

# Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

June 6, 2016

Ms. Melissa Ortiz  
Acting/Interim Executive Director  
Housing Authority of the City of Laredo  
2000 San Francisco Ave.  
Laredo, Texas 78040

Dear Ms. Ortiz:

We are pleased to confirm our understanding of the services we are to provide the Housing Authority of the City of Laredo (LHA) for the year ended March 31, 2016. We will audit the financial statements including the discretely presented component unit and the related notes to the financial statements, which collectively comprise the basic financial statements, of the LHA as of and for the year ended March 31, 2016.

Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement LHA's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to LHA's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. Management's discussion and analysis is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited.

We have also been engaged to report on supplementary information other than RSI that accompanies LHA's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole, in a report combined with our auditor's report on the financial statements:

- 1) Schedule of expenditures of federal awards.
- 2) HUD financial data schedule
- 3) Schedule of modernization costs, if required
- 4) Schedule of development costs, if required
- 5) Combining financial statements for the public facility corporations

## **Audit Objectives**

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on—

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The Uniform Guidance report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with the Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the board of commissioners of LHA. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

## **Audit Procedures—General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as



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evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories/assets, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

#### **Audit Procedures—Internal Control**

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.



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An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

#### **Audit Procedures—Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of LHA's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with federal statutes, regulations, and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of LHA's major programs. The purpose of these procedures will be to express an opinion on LHA's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

#### **Other Services**

We will also assist in preparing the financial statements, schedule of expenditures of federal awards, and related notes of LHA in conformity with U.S. generally accepted accounting principles and the Uniform Guidance based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statements, schedule of expenditures of federal awards, and related notes services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

#### **REAC Submission**

We will apply the agreed-upon procedure which the U.S. Department of Housing and Urban Development (HUD), Real Estate Assessment Center (REAC), has specified, listed in the chart below, to the electronic submission and related hard copy documents listed in the schedule of LHA as of and for the year ended March 31, 2016. This engagement is solely to assist LHA and the U.S. Department of Housing and Urban Development, REAC, in determining whether electronic submission of certain information agrees with the related hard copy documents included within the Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) reporting package. Our engagement to apply the agreed-upon procedure will be performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of the procedure is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedure described in the attached schedule either for the purpose for which this report has been requested or for any other purpose. If, for any reason, we are unable to complete the procedure, we will describe any restrictions on the performance of the procedure in our report, or we will not issue a report as a result of this engagement.

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We will submit a report through REAC listing the procedure performed and our findings. This report is intended solely for the use of LHA and the U.S. Department of Housing and Urban Development, REAC, and is not intended to be and should not be used by anyone other than these specified parties.

Our report will include a statement indicating that we have not performed any additional auditing procedures after the date of our reports on the audited financial statements and supplemental information, including a statement indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

We will compare the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column as shown in the chart below.

<b>UFRS Rule Information</b>	<b>Hard Copy Document(s)</b>
Balance Sheet, Revenue and Expense and Cash Flow Data (account numbers 1120 to 7100T and the S1200 series)	Supplementary Schedules with Financial Statement Data
Surplus Cash (S1300 series of accounts)	Computation of Surplus Cash, Distributions and Residual Receipts (Annual)
Footnotes (S3100 series of accounts)	Notes to the audited Financial Statements
Type of Opinion on the Financial Statements and Auditor Reports (S3400, S3500 and S3600 series of accounts)	Auditor's Reports on the Financial Statements, Compliance, and Internal Control
Type of Opinion on Supplemental Data (account S3400-100)	Auditor's Report on Supplementary Information
Audit Findings Narrative (S3800 series of accounts)	Schedule of Findings and Questioned Costs
General Information (S3300, S3700 and S3800 series of accounts)	Schedule of Findings and Questioned Costs and OMB Data Collection Form

You are responsible for the presentation of the electronic submission and related hard copy documents listed in the above chart of LHA as of and for the year ended March 31, 2016 in accordance with the agreed-upon procedure which the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), has specified, listed in the above chart; and for selecting the criteria and determining that such criteria are appropriate for your purposes.

You agree to assume all management responsibilities relating to the REAC submission we provide. Further, you agree to oversee the nonattest services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.



## **Management Responsibilities**

Management is responsible for (1) establishing and maintaining effective internal controls, including internal controls over federal awards, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance, (3) additional information that we may request for the purpose of the audit, and (4) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan.



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You are responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon OR make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is stated fairly in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon OR make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements, schedule of expenditures of federal awards, and related notes, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements, schedule of expenditures of federal awards, and related notes and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.



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### **Engagement Administration, Fees, and Other**

You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditors' reports or nine months after the end of the audit period.

We will provide copies of our reports to LHA; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Garza/Gonzalez & Associates and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to HUD or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Garza/Gonzalez & Associate's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by HUD. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit when "Prepared By Client" schedules have been substantially completed and to issue our reports no later than December 31, 2016. Eli Mendoza is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.



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Our fee for these services will be at our standard hourly rates. We estimate that we will invest approximately 460 hours performing the tasks outlined in this engagement letter. As such, our fee is estimated will be \$64,400. In addition we will bill you for out-of-pocket travel expenses. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report(s). You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We are providing you with a copy of our most recent external peer review report and any subsequent reports received during the contract period. Accordingly, our 2015 peer review report accompanies this letter.

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

Very truly yours,



Eli Mendoza, CPA  
Partner

RESPONSE:

This letter correctly sets forth the understanding of the Housing Authority of the City of Laredo.

By: Melissa Ortiz

Title: Acting/Interim Executive Director

Date: 9/7/2016

## **LAREDO HOUSING AUTHORITY**

### **Addendum to External Auditor Services Contract**

*This Addendum to External Auditor Services Contract ("Addendum") is entered into as of June 6, 2016 ("Effective Date") by and between the Housing Authority of the City of Laredo, a public body, corporate and politic (hereinafter "Laredo Housing Authority" or "LHA") and Garza/Gonzalez and Associates, a Texas professional corporation ("Garza/Gonzalez" or "Auditors").*

#### **WITNESSETH:**

*WHEREAS, LHA is a public body corporate and politic organized and validly existing and in good standing under the laws of the State of Texas and currently engaged in such business as defined in the Housing Authority Law in the Local Government Code of the State of Texas, including the services of providing decent, safe and sanitary housing to the residents of its facilities, low-income families, the elderly, the handicapped and the disabled; and*

*WHEREAS, LHA issued a Request for Qualifications for **External Auditor Services** RFQ No. LHA 16-0310-3 (hereinafter referred to as the "RFQ") to procure the external auditors for LHA; and*

*WHEREAS, the Garza/Gonzalez submitted a proposal in response to the RFQ; and*

*WHEREAS, LHA selected Garza/Gonzalez to serve as LHA's external auditors;*

**NOW THEREFORE, LHA and the Auditors agree as follows:**

*The RFQ is attached hereto as **Exhibit A** and is incorporated herein in its entirety by reference. The terms of the engagement letter do not supersede the terms of the RFQ, and all terms of the engagement letter inconsistent with the RFQ are invalid without written authorization from LHA's Board of Commissioners.*

#### **1. Scope of Work**

*In addition to the services described in the engagement letter executed by LHA and the Auditors, the Auditors shall provide services consistent and in compliance with the "Scope of Work" of the RFQ.*



**2. Time of Performance**

*The term of this Contract shall begin on the Effective Date for a period of one (1) year, renewable as permitted by the RFQ terms and conditions.*

**3. Compensation Billing Rates, and Method of Payment**

A. Compensation. *LHA shall compensate the Auditors according to the terms of the engagement letter. LHA and the Auditors shall execute any amendment, as may become necessary, to this Contract by letter agreement reflecting the negotiated changes, if any.*

1) *Billings by the Auditors are to be directed to Accounts Payable, Finance Department, Laredo Housing Authority, 2000 San Francisco Avenue, Laredo, Texas 78040.*

2) *Payments made by the Auditors to others, including other firms and/or witnesses, for services in connection with the matter shall be included in the statement and supporting invoices shall be attached to the billing.*

B. Method of Payment. *The Auditors will submit monthly billing invoices to LHA. The invoices shall include the billing amount, total hours invoiced, hourly billing rate, description of services rendered, and supporting documentation. LHA staff will review these invoices for payment.*

C. Taxes. *No payroll or employment taxes of any kind will be withheld or paid by LHA on behalf of the Auditors. LHA will not treat the Auditors as employees with respect to the Contract services for any purpose, including federal and state tax purposes. The Auditors understand and agrees that it is the Auditors' responsibility to pay all taxes required by law, including self-employment social security tax. LHA will issue an IRS 1099 Form, or other appropriate tax reporting document, to the Auditors for the Contract services.*

D. Benefits. *The Auditors will not be eligible for, and will not participate in, any health, pension, or other benefit of LHA that exists solely for the benefit of LHA employees during the Contract term.*

**4. Records for Audit Purposes.**

*The Auditors shall maintain all records concerning Services performed and for which the Auditors requires compensation under this Contract for three (3) years from the expiration date of the Contract unless a longer period is required under Title 24, Code of Federal Regulations, Section 85.42. The Auditors shall provide LHA and, subject to LHA approval, HUD, the Comptroller General of the United States, the General Accounting Office, or any of their authorized representatives,*

*all records pertaining to the services provided hereunder. This right shall continue as long as the records are required to be maintained.*

**5. No Personal Liability**

*No member, official or employee of LHA shall be liable personally to the Auditors or any successor in interest in the event of any default or breach by LHA or for any amount which may become due to the Auditors or any successor or on any obligation under the terms of the engagement letter or this Addendum.*

**6. Assignment of Contract**

*The Auditors shall not assign the engagement letter or this Addendum, or any part thereof, without the prior, express, written consent of LHA.*

**7. HUD Requirements**

*The Auditors agree to comply with all relevant HUD requirements, including General Conditions for Non-Construction Contracts, form HUD-5370-C, Attachment "C" to the RFQ.*

**8. Indemnification**

*The Auditors shall defend, hold harmless and indemnify LHA and its respective commissioners, members, officers, agents and employees of and from all claims, loss, damage, injury, actions, causes of action and liability of every kind, nature and description directly or indirectly arising out of or connected with the performance of the engagement letter and this Addendum or and any of the Auditors' operation or activities related thereto, excluding the alleged or actual negligence, gross negligence, and/or willful misconduct of the person or entity seeking to be defended, indemnified or held harmless.*

**9. Independent Contractor**

*The Auditors hereby declare that it is engaged in an independent business and agree to perform their services as an independent contractor and not as the agent or employee of LHA. The Auditors have and hereby retain the right to exercise full control and supervision of the services and work to be provided under the engagement letter and this Addendum and full control over the employment, direction, compensation and discharge of all persons assisting it in the performance of the services and work hereunder. The Auditors agree to be solely responsible for all matters relating to payment of employees, including, but not limited to, compliance with all federal, state and local payroll tax and withholding requirements, workers' compensation requirements and all regulations governing such matters. The Auditors agree to be solely responsible*



*for their own acts and those of their subordinates and employees during the term of the Contract.*

**10. Insurance**

*A. The Auditors agree to procure and maintain for the duration of the Contract, including any extensions, insurance against claims for injuries to person or damages to property which may arise from or in connection with the performance of the work under the engagement letter or this Addendum by the Auditors, their agents, representatives, employees or subcontractors.*

*B. Minimum Scope of Insurance. Coverage shall be at least as required by the RFQ.*

**11. Disclaimer of Guaranty**

*Although the Auditors may offer an opinion about possible results regarding any specific matter handled by the Auditors, the Auditors cannot guarantee any particular result. LHA acknowledges that the Auditors make no promises about the outcome of any specific matter, and any opinion offered by the Auditors in the future will not constitute a guaranty.*

**12. Conflicts of Interest**

*LHA requires that the Auditors comply with all applicable federal, state and local conflicts of interest laws, rules, ordinances, etc. At this time, the Auditors are not aware of any relationship with any other party interested in the subject matter of the Auditors' services for LHA under the engagement letter or this Addendum. As long as the Auditors' services for LHA continue under the engagement letter or this Addendum, the Auditors will not agree to provide services for any such party without LHA's prior written and informed consent.*

**13. Nondiscrimination**

*The Auditors agree that there shall be no discrimination against any person, or group of persons, on account of race, color, religion, creed, national origin or ancestry, sex, gender identity, age, marital or domestic partner status, sexual orientation or disability (including HIV or AIDS status) in the performance of this Contract. The Auditors will ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, creed, national origin or ancestry, sex, gender identity, age, marital or domestic partner status, sexual orientation or disability (including HIV or AIDS status). Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation;*

*selection for training, including apprenticeship; and provision of any services or accommodations to clients or the general public.*

**14. Termination**

*Either party may terminate this Contract at any time without cause upon thirty (30) days' written Notice of Termination to the other party; provided, however, that in the event of such termination, LHA shall compensate the Auditors for work completed to the satisfaction of LHA as of the date of such notice or the date of termination specified in and directed by such notice.*

**15. Non-Appropriations**

*The Auditors understand that LHA is a governmental entity and may not be funded for any period during the term of the engagement letter or this Addendum for the requested services. LHA agrees to provide the Auditors written notice within thirty (30) days, if at all practicable, after learning that such funding will not become available to LHA. For the engagement letter and this Addendum, LHA hereby certifies that adequate funding is available to complete requested services for LHA's current fiscal year.*

**16. Compliance with Federal Regulations**

*The Auditors agree to comply with federal laws and regulations, as applicable, including, but not necessarily limited to, the following:*

- The requirements of Title VII of the Civil Rights Act of 1968 and Title VI of the Civil Rights Act of 1964 relating to prohibitions against the discrimination in housing and the benefits of federally funded programs because of race, color, religion, sex, or national origin.*
- The prohibitions against discrimination on the basis of age under the Age Discrimination Act of 1975 and prohibited discrimination against handicapped individuals under Section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990.*
- The requirements of Executive Order 11246 relating to equal employment opportunity in connection with federally funded programs.*
- The requirements of Section 3 of the Housing and Urban Development Act of 1968 relating to the training and employment of individuals and contracting for business opportunities in metropolitan areas in which federally funded programs are being operated.*
- The requirements of Executive Orders 11625, 12432, and 12138 to implement Minority Business Enterprises and Women's Business Enterprise participation goals in programs of federal agencies.*



- The applicable provisions of Section 1 of the General Conditions for Non-Construction Contracts contained in form HUD-5370-C (10/2006). To the extent that any provision of this Contract conflicts with any required provision in HUD-5370-C for this Contract, the conflicting provision in HUD-5370-C shall apply.

## 17. **Miscellaneous Provisions**

- A. **Notices.** All notices, demands, consents, or approvals required under this Contract shall be in writing and shall be deemed given when delivered personally or by facsimile transmission or three (3) business days after being deposited in the U.S. Mail, first class postage prepaid, return receipt requested, addressed as follows:

***If to LHA:*** Executive Director  
Laredo Housing Authority  
2000 San Francisco Avenue  
Laredo, TX 78040

***If to the Auditors:*** Eli Mendoza, CPA  
Garza/Gonzalez and Associates  
207 Arden Grove St.  
San Antonio, TX 78215

or to such other addresses as the parties may designate by notice as set forth above.

- B. **Successors and Assigns.** The engagement letter and this Addendum shall be binding upon and inure to the benefit of the successors and assigns of LHA and the Auditors. When the term "Auditors" or "LHA" is used in the engagement letter or this Addendum, it shall mean and include their respective successors and assigns; provided, however, that LHA shall have no obligation under the engagement letter or this Addendum to, nor shall any benefit of the engagement letter or this Addendum accrue to, any unapproved successor or assign of the Auditors where LHA approval of a successor assign is required by the engagement letter or this Addendum.
- C. **Modification, Waiver and Amendment.** Any modification, waiver or amendment of any of the provisions of the engagement letter or this Addendum shall be in writing and signed by both LHA and the Auditors.
- D. **Entire Contract.** The engagement letter and this Addendum represent the complete agreement between the parties as to the matters described herein, and there are no oral understandings between the Auditors and LHA affecting the engagement letter or this Addendum not set forth herein. The engagement letter and this Addendum supersede all previous negotiations,

*arrangements, agreements and understandings between the Auditors and LHA with respect to the subject matter hereof.*

- E. Severability. If any provision of the engagement letter or this Addendum shall be determined to be illegal or unenforceable, such determination shall not affect any other provision and all such other provisions shall remain in full force and effect.*
- F. Governing Law. The engagement letter and this Addendum shall be governed by and interpreted and construed in accordance with the laws of the State of Texas, and shall be subject to the exclusive jurisdiction of the state courts therein. Venue for any court action brought by either party under this Contract shall remain exclusively in Webb County, Texas. It is the responsibility of the Auditors to be informed of local, state and federal laws and requirements applicable to this Contract and to perform all work in compliance with those laws and requirements.*
- G. Headings. Titles of parts or sections of the engagement letter and this Addendum are inserted for convenience only and shall be disregarded in construing or interpreting its provisions.*
- H. Attorney's Fees. In any action or proceeding arising out of the interpretation of the engagement letter or this Addendum, the prevailing party shall be entitled to reasonable attorneys' fees and costs.*
- I. Alternative Dispute Resolution. In the event of a dispute between the parties regarding the interpretation of the engagement letter or this Addendum, the parties may agree to mediation or another form of alternative dispute resolution.*
- J. Authority. Each of the undersigned represents and warrants that he or she has full power and authority to enter into the engagement letter and this Addendum on behalf of his or her respective party and to bind the party in accordance with its terms.*

*(The remainder of this page has been intentionally left blank)*



**IN WITNESS WHEREOF, LHA and the Auditors have executed the engagement letter and this Addendum as of the Effective Date first above written.**

**LAREDO HOUSING AUTHORITY**

By: Melissa Ortiz

**GARZA/GONZALEZ AND ASSOCIATES**

By: Eduardo Gonzalez

**EXHIBIT A**  
**Request for Qualifications**

*The Request for Qualifications (RFQ) Document, No. LHA 16-0310-3, is hereby incorporated into this Addendum and made of part of the engagement letter. All terms of the RFQ shall apply. To the extent the engagement letter is inconsistent with the RFQ, the terms of the engagement letter shall not apply without written authorization from LHA as described in the Addendum.*