



May 30, 2024

Ronny Lott
Chancery Clerk
Madison County, Mississippi
146 West Center Street
Canton, MS 39056

We are pleased to set out for your approval the arrangements under which Novum Advisory, PLLC (“Novum”) will provide Madison County (“the County”) with outsourced internal audit services (the “Services”).

So that we are able to assist you effectively, please ensure that you have considered fully all the terms and conditions set out in this letter and its enclosures and that you are satisfied that the description of our services below meets your needs.

I. Scope and Objectives

We understand that you wish to hire Novum to serve as your internal auditor in order to provide independent assurance that the County’s risk management, purchasing policies and procedures, and internal control processes are operating effectively. This includes identifying areas where improvements can be made to enhance efficiency, effectiveness, documentation of policies and procedures, and compliances with policies, regulations, and best practices. Additionally, our services may help detect and prevent fraud, waste, and abuse.

II. Our Services and Responsibilities

a) Our Engagement Team

We have designated professionals for involvement with this engagement based on their experience in governmental auditing, as well as their overall experience with governmental operations and fraud detection and deterrence. Our personnel will communicate with the County’s appointed contact, Ronny Lott, on a regular basis to ensure client satisfaction and prompt professional service. Brief resumes of the individuals to be assigned to the contract follow:



Stephanie C. Palmertree, CPA, CFE, CGMA

Stephanie is currently the Managing Partner at Novum Advisory, PLLC. Before founding Novum with Angela, Jason and Michael, Stephanie served as the Deputy State Auditor and the Director of the Financial and Compliance Division for the Mississippi Office of the State Auditor (OSA), the largest division in the Office of the State Auditor. Under her leadership, the Division conducted and managed financial and federal audits of the State of Mississippi, 134 various State Agencies and component units, 158 school districts and community colleges, and eighty-two counties. Stephanie has led numerous hours of continued professional education and training in the areas of Government Auditing Standards, GASB Standards, Single Audits, school audits, legal compliance, and other auditing and accounting skills to her staff and other governmental auditors around the State and Country.

Before her career at the Auditor’s Office, Stephanie served as the Director of Finance and Administration for the Mississippi Museum of Art, Mississippi’s largest art museum. While there, Stephanie helped to secure a \$1 million funding grant from the Kresge Foundation for operational maintenance of the facility, ensuring that public art would be available for future generations of Mississippians. She also worked for Certified Public Accounting firms as a staff and senior auditor and specialized in governmental accounting.

Stephanie received her Bachelor of Science in Business Administration degree from Mississippi College in 2004 and her Master of Professional Accountancy degree from Mississippi State University in 2005. She is a Certified Public Accountant and a Chartered Global Management Accountant. Stephanie has over eighteen years of governmental and non-profit audit and accounting experience. She has served the CPA community in Mississippi as a Board of Governor, a Governmental Auditing Committee Member, and a Young CPA Board Member for the Mississippi Society of CPAs (MSCPA). She is a member of the AICPA and the MSCPA. She is also the recipient of the AICPA Outstanding CPA in Government Impact Award – State Level for 2020 and served as a Technical Advisor to the AICPA Auditing Standards Board.



Angela Mire, CPA, CFE

Angela is one of the founding partners of Novum Advisory, PLLC. Prior to founding Novum, Angela led the Agency Audit Division for the Mississippi Office of the State Auditor (OSA). The Division was responsible for the Annual Comprehensive Financial Audit and the Single Audit for the State of Mississippi. Additionally, the approximately forty auditors under Angela’s leadership conducted internal control reviews and state compliance reviews of state agencies as well as overseeing all facets of state agency management. Angela has led numerous hours of continued professional education and training in the areas of Government Auditing Standards, GASB Standards, Single Audits, legal compliance, and other auditing and accounting skills to her staff and other governmental auditors around the State.

Prior to joining OSA, Angela worked as an auditor for Jabez Group where she completed exams of clients across the country and served as an Audit Supervisor for one of the largest CPA firms in Mississippi.

Angela received her Bachelor of Science in Business Administration and a Master of Business Administration from Mississippi College. Angela is a Certified Public Accountant and a Certified Fraud Examiner. Angela has over 25 years of audit and accounting experience in both state and federal governments and private industry. Angela is a member of the Mississippi Society of CPA's and the AICPA.



Jason Ashley

Jason is one of the founding partners of Novum Advisory, PLLC. Prior to founding Novum, Jason was the Deputy Director of the Financial and Compliance Division for the Mississippi Office of the State Auditor (OSA), the largest division in the Office of the State Auditor. Under his guidance, the Division conducted and managed financial and federal audits of the State of Mississippi, 134 various State Agencies and component units, 158 school districts and community colleges, and eighty-two counties. Jason

has led numerous hours of continued professional education and training in the areas of school audits, legal compliance, Single Audits, and other auditing and accounting skills to his staff and other governmental auditors around the State and Country.

Jason holds a Bachelor of Business Administration, and Bachelor of Accountancy, from Mississippi State University. Before coming to OSA, Jason worked as a manager in private industry for many years. At OSA, Jason worked as a staff auditor and audit supervisor. Jason is a member of the Mississippi Society of CPA's.



Michael Torres, CPA

Michael is one of the founding partners of Novum Advisory, PLLC. Prior to founding Novum, Michael led the Intra-Divisional Audit Division for the Mississippi Office of the State Auditor (OSA). The Division focused on implementing new auditing techniques and technologies for OSA and helping bridge the work from the Investigative Division and Governmental Accountability Division with the standards-based audit work performed by the Financial and Compliance Audit Division. Michael's work in data analytics and his knowledge of local governments contributed to meaningful audit results and

benefited the office through on-going investigations of fraud.

Michael also served as the Director of the Agency Audit Division at OSA where he oversaw a group of approximately forty auditors in the completion of the State of Mississippi's ACFR and Single Audit. Prior to joining OSA, Michael worked as an audit supervisor for the Defense Contract Audit Agency (DCAA) and the financial controller for a large private construction company, and as a senior audit manager at a local CPA firm. Michael has led numerous hours of continued professional education and training in the areas of Government Auditing Standards,

GASB Standards, Single Audit, legal compliance, and other auditing and accounting skills to his staff and other governmental auditors around the State and Country.

Michael holds a Bachelor of Accountancy from Mississippi State University and a Master of Professional Accountancy from Jackson State University. Michael is a Certified Public Accountant and has over 15 years of audit and accounting experience in both state and federal governments and private industry. Michael is a member of the Mississippi Society of CPA's and the AICPA.

b) Services Provided

We will provide the following Services:

- We will provide a comprehensive risk assessment of the overall operations of the County and Suboffices to determine This risk-based assessment will be provided to Ronny Lott and other members of the Board, as requested, and will provide the basis of the overall audit plan for the County. We anticipate that these internal audit needs will be most focused on the purchasing procedures of the County.
- We will examine and review existing policies and procedures and perform inquiry with County personnel to determine if existing policies and procedures are sufficient to reduce fraud, waste, and abuse in the County while ensuring compliance with state and local regulations. During these inquiries and as a result of this examination, we may present recommendations for improving efficiency and effectiveness of County operations.
- We will examine existing internal controls and examine the design, implementation, and effectiveness of such controls so that we may provide recommendations to improve the internal control structure of the County.
- We will perform pre-audit and post-audit sample procedures of transactions conducted by the County to ensure due care and action has been taken by personnel to reduce the risk of fraud, waste, and abuse and to ensure compliance with written policies and procedures. Sampling techniques and frequency will be informed by the risk assessment procedures performed by Novum. If County governance has additional concerns of risk, additional testing can be performed to reduce these threats and risks at the County's discretion.
- If required or requested, we will liaise with your external auditors in order to assist the County with a more meaningful, timely, and efficient audit.
- We will assist your County Administrator/Comptroller with compliance assistance as requested. However, we are not required to, and will not, verify the accuracy or completeness of the information you provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion.

The scope of our services and any deliverables will be limited to conducting internal audit assignments in accordance with the plan submitted to Ronny Lott. We will only cover the scope of work approved by the governance of the County and will not provide assurance over or accept

responsibility for areas not included in the plan unless additional areas are specifically agreed upon beforehand.

The County may desire that we perform additional services from, or in addition to, the internal audit services. We will provide such additional services as you may reasonably request, upon such terms and conditions (including additional compensation) as are mutually agreed between us. Such additional services must be in writing and signed by both parties. In no event shall we be obligated to perform any additional services that would cause us to be in conflict with any law or rule/regulation.

c) Our Responsibilities

We will conduct appropriate tests of key controls within our scope. Our findings will only relate to the period of testing undertaken during our review and cannot be relied upon to be representative of the operation of control procedures prior to or after this period.

There are inherent limitations in any internal control system and thus errors or irregularities may occur and not be detected in our work. Unless specifically requested and agreed we will not perform substantive testing of underlying transactions. You acknowledge that we will not audit or otherwise test or verify the information given to us in the course of the Services.

It is our responsibility as internal auditors, when carrying out our work, to provide your management with comments and to report breakdowns, failures or weaknesses of internal control systems together with recommendations for remedial action.

We, as your internal auditors, cannot absolve management of responsibility for internal controls and must ensure that we are not involved in the operation of controls or making management decisions as such activities may compromise our objectivity.

The scope of our Services and our responsibilities will not involve us in performing the work necessary for the purpose of providing, neither shall we provide, any assurance on the reliability, proper compilation or clerical accuracy of any plan, budget, projection or forecast (“prospective financial information”) nor the reasonableness of the underlying assumptions. Since any prospective financial information relates to the future, it may be affected by unforeseen events. Actual results are likely to be different from those projected because events and circumstances frequently do not occur as expected, and those differences may be material.

The realization of the projected results shown in any prospective financial information depends in part upon the effectiveness of management’s actions in its implementation and execution of the underlying business plans. We can give no assurance as to whether or how closely the actual results ultimately achieved will correspond to those planned, budgeted, projected or forecast. Any views we may express as to the basis for any prospective financial information or possible future outcomes will be made in good faith on the basis of the information available to us at the time but will not constitute a representation, undertaking or warranty of any kind.

In providing internal audit services we are not conducting a financial statement audit in accordance with standards and guidance issued by the Auditing Standards Board and our procedures are not

designed to provide assurance over the reliability and quality of your financial statements and management information.

You acknowledge that Novum will not perform any record keeping functions on your behalf, including, without limitation, making original entries in your accounting system. Novum will not perform management functions in connection with these services. We both acknowledge that in performing internal audit services, Novum cannot act in the role of management or as an employee of yours or be identified as such. Novum personnel (i) shall not be included in your company directories as employees or in other publications as employees, (ii) shall not be referred to as your 'manager' or 'director' of internal audit services or other management title, and (iii) shall not use your letterhead or internal correspondence forms in communications. Whilst we will assist you in documenting and or testing your internal controls over financial reporting (including, where requested, providing examples of ways in which controls could be improved where we consider them relevant) we cannot make the controls assessments or reach conclusions on your behalf. Accordingly, you agree that you are responsible for the selection of an appropriate controls framework and for evaluating the effectiveness both of design and operation of the controls identified against the control objectives within that framework.

III. Communication and Deliverables

We will agree on a schedule for regular communications and debriefing with Ronny Lott. Immediate concerns will be brought to Lott for timely consideration while some concerns and recommendations will be provided on a regular schedule, as agreed by both parties.

IV. Your Responsibilities

a) Responsibilities

It is your responsibility to satisfy yourself that the internal audit plan is appropriate for your purposes, covers your key risks, and to approve it. It is our responsibility as internal auditors to complete the agreed audit plan assigned to us.

You acknowledge that you are responsible for establishing and maintaining an effective internal control system that reduces the likelihood that errors or irregularities will occur and remain undetected; however, it does not eliminate that possibility. Nothing in our work guarantees that errors or irregularities will not occur, nor are our procedures designed to detect any such errors or irregularities should they occur in the future.

It is your responsibility to define and establish a control framework including an appropriate control environment and a system of internal controls to provide reasonable but not absolute assurance that:

- business activities are conducted in a controlled and efficient manner;
- legal and regulatory requirements and management instructions and implied intentions are complied with;
- decisions are made, by those authorized, based on adequate and sound information;

- the integrity of financial and other information is maintained;
- assets are safeguarded; and
- economy, efficiency, effectiveness, and quality of all operations are promoted.

Internal audit work is primarily designed to evaluate the design of controls and to identify breakdowns in those controls which arise out of the accidental or negligent mistakes of your employees. However, our procedures are unlikely to detect fraudulent or dishonest acts, misappropriation, forgery, or other acts designed to harm the organization, its property or employees (which we shall term “fraud”) as such acts are often accompanied by acts designed to conceal their existence.

We cannot therefore assure you that our procedures will detect fraud, although in planning our work we shall have regard to the possibility of such actions. If we do detect fraud we will promptly inform the appropriate level of management. However, the prevention and detection of fraud is your responsibility, and you agree to require your staff through written procedures to notify us if they have discovered or suspect fraud.

By signing this agreement, you acknowledge and agree that our performance of the Services is dependent on the timely and effective completion of your own activities and responsibilities in connection with this engagement, as well as timely decisions and approvals by you.

b) Assumptions

The services, charges (as set out in the Section below), fee estimate and timetable are based upon the following assumptions, representations and information supplied by you, together with any additional assumptions, representations and information set out in any additional Scope Document.

- You will ensure that all available documentation is made available to us prior to the commencement of the work.
- You will ensure that all relevant staff are available as agreed for each assignment.

c) Contacts

We understand that Ronny Lott, Chancery Clerk, will be your nominated point of contact throughout the provision of this engagement.

Novum contacts for this audit will be Stephanie Palmertree, CPA, CFE, CGMA, Managing Partner, and Michael Torres, CPA, Partner.

V. Fees

Novum offers a 15% discount on the standard hourly rates to governmental agencies, understanding the need of governments to be responsible fiscal agents of public funds. For the creation and ongoing operations of an internal audit department, the hourly rate charge by Novum for this engagement would be \$100 per hour for all levels of service. In order to abide by the laws of Mississippi, we understand the need to allow for a “not to exceed” price and estimate in the

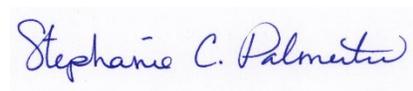
contract. Our proposal would include a fee of \$60,000 (or 600 hours of service) for an annual period. We estimate 160 hours for the initial implementation of the Internal Audit function, including gaining an understanding of internal controls, governance structure, and personnel and an initial report to the Board identifying any existing issues and possible remediation. Secondly, the fee includes an ongoing monitoring estimate of 40 hours monthly at 440 hours total. This number is subject to renegotiation based on the types of services the County would like to include in the contract.

This fee estimate is based on your fulfilling your Responsibilities and the accuracy of the stated assumptions in this contract. We will invoice you at the end of each month for the work undertaken during that month, and for an associated expenses as agreed to by the County.

VI. Acknowledgement and Acceptance

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you acknowledge and agree with the terms of our engagement as described in this letter, please sign the enclosed copy, and return it to us.

Sincerely,



Novum Advisory, PLLC

Madison County Board of Supervisors agrees to the terms and conditions of this engagement as set forth in the Engagement Letter above.

Signed: _____

Duly authorized for and on behalf of Madison County:

Printed Name _____

Position _____

Date _____

Duly authorized for and on behalf of Novum Advisory, PLLC:

Signed _____

Printed Name _____

Position _____

Date _____

