could affect the contracted product. This includes but is not limited to fabrication, assembly, handling, inspection, acceptance, testing, facility relocation, or introduction of a new manufacturer. CONTRACTOR shall notify the COUNTY of any pending or contemplated future action to discontinue articles purchased or replacement parts for the articles purchased pursuant to this Contract and shall work with the COUNTY to determine the need to stockpile any parts for the likely life of the product and offer those parts to the COUNTY prior to the actual discontinuance. CONTRACTOR shall extend opportunities to the COUNTY to place last time buys of such articles with deliveries not to exceed twelve months after the last time buy date.

27. CONFIDENTIALITY OF MATERIAL.

a. All material given to or made available to the CONTRACTOR by virtue of this Contract, 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 COUNTY.

b. All information, data, or other material provided by the CONTRACTOR to the COUNTY is subject to the Uniform Information Practices Act, chapter 92F, HRS.

28. PUBLICITY AND USE OF COUNTY, STATE, OR FEDERAL SEAL, LOGO, AND FLAGS. The CONTRACTOR shall not refer to the COUNTY or any office, agency, or officer thereof, or any COUNTY employee, including the head of the purchasing agency, the County procurement officers, the County council members, or members or directors of any County board or commission, or to the services or goods, or both, provided under this Contract, in any of the CONTRACTOR's brochures, advertisements, or other publicity of the CONTRACTOR without the explicit written consent of the COUNTY. All media contacts with the CONTRACTOR about the subject matter of this Contract shall be referred to the head of the purchasing agency.

The CONTRACTOR shall not use federal, state, or County seal(s), logos, crests, or reproductions of flags or likenesses of any agency official without specific pre-approval in writing.

29. OWNERSHIP RIGHTS AND COPYRIGHT. The COUNTY shall have complete ownership of all material, both finished and unfinished, which is developed, prepared, assembled or conceived by the CONTRACTOR pursuant to this Contract and all such material shall be considered "works for hire." All such materials shall be delivered to the COUNTY upon expiration or termination of this Contract. The COUNTY, 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 Contract.

30. INSURANCE. During the term of this Contract, CONTRACTOR shall maintain at all times or cause to be maintained general and professional liability insurance coverage for CONTRACTOR and its employees rendering services to the COUNTY under this Contract. The insurance policies shall be issued by a company or companies authorized to do business in Hawaii and approved by the COUNTY, with combined single limits of not less than ONE MILLION DOLLARS (\$1,000,000) per occurrence and TWO MILLION DOLLARS (\$2,000,000) in the aggregate for Contracts with a total certified amount of \$1,000,000 or less, and THREE MILLION DOLLARS (\$3,000,000) in the aggregate for Contracts with a total certified amount of \$1,000,001 or more, or such greater amount as may be required from time to time by the COUNTY. CONTRACTOR shall also carry workers' compensation insurance for CONTRACTOR'S employees in the amounts required by applicable law. CONTRACTOR shall provide COUNTY not less than thirty (30) days' notice prior to any cancellation or material change or reduction in coverage. No such material change or reduction may be made without approval from the COUNTY. The COUNTY shall be listed as an additional insured on all policies, with the exception of professional liability and workers' compensation policies. Prior to the commencement of this Contract, CONTRACTOR shall provide the COUNTY with a certificate of insurance. Thereafter, prior to the expiration of each policy period, the insurance carriers for CONTRACTOR shall provide the COUNTY with certificates of insurance evidencing the foregoing coverage and provisions. The COUNTY reserves the right to request and receive a certified copy of the policies. Failure to maintain the necessary insurance in accordance with the provisions set forth herein shall constitute a material breach of this Contract and the COUNTY shall thereafter have the options of pursuing remedies for such breach and/or immediate termination of this Contract.

31. LIENS AND WARRANTIES.

a. Liens. All products provided under this Contract shall be free of all liens and encumbrances.
b. Warranties for products and services. In the event this Contract is for the provision of products (goods or equipment), CONTRACTOR warrants that it has all rights, title and interest in and to all products sold, leased or licensed to the COUNTY. CONTRACTOR also warrants that the products shall substantially conform to all descriptions, specifications, statements of work and representations set forth in the Contract, schedules, publications of CONTRACTOR and/or any order(s) and will be free from defects in materials, performance, workmanship and design. CONTRACTOR further warrants that it will perform any services required with promptness, diligence and in accordance with prevailing standards in the industry to the reasonable satisfaction of the COUNTY. The Warranty period shall commence after Acceptance, as defined in this Contract. Any specific warranty periods shall be as set forth in the proposals, schedules, orders or Special Conditions pertaining to this Contract but in any event such warranty period shall not be less than one (1) year.

32. ACCESS TO AND AUDIT OF BOOKS AND RECORDS OF THE CONTRACTOR. The COUNTY may, at reasonable times and places, audit the books and records of the CONTRACTOR, prospective CONTRACTOR, subcontractor, or prospective subcontractor which are related to:

a. The cost or pricing data.
b. Subcontracts, other than those related to a firm fixed-price Contract.
c. The following access to records requirements additionally apply to any Contract funded in whole or in part by the state or federal government:

1) The CONTRACTOR agrees to provide the County, State of Hawaii, Federal Emergency Management Agency or other federal agency, the Comptroller General of the United States, or any of their authorized representatives access to any books, documents, papers, and records of the CONTRACTOR which are directly pertinent to this contract for the purposes of making audits, examinations, excerpts, and transcriptions.

- 2) The CONTRACTOR agrees to permit any of the foregoing parties to reproduce by any means whatsoever or to copy excerpts and transcriptions as reasonably needed.
- 3) The CONTRACTOR agrees to provide access to construction or other work sites pertaining to the work being completed under the contract.

33. COST OR PRICING DATA.

a. Cost or pricing data must be submitted to the head of the purchasing agency and timely certified as accurate for contracts over \$100,000 unless the contract is for a multiple-term or as otherwise specified by the head of the purchasing agency.

b. If certified cost or pricing data are subsequently found to have been inaccurate, incomplete, or noncurrent as of the date stated in the certificate, the County is entitled to an adjustment of the contract price, including profit or fee, to exclude any significant sum by which the price, including profit or fee, was increased because of the defective data. It is presumed that overstated cost or pricing data increased the contract price in the amount of the defect plus related overhead and profit or fee. Therefore, unless there is a clear indication that the defective data was not used or relied upon, the price will be reduced in such amount.

34. RECORDS RETENTION.

a. Upon any termination of this Contract or as otherwise required by applicable law, CONTRACTOR shall, pursuant to chapter 487R, HRS, destroy all copies (paper or electronic form) of personal information received from the COUNTY.

b. The CONTRACTOR and any subcontractors shall maintain the files, books, and records that relate to the Contract, including any personal information created or received by the CONTRACTOR on behalf of the COUNTY, and any cost or pricing data, for at least three years after the date of final payment under the Contract. The personal information shall continue to be confidential and shall only be disclosed as permitted or required by law. After the three year or longer retention period as required by law has ended, the files, books, and records that contain personal information shall be destroyed pursuant to chapter 487R, HRS, or returned to the County at the request of the County.

35. ANTITRUST CLAIMS. The COUNTY and the CONTRACTOR recognize that in actual economic practice, overcharges resulting from antitrust violations are in fact usually borne by the purchaser. Therefore, the CONTRACTOR hereby assigns to the COUNTY any and all claims for overcharges as to goods and materials purchased in connection with this Contract, except as to overcharges which result from violations commencing after the price is established under this Contract and which are not passed on to the COUNTY under an escalation clause.

36. PATENTED ARTICLES. The CONTRACTOR shall defend, indemnify, and hold harmless the COUNTY, and its officers, employees, and agents from and against all liability, loss, damage, cost, and expense, including all attorney's fees, and all claims, suits, and demands arising out of or resulting from any claims, demands, or actions by the patent holder for infringement or other improper or unauthorized use of any patented article, patented process, or patented appliance in connection with this Contract. The CONTRACTOR shall be solely responsible for correcting or curing to the satisfaction of the COUNTY any such infringement or improper or unauthorized use, including, without limitation a. furnishing at no cost to the COUNTY a substitute article, process, or appliance acceptable to the COUNTY; b. paying royalties or other required payments to the patent holder; c. obtaining proper authorizations or releases from the patent holder; and d. furnishing such security to or making such arrangements with the patent holder as may be necessary to correct or cure any such infringement or improper or unauthorized use.

37. POLLUTION CONTROL. If during the performance of this Contract, the CONTRACTOR encounters a "release" or a "threatened release" of a reportable quantity of a "hazardous substance," "pollutant," or "contaminant" as those terms are defined in section 128D-1, HRS, the CONTRACTOR shall immediately notify the COUNTY and all other appropriate state, county, or federal agencies as required by law. The CONTRACTOR shall take all necessary actions, including stopping work, to avoid causing, contributing to, or making worse a release of a hazardous substance, pollutant, or contaminant, and shall promptly obey any orders the Environmental Protection Agency or the state Department of Health issues in response to the release. In the event there is an ensuing cease-work period, and the COUNTY determines that this Contract requires an adjustment of the time for performance, the Contract shall be modified in writing accordingly.

CONTRACTOR further agrees to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act, 42 U.S.C. § 7401-7671 et seq., and the Federal Water Pollution Control Act, as amended, 33 U.S.C. §1251-1387, and will report violations to the County, Federal Emergency Management Agency, and the regional office of the Environmental Protection Agency. The CONTRACTOR agrees to include these requirements in each subcontract.

38. RECOVERED AND RECYCLED MATERIALS. To the extent applicable to this contract, CONTRACTOR agrees to comply with section 6002 of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act. Section 6002 requires CONTRACTOR to use only items, designated in guidelines of the Environmental Protection Agency at 40 C.F.R. part 247, that contain the highest percentage of recovered materials practicable, consistent with maintaining a satisfactory level of competition, where the purchase price of the item exceeds \$10,000.

a. In the performance of this contract, the CONTRACTOR shall make maximum use of products containing recovered materials that are EPA-designated items unless the product cannot be acquired (i) Competitively within a timeframe providing for compliance with the contract performance schedule; (ii) Meeting contract performance requirements; or (iii) At a reasonable price.

b. Information about this requirement, along with the list of EPA-designate items, is available at EPA's Comprehensive Procurement Guidelines web site, <https://www.epa.gov/smm/comprehensive-procurement-guideline-cpg-program>.

39. ENERGY EFFICIENCY. To the extent applicable to this Contract, CONTRACTOR agrees to comply with all applicable mandatory standards and policies relating to energy efficiency of the State of Hawaii or County.

40. CONFIDENTIALITY OF PERSONAL INFORMATION.

a. Definitions.

"Personal information" means an individual's first name or first initial and last name in combination with any one or more of the following data elements, when either name or data elements are not encrypted:

- 1) Social security number;
- 2) Driver's license number or Hawaii identification card number; or
- 3) Account number, credit or debit card number, access code, or password that would permit

access to an individual's financial information.

Personal information does not include publicly available information that is lawfully made available to the general public from federal, state, or local government records.

"Technological safeguards" means the technology and the policy and procedure for use of the technology to protect and control access to personal information.

b. Confidentiality of Material.

1) All material given to or made available to the CONTRACTOR by the COUNTY by virtue of this Contract which is identified as personal information shall be safeguarded by the CONTRACTOR and shall not be disclosed without the prior written approval of the COUNTY.

2) CONTRACTOR agrees not to retain, use, or disclose personal information for any purpose other than as permitted or required by this Contract.

3) CONTRACTOR agrees to implement appropriate "technological safeguards" that are acceptable to the COUNTY to reduce the risk of unauthorized access to personal information.

4) CONTRACTOR shall report to the COUNTY in a prompt and complete manner any security breaches involving personal information.

5) CONTRACTOR agrees to mitigate, to the extent practicable, any harmful effect that is known to CONTRACTOR because of a use or disclosure of personal information by CONTRACTOR in violation of the requirements of this Paragraph.

6) CONTRACTOR shall complete and retain a log of all disclosures made of personal information received from the COUNTY, or personal information created or received by CONTRACTOR on behalf of the COUNTY.

c. Security awareness training and confidentiality agreements.

1) CONTRACTOR certifies that all of its employees who will have access to the personal information have completed training on security awareness topics relating to protecting personal information.

2) CONTRACTOR certifies that confidentiality agreements have been signed by all of its employees who will have access to the personal information acknowledging that:

(A) The personal information collected, used, or maintained by the CONTRACTOR will be treated as confidential;

(B) Access to the personal information will be allowed only as necessary to perform the Contract; and

(C) Use of the personal information will be restricted to uses consistent with the services subject to this Contract.

d. Termination for Cause. In addition to any other remedies provided for by this Contract, if the COUNTY learns of a material breach by CONTRACTOR of this Paragraph by CONTRACTOR, the COUNTY may at its sole discretion:

- 1) Provide an opportunity for the CONTRACTOR to cure the breach or end the violation; or
- 2) Immediately terminate this Contract.

41. **GOVERNING LAW.** The validity of this Contract and any of its terms or provisions, as well as the rights and duties of the parties to this Contract, 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 Contract shall be brought in a State court of competent jurisdiction in Wailuku, Maui, Hawaii.

42. **COMPLIANCE WITH LAWS.** This is an acknowledgement that state or federal financial assistance may be used to fund the contract only. The CONTRACTOR shall comply with all federal, State, and county laws, ordinances, codes, rules, regulations, executive orders, and agency policies, procedures, and directives, as the same may be amended from time to time, that in any way affect the CONTRACTOR'S performance of this Contract. This specifically includes, without limitation, Sections 103-55 and 103-55.5, HRS, dealing with wages, hours and working conditions of employees of contractors providing services or construction.

The state and federal government are not party to this contract and is not subject to any obligations or liabilities to the County, CONTRACTOR, or any other party pertaining to any matter resulting from the contract.

43. **CONFLICT BETWEEN GENERAL CONDITIONS AND PROCUREMENT RULES.** In the event of a conflict between the General Conditions and the procurement rules in the HAR, the procurement rules in effect on the date this Contract became effective shall control and are hereby incorporated by reference.

44. **ELECTION-RELATED CONTRIBUTIONS BY COUNTY CONTRACTORS.** CONTRACTOR acknowledges and shall comply with Section 11-355, HRS.

45. **BYRD ANTI-LOBBYING AMENDMENT.** If this contract is for an award of \$100,000 or more, CONTRACTOR shall file a written declaration with the County certifying that CONTRACTOR has not and will not use federally appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any federal agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any federal contract, grant or any other award covered by 31 U.S.C. § 1352. Included within the written declaration shall be the name of any registrant under the Lobbying Disclosure Act of 1995 who has made lobbying contacts on behalf of CONTRACTOR with respect to this contract. CONTRACTOR also agrees to disclose any lobbying with non-federal funds that takes place in connection with obtaining any federal award.

46. **DRAFTING.** No provision of this Contract shall be interpreted for or against any party on the basis that such party was the draftsman of such provision, and no presumption of burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Contract.

47. **CAPTIONS.** The captions contained herein are used solely for convenience and shall not be deemed to define or limit the provisions of this Agreement.

48. **COUNTERPARTS.** This Contract may be executed in any number of counterparts with the same effect as if all of the parties had signed the same document. Such executions may be transmitted to the parties by facsimile or electronically and such facsimile or electronic execution and transmission shall have the full force and effect of an original signature. All fully executed counterparts, whether original executions or facsimile or electronic executions or a combination thereof shall be construed together and shall constitute one and the same Contract.

49. **SEVERABILITY.** In the event that any provision of this Contract is declared invalid or unenforceable by a court, such invalidity or non-enforceability shall not affect the validity or enforceability of the remaining Contract terms.

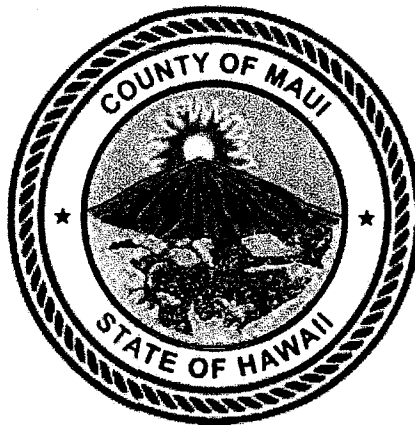
50. **WAIVER.** The failure of the COUNTY to insist upon the strict compliance with any term, provision, or condition of this Contract shall not constitute or be deemed to constitute a waiver or relinquishment of the COUNTY's right to enforce the same in accordance with this Contract. The fact that the COUNTY specifically refers to one provision of the law, and does not include other provisions shall not constitute a waiver or relinquishment of the COUNTY's rights or the CONTRACTOR's obligations under the law.

51. **ENTIRE AGREEMENT.** This Contract sets forth all of the agreements, conditions, understandings, promises, warranties, and representations between the COUNTY and the CONTRACTOR relative to this Contract. This Contract supersedes all prior agreements, conditions, understandings, promises, warranties, and representations, which shall have no further force or effect. There are no agreements, conditions, understandings, promises, warranties, or representations, oral or written, express or implied, between the COUNTY and the CONTRACTOR other than as set forth or as referred to herein.

[END OF GENERAL CONDITIONS FOR GOODS & SERVICES CONTRACTS]

REQUEST FOR PROPOSAL NO. 19-01OCA

A PROPOSAL TO CONDUCT THE FINANCIAL AUDIT
OF THE COUNTY OF MAUI



FOR THE FISCAL YEARS ENDING JUNE 30, 2019
THROUGH JUNE 30, 2023

October 25, 2018

Proposal No. 19-01OCA

Proposer's contact information:
Mr. Dwayne S. Takeno, Principal
N&K CPAs, Inc.
1001 Bishop Street, Suite 1700
Honolulu, Hawaii 96813
Phone: 808-566-1341
Fax: 808-523-2090
Email: dtakeno@nkcpa.com



N&K CPAs, Inc.
ACCOUNTANTS | CONSULTANTS

AMERICAN SAVINGS BANK TOWER
1001 BISHOP STREET, SUITE 1700
HONOLULU, HAWAII 96813-3696
T (808) 524-2255 F (808) 523-2090

October 25, 2018

County Auditor
County of Maui
2145 Wells Street, Suite 106
Wailuku, Hawaii 96793

To the County Auditor:

Thank you for giving us this opportunity to express our interest in providing professional audit services for the fiscal years ended June 30, 2019 through June 30, 2023. In this proposal, we present in detail the objectives and scope of the audit and our approach to the engagement. We address all items set forth in the Request for Proposal No. 19-01OCA to conduct the financial audit of the County of Maui (County). This proposal includes a description of the firm, our previous work experience, resources to be used, fees, and timing of services. We agree to abide by the terms of the Request for Proposal – Financial Audit of the County of Maui (RFP 19-01OCA).

We are submitting this proposal to conduct the audits of the County's financial statements and the County's Department of Water Supply financial statements. In addition to the audits, we will perform the Single Audit of the County's federal financial assistance programs in accordance with the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). We are committed to complete the engagement in a timely manner and within the timeline set forth within the proposal.

The personnel who would be available to the County are well qualified to provide the types of services required. Through the training curriculum in the N&K Academy and through experience with various audit engagements for federal, state and local government, we have developed professional team members who are highly competent

and proficient in government accounting and auditing. Your engagement will be staffed with experienced and knowledgeable professionals who are up-to-date and informed of the legislative and regulatory developments affecting the County. In addition, through our membership in CPAmerica International, our clients also have access to the advice and resources of more than 10,000 industry professionals in over 100 countries around the world in order to address more complex, technical issues.

We have conducted audits of a large number of state and local government agencies here in the State of Hawaii, and currently serve as the external auditors for the County of Hawaii, County of Kauai, County of Maui and the Board of Water Supply, and have also previously served as the auditor of the City and County of Honolulu.

In addition, we have conducted audits most of the major State departments which include the Department of Education, Department of Human Services; Hawaii State House of Representatives; Hawaii State Senate; Hawaii Green Infrastructure Authority; Department of Business, Economic Development and Tourism; Hawaii Green Infrastructure Bond Fund; Office of the Auditor; Office of the Legislative Reference Bureau; Office of the Ombudsman and the State Ethics Commission. Details of this experience are included in the "Previous Work" section of this proposal.

Our firm is proud to be one of the largest CPA firms in the State of Hawaii. We are a local firm - one with strong ties in the Hawaii community that also has national and international connections. We serve businesses ranging from sole proprietors to large corporations and have developed areas of expertise in government, non-profit, construction, real estate, and retail industries. Smaller businesses have found that we have been able to meet their needs as they grow, and that they do not have to worry about outgrowing their CPA firm. Large, established corporations have found that it is still possible to meet their full range of needs in the financial area while enjoying the personal touch of a local CPA who understands and cares about their business. We truly pride ourselves in being able to provide personalized, professional services to our clients.

We hope to have the opportunity to continue to work with you. We would be pleased to meet with you to present this proposal and answer any questions you may have. You may also wish to visit our website at www.nkcpa.com to learn more about our firm.

Sincerely,

N&K CPAs, Inc.



Dwayne S. Takeno
Principal

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Methodology



Audit Objectives

With respect to the County, the objectives of the audit would be as follows:

1. To assess and provide a report on the adequacy, effectiveness, and efficiency of the systems and procedures for the financial accounting, internal control, and financial reporting of the County;
2. To ascertain whether expenditures and other disbursements have been made and revenues and other receipts have been collected and accounted for in accordance with Federal, State, and County laws, including appropriation and disbursement restrictions;
3. To assist in the County management's efforts in preparing a Comprehensive Annual Financial Report;
4. To provide recommendations as appropriate;
5. To report the status of the previous Contract Auditor's recommendations;
6. To provide a report complying with Federal Single Audit requirements with specific recommendations on meeting Single Audit notice and audit resolution requirements, and to submit the final report to appropriate Federal and State agencies; and
7. To assist in the County management's efforts in qualifying for the Government Finance Officers' Association's Certificate of Conformance in financial reporting.

Audit Scope

The audit of the County shall include the following:

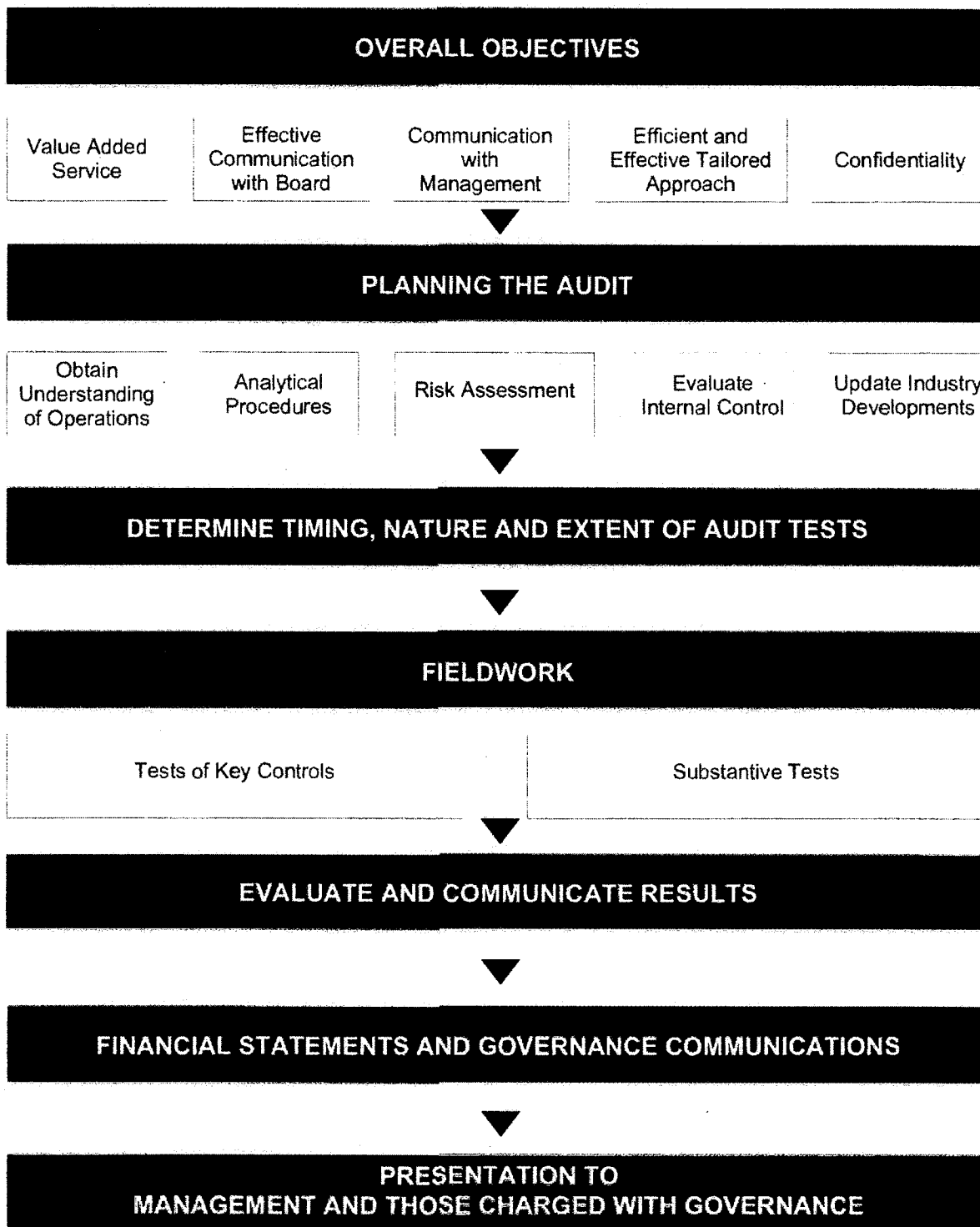
1. Conduct a financial audit of all fund types and groups in the County and the Department of Water Supply for the periods ending June 30, 2019, through June 30, 2023, to establish the basis of reporting on the fairness of the financial statements, and on the accounting of all revenues and other receipts.
2. Examine the existing accounting, reporting, and internal control structures of the County to provide a basis for the audit, and to make appropriate recommendations for improving operations, including budget processes, revenue process (including assessment, billing and collection procedures), payroll system and procedures, all funds (including special assessment funds), property inventory and control, records, management information systems, and accounting and other operating procedures.
3. Conduct an audit as required by the Federal Single Audit Act, as amended the U.S. Office of Management and Budget Circular A-133, and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("2 CFR Part 200"). Additional work which may be required by specific agencies (e.g., reports required to be filed by a public housing authority [Section 8 Program] through the U.S. Department of Housing and Urban Development Real Estate Assessment Center) shall be addressed by an "Agreed Upon Procedures Engagement". We may or may not be engaged to perform this additional work.
4. We may be requested and engaged to assist the Office of the County Auditor with the planning of additional work related to the audits. We may or may not be engaged to perform this additional work.
5. We understand that the proposal pertains to the audit of the fiscal years ending June 30, 2019 through June 30, 2023; however, the initial contract shall pertain only to the audit for fiscal year 2019. The contract will provide for options to retain us as auditor for the fiscal years 2020 through 2023.

Audit Standards

The audit of the County shall be conducted under the following standards:

1. Our audit will be performed in accordance with pertinent auditing standards of the American Institute of Certified Public Accountants (AICPA) the U.S. General Accounting Office, Office of Management and Budget (OMB), and the Governmental Accounting Standards Board.
2. The Single Audit shall be performed in accordance with the Federal Single Audit Act, as amended, 2 CFR Part 200, and the related regulations, interpretations, and guidance issued by Federal agencies.
3. We will comply with any other accounting and auditing standards, policies, and procedures required by law or promulgated by accepted standard-setting authorities in the accounting and auditing professions.
4. The audit reports shall, if practicable, be plainly worded, and avoid the use of technical terms.

Audit Approach



Audit Approach (continued)

N&K utilizes a risk-based audit approach. Our planning procedures, which include discussions with client personnel and those charged with governance (County Council) as well as analytical procedures, identify the significant audit areas of the County that are most susceptible to material misstatement. Our audit procedures are then designed to focus more on those areas in order to gain the highest level of assurance of your financial results. The firm utilizes standard audit programs, which are customized for the County's specific audit requirements. All levels of the audit team will discuss and determine the procedures to be conducted prior to the beginning of the audit. Our staff is flexible enough to revise audit plans in light of circumstances encountered during the County's audit.



Our firm has access to an information technology specialist who regularly performs reviews of clients' current systems, system feasibility studies, software implementation assistance, and disaster recovery/business continuity planning. This specialist is available to provide assistance on engagements with complex information technology systems and to assist in obtaining an understanding of information systems as it relates to our client's financial reporting processes and to review and evaluate the general controls of the financial information software as needed.

We will have an expectation of your staff to assist us during the audit by preparing all schedules and confirmations we request and locating any documents or invoices selected by us for testing.

Our audit planning process will include communication with members of management and during these interactions with you, we will:

- Review the current year's financial information to highlight unusual items or new activities not previously discussed.
- Identify areas of concern to the staff, management and the County Council.
- Review actions taken by the County Council, management or staff that may have had an unusual or unexpected impact on the financial information and all plan amendments.
- Review changes in the long-range plan that may impact the financial information.
- Review audit areas determined to be critical by the auditors.
- Review the audit schedule for the coming year, including the start date and the due date of financial statements.
- Discuss conceptual issues concerning the direction of the plan and the impact of financial management decisions.

Audit Approach (continued)

A. OVERALL AUDIT APPROACH

An audit consists of basically the following phases:

- Developing a preliminary plan;
- Assessing audit risk;
- Formulating an audit work plan based upon the risk assessed;
- Performing the audit based upon the work plan; and
- Concluding and reporting on the audit.



1. Developing a Preliminary Plan

Preliminary planning involves obtaining knowledge and understanding of the County's environment and operating characteristics. These areas of knowledge can be divided into external and internal factors. In addition, the performance of analytical procedures also assists in understanding the operations of the County.

a. External Factors

External factors that affect an entity are comprised of the revenue sources and legal requirements affecting the County and the political and economic considerations that may affect its operations, control procedures and accounting systems.

b. Internal Factors

The internal factors that need to be considered are the administrative and operating characteristics of the County.

Administrative Characteristics

By inquiry and inspection of relevant documents, we will gain an understanding of the County, the authorities, duties, and responsibilities of key administrative and financial personnel, including formal position descriptions.

Operating Characteristics

We will gain an understanding of the County's systems and procedures as they relate to financial accounting, internal control and financial reporting. This will include:

- Reviewing, documenting, and evaluating the internal control of the County.
- Reviewing the budgeting and financial reporting process and the procedures and controls in place to control expenditures and monitor adherence to budgets.

Audit Approach (continued)

- Identifying the County's reporting of fiscal information to different levels of management to provide timely and meaningful information to manage the County's operations.

c. Analytical Procedures

We would perform analytical procedures to improve our understanding of the County's operations and to identify audit areas for increased attention.

After reviewing the external and internal factors and performing analytical procedures, we will determine the extent to which we will place reliance on the existing internal controls and adapt our audit procedures accordingly.

2. Assessing Audit Risk

Our overall audit approach is to conduct a preliminary identification and assessment of the risks surrounding and existing within the County. By identifying the various risks that exist, within an entity as well as with the audit, appropriate effort is given to those riskier areas. The identification of risks would include a general risk assessment and a specific risk assessment.



a. General Risk Assessment

We will gain an understanding of the County's internal controls and in the process identify the various business risks facing the County. This would encompass obtaining an understanding of the County's control environment, the control activities and procedures in place at the County, and the level and extent of any monitoring procedures of the County. The purpose of general risk analysis is to look at the overall risk of misstatement of the financial statements. We would assess the risk of material misstatement from the following causes:

- Error (unintentional misstatements).
- Fraudulent financial reporting (intentional misstatements).
- Misappropriation of assets (defalcation).

In order to assess the risk of misstatement from these causes, we would gain an in-depth understanding of the County's operations and the way they work. These steps are fundamental to improving audit effectiveness and efficiency.

Audit Approach (continued)

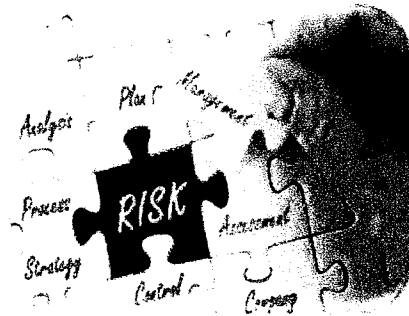
b. Specific Risk Assessment

Based upon the general risk factors identified, we would identify any specific risks that may exist and any mitigating controls that would prevent or detect the possible errors.

We would identify the relevant controls that management has in place and review the assessed risks. Based upon this preliminary risk assessment, we will plan the procedures to respond to these risks. These procedures would include additional analytical procedures and appropriate tests to evaluate the effectiveness of the controls established to mitigate the identified risks.

3. Formulating an Audit Work Plan Based Upon the Risk Assessed

After completing our preliminary planning and assessing audit risk, we will formulate an audit plan. This plan details the approach and procedures that we intend to perform on the financial statement accounts, the procedures and tests to review the internal control, the procedures and tests to ensure compliance with laws and regulations, and any other procedures needed to cover any specific areas of concern.



4. Performing the Audit Based Upon the Work Plan

Based upon the audit plan, we will audit the financial statement accounts/classes and make modifications to our plan based upon any findings or conditions that we encounter. We will perform tests of controls and substantive tests which will involve examining documentary evidence supporting transactions recorded in accounts and direct confirmations of certain transactions and balances with funding agencies, financial institutions, and third parties, as appropriate.

5. Concluding and Reporting on the Audit

We will evaluate the results of our testing and report on the fairness of the presentation of the County's financial statements and report on any significant findings noted. Our report will be accompanied by the financial statements including notes to the financial statements and supplemental schedules. An audit is subject to the inherent risk that material errors and irregularities, including fraud or defalcations, if they exist, will not be detected. However, we will inform you of irregularities that come to our attention, unless they are clearly inconsequential.

We will report on the County's internal control and make recommendations for improvements in the internal control and policies and procedures as necessary. We will also report on the County's compliance with laws and regulations.

Audit Approach (continued)

Detection of fraud and illegal acts

Auditing standards require that the auditor assess the risk of material misstatements of financial statement amounts or other financial data significant to the audit objectives due to fraud and consider that assessment in designing audit procedures to be performed. The two types of misstatement that the auditor must consider are misstatements arising from fraudulent financial reporting and misstatements arising from misappropriation of assets.

We will perform preliminary analytical procedures and inquire with the County's personnel of various position levels and offices to identify risks of material misstatement of financial statements due to fraud. We will gain an understanding of controls over each significant audit area under the framework of the six components of controls: control environment, management's risk assessment, communication controls, monitoring controls, information system, and control activities.

Where there is an identified risk of material misstatement of a financial statement amount, we will have our more experienced audit team members gain an understanding of the nature of the item, test controls and transactions as necessary, and perform substantive analytical procedures and confirmations as appropriate.

Where feasible, data extraction software will be utilized to identify unusual transactions or transactions that have characteristics that are likely to indicate fraudulent activity. Because misstatement of revenue is a common fraudulent financial reporting activity, we will presume improper revenue recognition as a fraud risk.

To address potential fraud due to possible management override of controls, we will examine journal entries as appropriate, review accounting estimates, and evaluate unusual transactions.

Work Plan For The Audit Of The Financial Statements

After performing our preliminary planning, assessing audit risk and the risk of material misstatement in the financial statements, including examining the County of Maui and the Department of Water Supply's (collectively referred to the County) existing accounting, reporting and internal control, the engagement team will tailor and design appropriate audit procedures. Audit procedures include tests of key internal controls over the significant transactions cycles such as real property taxes, cash receipts and disbursements. These procedures are done in the earlier phases of the audit and our engagement team works with the various departments of the County to coordinate and schedule the on-site visits. Audit procedures also include analytical procedures and other substantive tests (e.g., confirmations, vouching, physical examination) as necessary to comply with generally accepted auditing standards and *Government Auditing Standards*. Our audit procedures will also include determining the status of the County's implementation of recommendations made as a result of the most recently completed financial audit of the County.

Where appropriate, N&K will test the County's internal controls to determine whether they are operating effectively and whether reliance can be placed on these controls and limit the amount of substantive procedures performed.

N&K will also perform detailed substantive tests in those areas where sufficient evidence cannot be obtained based on tests of controls or analytical procedures. These tests typically include the use of sampling, the size of which will be determined based on assessed risk and the quality of other evidential matter obtained.

The following describes the specific audit objectives and procedures that may be performed during the audit of the County's financial statements. The following is for illustration purposes only and is not meant to demonstrate all significant areas and procedures for the audit of the County.

1. Cash and Investments Audit Objectives

- To determine that the County's cash and investments exist, are safeguarded and are properly classified at fiscal year-end.
- To determine whether the County's cash and investment balances reflect a proper cutoff of receipts and disbursements and are fairly stated at fiscal year-end.
- To ensure that accounting principles are appropriate and consistently applied and that all disclosures have been made in accordance with generally accepted accounting principles.

Audit Procedures

- N&K will meet with the County's finance personnel to update and identify all depositories with which the County has transacted business during the fiscal year.

Work Plan (continued)

- N&K will ascertain whether any funds, if required by contractual agreements to be maintained in separate cash or investment accounts are separately maintained and compliance with applicable laws and regulations during the fiscal year and at fiscal year-end.
- N&K will work with County finance personnel to coordinate the preparation of confirmations which involves selected cash, cash equivalent, and investment account balances directly with the depositories. We will also control the mailing and receipt of the confirmations. Second requests are sent if confirmations are not received within two weeks. N&K will work with County finance personnel for any non-responses.
- N&K will obtain and review bank reconciliations to ensure proper reconciliation and timely completion. Any unusual or significant reconciling items will be investigated. Testing also includes the scanning of receipts and disbursements for significant or unusual transactions near fiscal year end.
- N&K's audit procedures also consist of determining that the fair value of investments and changes in investment value are properly accounted for.
- N&K will review the related financial statement disclosures related to fair value of investments held for appropriateness, adequacy, and conformity with GASB Statement No. 72, "Fair Value Measurement and Application."

2. Capital Assets Audit Objectives

- To determine that the County's capital assets exist and are safeguarded.
- To determine that the County's capital assets are fairly stated at fiscal year-end and capital assets are properly classified on the statement of net position
- To ensure that accounting principles are appropriate and consistently applied by the County and that all required disclosures have been made in accordance with generally accepted accounting principles.

Audit Procedures

- N&K will ascertain that capital assets purchased during the period have been capitalized and depreciated in accordance with the County's policies.
- If deemed necessary, N&K will trace significant capital asset acquisitions to the physical asset.
- N&K will obtain, update and assess the County's policies over the safeguarding of capital assets. If necessary, N&K will observe that capital assets are adequately safeguarded by the use of locks, alarms, identification tags, and other appropriate means.

Work Plan (continued)

- N&K will inquire with appropriate personnel of any significant capital asset acquisitions and retirements and relate these facts to observations, invoices and the accounting records.
- If applicable or deemed necessary, N&K will review the most recent physical inventory, if performed, and compare the inventory to the reported amount.
- N&K will ascertain whether leased property have been properly accounted for.
- N&K will assist or review the related financial statement disclosures as it relates to capital assets for appropriateness, adequacy, and conformity with generally accepted accounting principles.

3. Revenue, Receivables, and Receipts Audit Objectives

- To determine whether revenues and accounts receivable of the County are valid.
- To determine whether all revenues of the County resulting from valid transactions have been properly recorded.
- To determine whether receivables of the County have been recorded at the correct amount and in the correct fund. Also to determine that an adequate allowance for doubtful accounts, if necessary has been established.
- To determine whether there has been a proper deferral of revenue from items that relate to periods subsequent to the fiscal year end.
- To determine that revenue and receivables of the County are appropriately classified in the financial statements and required disclosures have been made in accordance with generally accepted accounting principles.

Audit Procedures

- During the planning phases of the audit and based on information furnished by the County, N&K will meet with the appropriate County personnel and identify the major sources of revenues and will consider the materiality and risks surrounding them by obtaining an understanding of the accounting policies governing the revenues and support.
- N&K will also discuss procedures used to monitor compliance with restrictions and requirements for funds received with restrictions.
- N&K will perform an analysis on the fiscal year end aged accounts receivable schedule prepared by County finance personnel and review for significant receipts and receivable accounts to be considered for external written confirmation.
- N&K will perform fiscal year-end cutoff procedures for amounts due from others to determine if receivables are recorded in the proper fiscal year.

Work Plan (continued)

- N&K will review receivables from identified related parties, assess and discuss their collectability and to determine whether a note disclosure is necessary.
- N&K will review, assess and discuss with County finance personnel about long outstanding receivables and unusual balances to determine whether adequate follow-up is being performed, any interest or late fee assessed, if required, and/or whether the amounts are collectible.
- N&K will assess the need or adequacy of an allowance for doubtful accounts by reviewing collections subsequent to fiscal year end and review for any long outstanding receivable balances.
- N&K will perform a reasonableness test of revenues through analytical procedures.
- N&K will review for significant transfers between funds to supporting documentation such as journal vouchers and ordinances.

4. Accounts Payable and Expenses Audit Objectives

- To determine that recorded expenses and disbursements of the County are for goods or services authorized and received.
- To determine that expenses incurred for by the County for goods or services and related accounts payable have all been identified.
- To determine that expenses of the County are for goods or services and related disbursements and liabilities are valid and have been recorded correctly as to the account, program/grant or other expense category, and amount.
- To determine that expenses of the County for goods or services and related liabilities are properly presented and that all appropriate disclosures have been made in accordance with generally accepted accounting principles.

Audit Procedures

- N&K will review and update any changes made to the County's procedures for purchasing goods and services and identifying any requirements pertinent to purchasing activities and requirements imposed.
- Using a schedule of expenses by function from County finance personnel, N&K will:
 - Perform appropriate analytical tests of expenses.
 - Scan accounting records for large and unusual transactions and relate work done in other areas of the audit to related expense accounts and consider the business purpose of any significant or unusual transaction.

Work Plan (continued)

- Using an accounts payable listing prepared by the County, N&K will perform the following:
 - Tests of the clerical accuracy and reconcile the fiscal year-end balance to the financial statement trial balance.
 - Inquire of County finance personnel for any significant or unusual balances and investigate or confirm as deemed necessary.
 - Scan the accounts payable schedule and identify and identify related party payables. Inquire of County finance personnel as to whether there noninterest bearing liabilities, whether assets are pledged and whether any information is required for disclosure in the financial statements.
 - Perform a search for unrecorded liabilities which consists of examining disbursements made subsequent to fiscal year end and determining whether they have been recorded in the proper period.
- N&K will inquire with County management of any contracts or commitments entered into prior to the fiscal year-end that would require recording or disclosure in the financial statements.
- For payroll and related liabilities, N&K will perform appropriate analytical procedures to ascertain reasonableness of amount in relation that each payroll related account has to another and past history.
- For unusual compensation identified during our procedures, N&K will review and inspect evidence for proper approval.
- N&K will review the County's method to calculate accrued wages, compensated absences and other significant accruals for reasonableness and proper cutoff and rates.

5. Net Pension Liability

- To determine whether there is sufficient and appropriate audit evidence to support the net pension liability, pension expense, and related deferred inflows and outflows of resources, as of and for the fiscal year end.

Audit Procedures

- N&K will obtain the pension plan auditor's report and determine that an unmodified opinion was expressed, and to also determine whether the pension plan's auditor has the necessary competence and independence to place reliance on the results of their audit.
- N&K will review the audited allocation schedules within the pension plan audit report for mathematical accuracy and recalculate the collective pension amounts (net pension liability, pension expense and related deferred inflows and outflows of resources) allocated to the County based on the respective allocation percentages.

Work Plan (continued)

- N&K will review the related financial statement disclosures for appropriateness, adequacy, and conformity with generally accepted accounting principles.

6. Other Post-Employment Benefits (OPEB)

- To determine whether there is sufficient and appropriate audit evidence to support the net OPEB liability at fiscal year-end.

Audit Procedures

- N&K will obtain and review an actuarial prepared valuation study, to obtain an understanding of the objectives, scope, methods and assumptions used in the work of the actuary.
- N&K will review independent auditors report on the schedule of changes in fiduciary net position for the County and the related notes to the schedule.
- N&K will review the related financial statement disclosures for appropriateness, adequacy, and conformity with generally accepted accounting principles.

7. Debt and Debt Service Expenditures Audit Objectives

- To determine that all debt and other long-term liabilities of the County are authorized, properly recorded, identified and disclosed.
- To determine that the County has complied with provisions of bond agreements and the related debt and debt service payments are properly recorded, classified and disclosed.
- To determine that all debt of the County is properly presented in the financial statements and related restrictions, guarantees and commitments are properly disclosed.

Audit Procedures

- N&K will inquire with County finance personnel about provisions of the charter, ordinances, and resolutions related to authority to borrow and issue debt.
- When applicable, N&K will also review bond agreements, contract agreements, and lease agreements.

Work Plan (continued)

- Using an analysis of bonds payable, notes payable, contracts payable and capitalized lease obligations prepared by County finance personnel, N&K will perform the following:
 - Externally confirm significant debt obligations with the lender, paying agent or escrow agent, as applicable.
 - Compare debt terms, balances and collateral as of the fiscal year end to amounts confirmed with the lender/lessor and investigate differences, if any.
 - Perform an reasonableness test of interest expense and accrued interest payable with analytical procedures for the fiscal year.
- N&K will review the related financial statement disclosures for appropriateness, adequacy, and conformity with generally accepted accounting principles.

8. Claims and Judgments Audit Objectives

- To determine that claims paid are recorded correctly as to account, amount, and period and are disbursed in accordance with the County's policies and procedures for claims settlement.
- To determine that reserves for claim losses represent a reasonable estimate of the County's liability for claims filed and incurred but not reported claims.
- To determine that insurance/self-insurance revenues, transfers, expenditures, assets, liabilities, and equity are properly classified and described in the financial statements and that related disclosures are adequate.

Audit Procedures

- N&K will review insurance policies, any actuarial reports, and a detailed schedule of claim loss reserve prepared by County finance personnel.
- We will coordinate and work with County finance personnel to send written confirmation requests to county counsel for a status of claims filed.
- N&K will review the methodology used to estimate the reserve for claim losses and perform tests of reserves.
- N&K will review the related financial statement disclosures for appropriateness, adequacy, and conformity with generally accepted accounting principles.

Work Plan (continued)

9. *Landfill Closure and Post closure Care Costs Audit Objectives*

- Determine that all municipal solid waste landfills (MSWLF) owned or operated by the County have been accounted for, whether or not they are still in operation.
- To ascertain matters that may materially affect the accounting for MSWLF in federal, state, and local laws and regulations and trust agreements have been identified.
- To ascertain that expenditures and accrued liabilities are stated at the correct amount and represent a complete presentation of obligations of the County that arose from operations of MSWLFs.
- To determine that all obligations are properly presented in the County's financial statements and the related disclosures are adequate.

Audit Procedures

- N&K will inquire and work with the County's finance division and review operating permits and the most recent engineering study performed on the MSWLF identifying the percentage filled and remaining life.
- N&K will review the calculation of total current cost of closure and post closure care and the current period expenditure and liability amounts.
- We will assess risk of noncompliance and perform tests of compliance with EPA financial assurance requirements.
- N&K will perform a review accounting entries and supporting schedules to ascertain costs are properly accounted for.
- N&K will review the related financial statement disclosures for appropriateness, adequacy, and conformity with generally accepted accounting principles.

New Or Revised Authoritative Pronouncements Impacting The County's Financial Statements

At the start and during the audit, we will apprise the County of applicable accounting and reporting standards and advise on its implementation to ensure the County's CAFR is prepared in accordance with generally accepted accounting principles. We will ascertain that the applicable standards are implemented upon the effective date. Through timely communication and working together, we will assist the County in receiving the GFOA's Certificate of Achievement for Excellence in Financial Reporting. Below are recently issued authoritative pronouncements as of the date of this proposal that may be applicable to the County and become effective for the fiscal years ended June 30, 2019 through 2021.

1. **GASB Statement No. 83, *Certain Asset Retirement Obligations*** - The objective of this statement is to establish criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.
2. **GASB Statement No. 84, *Fiduciary Activities*** - The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.
3. **GASB Statement No. 87, *Leases*** - The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.
4. **GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*** - The objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement requires that additional essential information related to debt be disclosed in notes to financial statements. This statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

New Or Revised Authoritative Pronouncements Impacting The County's Financial Statements (continued)

5. **GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*** - The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

6. **GASB Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*** - The primary objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The statement provides guidance clarifying the accounting and financial reporting requirements for a state or local government's majority equity interest in an organization that remains legally separate after acquisition. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

Work Plan For Examination Of Federal Assistance Programs (Single Audit)

The following describes the procedures N&K will perform to examine the County's federal assistance programs in accordance with the provisions of the Uniform Guidance.

1. A request is made to County finance personnel for a Schedule of Expenditure of Federal Awards (Schedule) as of the fiscal year end. N&K will perform tests of the Schedule for accuracy and completeness.
2. Using a questionnaire to be completed by the applicable County department's program personnel, N&K will preliminarily assess risk for selected federal programs.
3. Based on our preliminary risk assessment, N&K will identify the County's major federal programs.
4. Through inquiry, review of correspondence, manuals, and the Office of Management and Budget's *Compliance Supplement*, N&K will determine which of the following compliance requirements have a direct and material effect on each major federal program:
 - a. Activities allowed or unallowed
 - b. Allowable costs/cost principles
 - c. Cash management
 - d. Eligibility
 - e. Equipment and real property management
 - f. Matching, level of effort, earmarking
 - g. Period of performance
 - h. Procurement and suspension and debarment
 - i. Program income
 - j. Reporting
 - k. Subrecipient monitoring
 - l. Special tests and provisions
5. N&K will obtain an understanding of the County's controls over compliance to ensure compliance with the applicable major federal program requirements that may have a direct and material effect on each of the major federal programs.
6. N&K will perform test of internal controls over compliance to support a planned low assessed level of control risk.
7. N&K will perform test of compliance with requirements that have a direct and material effect on the major program, N&K will also follow up on any prior audit findings, and report findings as required by the Uniform Guidance, professional auditing standards, and contract requirements.

Work Plan For Examination Of Federal Assistance Programs (Single Audit) (continued)

N&K will work with the County finance department to electronically submit the reporting package which consists of the Data Collection Form and audit report to the Federal Clearinghouse. This electronic submission is due on the earlier of thirty calendar days after the audit reports are issued to the County or nine months after the end of the fiscal year.

Communication With The County

On an annual basis, we will provide the County and County Auditor a detailed audit plan and list of all schedules to be prepared by the County. Prior to the start of the fieldwork, we will conduct an entrance meeting with the key fiscal personnel of the County to coordinate the audit activities, share pertinent information and establish administrative guidelines.

Throughout the performance of the above procedures, the senior manager and/or audit manager we will be in constant communication with the respective key personnel of the County to discuss the status of the work and to communicate any preliminary findings. In general, when there are findings that will be reported either in then Single Audit report or in a management letter, N&K will draft the preliminary finding and provide it to the appropriate County personnel. This will eliminate any "surprise" findings or delay in the issuance of the reports. If at any time during the audit we discover 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 that specified in the "Resources to be Used" section of this proposal would be required, N&K will immediately notify the County of the finding in writing. If the deficiency is of such a character as to require the expenditure of additional time or resources, we will give the County an estimate of the additional time and cost that would be required.

At least two progress meetings with the Legislative Auditor, and if necessary, the Director of Finance and department heads of key offices and programs will be held annually. In addition, we will provide monthly status reports to the County Auditor on the progress of the audit and to report on any preliminary findings or concerns.

At the conclusion of the audit, the principal and managers will schedule and coordinate a meeting with the Legislative Auditor for an on-site exit conference to summarize the results of field work, review significant findings, and address any concerns and requests.

Reports To Be Issued

Preliminary and Final Drafts of Audit Reports

1. From drafts prepared by the County, we will type, format and produce a preliminary draft of the Comprehensive Annual Financial Report and other reports, financial statements, and schedules required under the engagement.
2. We will submit one (1) electronic copy of each of the preliminary drafts of reports, financial statements, and schedules to the County Auditor fourteen (14) days prior to printing and delivery of the final reports.
3. We will print and deliver to the County Auditor two-hundred-fifteen (215) bound copies of the Comprehensive Annual Financial Report; one (1) copy of the communication letter; sixty (60) bound copies of the financial audit of the Department of Water Supply; and one hundred (100) copies of other reports, financial statements, and schedules for distribution. Electronic copies will also be submitted.
4. Written reports of all information that indicate irregularities that could result in illegal acts shall be submitted immediately to the County Auditor, whether or not material to the financial statements.
5. We will provide a prompt written notification of any deficiency that is highly unusual or of such a nature as to require immediate correction, or of such character that in order to complete the audit, a significant amount of time or resources beyond that initially agreed to in the audit contract would be required. If the deficiency is of such a character as to require the expenditure of additional time or resources, we shall include in the notification an estimate of the additional time and cost that would be required. In this situation, we shall proceed to complete the audit only upon written authorization of the County Auditor.
6. Any reportable conditions found during the audit shall be communicated to the County Auditor. Non reportable conditions discovered shall be reported in a separate letter to the County Auditor.
7. We shall provide written reports on or before August 30, September 30, October 30, and November 30, on the progress of the audit to the County Auditor as well as any other progress reports as may be requested by the County Auditor. The progress reports shall explain any deviations from schedule, and shall identify and describe in detail all significant findings and recommendations.
8. We may request legal advice from the Department of the Corporation Counsel, related to the engagement. We shall submit a written report to the County Auditor detailing any legal advice received. A copy of any written advice received will be submitted. A request that is unanswered for more than a week will be reported.

Audit Working Papers

The documentation for this engagement is the property of N&K and constitutes confidential information. However, pursuant to authority given by law or regulations, we may be requested to make certain documentation available to third parties. We will notify you of any such request and access to such documentation will be provided only under the supervision of N&K's personnel. To the extent we accumulate any of your original records during the preparation of your engagement, those documents will be returned to you promptly upon completion of the engagement.

At any time during and subsequent to the completion of the audit, the we shall make available to the County Auditor and Federal audit agencies for their inspection and review, the working papers developed during the audit, as may be required by the terms and conditions under which Federal funds are received by the County, including, but not limited to, the following:

- a. The audit program and internal control structure documentation;
- b. The schedules, recommendations, computations, analyses, audit notes, confirmation letters and replies, and other data representing a record of work done in support of account transactions and balances and systems; and
- c. The documents obtained and other working papers relating to the audit.

The working papers shall not be made available to others except by consent of the County Auditor. Public disclosure of the working papers shall be governed by Chapter 92F, Hawaii Revised Statutes (HRS). The State Office of Information Practices in Op. Ltr. No. 92-25 stated that the working papers of a certified public accounting firm are government records subject to the State Uniform Information Practices Act (Chapter 92F, HRS). We shall consult with the County Auditor in the event that it receives a request to inspect and copy the working papers.

All working papers and reports must be retained, at our expense, for a minimum of five years beyond the end of any contract under this procurement, unless the firm is notified in writing by the County of the need to extend the retention period.

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

Consultation

We will be available for consultation regarding the audit with the County Auditor, Council Chair, with the Council and its committees, and with successor auditors. Typically, these meetings are held after the completion of the work required, to discuss the audit reports with a knowledgeable representative of the Contract Auditor.

Description of the Firm



Background - Local Traditions

N&K is a local firm that values its autonomy and its local traditions. We are very committed to the Hawaii market, as evidenced by our 45 years of serving the people of this state. The firm was founded in 1973 with a staff of nine people. Today, the firm is one of the largest CPA firms in the State of Hawaii with 71 personnel, which now includes eight principals. On the latest list of national and local CPA firms on Oahu from February 2018, compiled by Pacific Business News, N&K is ranked number 5. Of our total personnel, we have 62 locally-based professionals, 31 of whom are CPAs.



Because we have only one office and it is based here in Hawaii, our local clients are our first priority. Our principals, managers, and staff who are assigned to this engagement will devote whatever time it takes to see that the work is done accurately, timely, and efficiently.

We have five major divisions in the firm: Assurance Services, Tax Services, Management Consulting, Information Technology, and Administrative Services. Team members in these divisions serve approximately 1,500 clients in total. We provide services to clients ranging from small to large commercial businesses, nonprofit organizations, government entities, and individuals.

Our services are separated into three major areas: Business Health Services, Business Growth Services, and Services to Individuals. Business Health Services are the compliance services we perform to help maintain the business health of our clients. These services include audit, review, and compilation; business tax return preparation and planning; information technology; and human resources. Our Business Growth Services are the special services we perform to help our clients grow and prosper. These services include business consulting, strategic and business planning, internal auditing, and sales coaching and training. Lastly, our Services to Individuals include individual tax return preparation and planning, estate tax planning and preparation, and business succession planning. Only a full-service accounting firm can offer this range of services to our clients.

National and International Resources

Additionally, we have been members of CPAmerica International, Inc. (CPAmerica) for 26 years. CPAmerica is an exclusive international organization of independent certified public accounting firms and Crowe Global (Crowe), previously Crowe Horwath International, one of the largest accounting associations in the world. Through our association with CPAmerica and Crowe, we are able to provide quality, knowledgeable, worldwide service to you.



Our membership in CPAmerica supplements the capabilities and resources of our firm through affiliation with other member firms' research, education and training programs. The benefits to our clients include:

- The shared experiences of members provide us the expertise to deal with any business situation. Specific member firms may be consulted when special knowledge and an additional perspective will help answer questions about a client's business.
- Comprehensive continuing professional education programs are available to our professional staff.

The CPAmerica network includes more than 100 offices located in almost every major metropolitan area of the United States. Crowe's network consists of more than 110 member and correspondent firms with over 400 offices throughout the world. This unique cooperative relationship rivals the service capabilities of national accounting firms. When the need arises, our firm can function as a single-practice unit through members of the CPAmerica/Crowe network and still maintain our local autonomy and commitment to you for service excellence.

In addition, as members in good standing, we have access to the technical support of the Private Companies Practice Section (PCPS) of the American Institute of Certified Public Accountants (AICPA).

Use of Technology

Our auditing professionals fully utilize ProSystem Engagement software to manage attestation engagements. We prefer to receive audit documentation in electronic form, with portable scanning used to minimize paper files. We also utilize web-based reference materials that provide extensive audit/accounting resources. Where appropriate, we utilize data mining software to perform certain procedures and transmit all sensitive client documents via a secure internet portal.

Firm Organization to Manage the Audit

The Assurance Services Division will be responsible for managing the audit. The audit team will consist of the engagement principal, the engagement senior managers, the consulting senior manager, and several professional staff. The role and responsibility of each team member to ensure the audit is conducted timely in accordance with professional standards and the required deliverables are met are further described in the Resources to be Used section of this proposal. The Administrative Services Division will provide support services to ensure reports are professionally printed. The following is the staffing of the assurance services division:

Principals	4
Senior Managers	7
Managers	3
Seniors and staff accountants	<u>18</u>
	<u>32</u>

We do not intend to use consultants or subcontractors on this engagement.

No Disciplinary Actions

There has been no disciplinary action taken or pending against our firm during the past five years with any state regulatory body or professional organization.

There are no complaints or corrective actions with the team members who would be assigned to your engagement or with our firm overall. The firm and members of the firm have never been involved with any disciplinary actions. The firm prides itself in the quality of its practice.

Firm Size

Our firm currently employs a total of 71 full-time staff. We have 31 certified public accountants on our staff.

Our staff is made up of the following:

Principals	8
Senior Managers	12
Managers	7
Supervisors, Seniors and Associates	29
Bookkeepers and Translators	3
Administrative	<u>12</u>
	<u>71</u>

The qualifications of the professionals are detailed in the Resources to be Used section of this proposal.

Quality Control Program

N&K prescribes the firm's quality control policies and procedures in a Quality Control Manual. All members of the firm are responsible for understanding, implementing, and adhering to these policies and procedures.

Our focus and commitment to quality is evidenced by our membership in all three of AICPA quality centers: Employee Benefit Plan Audit Quality Center (EBPAQC), Governmental Audit Quality Center (GAQC), and the PCPS. These centers provide our firm with timely communication of regulatory developments, best practices, guidance, and technical updates designed to enhance our audit quality.



AICPA
GAQC Member

As a member of the PCPS, one of the requirements of membership is that the firm undergoes periodic peer reviews of its quality control systems. In connection with our GAQC and EBPAQC membership, our peer reviews include engagements specific to governmental and employee benefit plan audits.

In October 2017, we underwent our ninth peer review under guidelines established by the AICPA. The reviewers made an independent assessment of the firm's quality control policies and procedures and inspected the working papers and reports on a representative sample of accounting and auditing engagements. They also inspected the firm's administrative files and records and interviewed professional personnel. As in our previous peer reviews, the reviewer's opinion was again unmodified and we received a rating of "Pass." The reviewer's report has been accepted by the PCPS for the public files maintained at the AICPA (see Appendix for a copy of the letter).

Our firm committed itself to periodic peer reviews when we joined the PCPS. We joined because we believe that our clients, users of our clients' financial statements, and our own staff deserve independent assurance that our firm provides quality services. In addition, our clients can be assured that our personnel are adequately trained and that we are keeping abreast of current developments.

N&K has a long-standing reputation for integrity, proficiency and quality of service. Our tailored approach provides a value-added component, that when combined with our depth, strength, and responsiveness, makes the difference in the quality of service to the County.

Previous Work

Audits of the County of Kauai

We have performed the audit of the Comprehensive Annual Financial Report and the Single Audit of the County of Kauai for the fiscal years ended June 30, 2011 through 2017, and are currently performing the audit for June 30, 2018.

For each of the fiscal years, we assisted the County in obtaining the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association.

Approximate 2017 government-wide expenses: \$217 million

Audits of the County of Maui

We have performed the audit of the Comprehensive Annual Financial Report and the Single Audit of the County of Maui for the fiscal years ended June 30, 2014 through 2017, and are currently performing the audit for June 30, 2018.

For each of the fiscal years, we assisted the County in obtaining the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association.

Approximate 2017 government-wide expenses: \$566 million

Audits of the County of Hawaii

We have performed the audit of the Comprehensive Annual Financial Report and the Single Audit of the County of Hawaii for the fiscal years ended June 30, 2014 through 2017, and are currently performing the audit for June 30, 2018.

For each of the fiscal years, we assisted the County in obtaining the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association.

Approximate 2017 government-wide expenses: \$ 500 million

Audits of the Honolulu Board of Water Supply

We have performed the audits of financial statements and the Single Audit of the Honolulu Board of Water Supply for the fiscal years ended June 30, 2006 through 2012 and 2016 through 2017, and are currently performing the audit for June 30, 2018.

Approximate 2017 expenses: \$202 million

Previous Work (continued)

We have performed audits of financial statements and federal program compliance (Single Audit) for the following state departments and local governments in the last three years:

<i>Client</i>	<i>Fiscal Year Ended June 30,</i>	<i>Financial Hours</i>	<i>Single Audit Hours</i>	<i>Total Hours</i>	<i>Principal Client Contact</i>
Department of Education, State of Hawaii	2017	2,454	491	2,945	Denise Yoshida (808) 586-3205
	2016	2,733	551	3,284	
	2015	2,454	515	2,969	
Department of Health, State of Hawaii *	2016	1,970	1,068	3,038	Janis Morita (808) 586-4499
	2015	1,525	965	2,490	
County of Hawaii **	2017	1,947	315	2,262	Deanna Sako (808) 961-8234
	2016	2,020	455	2,475	
	2015	2,085	540	2,625	
County of Kauai **	2017	1,215	546	1,761	Renee Yadao (808) 241-4211
	2016	1,248	525	1,773	
	2015	1,120	550	1,670	
County of Maui **	2017	2,299	515	2,814	Lance Taguchi (808) 463-3192
	2016	2,061	545	2,606	
	2015	1,768	521	2,289	
Board of Water Supply, City and County of Honolulu **	2017	1,130	120	1,250	Joseph Cooper (808) 748-5100
	2016	1,101	120	1,221	
Oahu Metropolitan Planning Organization **	2017	277	110	387	Alvin Au (808) 586-2308
Office of Hawaiian Affairs	2017			781	David Laeha (808) 594-1999

* The Department of Health engagements also included separate financial statement audits of the Water Pollution Control Revolving Fund and the Drinking Water Treatment Revolving Loan Fund for fiscal years June 30, 2014 through 2016, and the Deposit Beverage Container Deposit Special Fund for the fiscal years June 30, 2014 and 2016.

** 2018 audit is currently in progress

Previous Work (continued)

Other Government Work Experience

Our experiences also include financial audits of the Department of Human Services, Hawaii State House of Representatives, Hawaii State Senate, Hawaii Green Infrastructure Authority, Department of Business, Economic Development and Tourism, Hawaii Green Infrastructure Bond Fund, Office of the Auditor, Office of the Legislative Reference Bureau, Office of the Ombudsman, and State Ethics Commission.

In addition, we provided the following accounting services to State of Hawaii departments:

- Governmental fund financial statements preparation for the State of Hawaii for the fiscal year ended June 30, 2014.
- Governmental activities capital asset schedule and governmental fund financial statements preparation for the State of Hawaii, for the fiscal years ended June 30, 2013 and 2012.
- Interfund and capital assets schedule preparation for the Hawaii Public Housing Authority, for the fiscal year ended June 30, 2012
- City and County of Honolulu, Department of Transportation Services, Independent Accountant's Report on Applying Agreed-upon Procedures, for the fiscal years ended June 30, 2017 through 2014. We are currently engaged for the June 30, 2018 engagement.
- Currently providing accounting services to the Department of Transportation – Airports Division to assist with preparing schedules for their audit and the State CAFR audit.
- Currently providing accounting services to the Hawaii Tourism Authority to assist with monthly closing and transition of accounts to the State Treasury.

Other Single Audit Work Experience

In addition to government clients, we have performed an average of about 30 Single Audits each calendar year in the past five years for various nonprofit organizations. The number of major federal programs for each organization per year ranged from one to five with an average of two to three.

Previous Work (continued)

Report Samples

The latest audit reports of governmental entities that we issued may be found at the following websites:

County of Kauai CAFR for fiscal year ended June 30, 2017:

Principal contact:
Renee Yadao
Accounting Systems Administrator County of Kauai, Department of Finance
(808) 241-4211

https://www.kauai.gov/Portals/0/County_Auditor/Audit%20Reports/FY%202017%20CAFR.pdf?ver=2017-12-13-180138-520

County of Maui CAFR for fiscal year ended June 30, 2017:

Principal contact:
Lance Taguchi
County Auditor
(808) 463-3192

<https://www.maui-county.gov/DocumentCenter/View/111386/Fiscal-Year-2017>

Board of Water Supply financial statements for fiscal year ended June 30, 2017:

Principal contact:
Joseph Cooper
Controller
(808) 748-5100

<http://www.boardofwatersupply.com/bws/media/files/audit-report-2016-2017.pdf>

State of Hawaii, Department of Education Financial Audit for fiscal year ended June 30, 2017:

Principal contact:
Denise Yoshida
Internal Audit Director
(808) 586-3205

http://files.hawaii.gov/auditor/Reports/2017_Audit/DOE2017.pdf

Client References

The following clients may be contacted to attest to our services:

1. County of Hawaii
25 Aupuni Street, Suite 2103
Hilo, Hawaii 96720
(808) 961-8234
Ms. Deanna Sako
Financial and single audit of the County of Hawaii
Fiscal years ended June 30, 2014 through present
2. County of Kaua'i
4444 Rice Street, Suite 280
Lihue, Hawaii 96766
(808) 241-4211
Ms. Renee M. Yadao
Financial and single audit of the County of Kaua'i
Fiscal years ended June 30, 2011 through present
3. County of Maui
Office of the County Auditor
2145 Wells Street, Suite 106
Wailuku, Hawaii 96793
(808) 463-3193
Mr. Lance Taguchi
Financial and single audit of the County of Maui
Fiscal years ended June 30, 2014 through present
4. Department of Education
1390 Miller Street
Honolulu, Hawaii 96813
(808) 586-3205
Ms. Denise Yoshida
Financial and single audit of the Department of Education
Fiscal years ended June 30, 2004 through 2006; June 30, 2013 through 2017
5. Honolulu Board of Water Supply, City and County of Honolulu
630 South Beretania Street
Honolulu, Hawaii 96813
(808) 748-5100
Mr. Joseph Cooper
Financial audit of the Board of Water Supply
Fiscal years ended June 30, 2006 through 2012; June 30, 2016 through present

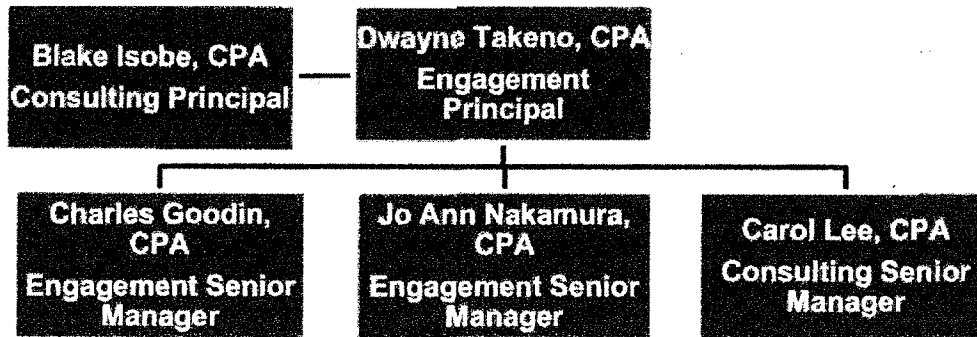
Independence

We are independent with respect to the County as defined by generally accepted auditing standards promulgated by the American Institute of Certified Public Accountants and by the U.S. Government Accountability Office's *Government Auditing Standards*.

We have no personal interest, direct or indirect, in the fiscal affairs of the County or any of its agencies or executive agencies and all of its component units as defined by the U.S. Government Accountability Office's *Government Auditing Standards*.

We have been the external auditor of the County from 2014 – 2017 and are currently performing the 2018 audits. This professional relationship does not constitute a conflict of interest in performing future audits.

Our Service Team



Our firm and key professional staff are properly licensed to practice as a CPA in the State of Hawaii. We will also ensure that personnel assigned to the audit have or will meet the continuing education requirements set forth in the U.S. Government Accountability Office's Government Auditing Standards.

None of the individuals noted above has had any complaints against them that have been leveled by the state board of accountancy or other regulatory body. We will not use any association or affiliate firm personnel to provide the services being requested.

The personnel assigned to this engagement have the necessary skills and expertise to perform this engagement efficiently and competently. Their experience in performing audits of local governments and state departments and agencies enhance their ability to quickly identify and report any unusual conditions that may arise during the audit. Understanding and keeping up to date on the organizational structure of the County of Maui is critical in planning the logistics of the engagement, and being the current auditors for the County of Maui, we already have that understanding of how the County of Maui maintains its basic accounting records and which reports are used.

We are prepared to commit our best people with government experience to this engagement to assure that the County receives responsive, quality service from our personnel. We also realize the importance of maintaining personnel continuity on any engagement and will do our best to have the same management team assigned to the audit to provide not only continuity and efficiency in the work but to strengthen the relationship between the County and our firm.

We made the commitment to work diligently, no matter what it took, to find ways to make our firm the "firm of choice" for both our personnel and our clients. We knew that by hiring and retaining the best and nurturing their careers through coaching and training, our personnel would then be able to provide their expertise to our clients and give our clients the top quality service they deserve. We'd like to do more than just meet your expectations - we'd like to surpass them.

Our Service Team (continued)

Dwayne Takeno - Engagement Principal, CPA

As the engagement principal, Dwayne will represent N&K in all matters concerning the audit and will be responsible for the overall coordination and direction of the engagement and hold final responsibility for all services rendered. More specifically, Dwayne will direct the activities of the engagement team, approve the audit plan and approach, review the results and conclusions of the audit, and maintain close communication with personnel of the County. Dwayne has been the engagement principal for the financial and single audits of the County of Maui for the fiscal years ended June 30, 2017 and 2018.

Blake S. Isobe - Consulting Principal, CPA

Blake will serve as a consulting principal and will be the concurring reviewer of the final reports and work papers to ensure compliance with professional standards. He has been the senior manager or principal for the financial and single audits of the County of Kauai for the fiscal years ended June 30, 2011 through 2018, and the County of Maui for the fiscal years ended June 30, 2014 through 2016. He has serviced many government clients as detailed in his individual resume in the following section.

Charles Goodin - Senior Audit Manager, CPA

Charles will serve as engagement manager and will be responsible for developing the general approach for the financial audit of the County and provide overall supervision and guidance to the N&K engagement team. Charles will work closely with Dwayne Takeno and JoAnn Nakamura to ensure that the audit is conducted in an efficient and timely manner. Charles is currently the senior manager in charge of the audit of the Office of Hawaiian Affairs.

Jo Ann Nakamura - Senior Audit Manager, CPA

Jo Ann will serve as engagement manager and will be responsible for developing the general approach for the financial audit of the County and provide overall supervision and guidance to the N&K engagement team. She will work closely with Dwayne Takeno and Charles Goodin to ensure that the audit is conducted in an efficient and timely manner. Jo Ann is currently the senior manager in charge of the audit of the County of Maui.

Carol Lee - Consulting Senior Manager, CPA

Carol will serve as consulting manager and will be available as a technical resource person. She will work closely with the N&K engagement team to ensure that the audit is conducted in an efficient and timely manner. Carol has extensive experience in providing audit and management services to State and local government agencies.

The following pages are the detailed resumes of the key personnel assigned to this engagement. As you can see, we have assembled our most talented professional staff to ensure that the County receives the highest level of quality service.

Resumes

The following pages are the detailed resumes of the key personnel assigned to this engagement. As you can see, we have assembled our most talented professional staff to ensure that the County receives the highest level of quality service.



**DWAYNE S. TAKENO,
CPA
AUDIT PRINCIPAL**

(808) 524-2255
Fax: (808) 523-2090
dtakeno@nkcpa.com

Dwayne graduated from the University of Southern California with a Bachelor of Science degree in Accounting and went on to earn a Master of Business Administration degree from the University of Hawaii at Manoa. Dwayne has 25 years of experience in public accounting. He is a CPA licensed to practice in the State of Hawaii. Dwayne is also a *Chartered Global Management Accountant*.

Experience

Dwayne provides audit and management consulting services for State and local government clients. State and local government clients include:

- County of Maui
- Department of Business, Economic Development & Tourism
- Department of Education
- Department of Health
- Department of Land and Natural Resources
- Department of Transportation – Harbors Division
- Hawaii Green Infrastructure Authority
- Hawaii Green Infrastructure Bond Fund
- Hawaii Housing Finance and Development Corporation
- Hawaii Public Housing Authority
- Hawaii State House of Representatives
- Hawaii State Senate
- Hawaii Tourism Authority and Hawaii Convention Center
- Honolulu Authority for Rapid Transportation
- Housing and Community Development Corporation of Hawaii
- Office of Hawaiian Affairs

Affiliations

Dwayne's business and professional affiliations include:

- American Institute of Certified Public Accountants
- Hawaii Society of Certified Public Accountants
- Association of Government Accountants, Director
- Board of Public Accountancy Peer Review Oversight Committee, Chairperson
- CPAmerica International
- Honolulu Japanese Chamber of Commerce, Audit Committee Member
- Lanakila Pacific, Treasurer

Select Continuing Professional Education

- Uniform Guidance Year 3: A Deeper Dive into Challenging Audit Areas 2018
- Leadership Training - various topics 2018, 2017, 2016 & 2015
- Accounting and Auditing Issues 2018, 2017, 2016, & 2015
- OMB Compliance Supplement and Single Audit Update 2017
- GASB 75 OPEB Implementation: Accounting & Auditing Considerations 2017
- CPAmerica A&A Conference 2017 & 2016
- AGA Government Professional Accounting Seminar 2017, 2016, 2015
- Professional Ethics 2017 & 2015
- CPAmerica Leading Partners Retreat 2015
- AICPA Emerging Partner Forum 2015

Resumes (continued)



**BLAKE S. ISOBE, CPA
AUDIT PRINCIPAL**

(808) 524-2255
Fax: (808) 523-2090
bsisobe@nkcpa.com

Blake was promoted to principal in 2013. He began his career in accounting with the firm in January 1999 after graduating with a Bachelor of Business Administration degree from the University of Hawaii. He received his CPA certificate in 2002 and is licensed to practice as a CPA in Hawaii. Blake is also a *Chartered Global Management Accountant*.

Experience

Blake provides audit and management consulting services for State and local government clients. State and local government clients include:

- Board of Water Supply
- City and County of Honolulu
- County of Kaua'i
- County of Maui
- County of Hawaii
- Department of Education
- Department of Health
- Department of Human Services
- Department of Land and Natural Resources
- Department of Public Safety
- Department of Taxation
- Department of Transportation - Harbors Division
- Office of the Auditor
- Office of the Legislative Reference Bureau

Affiliations

Blake's business and professional affiliations include:

- American Institute of Certified Public Accountants
- Hawaii Society of Certified Public Accountants
- Association of Government Accountants
- Association of Certified Fraud Examiners
- CPAmerica International
- Honolulu Japanese Chamber of Commerce Director

Select Continuing Professional Education

- Uniform Guidance Year 3: A Deeper Dive into Challenging Audit Areas 2018
- Leadership Training - various topics 2018, 2017, 2016 & 2015
- CPAmerica A&A Conference 2018, 2017, 2016 & 2015
- AGA Government Professional Accounting Seminar 2017
- GASB 75 OPEB Implementation: Accounting & Auditing Considerations 2017
- Professional Ethics 2017 & 2015
- AICPA A&A Update & Hot Topics 2016
- Commonly Asked Questions About the Uniform Guidance and Yellow Book 2016
- GAQC Annual Update Webcast 2016
- HSCPA Annual Conference 2015
- IT Controls and Financial Audits 2015

Resumes (continued)



**CHARLES T. GOODIN,
CPA
SENIOR AUDIT MANAGER**

(808) 524-2255
Fax: (808) 523-2090
cgoodin@nkcpa.com

Charles joined N&K CPAs, Inc. as a staff accountant in 2008 and left the firm in January 2011 and continued his work experience in public accounting at another accounting firm only to return to N&K in June 2014. Charles has over ten years in public accounting and received his Bachelor of Business Administration degree from the University of Hawaii at Manoa in 2007. Charles received his CPA certification from the State of Hawaii in 2012.

Experience

Charles provides audit and management consulting services for State and local government clients. State and local government clients include:

- City and County of Honolulu, Department of Transportation Services
- Department of Education
- Department of Health
- Department of Human Services
- Hawaii Public Housing Authority
- Hawaii State House of Representatives
- Hawaii State Senate
- Office of Hawaiian Affairs

Affiliations

Charles' professional affiliations include:

- American Institute of Certified Public Accountants
- Hawaii Society of Certified Public Accountants
- Association of Government Accountants
- CPAmerica International

Select Continuing Professional Education

- Uniform Guidance Year 3: A Deeper Dive into Challenging Audit Areas 2018
- Accounting and Auditing Issues 2018, 2017, 2016, & 2015
- Leadership Training - various topics 2018, 2017, 2016 & 2015
- AGA Government Professional Accounting Seminar 2017
- GASB 75 OPEB Implementation: Accounting & Auditing Considerations 2017
- AICPA Quarterly Accounting & Auditing Updates 2017 & 2016
- Latest Developments in Governmental Accounting and Auditing 2016
- AGA Government Professional Training 2015
- HSCPA Revenue Recognition: New FASB 2015
- Professional Ethics 2017 & 2015
- HSCPA A&A Year in Review

Resumes (continued)



**JO ANN NAKAMURA,
CPA
SENIOR AUDIT
MANAGER**

(808) 524-2255
Fax: (808) 523-2090
jnakamura@nkcpa.com

JoAnn graduated from the University of Hawaii at Manoa in 1995 with a Bachelor in Business Administration degree in accounting and joined N&K's audit division that same year. In 1998, JoAnn received her CPA certificate from the State of Hawaii. She was promoted to senior manager in January 2007.

Experience

Jo Ann provides audit and management consulting services for State and local government clients. State and local government clients include:

- County of Hawaii
- County of Maui

Affiliations

JoAnn's business and professional affiliations include:

- American Institute of Certified Public Accountants
- Hawaii Society of Certified Public Accountants
- CPAmerica International

Select Continuing Professional Education

- The 2018 Yellow Book: What You Need to Know
- State and Local Government Audit Planning Considerations 2018
- OPEB-GASB 75: Special Emphasis and Considerations for Nontrusted Plans 2018
- Compliance Supplement and Single Audit Update 2018
- Uniform Guidance Year 3: A Deeper Dive into Challenging Audit Areas 2018
- Procurement Under the Uniform Guidance: The Time is Now 2017
- OMB Compliance Supplement and Single Audit Update 2017
- GAQC Annual Update Webcast 2017
- GASB 75 OPEB Implementation: Accounting & Auditing Considerations 2017
- Leadership Training – various topics 2017
- Accounting and Auditing Issues 2017 & 2016
- Professional Ethics 2017 & 2015
- AICPA A&A Update & Hot Topics 2016
- Commonly Asked Questions About the Uniform Guidance and Yellow Book 2016

Resumes (continued)



**CAROL C.F. LEE, CPA,
CGFM
SENIOR AUDIT
MANAGER**

(808) 524-2255
Fax: (808) 523-2090
clee@nkcpa.com

Carol started her career in accounting as a part-time staff accountant with N&K in 1986. Upon graduating from the University of Hawaii at Manoa, she became a full-time staff accountant with the firm. She was promoted to senior manager in 2001. Carol has both a Bachelor of Business Administration degree and a Master of Accounting degree. In 1989, she obtained her CPA Certificate. In 2004, she received her certificate as a *Certified Government Financial Manager*.

Experience

Carol has worked mostly with government entities in her years with the firm. State and local government clients include:

- City and County of Honolulu
- County of Hawaii
- County of Kaua'i
- Department of Accounting and General Services
- Department of Agriculture
- Department of Business, Economic Development and Tourism
- Department of Defense
- Department of Education
- Department of Health
- Department of Human Services
- Department of Labor and Industrial Relations
- Department of Land and Natural Resources
- Department of Public Safety
- Department of Taxation
- Department of Transportation - Harbors Division
- Department of Transportation - Highways Division
- Hawaii Community Development Authority
- Hawaii Green Infrastructure Authority
- Hawaii Public Housing Authority
- Oahu Metropolitan Planning Organization
- Office of State Planning
- The Judiciary, State of Hawaii
- The University of Hawaii

Affiliations

Carol's business affiliations include:

- American Institute of Certified Public Accountants
- Hawaii Society of Certified Public Accountants
- Association of Government Accountants (Past President)
- CPAmerica International

Select Continuing Professional Education

- Uniform Guidance Year 3: A Deeper Dive into Challenging Audit Areas 2018
- Accounting and Auditing Issues 2018, 2017, 2016, & 2015
- Leadership Training - various topics 2018, 2017, 2016 & 2015
- AICPA Procurement Under the Uniform Guidance: The Time is Now 2017
- AICPA Uniform Guidance Year 3: Deeper Dive Into Challenging Audit Areas 2017
- AICPA A&A Update & Hot Topics 2017 & 2016
- AICPA Quarterly Accounting & Auditing Updates 2017, 2016, 2015
- AGA Government Professional Accounting Seminar 2017, 2016, 2015
- Professional Ethics 2017 & 2015
- UH Governmental Accounting Sessions 2015

Staff Quality Assurance

We strongly believe continuity of a strong and experienced service team is a key component in delivering the best service. We have internally developed a training program within our firm called the N&K Academy (Academy). The Academy is a means of setting training tracks for the different levels of personnel. We have also developed basic audit training workshops that our staff attends to ensure that they have a good understanding of the basic audit procedures and processes. In addition to the internal training provided, we send our senior auditors and above to various Hawaii Society of Certified Public Accountants seminars. The firm also provides different incentives to our newly-hired staff to study for and pass the CPA exam. We feel that the early training and incentives to study and pass the CPA exam produce a well trained staff.

In addition to training provided locally and internally, our managers, senior managers and principals are offered the opportunity to attend mainland seminars on an annual basis. The seminars are mainly training from the American Institute for Certified Public Accountants and our national affiliate CPAmerica.

Continuity of personnel is an important part of our ability to properly serve our clients and maintain positive relations with client personnel. Involvement by our management group in the field ensures continuity of knowledge of your plans in the audit. Our management group will have hands-on knowledge of your operations, accounting systems, and reporting requirements. This direct involvement allows us to more effectively make recommendations for changes or enhancements in procedures or systems.

With our commitment to continuing professional education and quality control, you can be assured that the County will receive dedicated attention.

Other Audit Commitments

You can be assured that sufficient resources will be dedicated to the audit of the County of Maui. The managers assigned to the audit of the County are not assigned to any similar audit engagements that our firm has committed to. Other experienced personnel have been assigned to those engagements and will be available to share up-to-date experiences and knowledge with the County audit team that will enhance the quality of the County audit.

A similar audit engagement that our firm is committed to perform during June through March of calendar years 2019 through 2023 include audits of the County of Hawaii for the fiscal year ending June 30, 2019 through June 30, 2022.

In this proposal to the County of Maui, we have included a different audit engagement team from that for the County of Hawaii (other than our consulting senior manager). We have the appropriate staffing and experienced management personnel to properly staff and service the work that we have proposed on.

Proposal to Provide Professional Services for County of Maui

Harry Kim
Mayor



Collins Tomei
Director

Deanna S. Sako
Deputy Director

County of Hawai'i

Finance Department

25 Aupuni Street, Suite 2103 • Hilo, Hawai'i 96720
(808) 961-8234 • Fax (808) 961-8569

September 20, 2017

To Whom It May Concern:

I am writing this letter of support for the accounting firm of N&K CPAs Inc. I have worked with various members of the firm since they were contracted as the independent auditors for the County of Hawaii for the fiscal year ending June 30, 2014.

During the past several years, we may not have always viewed situations in the same manner but we have always been able to reach a mutual understanding and always shared a mutual respect for each other's opinions and knowledge. Although no one enjoys being audited, we have been able to work effectively with the members of this firm and considered them to be fair and reasonable in their dealings with us.

Very truly yours,

A handwritten signature in black ink, appearing to read "Deanna Sako".

Deanna Sako
Deputy Director of Finance
County of Hawaii

Hawai'i County is an Equal Opportunity Employer and Provider

Proposal to Provide Professional Services for County of Maui

Bernard P. Carvalho, Jr.
Mayor



Ken M. Shimonishi
Director of Finance

Wallace G. Rezentes, Jr.
Managing Director

DEPARTMENT OF FINANCE
County of Kaua'i, State of Hawai'i
4444 Rice Street, Suite 280, Lihu'e, Hawai'i 96766
TEL (808) 241-4200 FAX (808) 241-6529

October 11, 2018

Mr. Lance Taguchi, County Auditor
Office of the County Auditor
Wells Street Professional Center
2145 Wells Street, Suite 106
Wailuku, HI 96793

Re: N&K CPAs, Inc.

Aloha Mr. Taguchi,

I am honored to have the opportunity to write to you on behalf of N&K CPAs, Inc. (N&K). My name is Renee M. Yadao, and I am the Accounting Systems Administrator at the County of Kaua'i. I have had the privilege of working with N&K for eight consecutive years. N&K has been instrumental in completing our audit and Comprehensive Annual Financial Report (CAFR) in a timely manner. The team assigned to our audit has maintained its continuity; of which, is a good indicator of N&K's ability to attract, retain, and grow its employees.

Over the years, I have watched N&K expand and grow their firm to outshine others. It's no surprise they have risen to the top-ranked local firm in Hawai'i. N&K has many positive attributes; however, what I have valued and appreciated over the years is their ability to provide effective communication, is extremely dependable and motivated, provide professional feedback when their opinion is sought, maintained expert resources within their management team, and continuously shown their humbleness.

I have worked with other CPA firms in my current and past careers. N&K has proven to be the best. They continue to exceed my expectations and I strongly recommend you to consider N&K for your future audit needs.

Sincerely,

A handwritten signature in black ink, appearing to read "Renee M. Yadao", is written over the typed name.

Renee M. Yadao
Accounting Systems Administrator

An Equal Opportunity Employer

Proposal to Provide Professional Services for County of Maui

ALAN M. ARAKAWA
Mayor



MARK R. WALKER
Director

MARCY M. SATO
Deputy Director

COUNTY OF MAUI
DEPARTMENT OF FINANCE
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793

January 21, 2018

Dwayne S. Takeno, Principal
N&K CPAs, Inc.
American Savings Bank Tower, Suite 1700
1001 Bishop Street
Honolulu, HI 96813

Dear Mr. Takeno,

I am writing to thank you and your firm on behalf of the Department of Finance, County of Maui for the exceptional work and service that N&K has provided the County over the past four years.

During the course of our annual single audit and comprehensive annual financial reports your audit teams have shown themselves to be professional, knowledgeable and approachable. Our accounting staff has enjoyed an excellent working relationship with N&K due largely to the exceptional two way communication that has been established between our two entities. N&K has provided first rate guidance on many of the ever changing GASB issues that have arisen over the years and we appreciate very much the reasoned and insightful approach used by your firm.

In short, based on our excellent experience I would not hesitate to recommend N&K CPA's, Inc. to any other governmental municipality or agency needing audit and assurance services.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mark R. Walker".

MARK R. WALKER
Director of Finance

cc: S. Tesoro, Accounting system Administrator

Proposal to Provide Professional Services for County of Maui

DAVID PRICE
GOVERNOR



DR. CHRISTINA M. KISHIMO D.
SUPERINTENDENT

STATE OF HAWAII
DEPARTMENT OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAII 96804

OFFICE OF THE SUPERINTENDENT

September 18, 2017

Mr. Lawrence Chew, Principal
N&K CPAs, Inc.
American Savings Bank Tower, Suite 1700
1001 Bishop Street
Honolulu, Hawaii 96813

Dear Mr. Chew:

I want to thank you and the N&K team for your professionalism and great work that was provided to the Department of Education (Department) over the past four years. Having worked in audit during my past CPA positions, I can understand and appreciate the time, effort and coordination that goes into performing an audit, especially for a Department of our size.

I appreciate the N&K team's ability to work closely with the numerous departmental personnel which involved a lot of planning and coordination. They were courteous and were always willing to go that extra mile to ensure that their objectives were met but being respectful of the time taken from department personnel's responsibilities.

Governmental accounting standards are constantly changing. N&K has shown that they are very knowledgeable about current and upcoming standards and has been a valuable resource and very helpful in the implementation of these new standards over the years. All this while still performing the audit in an effective and efficient manner which is necessary for the timely issuance of the Department's audit and single audit reports.

In closing, I would like to once again thank N&K for their professionalism, assistance and efforts over the years. I look forward to a continued working relationship between the Department and N&K.

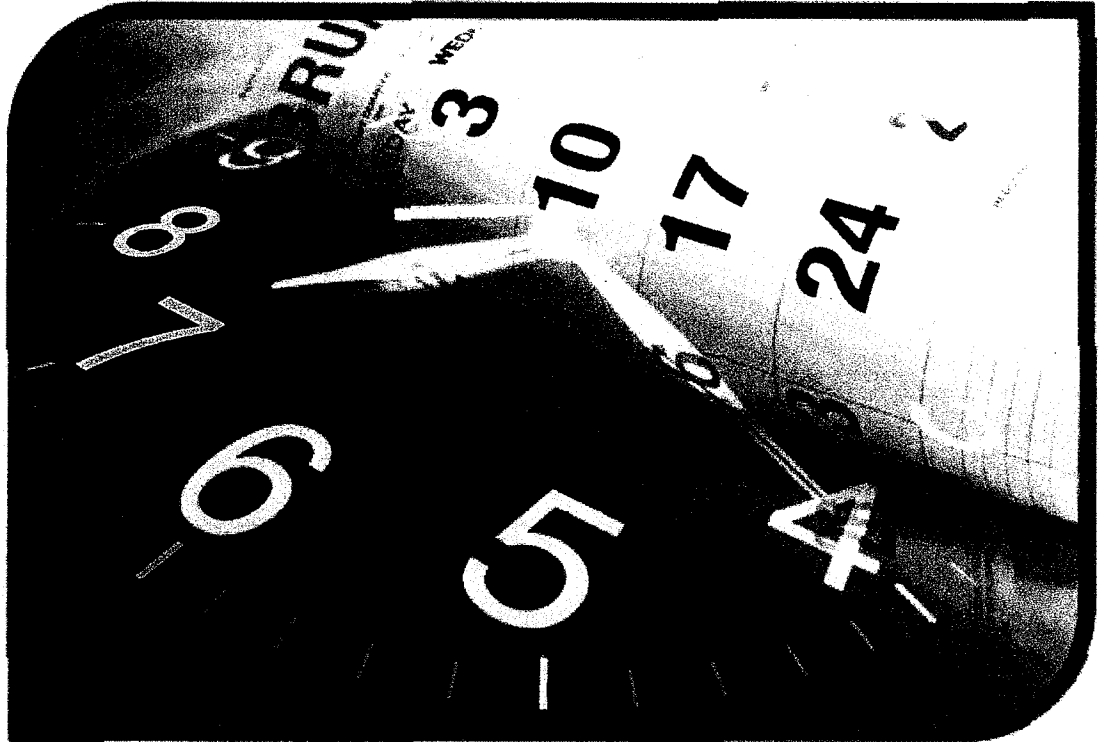
Sincerely,

A handwritten signature in black ink, appearing to read "Denise Yoshida".

Denise Yoshida
Internal Audit Director

AN AFFIRMATIVE ACTION AND EQUAL OPPORTUNITY EMPLOYER

Timing and Costs



Time Period of Audit

The expected dates for beginning and completing the engagement for each report year would be as follows:

Description	Dates
Entrance conference with County	June
Preliminary planning and audit risk assessment procedures	June - July
Commence Department of Water Supply and CAFR audit fieldwork	August
Progress conference/reports with County and County Auditor	Monthly August - November
Completion of year end and Single Audi fieldwork	August - November
Expected date for submittal of preliminary draft, DWS	October 15
Expected date for submittal of final report, DWS	November 15
Expected date for submittal of preliminary draft CAFR and Single Audit Report	December 7
Expected date for submittal of final CAFR and Single Audit Report	December 23

Cost Schedule

Below is a summary by fiscal year of the proposed fees and breakdown of fees and hours. The following pages further break down the hours and staffing level for each of the proposed years. We have also included a proposed payment schedule for services provided.

Professional Staff	2019			2020			2021			2022			2023		
	Hourly		Total	Hourly		Total	Hourly		Total	Hourly		Total	Hourly		Total
	Hours	Rate		Hours	Rate		Hours	Rate		Hours	Rate		Hours	Rate	
Partners	140	\$ 320	\$ 44,800	140	\$ 320	\$ 44,800	140	\$ 320	\$ 44,800	140	\$ 320	\$ 44,800	140	\$ 320	\$ 44,800
Senior Managers	275	\$ 200	55,000	275	\$ 200	55,000	275	\$ 200	55,000	275	\$ 200	55,000	275	\$ 200	55,000
Managers	-	\$ 160	-	-	\$ 160	-	-	\$ 160	-	\$ 160	-	-	-	\$ 160	-
Senior Associate	820	\$ 130	106,600	820	\$ 130	106,600	820	\$ 130	106,600	820	\$ 130	106,600	820	\$ 130	106,600
Associate	1,000	\$ 100	100,000	1,000	\$ 100	100,000	1,000	\$ 100	100,000	1,000	\$ 100	100,000	1,000	\$ 100	100,000
Clerical and administrative	65	\$ 75	4,875	65	\$ 75	4,875	65	\$ 75	4,875	65	\$ 75	4,875	65	\$ 75	4,875
	<u>2,300</u>		<u>311,275</u>	<u>2,300</u>		<u>311,275</u>	<u>2,300</u>		<u>311,275</u>	<u>2,300</u>		<u>311,275</u>	<u>2,300</u>		<u>311,275</u>
Less discount			(68,392)			(68,392)			(68,392)			(68,392)			(68,392)
Discounted professional fees			242,883			242,883			242,883			242,883			242,883
General excise tax			10,117			10,117			10,117			10,117			10,117
Subtotal			253,000			253,000			253,000			253,000			253,000
Out-of-pocket expenses			17,000			17,000			17,000			17,000			17,000
Audit Fee		\$	<u>270,000</u>		\$	<u>270,000</u>		\$	<u>270,000</u>		\$	<u>270,000</u>		\$	<u>270,000</u>
Allocation of Costs															
CAFR		\$	204,000		\$	204,000		\$	204,000		\$	204,000		\$	204,000
Single Audit			30,000			30,000			30,000			30,000			30,000
Department of Water Supply			36,000			36,000			36,000			36,000			36,000
		\$	<u>270,000</u>		\$	<u>270,000</u>		\$	<u>270,000</u>		\$	<u>270,000</u>		\$	<u>270,000</u>

Cost Schedule (continued)

Fiscal Year Ended June 30, 2019, 2020, 2021, 2022 and 2023

	Financial Audit			Single Audit (3 Programs)			Department of Water			Total		
	Hourly		Total	Hourly		Total	Hourly		Total	Hourly		Total
	Hours	Rate		Hours	Rate		Hours	Rate		Hours	Rate	
Partners	100	\$ 320	\$ 32,000	20	\$ 320	\$ 6,400	20	\$ 320	\$ 6,400	140	\$ 320	\$ 44,800
Senior Managers	175	\$ 200	35,000	36	\$ 200	7,200	64	\$ 200	12,800	275	\$ 200	55,000
Managers	-	\$ 160	-	-	\$ 160	-	-	\$ 160	-	-	\$ 160	-
Senior Associate	542	\$ 130	70,460	118	\$ 130	15,340	160	\$ 130	20,800	820	\$ 130	106,600
Associate	670	\$ 100	67,000	120	\$ 100	12,000	210	\$ 100	21,000	1,000	\$ 100	100,000
Clerical and administrative	50	\$ 75	3,750	6	\$ 75	450	9	\$ 75	675	65	\$ 75	4,875
	<u>1,537</u>		<u>208,210</u>	<u>300</u>		<u>41,390</u>	<u>463</u>		<u>61,675</u>	<u>2,300</u>		<u>311,275</u>
Less discount			(22,928)			(15,470)			(29,994)			(68,392)
Discounted professional fees			185,282			25,920			31,681			242,883
Out-of-pocket expenses			11,000			3,000			3,000			17,000
General excise tax			7,718			1,080			1,319			10,117
Proposed Audit Fees			\$ <u>204,000</u>			\$ <u>30,000</u>			\$ <u>36,000</u>			\$ <u>270,000</u>

Additional Fees for Each Additional Major program

Professional Staff	2019			2020			2021			2022			2023		
	Hours	Hourly Rate	Total	Hours	Hourly Rate	Total	Hours	Hourly Rate	Total	Hours	Hourly Rate	Total	Hours	Hourly Rate	Total
Partners	6	\$ 320	\$ 1,920	6	\$ 320	\$ 1,920	6	\$ 320	\$ 1,920	6	\$ 320	\$ 1,920	6	\$ 320	\$ 1,920
Senior Managers	12	\$ 200	2,400	12	\$ 200	2,400	12	\$ 200	2,400	12	\$ 200	2,400	12	\$ 200	2,400
Manager	-	\$ 160	-	-	\$ 160	-	-	\$ 160	-	-	\$ 160	-	-	\$ 160	-
Senior Associate	36	\$ 130	4,680	36	\$ 130	4,680	36	\$ 130	4,680	36	\$ 130	4,680	36	\$ 130	4,680
Associate	40	\$ 100	4,000	40	\$ 100	4,000	40	\$ 100	4,000	40	\$ 100	4,000	40	\$ 100	4,000
Clerical and administrative	2	\$ 75	150	2	\$ 75	150	2	\$ 75	150	2	\$ 75	150	2	\$ 75	150
	<u>96</u>		<u>13,150</u>	<u>96</u>		<u>13,150</u>	<u>96</u>		<u>13,150</u>	<u>96</u>		<u>13,150</u>	<u>96</u>		<u>13,150</u>
Less discount			(5,950)			(5,950)			(5,950)			(5,950)			(5,950)
Discounted professional fees			7,200			7,200			7,200			7,200			7,200
Out-of-pocket expenses			500			500			500			500			500
General excise tax			300			300			300			300			300
Proposed Audit Fees			\$ <u>8,000</u>			\$ <u>8,000</u>			\$ <u>8,000</u>			\$ <u>8,000</u>			\$ <u>8,000</u>

Cost Schedule (continued)

Project Phase	Billing Month	Proposed Payment Schedule				
		2019	2020	2021	2022	2023
Planning	August 31	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000
Progress billing for financial and single audit	September 30	75,000	75,000	75,000	75,000	75,000
Progress billing for financial and single audit	October 31	75,000	75,000	75,000	75,000	75,000
Progress billing for financial and single audit	November 30	65,000	65,000	65,000	65,000	65,000
Delivery of Preliminary and Final Reports - CAFR and Single Audit	December 31	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>
		<u>\$ 270,000</u>	<u>\$ 270,000</u>	<u>\$ 270,000</u>	<u>\$ 270,000</u>	<u>\$ 270,000</u>

Cost Schedule (continued)

We strive to provide the optimal value for the County while assuring top quality service. Our fees include general excise taxes and out-of-pocket costs necessary to complete the audit. The estimated hours is based on our experience auditing other state agencies and counties. Our fee is based on the information that was available to us at the time of this proposal and under the assumption that the County's records are maintained in good order and are relatively accurate.

We do not have a reputation for requesting change orders on our audit engagements. We have the proven ability to timely complete the work in complex situations (e.g., findings and adjustments) and we were able to stay within the contracted fees. However, in the event that there is a significant change in the scope or level of professional services required, the matter will be discussed with the County Auditor to agree on the additional costs. In this situation, as specified in the request for proposal, we will only proceed upon written authorization of the County Auditor.

Additional Single Audit Program(s)

The Cost Schedule was based on the audit of 3 major programs. Our additional fixed fee cost to audit any additional program as required to be audited in order to comply with the provisions of the Uniform Guidance would be \$8,000 per program.

Travel Costs

We estimated travel costs per year based on the rates of airfare, room, and car rental at the time of this proposal. We would, of course only bill for the actual travel costs incurred during the period of each engagement.

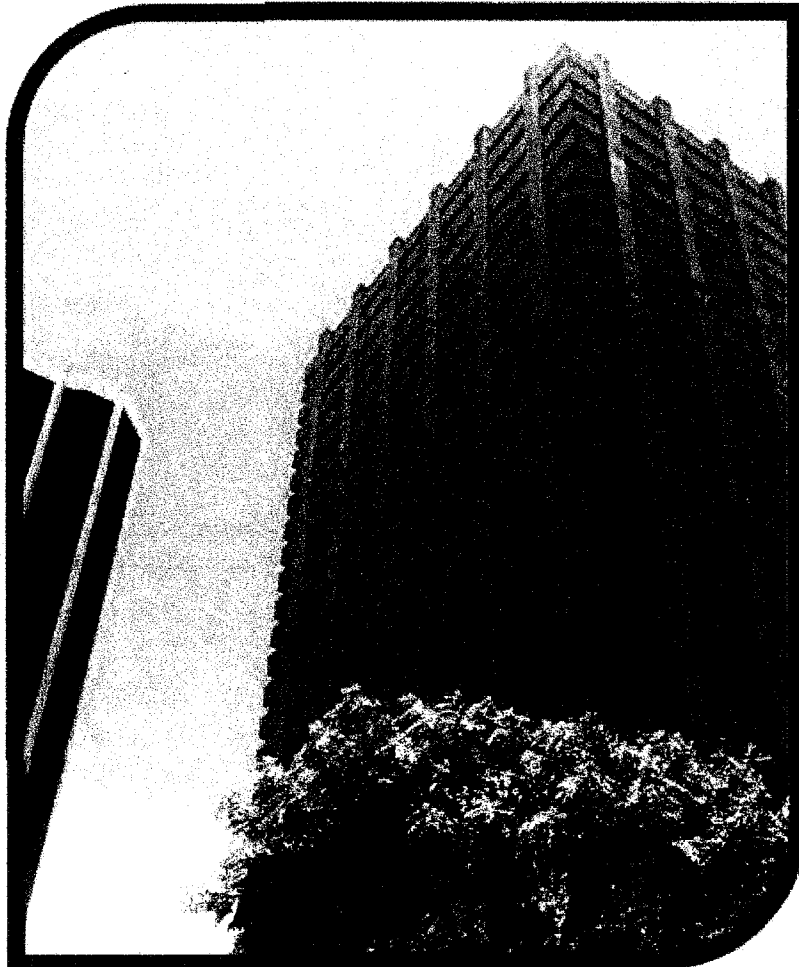
Standard Billing Rates

Current standard billings rates for additional services in connection with the audit are listed below. Standard billing rates are not expected to increase by more than 3% annually.

Hourly Rates

Principals	\$ 320
Senior Managers	\$ 200
Managers	\$ 160
Seniors	\$ 130
Associates	\$ 100
Clerical and Paraprofessionals	\$ 75

Audit Location



Address Where the Audit Will Be Conducted

We would conduct our audit at the offices of the County and from our office located at the American Savings Bank Tower, 1001 Bishop Street, Suite 1700, Honolulu, Hawaii.

We are flexible and will work at available space at the County's offices that can accommodate the nature of the work. Work space at the County's offices and the Department of Water Supply should accommodate at minimum three and two auditors, respectively. Up to five auditors may be at the County's offices in a given period but the work site may vary depending on the availability of space and location of documents. If there is a need for additional space, we will obtain it by using our own resources to accommodate that need. In instances where work space is unavailable, with advance notice, we will coordinate an alternative location to conduct our audit when we are on island.

Appendix





STATE OF HAWAII
STATE PROCUREMENT OFFICE

CERTIFICATE OF VENDOR COMPLIANCE

This document presents the compliance status of the vendor identified below on the issue date with respect to certificates required from the Hawaii Department of Taxation (DOTAX), the Internal Revenue Service, the Hawaii Department of Labor and Industrial Relations (DLIR), and the Hawaii Department of Commerce and Consumer Affairs

Vendor Name: N&K CPAs, INC.

DBA/Trade Name: N&K CPAs, INC.

Issue Date: 10/15/2018

Status: Compliant

Hawaii Tax#: W20305412-01

New Hawaii Tax#:

FEIN/SSN#: XX-XXX9131

UH#: XXXXXX4050

DCCA FILE#: 32031

Status of Compliance for this Vendor on issue date:

Form	Department(s)	Status
A-6	Hawaii Department of Taxation	Compliant
	Internal Revenue Service (Compliant for Gov. Contract)	Compliant
COGS	Hawaii Department of Commerce & Consumer Affairs	Compliant
LIR27	Hawaii Department of Labor & Industrial Relations	Compliant

Status Legend:

Status	Description
Exempt	The entity is exempt from this requirement
Compliant	The entity is compliant with this requirement or the entity is in agreement with agency and actively working towards compliance
Pending	The entity is compliant with DLIR requirement
Submitted	The entity has applied for the certificate but it is awaiting approval
Not Compliant	The entity is not in compliance with the requirement and should contact the issuing agency for more information



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
10/15/2018

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Aon Affinity Insurance 1100 Virginia Drive, Suite 250 Fort Washington, PA 19034 Phone: 800-221-3023	CONTACT NAME: Shane Rudolf PHONE: 267-282-6293 FAX: 244-250-2057 E-MAIL: rudyr.rudolf@aon.com ADDRESS: _____ INSURER(S) AFFORDING COVERAGE: _____ NAIC # 20443
INSURED N&K CPA's, Inc 1001 Bishop Street ASB Tower Suite 1700 Honolulu HI 96813-3429	INSURER A: _____ INSURER B: _____ INSURER C: _____ INSURER D: _____ INSURER E: _____ INSURER F: _____

COVERAGES CERTIFICATE NUMBER: REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

TYPE	TYPE OF INSURANCE	AGGREGATE LIMIT PER POLICY	POLICY NUMBER	POLICY EFF. DATE	POLICY EXP. DATE	LIMITS
COMMERCIAL GENERAL LIABILITY	CLAIMS MADE	100,000				EACH OCCURRENCE \$
	OTHER					AGGREGATE \$
AUTOMOBILE LIABILITY	ANY AUTO					COMBINED SINGLE LIMIT \$
	SCHEDULED AUTO					BODILY INJURY (per person) \$
UMBRELLA LIAB	EXCESS LIAB					EACH OCCURRENCE \$
	RETENTION					AGGREGATE \$
WORKERS COMPENSATION AND EMPLOYERS LIABILITY	ANY PROFESSIONAL PARTNER ETC. (Mandatory in HI)	Y/N				E EACH ACCIDENT \$
	RESERVE (Mandatory in HI)	Y/N				E.L. DISEASE - EA FMP \$
	Professional Liability Insurance	N N	APL-275431758	04/21/2018	04/21/2019	\$2,000,000 per claim / \$2,000,000 aggregate

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101 Additional Remarks Schedule, may be attached if more space is required)

Proof of Insurance Coverage

CERTIFICATE HOLDER City of Maui 2145 Wells Street Room 106 Wailuku, HI 96793	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE
--	---



CPA FIRM

REPORT ON THE FIRM'S SYSTEM OF QUALITY CONTROL

November 10, 2017

To the Shareholders of N&K CPAs, Inc.
and the Peer Review Committee of the Hawaii Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of N&K CPAs, Inc. (the firm) in effect for the year ended June 30, 2017. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included audits performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act and audits of employee benefit plans.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of N&K CPAs, Inc. in effect for the year ended June 30, 2017, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. N&K CPAs, Inc. has received a peer review rating of *pass*.

FrankeL Zacharia LLC

FrankeL Zacharia, LLC

THE LIST

Compiled by Lucy Tuitupou
808-955-8037, @pbnewsresearch
l_tuitupou@bizjournals.com

CPA FIRMS - OAHU

RANKED BY NUMBER OF HAWAII LICENSED CPAs

Business Name / 2016 rank (* did not previously rank)	Address	Year Est. in Hawaii	Hawaii Licensed CPAs	Account/Tax Professionals	Top Local Executive(s)	
1 KPMG LLP ② kpmg.com	1001 Kalia Rd., #1110 Honolulu, HI 96813 808-541-2800	1917	57	NA	Nelson Lau, Office Managing Partner	
2 Deloitte ① us.deloitte.com	951 Bishop St., #1700 Honolulu, HI 96813 808-541-9100	1907	49	78	Paul Higo, Managing Partner	
3 Accuity ③ accuity.com	959 Bishop St., #1500 Honolulu, HI 96813 808-531-3400	2005	27	57	Ken Takahara, Managing Partner Dorey Takata, Partner Cory Kubota, Partner	
4 Ernst & Young ④ ey.com	55 Merchant St., #1900 Honolulu, HI 96813 808-531-2900	1960	36	57	Aaron Nagai, Advisory Executive Director Rod Nystul, Tax Executive Director Jeff Garrett, Office Managing Partner	
5 N&K CPAs Inc. ⑤ nkcpas.com	1001 Kalia St., #1700 Honolulu, HI 96813 808-574-7755	1973	32	57	Alton Miyashiro, Managing Principal	
6 KKDLY ⑥ kcdcpa.com	745 Fort St., #2100 Honolulu, HI 96813 808-571-1901	1990	29	59	Alan Kobayashi, Managing Partner	
7 KMH ⑦ kcpa.com	1001 Kalia St., #1000 Honolulu, HI 96813 808-576-2255	2002	27	61	Alfon Otera, Ross Mlekarski, Peter Havelstein, William Chey Alan Lee, Partner	
8 CW Associates, CPAs ⑧ cwaassociates.com	700 Bishop St., #1940 Honolulu, HI 96813 808-531-1940	2007	24	42	Rodney Mariano, Managing Partner Cameron Williams, Founding Partner	
9 TRUSTA AAC ⑨ trusta.com	1001 Kalia St., #1700 Honolulu, HI 96813 808-574-9300	1982	10	15	Howard Kim, Managing Director	
10 Carr Gouveia & Associates CPAs Inc. ⑩ cga-cpa.com	580 Wilhi St., #410 Honolulu, HI 96817 808-837-1153	1993	9	10	David Carr, President Richard Gouveia, VP	
11 Akamine Oyadomari & Kosaki CPAs Inc. ⑪ akcpas.com	1440 Kaulaiana Blvd., #900 Honolulu, HI 96814 808-941-0200	1955	7	24	Rodney Akamine, President	
11 ECA LLP ⑫ eca-advisors.com	158 Akaka, #403 St. Honolulu, HI 96813 808-733-4744	1982		5	Charles Au, Managing Partner Chirappayarajee, Senior Manager	
11 Fukuya Hasagawa Partners ⑬ hacpa.com	1590 Kalia St., #900 Honolulu, HI 96814 808-945-1111			11	Shawn Hasegawa, Rodney Fukuya, Partners	
11 Spira Hawaii ⑭ spirahawaii.com	55 Merchant St., #2110 Honolulu, HI 96813 808-536-0296	2010		14	Yves Minara, CEO Rodney Lee, CFO Loren Spira, Partner	
11 Wikoff Combs & Co. ⑮ wikoffcombs.com	1001 Kalia St., #1700 Honolulu, HI 96813 808-781-1424	1974		13	Laura Combs, Managing Director	
16 Hawaii Accounting dba HiAccounting ⑯ hi-accounting.com	745 Fort St. Honolulu, HI 96813 808-529-9990	2009		1	Shawn Kawanaka, President Matthew Delaney, Chairman/CEO	
16 Ohata Chun Yuen ⑰ ohcpa.com	368A Keolu Ave. Honolulu, HI 96815 808-715-8583			1	William Makapuu, Partner	
18 Kawakami & Wong CPAs ⑱ kcpa.com	1001 Kalia Blvd. Honolulu, HI 96814 808-941-9965				Shirley Kawakami, ACPA, CFP, CPA Aly Wong, CPA	
18 McEnery Shimabukuro Okazaki & Fujita CPAs, AAC ⑲ mcpa.com	1100 Kalia Ave., #720 Honolulu, HI 96814 808-521-0462			3	William Shimabukuro, Partner	
18 Oshima Company CPA ⑳ oshcpa.com	411 Bishop St., #411 Honolulu, HI 96813 808-531-6481		5	4	David Oshima, Managing Director	
18 Verity CPAs ㉑ verity-cpa.com	1164 Bishop St., #1151 Honolulu, HI 96813 808-737-3300		12	5	David Verity, Managing Partner	
22 Bowen Hunsaker CPAs & Consultants ㉒ bhcpa.com	713 Bishop St., #1000 Honolulu, HI 96817 808-576-2020		42	4	1	Mark Hunsaker, Partner
22 Harold D. Sasaki CPA Ltd. ㉓ sascpa.com	201 Merchant St., #1710 Honolulu, HI 96813 808-533-1807		104	4	3	Harold Sasaki, President
22 Hedberg Batara & Vaughan-Sarandi ㉔ hbcpa.com	1303 Kalia St., #1025 Honolulu, HI 96813 808-573-9955		2005	4	5	Rodney Batara, Andrew Vaughan-Sarandi, Managing Members
22 James D. Jennings CPA Inc. ㉕ jenningscpa.com	515 Prince St., #1501 Honolulu, HI 96814 808-942-8813		2007	6	4	James Jennings, President
22 Sterling & Tucker Inc. ㉖ stcpa.com	101 Merchant St., #950 Honolulu, HI 96813 808-531-5791		1991	4	4	Leland Young, Managing Partner Richard Tucker, Founder



CLOSER LOOK

ABOUT THE LIST
Information was obtained from firm representative websites and telephone interviews. Information on The List was supplied by individual companies through questionnaires and could not be independently verified by the Pacific Business News.

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If you wish to be surveyed when The List is next updated or if you wish to be considered for other listings, email your contact information to Lucy Tuitupou at l_tuitupou@bizjournals.com.

NOTES: NA - not applicable, not available or not approved

N&K CPAs, INC.

CELEBRATING A MILESTONE



L-R: Lawrence Chew, Chad Furusaki, Wes Hiyase, Ying Yea Chen, Ailton Miyashiro, Michael Tanaka, Blake Itoke, Dwayne Takano

CELEBRATING 45 YEARS IN business, N&K CPAs looks back to see just exactly what has been the secret behind that success.

N&K is the first locally owned firm in Hawai'i to successfully retire five principals. Leadership is now in the hands of a new group of up and coming younger partners entrusted to take the company into its 50th anniversary and beyond.

The business world, as well as the accounting profession, is changing and so are they. From a company that used to be about hard work and long hours, they have adjusted to the changes in the profession. Priority is placed on culture, empowering and developing

team members. Offering a high level of flexibility in work schedules, working remotely, work/life integration and a major investment in technology help keep them on the cusp of innovation.

Many of the changes made by the firm are initiated from employees' suggestions such as their upcoming summer "Dress for your Day" program. Every Friday has already been a casual dress day at the office for years, but this new pilot program will allow personnel the flexibility to use their discretion to dress casually when appropriate on a workday that does not include a meeting with clients or business associates.

So you ask, "What is the secret to N&K's success?" They attribute much of their success to the two things that haven't changed over the years: their clients and their team members.

N&K has been blessed with great clients who have entrusted the firm over its 45 years to take care of their business needs and to help them grow and be successful. And providing the high level of service needed to keep clients happy are the great people the firm hires and develops. Only the best people are hired to serve its clients.

It took vision, dedication and great leadership to become the firm N&K is today. From its humble beginnings back in 1973 with a total staff of nine people, the firm now has eight principals and a total staff of over 70. If history says it all, N&K will surely continue to celebrate many more anniversaries of serving the people of Hawai'i.



N&K CPAs, Inc.

CELEBRATING 45 1973 2018



1001 Bishop Street, Suite 1700, Hon. HI 96813
(808) 524.2255 | www.nkcpa.com

MEMBER OF THE HAWAIIAN ACCOUNTING SOCIETY

AUGUST 2018 · HAWAII BUSINESS | 107



N&K CPAs, Inc. ESTABLISHES SCHOLARSHIP

N&K CPAs, Inc. establishes scholarship

The Shidler College of Business at the University of Hawaii at Mānoa has received a gift to create an endowed scholarship from N&K CPAs, Inc. The endowed scholarship will provide tuition assistance to the best and brightest Accounting students at the College in perpetuity.

N&K has selected the University of Hawaii Shidler College of Business Accounting program as the recipient of its endowment to assist deserving accounting students in preparing for a career in public accounting. Many of the leaders and team members of N&K are proud graduates of the Accounting program of the Shidler College of Business and the firm continues to recruit from there.

"We believe this gift is a good way to give back to the University and assist young students who aspire to become a CPA someday," said Aron K. Miyashiro, N&K managing principal.

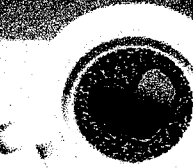
"We are grateful to N&K for investing in the best and brightest Accounting students," says Vance Roley, dean of the Shidler College of Business. "N&K has been a longstanding partner of the College via internships, hiring our graduates, and student mentoring. It is wonderful to now have them as part of our scholarship program in perpetuity."

The N&K CPAs Endowed Scholarship joins a scholarship program that is the largest in the entire UH System. It provides, on average, \$1 million in tuition assistance to deserving Shidler College of Business students each academic year. This enables students to graduate on-time, without debt, and with internship and study abroad experiences.

In 1973, Sadao Nishinaka and Glenn Kishida formed a partnership, and with a staff of nine, they opened their office at 1001 Bishop Street to provide accounting and tax services.

Since its humble beginnings, N&K has grown to a firm of eight principals and over 60 personnel to become one of the largest local CPA firms in the State of Hawaii. Today N&K is a full-service CPA firm providing attest, tax, and consulting services to Hawaii-based businesses with a local approach to service delivery along with global connections and resources.

N&K CPAs, Inc.



**HAWAII'S TOP
EMPLOYERS 2012**



L-R, Back Row (standing) Kristina Andrade, Chad Nagayama, Daisuke Asakura, Terence Mori, Noah Luis, Belinda Mercado

L-R, Front Row
Gonzalo Roberto, Brent Asato, Kelli Makino, Carlene Rafael, Darnell Mitamura, Zara Nguyen, Jordan Okimura, Yuki Gao, Deanna Chan

Massage therapist? Check. Flexible hours? Check. Parking allowance? Check. With perks like these, it's no wonder employees at N&K CPAs, Inc. love their jobs. The accounting firm employs 60 people, and a great deal of them have been around for quite some time. "Thirty-five percent of our people have been with us for at least 10 years," says managing principal Alton Miyashiro, who has been with the company since 1989.

Why do they choose to stay? They are nurtured from the time they walk in the door to reach their full potential. N & K CPAs offers the perfect ratio of help when needed and flexibility to promote independence and professional development. "Dennis [Higashiguchi, senior manager] has designed a great coaching and mentoring program for us," Miyashiro says. "Everyone has a coach, and the more senior people have mentors. We also have a buddy system. When a new hire comes on board, we have someone who will help teach them the ropes."

Once employees are on board, N & K CPAs offers many opportunities to participate with the company beyond their formal positions. They have input in almost everything, from recruiting, culture and training to niche marketing and client servicing. "We base all of our activities on four core values that form the acronym BEST. They include Be a Team Player, Excel in Servicing, Success for our Clients and Treat

Others the Way You Would Like to Be Treated. Everybody is actively involved in something related to BEST. We empower our team members to help us get to where we want to be," Miyashiro says.

And when employees perform well, they can reap the rewards through the N&K Bucks Program. The firm awards 'bucks' to team members for exemplary behavior, whether it's helping a client or helping one another. They accumulate these bucks and redeem them for items like gift certificates.

The company also holds an annual Employee Appreciation Week to show team members they are appreciated. During this week, the company will host various activities such as ice cream parties, games, or bringing in lunch. The week ends with an all day retreat outside of the office. The company also sends letters home to the families of their employees, showing their appreciation for them as well.

In the end, it's not the perks, but the people that makes the company one of the best places to work. "The most important thing for us is the people we work with," Miyashiro says. "The people within the firm are really great people. We look for people that have integrity, are trustworthy and share our core values." ■



CONTACT | Ph: (808) 524-2255 Fax: (808) 523-2090
American Savings Bank Tower, Suite 1700
1001 Bishop Street
Honolulu, HI 96813
www.nkcpa.com
www.twitter.com/nkcpa

Best Team Player

Success for all clients

N&K CPAs, Inc.

The collage features four black and white photographs. The top-left photo shows a group of people in a meeting. The top-right photo shows a group of people in a meeting. The bottom-left photo shows a large group of people in a meeting. The bottom-right photo shows a group of people in a meeting. In the center of the collage is a logo for N&K CPAs, Inc. The logo consists of a stylized 'N' and 'K' inside a circle, followed by the text 'N&K CPAs, Inc.' and 'Serving Clients Since 1988'.

Accounting Organizations U.S. and World Ranking

CPAmerica International/Crowe Global

U.S. Ranking						
RANK	Name	Network or Alliance	REVENUE (\$m)	PARTNERS	EMPLOYEES	OFFICES
5	RSM & RSM US Alliance	N/A	\$ 3,181.8	1,821	14,509	310
6	LEA Global	A	\$ 2,361.5	1,400	8,737	213
7	Praxity	A	\$ 2,322.3	1,258	10,094	127
8	BDO Alliance	N/A	\$ 2,246.5	n.av	n.av	617
9	Allinial Global	A	\$ 1,830.0	2,530	9,516	233
10	CPAmerica/Crowe Global	N/A	\$ 1,825.0	1,003	8,061	195
11	Nexia International	N	\$ 1,719.1	871	8,088	135
12	Grant Thornton	N	\$ 1,710.0	610	7,663	60
13	Baker Tilly International	N	\$ 1,367.3	864	6,110	89
14	Moore Stephens International	N/A	\$ 1,273.5	906	5,027	101
15	PrimeGlobal	A	\$ 1,196.7	673	5,715	164

World Ranking						
RANK	Name	Network or Alliance	REVENUE (\$m)	PARTNERS	EMPLOYEES	OFFICES
5	BDO	N/A	\$ 8,132.8	6,110	67,744	1,500
6	RSM International	N/A	\$ 5,095.5	3,746	39,314	813
7	Praxity	A	\$ 5,199.8	3,682	43,927	695
8	Grant Thornton International	N	\$ 5,004.7	3,377	46,106	704
9	CPAmerica/Crowe Global	N/A	\$ 3,813.5	3,904	32,636	805
10	Nexia International	N	\$ 3,620.3	2,837	27,920	667
11	Baker Tilly International	N	\$ 3,394.4	2,979	30,621	796
12	LEA Global	A	\$ 3,233.6	2,321	21,713	620
13	Moore Stephens International	N/A	\$ 2,908.6	2,801	27,367	614
14	GGI	A	\$ 2,662.0	2,136	n.av	771
15	PrimeGlobal	A	\$ 2,506.1	2,524	20,521	907

Based on 2017 figures from International Accounting Bulletin

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N&K CPAs, Inc.

AMERICAN SAVINGS BANK TOWER | 1001 BISHOP STREET, SUITE 1700 | HONOLULU, HAWAII 96813-3696
T (808) 524-2255 F (808) 523-2090 | nkcpa.com