**[Partner’s Letterhead]**

***Note:* The audit firm’s engagement letter can serve as the audit contract (i.e., in lieu of the audit contract) if, and only if, it contains all of the necessary information and required terms and clauses as set below in this sample document.**

**USAID-FUNDED AUDIT SERVICE CONTRACT**

Contract No: [***insert number***] for the period [***insert month, date and year***] to [***insert month, date and year***]

Between: [***insert name of auditor, and address]***

 On the other hand

And [**insert name of partner, and address**]

Description of Services: [***insert title as stated in audit notification letter***]

 Contract Price: [***insert contract price***]

Currency of Payment: [***insert currency***]

Period/Place of Delivery: [***insert calender days, effective date and place of audit***]

**IT HAS BEEN AGREED AS FOLLOWS:**

The following documents and conditions shall be considered and interpreted as an integral part of this agreement:

a) Your proposal on Request for Proposals (RFP) dated [***insert date***]

b) USAID/WBG approved SOW (attached)

c) Your Engagement Letter dated [***insert date***], if any issued by auditors

d) Purpose of the agreement: The purpose is to perform tasks detailed in the attached Scope of Work (which is part and parcel of this contract).

**USAID/WBG MANDATORY PROVISIONS**

CAVEATS:

1. The parties hereto understand that the contract has reserves to USAID certain right such as, but not limited to, the right to approve the terms of this contract, the Auditor, and any or all plans, reports specifications, subcontracts, bid documents, drawing, other documents related to this contract and the project of which it is part.
2. The parties hereto further understand and agree that USAID, in reserving any or all of the foregoing approval rights, has acted solely as a financing entity to assure the proper use of United States Government funds, and that any decision by USAID to exercise or refrain from exercising these approval rights, or discuss matters related to these rights and the project with the parties jointly or separately, without thereby incurring any responsibility or liability to the parties jointly or to any of them.
3. Any approval (or failure to disapprove) by USAID shall not bar the United States Government or USAID from asserting any right, or relieve the Auditor of any liability which the Contract might otherwise have to the Government or USAID.
4. All the Mandatory standard Provisions of the award subject to this audit/examination are applicable to this audit contract without any exceptions.

**Insert all clauses of the prime partner’s or the sub-partner’s award, that, per terms of the clause, must be included in all sub-awards (subcontracts or sub-grants) as they may be applicable and appropriate for the audit contract.**

 **LANGUAGE AND MEASUREMENT (JUN 1992)**

* 1. The English language shall be used in all written communications between the parties under this contract with respect to services to be rendered and with respect to all documents prepared by the contractor except as otherwise provided in the contract or as authorized by the contracting officer.
	2. Wherever measurements are required or authorized, they shall be made, computed, and recorded in metric system units of measurement, unless otherwise authorized by USAID in writing when it has found that such usage is impractical or is likely to cause U.S. firms to experience significant inefficiencies or the loss of markets. Where the metric system is not the predominant standard for a particular application, measurements may be expressed in both the metric and the traditional equivalent units, provided the metric units are listed first.

**SETTLEMENT OF DISPUTES**

The Parties agree that the avoidance or early resolution of disputes is crucial for a smooth execution of the Contract and the success of the assignment. The Parties shall use their best efforts to settle amicably all disputes arising out of or in connection with this Contract or its interpretation.

 **AUDIT AND RECORDS**

1. The auditor shall maintain books, records, documents and other evidence to substantiate without limitation, all costs incurred under or in connection with the contract and to substantiate the other contract requirements in accordance with generally accepted accounting principles prevailing in the United States, and the Palestinian Authority and/or the Government of Israel, as applicable, in connection with the contract. This clause does not apply to cost records for no reimbursable cost items incurred under fixed-price (lump sum or unit price) contracts, but it does apply to records concerning source of goods and other comparable contract requirements applicable to such items. The foregoing constitutes “records” for the purpose of this clause.
2. The auditor shall maintain such records during the contract term and for a period of 3 years after final payment. However records which relate to appeals under the “Disputes and Appeals” clause or litigation or the settlement of claims arising out of the performance of this contract shall be retained until such appeals, litigation or claims have been finally settled.
3. All records shall be subject to inspection and audit by the Contracting Agency (or its authorized agents) at all reasonable times. The Auditor shall afford the Contracting Agency proper facilities for such inspection and audit.
4. The auditor further agrees to include in all its subcontracts hereunder a provision that the subcontractor agrees to maintain such records and that the U.S Government, the Contracting Agency or any of its authorized agents, shall, until the expiration of 3 years after final payment under the Subcontract, have access to and the right to examine any records of such subcontractor involving transactions related to the subcontract.

**PAYMENT Terms**

Payment(s) will be as follows:

Payment terms of audit fees are to be negotiated and agreed upon between the partner/auditee and the audit firm.

***[Insert payment terms based on final agreed upon milestones and percentages]:***

**USAID guidelines on payment terms are as follows:**

* For close-out audits, the partner/auditee and the audit firm may negotiate and agree to payment terms of up to 100% of the agreed upon fees to be paid upon issuance of the final draft report by the audit firm to the partner/auditee.
* For all non-close-out audits, at least 10% of the agreed upon fees must be withheld by the partner/auditee until issuance of the final report by the RIG, whereas negotiated payments of up to 90% of agreed upon fees can be paid before and/or upon issuance of the final draft report by the audit firm to the partner/auditee.

In return for the performance of the contract, the Contracting Authority hereby undertakes to pay the Auditor, the sums specified herein.

{Signed, Stamped and Dated by)

Signed on the [**insert date**] Day of [***insert month***], [***insert year***]

The Contracting Authority The Auditor

Name:…………………………… Name:………………………….

Title:……………………………… Title:……………………………

Date……………………………… Date…………………………….