

**TEXAS DEPARTMENT OF INFORMATION RESOURCES
CONTRACT FOR
AUDIT SERVICES**

MCCONNELL & JONES LLP

1. Introduction

A. Parties

This Contract for services is entered into between the Department of Information Resources, an agency of the State of Texas (hereinafter “DIR”) with its principal place of business at 300 West 15th Street, Suite 1300, Austin, Texas 78701, and McConnell & Jones LLP (hereinafter “Vendor”), with its principal place of business at 4828 Loop Central, Suite 1000, Houston, Texas 77081.

B. Compliance with Procurement Laws

This Contract is the result of compliance with applicable procurement laws of the State. DIR issued a solicitation on the Comptroller of Public Accounts’ Electronic State Business Daily, Request for Proposal (RFP) DIR-TSO-TMP-300, on April 14, 2015, for Audit Services. Upon execution of this Contract, a notice of award for RFP DIR-TSO-TMP-300 shall be posted by DIR on the Electronic State Business Daily.

C. Order of Precedence

This Contract; Appendix A, Standard Terms and Conditions For Services Contracts; Appendix B, Vendor’s Historically Underutilized Businesses Subcontracting Plan; Exhibit 1, Vendor’s Response to RFP DIR-SDD-TMP-300, including all addenda; and Exhibit 2, RFP DIR-SDD-TMP-300, including all addenda; are incorporated by reference and constitute the entire agreement between DIR and Vendor. The documents listed in this paragraph shall be hereinafter referred to as the “Contract Documents”. In the event of a conflict between the Contract Documents, the controlling document shall be this Contract, then Appendix A, then Appendix B, then Exhibit 1 and finally Exhibit 2. In the event and to the extent any provisions contained in multiple documents address the same or substantially the same subject matter but do not actually conflict, the more recent provisions shall be deemed to have superseded earlier provisions.

D. Term of Contract

The term of this Contract shall be one (1) year commencing on the last date of approval by DIR and Vendor. Prior to expiration of the original term, DIR may extend this Contract, by amendment, for up to one (1) optional one-year term.

E. Contract Amount

The total amount of this Contract will not exceed Twenty-Six Thousand Four Hundred and Seventeen Dollars (\$26,417.00).

2. Scope of Work

A. Deliverables and Timelines

1) Vendor will deliver the work products, deliverables, and services by the dates as set forth in the Scope of Work (hereinafter "SOW") as follows:

2) Vendor will provide the following audit services:

- Vendor will perform an audit of the DIR Performance Measures. The purpose of the audit is to assess the DIR processes for the collection, calculation, review and reporting of its performance measures.
- Vendor will perform the audit in compliance with applicable auditing standards (International Standards for the Professional practice of Internal Auditing and Generally Accepted Government Auditing Standards) and the Texas Internal Auditing Act. The audit will focus on DIR's key performance measures. The audit period is from September 1, 2013 to August 31, 2015 or Fiscal Year 2014.
- Vendor must perform the work to accomplish the audit objective following the guidelines published by the Texas State Auditor in its Guide to Performance Measure Management 2012 Edition, March 2012, Report No. 12-333.
- Vendor will provide a written Engagement Letter detailing the work plan to accomplish the audit objective.
- Vendor will provide written status reports on the progress of the audit to the Director of Internal Audit every week. These are due to the DIR Director of Internal Audit by noon on Monday each reporting week throughout the like of the audit. Status meetings in person or over the phone will be held at the discretion of the DIR Director of Internal Audit.
- Vendor will identify strengths, weaknesses, opportunities and threats of the performance measure processes. The strengths, weaknesses, opportunities, or threats will be included in the weekly status reports, as identified. Hold a Pre-Exit Conference with the Director of Internal Audit and hold an Exit Conference with the Director of Internal Audit and responsible management over the performance measure processes to discuss preliminary results and opportunities for improvement that are not performance or compliance issues (verbal comments).
- Vendor will provide to DIR Internal Audit a written report that includes: an Executive Summary, background information, detail results, significant deficiencies in the design or operation of the internal control structure,

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significant opportunities for internal control improvements or increased efficiencies requiring action by DIR management or the DIR Board of Directors (DIR Board), audit recommendations, management responses, and any other relevant information required to properly convey the results of the audit. If the results are determined to be confidential, the firm will develop and provide a separate confidential report. The firm will make an immediate written report to the Director of Internal Audit of all material irregularities, illegal acts, or indications of illegal acts of which they become aware during the course of the audit.

- After the final report has been issued, Vendor will provide a copy of the work papers to the DIR Director of Internal Audit.
- DIR's Director of Internal Audit will coordinate the audit with assistance from the Internal Audit staff. The Chief Financial Officer and staff from the Chief Financial Officer will be available for assistance.
- Responsibilities of DIR and Vendor
 - a. Responsibilities of DIR
 1. Provide the firm with on-site space and facilities necessary for the firm to conduct the audit.
 2. Provide the firm with access to information, staff, or electronic systems necessary to complete the audit.
 3. DIR and NIC will cooperate with Vendor in a reasonable manner to ensure timely completion of the audit. DIR will be notified promptly by Vendor of delays resulting from lack of timely response by DIR or NIC staff that might jeopardize completion by the deadline.
 4. Monitor the performance of the contract issued under this RFO.
 - b. Responsibilities of Vendor
 1. Provide the computer capabilities and equipment needed to conduct the audit.
 2. Provide the DIR Director of Internal Audit with all information, data, reports, and records necessary to complete the audit.
 3. Notify the DIR Director of Internal Audit of any delays resulting from lack of timely response by DIR staff or firm staff that might jeopardize completion of the audit by the deadline.
 4. Provide and delivers services at an acceptable quality level and in a timely manner consistent with acceptable audit standards, customs, and practices.
- All work papers, which remain Vendor 's exclusive property, and reports will be retained by Vendor, at Vendor 's expense, for a minimum of five

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years unless Vendor is notified in writing by DIR of the need to extend the retention period. Vendor will maintain confidentiality of the work papers and reports in accordance with the applicable professional standards. Vendor will, at Vendor’s expense, make the work papers and reports available to city, county, state, or federal entities or their representatives upon the written request of DIR, in accordance with the applicable professional standards. Vendor will provide DIR, at Vendor’s expense, with copies of any and all work papers and reports, upon DIR’s written request. Vendor will respond to the reasonable inquiries of successor auditors and will allow successor auditors to review work papers and reports relating to matters of continuing accounting significance at the request of DIR.

- The following meetings will be required:
 - a. Entrance Conference to start of the audit,
 - b. Exit Conference at the conclusion of the audit,
 - c. Progress reports and conferences as requested by either party,
 - d. Meeting to present the final report to the DIR Executive Leadership and Board.
 - e. DIR reserves the right to invite participants to any of the above meetings as deemed necessary.

- TIMEFRAME Critical deadlines for this project are as follows (unless otherwise agreed to in writing by both parties):

Contract Executed	June 12, 2015
Engagement Letter / Entrance Conference	June 18, 2015
Audit Planning Begins	June 22, 2015
Audit Fieldwork Begins.....	July 8, 2015
Audit Reporting Begins	July 24, 2015
Draft Report / Exit Conference.....	August 7, 2015
Final Report	August 21, 2015

3) In the performance of the services specified in this SOW, Vendor is not providing any legal services to DIR. Any content to be included in the deliverables that requires legal review or advisement is subject to the oversight of the DIR Office of General Counsel.

B. Acceptance of Deliverables

Vendor shall provide the completed deliverable on the corresponding due date as specified in the SOW herein. DIR shall have five (5) business days to review and either accept or reject each deliverable. In the event that a deliverable is not acceptable due to a material and substantial non-conformity, DIR shall provide to Vendor a written notice of such non-acceptance with sufficient detail to clearly identify the reason for non-acceptance. Vendor shall have five (5) business days following receipt of such notice of non-acceptance to use reasonable commercial efforts to cure or remedy the problems detailed therein, and

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resubmit the deliverable to DIR. The parties shall repeat this procedure until acceptance of the deliverable, or termination of this Contract by DIR.

C. Payment Milestone(s)

1) The payment milestone which establishes a progress payment schedule based on performance is:

- Deliverable – Final Audit Report on DIR’s Performance Measures

2) Once the Final Audit Report is accepted by DIR, the Vendor may submit an invoice for payment.

D. Administration

1) The DIR Director of Internal Audit will act as the Project Manager. The Project Manager shall have the authority and responsibility to implement the Contract, including the SOW. The Project Manager shall attempt to resolve any routine disputes that arise during the course of performance of this Contract.

2) Every Friday, during the term of this Contract, Vendor shall deliver to DIR a written report (the "Status Report") describing in reasonable detail the status of the project, including without limitation the then current status of completed development, development accomplished during the preceding week, known problems, findings and risks and the anticipated effect on the project, current and planned staffing, whether Vendor expects to meet the schedule of the SOW and, if not, the variations, any other information pertaining to the project that would reasonably be of interest to DIR, as well as any information specifically and reasonably requested by DIR. Vendor represents and warrants that each Status Report will be complete and accurate, and Vendor agrees to update each Status Report, prior to the delivery of the next weekly Status Report, in the event major problems or other major variations are encountered. Vendor will also respond to reasonable inquiries from time to time from DIR concerning the status of the project.

E. Escalation Procedures

In the event that the Project Manager cannot reach agreement about: i) the acceptance of deliverables, or iii) the resolution of routine disputes that may arise during the course of the performance of this Contract, the matter shall be referred to the Internal Audit Director at DIR and the Project Director at McConnell & Jones LLP (First Escalation Team), in a jointly executed memorandum of referral, signed by both Project Managers, for resolution no later than five days after the memorandum is received by the First Escalation Team. In the event one Project Manager refuses to sign the pro-offered memorandum of referral within two business days of receipt, the referring Project Manager may note “refused to sign” on the memorandum and forward it to the First Escalation Team. If the Internal Audit Director at DIR and the Project Director at McConnell & Jones cannot reach a resolution within ten days of the date of receipt of the memorandum of referral, the matter shall be submitted to the Interim Executive Director of DIR and the Engagement Partner at

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McConnell & Jones LLP (Second Escalation Team), along with all appropriate documentation. The Second Escalation Team shall have five (5) days to resolve the matter referred. In the event of failure of the parties to reach a resolution through this process, then the Vendor that is dissatisfied may proceed with the dispute resolution process provided in Chapter 2260, Texas Government Code, to the extent applicable, and DIR, if it is dissatisfied, may exercise its available legal remedies, as appropriate.

F. Modifications to Scope of Work

1) If either Party proposes to change the scope or nature of the SOW, then it shall provide a written Change Request to the other Party's Project Manager. The Change Request must provide the information regarding the change comparable to the detail originally included in the SOW.

2) Within five (5) business days after the written Change Request is received by either Party, Vendor shall evaluate the changes in regard to cost, benefits, resources, alternatives, and schedule and provide such evaluation to DIR.

3) If the results of the evaluation are not acceptable to DIR, Vendor and DIR will endeavor to agree upon appropriate and mutually agreeable changes in cost, schedule or other terms associated with the Change Request. While such changes are under review, Vendor shall continue to perform under this Contract so long as such continued performance does not cause Vendor to incur a material increase in cost or other undue hardship in relation to the Change Request. A decision to discontinue performance due to a Change Request shall be made only by mutual written agreement of the Parties.

4) No Change Request shall be implemented unless set forth in writing and approved and signed by an authorized representative of each party. Vendor agrees to act in good faith with regard to price and schedule terms it requires for any proposed change. Once both Parties have approved a Change Request, the Parties shall make the appropriate adjustments to the SOW and other appropriate Contract Documents to reflect the approved changes.

3. Notification

All notices under this Contract shall be sent to a party at the respective address indicated below.

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If sent to the State:

Shannon Kelley, Manager
Enterprise Contract Management
Department of Information Resources
300 W. 15th St., Suite 1300
Austin, Texas 78701
Phone: (512) 475-4700
Facsimile: (512) 475-4759
Email: shannon.kelley@dir.texas.gov

If sent to the Vendor:

Odysseus Lanier, Partner
McConnell & Jones LLP
4828 Loop Central Drive, Suite 1000
Houston, Texas 77081
Phone: (713) 968-1603
Facsimile: (713) 968-1601
Email: olanier@mjlm.com

4. Service Requirements

Services provided under this Contract shall be in accordance with the Service Requirements as set forth in Section 2 of this Contract and in accordance with Request for Proposals DIR-SDD-TMP-300. No changes to the Service Requirements may be made unless previously agreed to by Vendor and DIR.

5. Authorized Exceptions to Appendix A, Standard Terms and Conditions for Services Contracts.

No exceptions have been agreed to by DIR and Vendor.

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This Contract is executed to be effective as of the date of last signature.

McConnell & Jones LLP

Authorized By: _____

Name: Odysseus M. Lanier_____

Title: Partner_____

Date: 6/12/2015_____

The State of Texas, acting by and through the Department of Information Resources

Authorized By: signature on file

Name: Todd Kimbriel

Title: Interim Executive Director

Date: 6/16/15

Office of General Counsel: DR Brown 6/16/15

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**AMENDMENT NUMBER 1
TO
CONTRACT NO. DIR-TSO-2587
(HEREBY REDESIGNATED DIR-IA-2587)
BETWEEN
THE STATE OF TEXAS, DEPARTMENT OF INFORMATION RESOURCES
AND
MCCONNELL & JONES LLP**

This Amendment Number 1 to Contract Number DIR-TSO-2587 (“Contract”) is between the Department of Information Resources (“DIR”) and McConnell & Jones LLP (“Vendor”). DIR and Vendor agree to modify the terms and conditions of the Contract as follows:

1. The **Contract Number** is hereby changed from DIR-TSO-2587 to DIR-IA-2587.

2. Appendix A, Section 7, Vendor Responsibilities, P. Immigration **is hereby replaced in its entirety with the following:**

Immigration

The Vendor shall comply with all requirements related to federal immigration laws and regulations, to include but not be limited to, the Immigration and Reform Act of 1986, the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 ("IIRIRA") and the Immigration Act of 1990 (8 U.S.C.1101, et seq.) regarding employment verification and retention of verification forms for any individual(s) who will perform any labor or services under this Contract.

All other terms and conditions of the Contract not specifically modified herein shall remain in full force and effect. In the event of a conflict among provisions, the order of precedence shall be this Amendment Number 1 and then Contract DIR-IA-2587 (originally numbered DIR-TSO-2587 and by this amendment revised).

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IN WITNESS WHEREOF, the parties hereby execute this Amendment Number 1 to be effective as of the date of last signature.

McConnell & Jones LLP

Authorized By: signature on file

Name: Odysseus M. Lanier

Title: Partner

Date: 7/17/15

The State of Texas, acting by and through the Department of Information Resources

Authorized By: signature on file

Name: Todd Kimbriel

Title: Interim Executive Director

Date: 7/24/15

Office of General Counsel: DR Brown 7/22/15