



P.O. Box 11544
Austin, TX 78711
1210 San Antonio Street
Suite 204
Austin, TX 78701
512.236.0915
512.236.0905 F
hornellp.com

September 9, 2014

Mr. Jared Jakubowski
City of Moore
301 N. Broadway
Moore, OK 73160-5130

This letter is to explain our understanding of the arrangements for the services we are to perform for the City of Moore (the City) for the internal audit period from October 1, 2014 through September 30, 2015. Proposed fieldwork will commence the week of October 6, 2014. We ask that you either confirm or amend this understanding.

Objective

HORNE LLP will assist the City in performing certain internal audit procedures for the internal audit period identified above and as outlined in Exhibit A. These procedures will be performed based on the timing and extent stipulated in the internal audit plan for the City. Our work will be performed at the direction of the City's appointed Project Liaison and management. Additionally, HORNE will attend regularly scheduled stakeholder meetings, as directed by the City's Project Liaison, to present findings included in the internal audit reports. The City's management will assume final responsibility for this engagement. The City's management will establish and monitor the performance of our services to ensure that they meet their objectives. Further, the City will make any decisions that involve management functions related to our services and will accept full responsibility for such decisions. The City will provide management oversight of the internal audit services and evaluate the adequacy and results of such services.

Client Acceptance of Work

Periodically we will review with you the intended scope of work and draft deliverables to confirm we have met the defined project expectations. You are responsible for the final review and acceptance of this work and any conclusions reached therein. If you believe the deliverables do not conform to your expectations, you will notify us in writing within five business days of delivery that the deliverables do not conform. We will then have a reasonable period of time, based upon its severity and complexity, to correct the non-conformity. If you use the deliverables before acceptance, or if you fail to notify us of the deliverables before acceptance, or if you fail to notify us of the non-conformance within the five-day period, then the deliverables will be considered accepted.

Our personnel shall adhere to your confidentiality, code of conduct or other reasonable policies regarding working conditions and business hours to the extent our personnel are made aware of such policies. If, for any reason, any of our personnel are unable to complete the service period or his/her performance does not meet your expectations, we will attempt to provide a suitable replacement.

Engagement Assumptions and Client's Responsibilities

HORNE will work directly for the City at the direction of the City's Project Liaison and report thereto during the course of this engagement. As such, all internal audit reports prepared by HORNE are considered to be the property of the City. Additionally, City officials and applicable regulatory agencies will have full and timely access to all workpapers prepared by HORNE. Such workpapers are maintained electronically, with appropriate system back-ups, and stored by HORNE for a period of seven years.

The City's management will determine the extent of services they wish HORNE to provide and ensure our Firm has access to key people and data. HORNE, in its sole professional judgment, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or performing management functions.

If circumstances arise relating to the availability of sufficient, competent evidence to support management assessments or direction, which in our professional judgment prevent us from completing the engagement in accordance with professional standards, we retain the unilateral right to take any course of action permitted to us, including withdrawal from the engagement.

In the event we are requested or authorized by the City or are required by government regulation, subpoena or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for the City, the City will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

During the course of our engagement, we may accumulate records containing data that should be reflected in your books and records. You will determine that all such data, if necessary, will be so reflected. Accordingly, you will not expect us to maintain copies of such records in our possession.

Fees

Our fees are based upon the time required by the individuals assigned to the engagement. Our fees for the services described will be invoiced in quarter hour increment detail according to the rate schedule provided in Exhibit C. Total fees for this engagement are not to exceed \$65,000. The fees are subject to adjustments based on unanticipated changes in the scope of our work. HORNE will notify the City's Project Liaison and management immediately of any circumstances which could significantly alter HORNE's fee structure. All other provisions of this letter will survive any such fee adjustments.

We will invoice our fees and expenses monthly as incurred. Our invoices are due upon presentation. We reserve the right to suspend service if invoices are not paid promptly, in which event we will not be responsible or liable for any resulted loss, damage or expense connected with such suspension.

Other Matters

In the event HORNE or any of its partners or employees is requested or authorized by the City or are required by government regulation, subpoena or other legal process, to produce documents or personnel as witnesses at deposition, hearing or trial, with respect to any services performed pursuant to this Engagement, the City will, if HORNE is not a party to the proceeding in which the information is sought, reimburse HORNE for its reasonable professional time and expenses incurred in responding to such requests.

Resolution of all disputes shall be exclusively governed and settled in accordance with the provisions of this paragraph. Any dispute arising out of or relating to this engagement will be resolved by binding arbitration conducted before a panel of three arbitrators in accordance with the United States Arbitration Act and, to the extent not inconsistent with such law, the Professional Accounting and Related Services Dispute Resolution Rules of the American Arbitration Association. The arbitration shall be conclusive, final and binding upon the parties, their successors and assigns. Judgment upon an arbitration award may be entered in any court of competent jurisdiction. The arbitration proceeding shall be held in or near the city in which the contracting HORNE office is located. The arbitrator may allow the parties to conduct reasonable discovery, shall give effect to applicable statutes of limitation in determining any claim and shall determine any controversy concerning whether a claim is arbitrable. The expenses of the arbitration, including the fee of the arbitrator shall be borne by one or more of the parties as determined by the arbitrator; provided, however, that each party to the arbitration shall pay and bear the cost of its own legal fees and expenses and the arbitrator shall not make an award of such fees and expenses. The parties further agree that prior to institution of any arbitration proceeding, and without waiving any right to demand arbitration, they may mutually elect and agree to seek mediation or conciliation of their dispute pursuant to the Non- Binding Dispute Resolution Services of the American Arbitration Association and any such election shall not be construed as a waiver by either party of its right to arbitrate any dispute pursuant to the terms of this Engagement Letter.

The parties agree that any dispute or claim arising out of or relating to this engagement will be governed by and construed in accordance with the laws of the State of Oklahoma without regard to conflicts of law provisions.

The City may terminate this engagement at any time upon fifteen (15) business days' written notice. HORNE may terminate, suspend or withdraw from this engagement at any time without notice if the City is more than thirty (30) days past due on payment of amounts due HORNE under this engagement. The City agrees to pay HORNE for all professional services rendered, including deliverables and expenses incurred or accrued to the effective date of termination, suspension or withdrawal and all reasonable costs associated with any termination, suspension or withdrawal.

Business Terms and Project Acceptance

The attached General Business Terms apply to this engagement and are an integral part of our agreement. Please indicate your agreement to these arrangements by signing and returning to us the enclosed copy of this letter.

This letter constitutes the complete and exclusive statement of agreement between HORNE and the City, superseding all proposals, oral or written, and all other communication, with respect to the terms of the engagement between the parties.

If this letter defines the arrangements as the City understands them, please sign and date the enclosed copy and return it to us. We appreciate your business.

Sincerely,

HORNE LLP



Ann Cleland, CPA, CIA
Partner

Enclosures

Confirmed on behalf of City of Moore:

By: _____

Title: Mayor

Date: 09/15/2014

Exhibit A

Internal Audit Coverage Areas, Timeline and Governing Regulation

Horne will perform quarterly internal audit procedures for the City of Moore to test the City's compliance with

- Internal Standards for the Professional Practice of Internal Audit (ISPPA)
- Generally Accepted Auditing Standards (GAAS)
- Generally Accepted Government Auditing Standards (GAGAS or "Yellow Book")
- OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Office of Inspector General, United States Department of Housing and Urban Development, and applicable state and local regulations
- Section 3 of the Housing and Urban Development Act of 1968
- Robert T. Stafford Disaster Relief and Emergency Assistance Act, Public Law 93-288, as amended, 42 U.S.C. 5121 et seq.
- Code of Federal Regulations, Title 24, Part 570, Community Development Block Grants (24 CFR 570)
- Green Building Standards
- Title H.R. 152, titled: Division A: The Disaster Relief Appropriations Act
- Federal Register Notices
- Other applicable state or local regulations or requirements

Project implementation will consist of the following phases.

Phase 1: Planning (Engagement Weeks 1 – 3)

HORNE will work with the City's Project Liaison to define communication protocols for the engagement. HORNE will meet with stakeholders as identified by the City in order to communicate and establish engagement parameters. During these meetings HORNE and the City will agree on details for project approach and timeline, as well as key risk factors which the City wants to address. During this phase HORNE will also develop its sampling methodology based on criteria agreed upon with the City.

Deliverables: Internal audit plan; sampling methodology; identification of key risks

Phase 2: Testing (Quarterly or As Needed)

HORNE will perform four testing cycles, each lasting between one and two weeks. The schedule of testing will be agreed upon in the planning phase. Areas addressed in compliance testing will include, but not be limited to:

- Compliance with HUD National Objectives
- Status of low-to-moderate income service targets
- Compliance with applicable federal regulations, including 24CFR570

- Project statuses in relation to fair housing
- Consistency with approved action plan and program policies and procedures
- Identification and prevention of duplication of benefits
- Program progress relative to established program timelines

Deliverables: Procedure work papers

Phase 3: Reporting (1 – 2 Weeks Following Each Testing Cycle)

HORNE will issue an internal audit report to the City after each round of testing. The report will comply with the International Standards for the Professional Practice of Internal Auditing. The report will detail the procedures that HORNE performed during the testing phase. Each report will highlight areas where the City has performed in a manner consistent with standards and regulations, as well as areas where the City has an opportunity to improve its systems and operations. For those areas of opportunity for improvement, HORNE will make recommendations to the City's management for changing systems and operations in accordance with CDBG-DR implementation best practices.

Deliverables: Quarterly internal audit report; additional reporting as requested by the City and agreed upon by HORNE

EXHIBIT B:

HORNE LLP GENERAL BUSINESS TERMS

1. Our Services We will provide the services and furnish the deliverables as described in the attached arrangement letter, as may be modified from time to time by mutual written consent.

2. Independent Contractor We are an independent contractor and not your employee, agent, joint venturer or partner, and will determine the method, details and means of performing our services. We assume full and sole responsibility for the payment of all compensation and expenses of our employees and for all of their state and federal income tax, unemployment insurance, Social Security and other applicable employee withholdings.

3. Confidentiality With respect to any information supplied in connection with this engagement and designated by either of us as confidential, or which the other should reasonably believe is confidential based on its subject matter or the circumstances of its disclosure, the other agrees to protect the confidential information in a reasonable and appropriate manner, and use confidential information only to perform its obligations under this engagement and for no other purpose. This will not apply to information which is: (i) publicly known, (ii) already known to the recipient, (iii) lawfully disclosed by a third party, (iv) independently developed, (v) disclosed pursuant to legal requirement or order, or (vi) disclosed on a need-to-know basis to our respective independent contractors, agents and affiliates who agree to maintain its confidential nature. We may also mention your name and provide a general description of the engagement in our client lists or marketing materials.

4. Our Deliverables and Your License Upon full payment of all amounts due us in connection with this engagement, all right, title and interest in the deliverables set out in the attached arrangement letter will become your sole and exclusive property, except as set forth below.

Our work papers will not constitute work product and will remain our sole and exclusive property. We will retain sole and exclusive ownership of all right, title and interest in our work papers, proprietary information, processes, methodologies, know how and software, including such information as existed prior to the delivery of our services and, to the extent such information is of general application, anything which we may discover, create or develop during our provision of services for you. To the extent our deliverables to you contain software or other of our proprietary information, we grant you a non-exclusive, non-assignable, royalty-free license to use it in connection with the deliverables and the subject of the engagement and for no other or further use without our express, prior written consent. To the extent our deliverables to you contain the proprietary information of a third party, you agree to comply with such third party's terms of license.

5. Your Responsibilities You agree to furnish personnel, facilities and resources, and undertake certain responsibilities in connection with our engagement. You also agree to cause all levels of your employees and contractors to cooperate fully and timely with us. You will designate an employee or employees within your senior management who will make or obtain all management decisions with respect to this engagement on a timely basis. You also agree that all assumptions set forth in the attached arrangement letter and related fee addendum are accurate and agree to provide us with such further information we may need and which we can rely on to be accurate and complete. We will be entitled to rely on all of your decisions and approvals made independently and we will not be obligated to evaluate, advise on, confirm, or reject such decision and approvals.

You also will let us know immediately of any problems or issues you perceive in our services or deliverables at any time. We will also let you know where we feel we are not getting the appropriate cooperation and advise you of any other issues related to our engagement. The success of our engagement is dependent upon full openness, communications and cooperation. The fulfillment of these responsibilities is critical to the success of our engagement.

The successful delivery of our services, and the fees charged, are also dependent on your timely and effective completion of your responsibilities, the accuracy and completeness of the assumptions, and timely decisions and approvals by your management. You will be responsible for any delays, additional costs, or other liabilities caused by or associated with any deficiencies in the assumptions or in carrying out your responsibilities.

6. Fees, Expenses You acknowledge that any fee estimates we have furnished are only our good faith estimates based on our understanding of the engagement assumptions and the facts and circumstances we are aware of at this time. If the basis of our estimates are inaccurate, the fees and expenses may be different from those we each anticipate.

We will bill our fees and expenses monthly. Those fees and expenses do not include taxes. You will be responsible for and pay all applicable sales, use, excise, value added and other taxes associated with the provision or receipt of the services and deliverables, excluding taxes on our income generally. Our invoices are payable upon presentation and amounts remaining overdue for more than thirty days will be subject to an interest charge of 1.5% per month from the date of invoice. We reserve the right to suspend or terminate services if our invoices are not timely paid, in which event we will not be liable for any resulting loss, damage or expense connected with such suspension or termination.

7. Our Warranty We warrant that our services will be performed with reasonable care in a diligent and competent manner. Our sole obligation will be to correct any non-conformance with this warranty, provided that you give us written notice within five days after the services are performed or, if applicable, deliverables are delivered. The notice will specify and detail the non-conformance and we will have a reasonable amount of time, based on its severity and complexity, to correct the non-conformance. We do not warrant and are not responsible for any third party products or services. It is your responsibility to understand and agree to the license and warranty of the software publisher. Your sole and exclusive rights and remedies with respect to any third-party products or services are against the third-party vendor and not against us.

THIS WARRANTY IS OUR ONLY WARRANTY CONCERNING THE SERVICES AND ANY DELIVERABLE, AND IS MADE EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES AND REPRESENTATIONS, EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE, OR OTHERWISE, ALL OF WHICH ARE HEREBY DISCLAIMED.

8. Liability (a) Neither of us will be liable for any delays or failures in performance due to circumstances beyond our reasonable control.

9. Non-Solicitation During the term of this engagement, and for a period of one year following its expiration or termination, you will not actively solicit, employ or otherwise engage any of our employees (including former employees) who were involved in the engagement. In the event you breach this provision, you agree to pay to us within thirty (30) days after demand, an amount equal to the greater of \$50,000 or 100 percent (100%) of the annual base salary of any such employee of ours.

10. Termination (a) You may terminate our engagement for convenience at any time on 15 days' written notice.

(b) We may terminate or suspend this engagement if, within fifteen days' notice, you fail to cure a material breach of our engagement terms or immediately without notice in the event of non-payment of amounts due us.

(c) You will pay us for all services rendered, including deliverables and products delivered, expenses incurred or commitments made by us to the effective date of termination, and all reasonable costs associated with any termination or suspension.

11. General (a) These General Business Terms, together with the attached arrangement letter, including all of its attachments, amendments or mutually agreed upon scope changes, constitute the entire understanding and agreement between us with respect to the services and deliverables described in the attached arrangement letter, supersede all prior oral and written communications between us, and may be amended, modified or changed only in writing when signed by both parties. If there is a conflict between these General Business Terms and the terms of the attached arrangement letter, these General Business Terms will govern.

(b) No term of this agreement will be deemed waived, and no breach of this agreement excused, unless the waiver or consent is in writing signed by the party granting such waiver or consent.

(c) Neither of us may assign this agreement without the other's consent.

(d) We may, from time to time, refer you to third party vendors for specific materials or services. These vendors are not our subcontractors, and it is your responsibility to select and negotiate all work and fees with them. We will assist you with product selection, developing delivery schedules and reviewing proposals, as you request.

(e) We, in our sole discretion, may from time to time use subcontractors to deliver specific products or services to you. The management of and all financial arrangements with subcontractors will be our responsibility. The use of subcontractors will be discussed with and agreed to by you prior to delivery of such services.

(f) The terms of this agreement which by their nature are to survive this agreement will survive its expiration or termination.

(g) We each acknowledge that we may correspond or convey documentation via Internet e-mail and that neither party has control over the performance, reliability, availability, or security of Internet e-mail. Therefore, neither of us will be liable for any loss, damage, expense, harm or inconvenience resulting from the loss, delay, interception, corruption, or alteration of any Internet e-mail due to any reason beyond our reasonable control.

(h) Any action against either of us by the other in connection with this engagement must be brought within the time frame as described in the State of Oklahoma statute of limitations of action.

EXHIBIT C:
HORNE HOURLY RATES

Partner/Principal	293.45
Sr. Manager/Director	261.23
Manager	206.48
Supervisor	184.94
Sr. Associate	152.23
Associate	141.54
Sr. Accounting Technician	125.16
Accounting Technician	98.08
Sr. Administrative Assistant	48.62

SAM Search Results
List of records matching your search for :
Record Status: Active
DUNS Number: 075071548
Functional Area: Entity Management, Performance Information

ENTITY Horne LLP	Status:Active
DUNS: 075071548 +4:	CAGE Code: 4QXN7 DoDAAC:
Expiration Date: Dec 11, 2015	Has Active Exclusion?: No Delinquent Federal Debt?: No
Address: 1020 Highland Colony Pkwy Ste 400	
City: Ridgeland	State/Province: MISSISSIPPI
ZIP Code: 39157-2129	Country: UNITED STATES