

**AGREEMENT**

**THIS AGREEMENT**, made and entered into on this 21st day of December, 2018, by and between **JACKSON COUNTY, MISSOURI**, by and through its Director of Finance and Purchasing, hereinafter called "the County," and **BKD LLP**, 1201 Walnut St # 1700, Kansas City, MO 64106, hereinafter called "Auditor."

**WITNESSETH:**

WHEREAS, the County has determined that it is in the best interest of its citizens to hire independent public accountants to provide auditing services of Jackson County's COMBAT program for the 2018 fiscal year end and future County fiscal years if mutually agreed upon; and,

WHEREAS, the County issued Request for Qualifications (RFQ) No. 63-18 and received one response thereon; and,

WHEREAS, the evaluation committee interviewed and evaluated the respondent and recommended an award to Auditor as the best overall response; and,

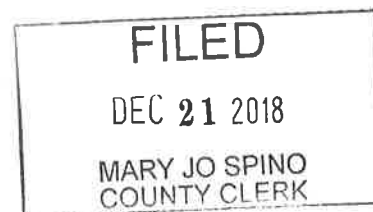
WHEREAS, this Agreement was authorized by Resolution 20058, dated November 26, 2018; and,

WHEREAS, Auditor has agreed to perform consulting work in accordance with the terms, conditions, and covenants as set forth in this Agreement; and,

WHEREAS, Auditor and the County have agreed to be bound by the provisions hereof,

NOW, THEREFORE, in consideration of the foregoing and the terms and provisions herein contained, County and Auditor respectively agree as follows:

1. Professional Services. Auditor shall fulfill its contractual obligations by



providing an audit of the financial records of the Jackson County, Missouri, COMBAT program, as more fully set out in County's RFQ 63-18, Auditor's response thereto, and in Auditor's engagement letter attached hereto as Exhibit A, which are all incorporated herein and made a part of this Agreement, provided that, should there be any conflict between the terms and conditions set forth therein with the terms of this Agreement, the terms of this Agreement shall govern.

2. Independent Contractor. Auditor shall work as an independent contractor and not as an employee of the County. Auditor shall be subject to the direction of the County only as to the result to be accomplished and not as to the means and methods for accomplishing the result. Auditor shall report all earnings received hereunder as its gross income, and be responsible for its own Federal, State, and City withholding taxes and all other taxes, and shall operate its business independent of the business of the County, except as required by this Agreement.

3. Terms for Payment. Auditor shall receive a flat fee of \$100,000.00 for its work under this Agreement in connection with the 2018 year-end audit. Auditor shall submit monthly statements to the County's COMBAT Director, based on estimated percentage of work completed, and the County shall process such statements for payment promptly upon receipt. The parties recognize that the fee set out in this paragraph includes an allocation for expenses, as is more fully described in Exhibit A.

4. Duration and Termination. This Agreement shall commence upon execution and continue until the services for the 2018 year-end audit have been completed, unless sooner terminated. Auditor or the County may terminate this Agreement for any reason by giving three (3) days' written notice to the other party. Termination of this Agreement shall

not constitute a waiver of the rights or obligations which County or Auditor may be entitled to receive or be obligated to perform under this Agreement for services prior to the date of termination, but payment pursuant to paragraph 3 of this Agreement shall terminate as of the date of said notice, and shall be prorated through that date. Should this Agreement terminate, all County written materials of any kind must be delivered and returned by the Auditor to the County within ten (10) days of the termination of this Agreement. Upon mutual agreement of the parties, this Agreement may be renewed annually for audits through the year 2021. In the event of a renewal, the scope and the cost of the engagement, will be subject to negotiation between the parties.

5. Assignment. Auditor agrees, in addition to all other provisions herein, that Auditor shall not assign any portion or the whole of this contract without the prior written consent of the County.

6. Time of the Essence. Timely performance of all duties provided herein is of the essence of this Agreement.

7. Remedies for Breach. Auditor agrees to faithfully observe and perform all of the terms and conditions of this Agreement, and Auditor's failure to do so shall represent and constitute a breach of this Agreement. In such event, Auditor consents and agrees as follows:

(1) The County may without prior notice to Auditor immediately terminate this Agreement; and,

(2) The County shall be entitled to seek any available legal remedy and to collect from Auditor all costs incurred by the County as a result of said breach including reasonable attorney's fees, costs, and expenses.

8. Severability. If any covenant or other provision of this Agreement is invalid, or incapable of being enforced, by reasons of any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect and no covenant or provision shall be deemed dependent upon any other covenant or provision unless so expressed herein.

9. Appropriation of Funds. County promises and covenants to make its best efforts to appropriate funds in accordance with this Agreement. In the event that no funds or in the event that insufficient funds are appropriated and budgeted or are otherwise unavailable by any means whatsoever for payments due hereunder, County shall immediately notify Auditor of this occurrence and this Agreement shall terminate and be rendered null and void on the last day of the fiscal period for which appropriations were made without penalty, liability or expense to the County of any kind, except as to (i) the portions of the amounts due under this agreement for which funds shall have been appropriated and budgeted or are otherwise available and (ii) County's other obligations and liabilities under this agreement relating to, accruing or arising prior to such termination.

10. Conflict of Interest. Auditor warrants that no officer or employee of the County, whether elected or appointed, shall in any manner whatsoever be interested in or receive any benefit from the profits or emoluments of this contract.

11. Employment of Unauthorized Aliens Prohibited. Pursuant to §285.530.1, RSMo, Organization assures that it does not knowingly employ, hire for employment, or continue to employ an unauthorized alien to perform work within the State of Missouri and/or Jackson County, and shall affirm, by sworn affidavit and provision of documentation, its enrollment and participation in a federal work authorization program with respect to the

employees working in connection with the contracted services. Further, Organization shall sign an affidavit, attached hereto and incorporated herein as Exhibit B, affirming that it does not knowingly employ any person who is an unauthorized alien in connection with the contracted services.

12. Incorporation. This Agreement incorporates the entire understanding and agreement of the parties.

IN WITNESS WHEREOF, the parties hereto have signed and executed this Agreement on the date first above written.

While Jackson County has referred to this engagement as an "audit", it is not a BKD LLP financial statement audit, but instead a consulting project that includes forensic accounting and data analytics.

JACKSON COUNTY, MISSOURI

By Angela Maubach  
Federal Tax I.D. No.: 44-0160260

By [Signature]  
Bob Crutsinger,  
Director of Finance and Purchasing

APPROVED AS TO FORM:

W. Stephen Nixon  
W. Stephen Nixon  
County Counselor


ATTEST:

Mary Jo Spino  
Mary Jo Spino  
Clerk of the Legislature

**REVENUE CERTIFICATE**

I hereby certify that there is a balance otherwise unencumbered to the credit of the appropriation to which this contract is chargeable, and a cash balance otherwise unencumbered in the treasury from which payment is to be made, each sufficient to meet the obligation of \$20,000.00 which is hereby authorized. Funding for future years is subject to appropriation in the County's then current annual budget.

12 2018  
Date

  
\_\_\_\_\_  
Director of Finance and Purchasing  
Account No. 001-5101-56010  
51012018009

**WORK AUTHORIZATION AFFIDAVIT**

As a condition for any service provided to the County, a business entity shall, by sworn affidavit and provision of documentation, affirm its enrollment and participation in a federal work authorization program with respect to the employees working in connection with the contracted services.

Business entity, as defined in section 285.525, RSMo pertaining to section 285.530, RSMo, is any person or group of persons performing or engaging in any activity, enterprise, profession, or occupation for gain, benefit, advantage, or livelihood. The term "business entity" shall include but not be limited to self-employed individuals, partnerships, corporations, contractors, and subcontractors. The term "business entity" shall include any business entity that possesses a business permit, license, or tax certificate issued by the state, any business entity that is exempt by law from obtaining such a business permit, and any business entity that is operating unlawfully without such a business permit.

Every such business entity shall complete the following affidavit affirming that it does not knowingly employ any person who is an unauthorized alien in connection with the contracted services. The completed affidavit must be returned as a part of the contract documentation.

This affidavit affirms that **BKD, LLP** is enrolled in, and is currently participating in, E-verify or any other equivalent electronic verification of work authorization operated by the United States Department of Homeland Security under the Immigration Reform and Control Act of 1986 (IRCA); and, **BKD, LLP**, does not knowingly employ any person who is an unauthorized alien in conjunction with the contracted services.

In Affirmation thereof, the facts stated above are true and correct. (The undersigned understands that false statements made in this filing are subject to the penalties provided under section 575.040, RSMo.)

Angela Morelock  
Authorized Representative's Signature  
MANAGING PARTNER  
Title

ANGELA MORELOCK  
Printed Name  
12/18/2018  
Date

Subscribed and sworn before me this 18 day of December, 2018. I am commissioned as a notary public within the County of Greene, State of Missouri, and my commission expires on December 13, 2020

C. Susanne Richards  
Signature of Notary

12/18/2018  
Date





December 12, 2018

Finance and Audit Committee  
c/o Dennis Waits  
Jackson County, Missouri  
415 E 12<sup>th</sup> Street  
Kansas City, MO 64106

We are pleased to confirm the arrangements of our engagement and the nature of the services we will provide to Jackson County, Missouri.

#### **OUR SERVICES AND RESPONSIBILITIES**

We will provide forensic accounting and data analytic services for Jackson County, Missouri, in connection with the activities in their COMBAT program. The scope of specific procedures performed is attached to this engagement letter.

There can be no assurance that such procedures will identify fraud that may exist. Therefore, at the conclusion of our engagement, we will request representation from you that the procedures performed are sufficient for your purposes.

At the conclusion of our work, we will present our findings either through a written report.

We will not update our report for or disclose any event or circumstances after the date of our report.

If for any reason we are not able to complete our procedures, we may decline to issue a report as a result of this engagement.

Julia Mast will be the lead service provider for this engagement.

In addition, we may perform other services for you that are not covered by this engagement letter. You agree to assume full responsibility for the substantive outcomes of the services described above and for any other services we may provide, including any findings that may result. You also acknowledge these services are adequate for your purposes, and you will establish and monitor the performance of these services to ensure they meet management's objectives. Any and all decisions involving management responsibilities related to these services



will be made by you, and you accept full responsibility for such decisions. We understand you have designated a management-level individual to be responsible and accountable for overseeing the performance of these services, and you have determined this individual is qualified to conduct such oversight.

### **ENGAGEMENT FEES**

Based upon the information you have provided, our fees for the attached scope are not to exceed \$100,000. This amount will include an administrative fee of 4% to cover items such as copies, postage and other delivery charges, supplies, technology-related costs such as computer processing, software licensing, research and library databases and similar expense items. This fee assumes that all information will be provided to us completely and expeditiously and that no unusual or unanticipated circumstances arise in our engagement. If unusual or unanticipated circumstances require us to expand the scope of our engagement, we will discuss this with you before beginning the additional work. For purposes of this agreement, it is assumed that expanding the scope of our engagement, including upon your request, will increase our anticipated fees.

Our pricing for this engagement and our fee structure are based upon the expectation that our invoices will be paid promptly. We will issue progress billings during the course of our engagement, and payment of our invoices is due upon receipt. Interest will be charged on any unpaid balance after 30 days at the rate of 10% per annum.

We reserve the right to withdraw from the engagement if our fees are not paid.

Our hourly rates are subject to at least annual adjustments. Because we do not know how long our services may be required, you will be responsible for fees at the hourly rates in effect at the time work is performed.

If testimony or deposition is required because of any subpoena, you shall be responsible for any additional time, fees and charges regardless of the issuing party.

In the event of a question or dispute about any invoice you receive, you agree to contact your BKD professional within 10 days of your receipt of the invoice. We will work with you to answer questions and address disputed issues as quickly as possible. For this engagement, the person to contact with respect to any such billing questions and issues is Julia Mast. Ms. Mast can be reached at 816.701.0262 or [jmast@bkd.com](mailto:jmast@bkd.com).

**OTHER ENGAGEMENT MATTERS AND LIMITATIONS**

During the course of our engagement, it may be necessary for us to prepare written reports that support our conclusions. These reports are not to be published or used in any other manner other than noted above without the written consent of BKD.

If services are terminated as a result of a conflict of interest, or for any other reason, you agree to pay us for time expended to date. In addition, you will be billed travel costs, if any, as well as an administrative fee of 4% to cover items such as copies, postage and other delivery charges, supplies, technology-related costs such as computer processing, software licensing, research and library databases and similar expense items.

We will use and rely on information furnished by you and on information available from generally recognized public sources.

Our workpapers and documentation retained in any form of media for this engagement are the property of BKD. We can be compelled to provide information under legal process. In addition, we may be requested by regulatory or enforcement bodies to make certain workpapers available to them pursuant to authority granted by law or regulation. You agree that we have no legal responsibility to you in the event we provide such documents or information pursuant to legal process.

You agree to indemnify and hold harmless BKD and its personnel from any claims, liabilities, costs and expenses relating to our services under this agreement, except to the extent determined to have resulted from the intentional or deliberate misconduct of BKD personnel.

Any liability of BKD and its personnel to you is limited to the amount of the fee you paid for this engagement as liquidated damages.

You agree that any dispute regarding this engagement will, prior to resorting to litigation, be submitted to mediation upon written request by either party. Both parties agree to try in good faith to settle the dispute in mediation. The American Arbitration Association will administer any such mediation in accordance with its Commercial Mediation Rules. The results of the mediation proceeding shall be binding only if each of us agrees to be bound. We will share any costs of mediation proceedings equally.

Either of us may terminate these services at any time. Both of us must agree, in writing, to any future modifications or extensions. If services are terminated, you agree to pay us for time expended to date. In addition, you will be billed travel costs, if any, as well as an administrative fee of 4% to cover items such as copies, postage and other delivery charges, supplies,

technology-related costs such as computer processing, software licensing, research and library databases and similar expense items.

If any provision of this agreement is declared invalid or unenforceable, no other provision of this agreement is affected and all other provisions remain in full force and effect.

This engagement letter represents the entire agreement regarding the services described herein and supersedes all prior negotiations, proposals, representations or agreements, written or oral, regarding these services. It shall be binding on heirs, successors and assigns of you and BKD.

CMA Group, LLC, a minority owned business, will assist us with your engagement by providing approximately 80 hours of work. We remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures and safeguards to protect the confidentiality of your information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information. In the event we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider.

We will, at our discretion or upon your request, deliver financial or other confidential information to you electronically via email or other mechanism. You recognize and accept the risk involved, particularly in email delivery as the Internet is not necessarily a secure medium of communication as messages can be intercepted and read by those determined to do so.

You agree you will not modify these documents for internal use or for distribution to third parties. You also understand that we may on occasion send you documents marked as draft and understand that those are for your review purpose only, should not be distributed in any way and should be destroyed as soon as possible.

Any time you intend to reference our firm name in any manner in any published materials, including on an electronic site, you agree to provide us with draft materials for our review and approval before publishing or posting such information unless publishing or posting such information is required by the rules of civil procedure or court order.

BKD is a registered limited liability partnership under Missouri law. Under applicable professional standards, partners of **BKD, LLP** have the same responsibilities as do partners in a general accounting and consulting partnership with respect to conformance by themselves and other professionals in BKD with their professional and ethical obligations. However, unlike the partners in a general partnership, the partners in a registered limited liability partnership do not have individual civil liability, directly or indirectly, including by way of indemnification,

contribution, assessment or otherwise, for any debts, obligations or liabilities of or chargeable to the registered limited liability partnership or each other, whether arising in tort, contract or otherwise.

We are an independent accounting firm allowed to use the name "Praxity" in relation to our practice. We are not connected by ownership with any other firm using the name "Praxity," and we will be solely responsible for all work carried out by us on your behalf. In deciding to engage us, you acknowledge that we have not represented to you that any other firm using the name "Praxity" will in any way be responsible for the work that we do.

We will be pleased to discuss this letter with you and look forward to the opportunity of serving you. If the above arrangements are acceptable to you, please sign the enclosed copy of this letter and return it to us. If the signed copy you return to us is in electronic form, you agree that such copy shall be legally treated as a "duplicate original" of this agreement.

**BKD, LLP**

*BKD, LLP*

The services and arrangements described in this letter are in accordance with our understanding and are acceptable to us.

**JACKSON COUNTY, MISSOURI**

BY \_\_\_\_\_  
Name & Title  
Member of Those Charged with Governance

DATE \_\_\_\_\_

BY \_\_\_\_\_  
Name & Title  
Member of Management

DATE \_\_\_\_\_

**Engagement Letter Attachment**  
**Jackson County COMBAT**  
**Proposed Scope of Procedures**  
**Dated December 12, 2018**

*The scope of procedures, as outlined below, shall be limited to the period of January 1, 2014 through December 31, 2017 (scope period), unless otherwise noted.*

Our procedures may include, but may not necessarily be limited to the following:

1. Hold a kick-off call with COMBAT stakeholders for introductions, overview of BKD's plan, to further understand general concerns and goals of the project.
2. Obtain and analyze written policies or procedures that govern the management of the COMBAT program as well as the associated laws and regulations. In addition, obtain historical COMBAT audits, performance reviews or any other analysis that has been performed during the scope period.
3. Conduct interviews with identified COMBAT or county employees, as necessary, to develop an understanding of the operations and accounting process.
4. Obtain transactional level data from general ledger and credit card activity, if separate, for January 1, 2015 through December 31, 2018, and perform forensic data analytics on COMBAT funds in the areas of accounts payable, vendor master and employee master. Potential analysis may include, but not necessarily be limited to:
  - a. **Outlier analysis** – Identify invoice amounts with Z score exceeding +/- 2.00 (95% level) (statistical outlier) OR level selected by fraud examiner.
  - b. **Employee/vendor relationships** – Compare vendor master file attributes to employee master file attributes to identify employees and vendors with matching attributes such as, but not limited to, addresses and phone numbers.
  - c. **Vendor/vendor relationships** – Compare vendor master file attributes of different vendors to identify vendors with matching address, phone, names, etc.
  - d. **Date/Time Analysis** – Analysis of AP invoice processing activity or checks written:
    - i. On weekends
    - ii. On holidays
    - iii. In round thousand dollar increments

- e. **Address search and validation** – Identify vendors with no address, a P.O. Box or rural route address only, or an invalid address as compared to USPS database of valid addresses.
- f. **Purchase order/invoice analysis** – Identify missing or duplicate invoice numbers.
- g. **Gaps analysis** – Identify gaps in invoice and check numbering sequences.
- h. **Invoice duplicates** – Perform analysis for same invoice attributes occurring for same or different vendor ID to identify potential duplicate payments.
- i. **Invoice / check comparison** – Compare invoice amounts to check amount. Flag any discrepancies for further analysis.
- j. **Digital analysis** – Perform Digital Frequency Analysis (Benford's Law) on payable amounts to identify nonconforming digits to flag for further analysis.
- k. **Time series analysis** – Analyze payable amounts by vendor over specified time period. Identify unusual patterns visually and through automated pattern recognition techniques and classify unusual activity by AP clerk or approver.
- l. **Vendor maintenance file changes** – Identify vendor master file changes by AP clerk. If date/time fields for changes are present, identify unusual dates or times of activity (weekends, holidays, after normal business hours).
- m. **Missing information** – Search for vendors with no tax ID number, phone number or contact name.
- n. **Vendor activity over time** – Identify vendors with no activity for the given period. If comparing multiple periods, identify vendors new to the current period or vendors with activity in prior periods but not in the current period.
- o. **Frequency analysis** – Identify vendor payments occurring on the same day each month for same amount.
- p. **Credit card analysis** – Identify credit card charges to high risk vendors, split transactions, transactions on weekends, holidays and shopping holidays, or unusual patterns in credit card activity

5. Based on the results of the data analytics, and management concerns, select a significant number (approximately 100) of financial transfers and:
  - a. Request and obtain, or gain access to, all supporting documentation
  - b. Analyze supporting documentation
  - c. Consider if the transfer and G/L classification meet COMBAT's Commission stated goals and mission
  - d. Identify usual payments, based on amount, payee, timing, supporting documentation
    - i. Document and report to management
6. Obtain a listing of the benefits paid by Anti-Drug monies.
  - a. Request and obtain, or gain access to, supporting documentation for the benefits paid
  - b. Analyze supporting documentation for the benefits paid (approximately 100)
  - c. Identify and report:
    - i. Unusual trends in benefit payments (per individual, per type of benefit, etc.)
    - ii. Benefits paid that look unusual
    - iii. Benefits lacking appropriate supporting documentation
7. Obtain a listing of employees (current and past) and contractors who were paid from COMBAT funds (could be identified through data analytic files) and relate that employee to the County Department who employs the individual, or the contractor.
  - a. Analyze payroll or payment information for the individual or contractor
  - b. (For Employees) Consider timesheets from both the COMBAT funds and the County Department to determine if appropriate funds were paid based on the documented division of work between the County and COMBAT.
  - c. (For Contractors) Analyze supporting documentation for all payments to determine that the appropriate amount of reimbursements were provided with COMBAT funds

8. Obtain a listing of expenditures and analyze transactions where COMBAT Funds were spent on:
  - a. Constructing Future
  - b. Rock Isle Corridor
  - c. Renovations for Independence Historic Courthouse
  - d. Renovations on County-owned facilities

Consider if supporting documentation appropriately supports the expenditure, if expenditure meets the COMBAT Commission's stated goals and mission.

9. Analyze the partner relationships between the County and the funds expended at the entities listed below.
  - Drug and Anti-Violence Prevention programs
  - Drug Treatment programs
  - Law Enforcement Based School Anti-Violence and Anti-Drug Prevention programs and initiatives (Formerly known as DARE)
  - Kansas City, Missouri, Police Department
  - Jackson County Drug Task Force
  - Prosecutors Office
  - Deferred Prosecution
  - Grant Match programs
  - Circuit Court
  - Corrections
  - a. Evaluate the reporting from the entities on the use of COMBAT funds, considering:
    - i. Percent of administrative expenses to the total amount of funding provided



1. Administrative staff and operational costs, such as:
  - a. Office supplies
  - b. Meeting expenses
  - c. Travel expenses, etc.
- b. Compare the spending of partners to overall Anti-Drug Sales Tax budget
- c. Research best practices for administrative expenses
- d. Identify inefficient or uneconomical practices, if any
- e. Provide recommendations for improvements, which could include personnel, organizational structure, operations policies, budgeting, protocols, strategies
10. Assess best practices for processing grant applications and monitoring, specifically given the differences among County sales taxes and levies
  - a. Provide recommendations for improvements
11. Assess best practices for a contingency, undesignated fund balance, or reserve operating funds based on forecasted revenues
  - a. Provide recommendations for improvement
12. Provide management with a written report, which will include, but not necessarily be limited to:
  - a. Results of our procedures
  - b. Key areas of risk
  - c. Best practices to address the risks
  - d. Best practices for ongoing procedures