

----- Original Message -----

Subject: AUDITS

From: "Markey Stuart" <smarkey@sandi.net>

Date: Tue, December 08, 2009 8:42 am

To: "Cantor, Gregg" <gcantor@murraylampert.com>, "Daniel Morales" <danielm@sdhc.org>, "Deanna Spehn" <dspehn1@san.rr.com>, "Gil Johnson" <gil@sandiegogifts.com>, "Gordon, John"

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Cc: "Kowba William" <wkowba@sandi.net>, "Masias James"

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Alpert" <Emily.Alpert@voiceofsandiego.org>

Good Morning,

I am forwarding with permission correspondence pertaining to the recent Tribune editorial article pertaining to performance audits. Please be assured I have discussed the Tribune article with Mr. Kowba and we are both in agreement that such media representations do not provide the reader with the information required to reach thoughtful conclusion on this issue. The piece below presents some of the other side of the story, the one that the public for the most part will (or may) not get. The district will host a working meeting on Friday morning with the finance department and N,N,W at 0900 and by this email I am inviting interested ICOC members that may wish to attend and participate in shaping the notice to proceed. Please be aware that this is a working meeting and not turn a noticed ICOC meeting. The district welcomes this participation! Very respectfully, Stu

From: Christy White [<mailto:cwhite@nnwcpa.com>]

Sent: Monday, December 07, 2009 5:15 PM

To: Ambur Borth; Andi Loree; Barry Dragon; Carol Estes; cnunley@pittsburg.k12.ca.us; Cheryl Lundrgren; Denise Jaramillo; Cynthia Martin; Dianne L. Russo; Frances M. Martinez; Iva L. Butler; Janet Redella; Karen Huddleston; Karen M. Michel; Malliga Tholandi; Masias James; Tom Cox; tom silva; Patti Floyd; Scott Patterson; Jodie Macalos; Lotti, Lydia; Robyn Adams; Robyn Phillips, Ph.D.; Nadine Krawietz; 'David Yoshihara'; 'Robert Golton'; Markey Stuart; Pearl Iizuka

Subject: Proposition 39 Bond Audits

Dear Bond Audit Client, you may become aware that an advocacy group, the California League of Bond Oversight Committees (CaLBOC), has spearheaded a campaign to go after CPA firms that conduct bond audits. CaLBOC has included our name among other firms in a complaint to the California Board of Accountancy stating that CPA firms are conducting "agreed-upon procedures" type engagements instead of a full performance audit. We believe this effort, in part, is with the support of a consulting firm that is conducting "performance audits."

We want to assure you that their allegation is without merit since NNW has always conducted full performance audits in accordance with Proposition 39 requirements and Government Auditing Standards. And, as required by the American Institute of Certified Public Accountants (AICPA), our quality control peer review results over the conduct of our bond performance audits has always been without exception.

Proposition 39 is incorporated in the California Constitution, Article 13A, Section 1 (b)(3)(C), which requires "that the school district board, community college board, or county office of education conduct an annual, independent performance audit to ensure that the funds have been expended only on the specific projects listed." In addition to meeting that requirement, our audits include a review of the District's procedures for procuring construction bids and for complying with the Public Contract Code on matters such as contract awards and contract change orders. We also thoroughly review internal controls, examine financial and facilities documents provided to oversight committees, and conduct a site visit of the facilities under construction. We evaluate whether the District has sound procedures in place for project oversight and management, including review of project budgets.

In short, we believe that CaLBOC's accusations are false and reflect a lack of understanding about the scope of Article 13A, the qualifications and professional standards that back every audit opinion rendered by a CPA, and the level of assurance that an audit opinion provides.

At the bond oversight committee level, we do continue to find confusion among committee members as to their role, what is required by the audit, and how to interpret the audit results. Therefore, we encourage our bond audit clients to have committee members meet with the auditor early on to discuss these scope issues and minimize the expectation gap. If you have any questions, please feel free to contact me at any time.

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