

Draft Agenda Item

Current Approver: James Masias

I.xx. Agreement with Nigro, Nigro & White PC to Conduct Proposition S Audit (Board Governance Policy: OE-6)

Meeting: 11/10/2009

Category: I. SUPERINTENDENTS CONSENT AGENDA

Agenda Type: Action (Consent)

Fiscal Impact: Yes

Dollar Amount: \$60,492.00

Preferred Date:

Absolute Date:

Budgeted: Yes

Budget Source: Prop S: Building Fund and Generated Reserve

Approver: Select Approver

Approval Tree: FinOp4

Agenda Item Content

RECOMMENDATION: Approve agreement with Nigro, Nigro & White PC for the Annual Financial and Performance Audits of the Proposition S General Obligation Bond for fiscal year ended June 30, 2009, plus the optional renewal periods for fiscal years ending June 30, 2010 and June 30, 2011.

FISCAL IMPACT: Total compensation shall not exceed the amount of \$60,492.00. With payments for each respective year as follows:

- Fiscal Year ending June 30, 2009, in the amount of \$19,770.00
- Fiscal Year ending June 30, 2010, in the amount of \$20,161.00
- Fiscal Year ending June 30, 2011, in the amount of \$20,561.00

Source of Funding – 5481 02135 00 5853 8500 0000 21300 8541 and 5481 02130 00 5853 8500 0000 21300 8541.

BACKGROUND: Proposition S was approved by voters on November 4, 2009. In order to comply with the requirements of Proposition S, an audit of the Proposition S Building Fund must be done by an external auditor for fiscal year ending June 30, 2009, and for fiscal years ending June 30, 2010, and June 30, 2011.

[Originator/Contact: Ken Leighton, Controller, Office of the Chief Financial Officer, 619.725.7667, kleighton@sandi.net]



Agreement 09-10.pdf

Additional Administrative Content

10/13/09 16:34:35: Vanessa Buccat Submitted the agenda item and routed it for approval to Ken Leighton
10/13/09 17:47:56: Ken Leighton Approved the agenda item and routed it for approval to Art Palkowitz
10/13/09 17:45:49: Art Palkowitz Approved the agenda item and routed it for approval to James Masias

Created on 10/13/2009 at 04:34 PM by Vanessa Buccat. Last update on 10/21/2009 by Josefina Viorato.



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October 8, 2009

San Diego Unified School District
4100 Normal St.
San Diego, CA 92103-2682

We are pleased to confirm our understanding of the services we are to provide San Diego Unified School District for the fiscal year ended June 30, 2009 and the optional renewal periods of June 30, 2010 and 2011. We will audit the balance sheet of the **Proposition S Bond Building Fund** of San Diego Unified School District as of June 30, 2009, 2010 and 2011 and the related statement of revenues, expenditures and changes in fund balances for the fiscal years ending 2009, 2010 and 2011. The audits will include a financial and performance audit.

Audit Objectives

The objective of our audits is the expression of an opinion as to whether the **Proposition S Bond Building Fund** financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles.

Our audits will be conducted in accordance with generally accepted auditing standards; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of accounting records of San Diego Unified School District and other procedures we consider necessary to enable us to express such an opinion. If our opinion on the financial statements is other than unqualified, we will fully 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 an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

We will also provide as required by *Government Auditing Standards* and Articles XIII A and XVI (Section 18), as amended by *Proposition 39*: (1) a report (that does not include an opinion) on internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements; and, (2) a performance audit over the deposit and expenditures of the bond proceeds. These reports will include a statement that the report is intended solely for the information and use of the audit committee, management, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Management Responsibilities

Management is responsible for establishing and maintaining internal control, including monitoring ongoing activities; for the selection and application of accounting principles; for the fair presentation in the financial statements of the respective financial position of the **Proposition S Bond Building Fund** of the San Diego Unified School District and the respective changes in financial position in conformity with U.S. generally accepted accounting principles; and, for compliance with applicable laws and regulations and the provisions of contracts. Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein.

You are responsible for management decisions and functions. As part of every audit, we will prepare a draft of your financial statements and related notes. In accordance with Governmental Auditing Standards, you will be required to review and approve those financial statements prior to their issuance and have a responsibility to be in a position in fact and appearance to make an informed judgment on those financial statements. Further, you are required to designate a qualified management-level individual to be responsible and accountable for overseeing our services.

Management is responsible for making all financial records and related information available to us, including identifying significant vendor relationships in which the vendor has the responsibility for program compliance and for the accuracy and completeness of that information. Management is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the 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 general purpose financial statements taken 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 (a) management, (b) employees who have significant roles in internal control, and (c) others where fraud could have a material effect on the financial statements. You are also responsible for 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 entity complies with applicable laws and regulations.

Management is responsible for establishment and maintenance of a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous audits or other engagements or 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 or other engagements or studies. You are also responsible for proving management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, and the timing and format related thereto.

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

Our responsibility as auditors is limited to the period covered by our audit and does not extend to matters that might arise during 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 the inventories, and direct confirmation of certain assets and liabilities by correspondence with selected individuals, 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 also require certain written representations from you about the financial statements and related matters.

Audit Procedures – Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess 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 general purpose 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 general purpose financial statements. Tests of controls relative to the general purpose financial statements are required only if control risk is assessed below the maximum level. 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*.

An audit is not designed to provide assurance on internal control or to identify reportable conditions. However, we will inform the governing body or audit committee of any matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

Audit Procedures – Compliance

Our audit will be conducted in accordance with the standards referred to in the section titled Audit Objectives. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we will perform tests of San Diego Unified School District’s compliance with applicable laws and regulations and the provisions of 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*.

Audit Administration, Fees, and Other

The workpapers for this engagement are the property of Nigro Nigro & White, PC and constitute confidential information. However, we may be requested make certain workpapers available to the State Controller’s Office or other cognizant agencies pursuant to authority given to it by law or regulation. If requested, access to such workpapers will be provided under the supervision of Nigro Nigro & White personnel. These agencies may intend, or decide, to distribute photocopies or information contained therein to others, including other governmental agencies.

The workpapers for this engagement will be retained for a minimum of three years after the date the auditors’ report is issued or for any additional period requested by the State Controller’s Office. If we are aware that an agency, pass-through entity, or auditee is contesting an audit finding, we will contact the parties contesting the audit finding for guidance prior to destroying the workpapers.

Our professional fees for this service will be at the following amounts:

	Fiscal Year		
	2008-09	2009-10	2010-11
Audit services	\$19,570	\$19,961	\$20,361
Mileage, not to exceed	200	200	200
Total Maximum Fees	\$19,770	\$20,161	\$20,561

Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. 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.

The audit period covered by this contract shall be for the fiscal year ending June 30, 2009 and the optional renewal periods of June 30, 2010 and 2011. Extensions of the contract period may be secured on a year-by-year basis, subject to the agreement of the District and the auditor.

We appreciate the opportunity to be of service to San Diego Unified School District 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,

Nigro Nigro & White, PC

Nigro Nigro & White, PC

RESPONSE:

This letter correctly sets forth the understanding of San Diego Unified School District.



Signature

Controller

Title

10-13-09

Date