

# FINANCIAL AUDIT AND RECORD KEEPING AGREEMENT

## FOR SUBCONTRACTORS

This Financial Audit and Record Keeping Agreement (the "Agreement") is entered into and made effective as of \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ (the "Effective Date"), by and between:

**Contractor:** \_\_\_\_\_

With a principal place of business at: \_\_\_\_\_

and

**Subcontractor:** \_\_\_\_\_

With a principal place of business at: \_\_\_\_\_

Hereinafter collectively referred to as the "Parties" and individually as a "Party."

### 1. PURPOSE

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The purpose of this Agreement is to establish the standards, requirements, and procedures for financial record keeping, maintenance, and audit rights concerning the work, services, and materials provided by the Subcontractor under prime agreement \_\_\_\_\_.

### 2. RECORD KEEPING STANDARDS

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1. The Subcontractor shall maintain detailed, accurate, and complete financial books, records, accounts, and documentation relating to all services rendered, costs incurred, and payments received under the scope of their engagement.
2. All records must be kept in accordance with Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS), applicable to the jurisdiction of operation.
3. Required records include, but are not limited to: itemized invoices, payroll registers, timesheets, expense receipts, proof of payments to secondary subcontractors/vendors, tax documentation, and any other supporting financial documents.

### 3. RETENTION PERIOD

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The Subcontractor shall preserve and maintain all financial books and records related to this Agreement for a minimum period of \_\_\_\_\_ years following the final payment under the subcontract, or for the minimum period required by local laws, whichever is longer.

### 4. AUDIT RIGHTS AND ACCESS

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1. The Contractor, or any authorized representative, shall have the right, upon reasonable written notice of \_\_\_\_\_ business days, to examine, audit, excerpt, copy, and inspect all financial records of the Subcontractor pertaining to the subcontract.
2. Audits shall be conducted during normal business hours at the Subcontractor's primary place of business or electronically, as mutually agreed by the Parties.
3. The Subcontractor shall provide reasonable cooperation, including access to personnel and systems directly related to the billing and performance of the subcontract.

### 5. COSTS OF AUDITS

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The Contractor shall bear the cost of the audit, unless the audit reveals a discrepancy, overcharge, or financial misstatement of more than \_\_\_\_\_ % of the total billed amount for the audited period. In such cases, the Subcontractor shall bear the full cost of the audit and shall immediately reimburse the Contractor for any overpayments discovered.

**6. CONFIDENTIALITY**

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All financial records, proprietary business information, and audit findings disclosed under this Agreement shall be treated as strictly confidential. Neither Party shall disclose such information to any third party without prior written consent, unless required by law or judicial order.

**7. NON-COMPLIANCE**

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Failure by the Subcontractor to maintain required records or to allow reasonable access for an audit shall constitute a material breach of this Agreement. In the event of such a breach, the Contractor reserves the right to withhold pending payments, suspend the underlying subcontract, or terminate the relationship for cause.

**8. GOVERNING LAW**

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This Agreement shall be governed by, construed, and enforced in accordance with the laws of \_\_\_\_\_, without regard to its conflict of law principles.

IN WITNESS WHEREOF, the Parties hereto have executed this Financial Audit and Record Keeping Agreement as of the Effective Date written above.

**For Contractor:**

\_\_\_\_\_

Authorized Signature

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**For Subcontractor:**

\_\_\_\_\_

Authorized Signature

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_