

**Resolution 2011-12: 110**

**Financial Audit Services by Freed Maxick & Battaglia**

**By Board Chairman Bell**

WHEREAS, the Rochester School Facilities Modernization Program Act ("the Act") established the Rochester Joint Schools Construction Board ("RJSCB"), a seven voting member board consisting of equal representation by the City of Rochester ("City") and the Rochester City School District ("District"), as well as a member jointly selected by the City and the District; and

WHEREAS, under the Act, the RJSCB has certain enumerated powers to act as agent for the District, the City, or both; and

WHEREAS, the RJSCB's General Counsel recommended to the RJSCB's MWBE and Services Procurement Committee (the "Committee") that the RJSCB undertake a Financial Audit of its financial commitments, obligations and internal controls for the year ending June 30, 2012; and

WHEREAS, the District and the RJSCB will enjoy substantial benefits from coordinating the RJSCB's audit with the District's annual audit; and

WHEREAS, the RJSCB believes that by engaging the same firm already engaged by the District, Freed Maxick & Battaglia (the "Accountants"), it can realize efficiencies and cost savings ; and

WHEREAS, given the short time frame to coordinate the two audits and the small scale and scope of the proposed audit work, the RJSCB believes that a competitive hiring process would not offer significant cost savings or sufficient timeliness; and

WHEREAS, the RJSCB's operating budget contains sufficient funding for this work; and

WHEREAS, at its May 31, 2012 meeting, the Committee considered and discussed the proposal for audit services submitted by the Accountants, a copy of which is attached hereto, in an estimated amount of \$6,000 (the "Proposal"), and after due deliberation, it approved the proposal;

THEREFORE, BE IT RESOLVED:

1. The RJSCB hereby accepts and approves the Proposal from the Accountants.
2. The RJSCB's Chair is hereby authorized, in the name and on behalf of the RJSCB, to execute an Agreement that is consistent with this approval and in an acceptable form to the Chair upon the advice of the RJSCB's General Counsel.
3. The Board and staff of the RJSCB are hereby authorized to take any additional actions necessary to implement the foregoing resolutions.

**Second by Board Member Pifer**

**Approved 6-0 with Member Castro away**

Trust earned.



May 17, 2012

Rochester Joint Schools  
Construction Board  
690 St. Paul Street  
Rochester, NY 14605

This letter is to explain our understanding of the arrangements for the services we are to perform for Rochester Joint Schools Construction Board (the RJSCB) for the year ending June 30, 2012. We ask that you either confirm or amend that understanding.

#### **Audit Services**

Freed Maxick CPAs, P.C., ("We") will perform an audit of Rochester Joint Schools Construction Board's governmental activities as of and for the year ending June 30, 2012 which collectively comprise the basic financial statements. We understand that these financial statements will be prepared in accordance with accounting principles generally accepted in the United States of America. The objective of an audit of financial statements is to express an opinion on those statements.

We are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Board are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error or fraud. Accordingly, a material misstatement may remain undetected. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. The determination of abuse is subjective; therefore, *Government Auditing Standards* do not expect us to provide reasonable assurance of detecting abuse.

You have informed us that you desire us to issue a report on the financial statements of the RJSCB as of and for the year ended June 30, 2012 conforming only to the requirements of auditing standards generally accepted in the United States of America. This reporting will not be used for purposes to comply with a requirement calling for an audit in accordance with *Government Auditing Standards*.

An audit of financial statements also includes obtaining an understanding of the RJSCB and its environment, including its 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. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, we will communicate to management and the Board of Education any significant deficiencies or material weaknesses that become known to us during the course of the audit.

We will also communicate to the Board of Education (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements, (b) any illegal acts, violations of provisions of contracts or grant agreements, and abuse that come to our attention (unless they are clearly inconsequential), (c) should any arise, any disagreements with management and other serious difficulties encountered in performing the audit, and (d) various matters related to the RJSCB's accounting policies and financial statements.

In addition to our report on the RJSCB's financial statements, we will also issue the following reports or types of reports:

Report on internal control related to the financial statements. This report will describe the scope of testing of internal control and the results of our tests of internal controls.

Report on compliance with laws, regulations, and the provision of contracts or grant agreements. We will report on any noncompliance which could have a material effect on the financial statements.

A schedule of findings and responses.

Our report on internal control will include any significant deficiencies and material weaknesses in the system of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with requirements of the standards identified above. Our report on compliance will address material errors, fraud, abuse, violations of compliance requirements, and other responsibilities imposed by state and federal statutes and regulations and assumed by contracts; and any state or federal grant, entitlement or loan program questioned costs of which we become aware, consistent with requirements of the standards identified above.

#### **Rochester Joint Schools Construction Board's Responsibilities**

Management is responsible for the financial statements, including the selection and application of accounting policies, adjusting the financial statements to correct material misstatements, and for making all financial records and related information available to us. Management is responsible for providing us with a written management representation letter confirming certain representations made during the course of our audit of the financial statements and affirming to us that it believes 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 taken as a whole and to the opinion units of the financial statements.

Management is responsible for establishing and maintaining effective internal control over financial reporting and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge.

Management is responsible for identifying and ensuring that the RJSCB complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is 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 RJSCB involving management employees who have significant roles in internal control and others where the fraud could have a material effect on the financial statements. Management is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud affecting the RJSCB received in communication from employees, former employees, analysts, regulators, or others.

Management is also responsible for (a) making us aware of significant vendor relationships where the vendor is responsible for program compliance, (b) following up and taking corrective action on audit findings, including the preparation of a summary schedule of prior audit findings, and a corrective action plan, and (c) report distribution including submitting the reporting packages.

The Board is responsible for informing us of its views about the risks of fraud within the RJSCB, and its knowledge of any fraud or suspected fraud affecting the RJSCB.

The RJSCB agrees that it will not associate us with any public or private securities offering without first obtaining our consent. Therefore, the RJSCB agrees to contact us before it includes our reports or otherwise makes reference to us, in any public or private securities offering. We may conclude that we are not otherwise associated with the proposed offering and that our association with the proposed offering is not necessary, providing the RJSCB agrees to clearly indicate that we are not associated with the contents of the official statement. The RJSCB agrees that the following disclosure will be prominently displayed in the official statement:

*Freed Maxick CPAs, P.C. our independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Freed Maxick CPAs, P.C., also has not performed any procedures relating to this official statement.*

Our association with an official statement is a matter for which separate arrangements will be necessary. The RJSCB agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing, and with a copy of the final reproduced material for our approval before it is distributed.

Because Freed Maxick CPAs, P.C. will rely on the RJSCB and its management and audit committee to discharge the forgoing responsibilities, the RJSCB holds harmless and releases Freed Maxick CPAs, P.C., its directors, and employees from all claims, liabilities, losses, and costs arising in circumstances where there has been a knowing misrepresentation by a member of the RJSCB's management which has caused, in any respect, Freed Maxick CPAs, P.C.'s breach of contract or negligence. This provision shall survive the termination of this arrangement for services.

#### **Rochester Joint Schools Construction Board' Records and Assistance**

If circumstances arise relating to the conditions of your records, the availability of sufficient, competent evidential matter, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, misappropriation of assets or noncompliance which in our professional judgment prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawal from the engagement.

During the course of our engagement, we may accumulate records containing data which should be reflected in your books and records. You will determine that all such data, if necessary, will be so reflected. Accordingly, you will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by your personnel, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with Tom Renauto and Cerri Cupples. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

If, in connection with our audit, you request us to perform accounting services necessary for the preparation of the financial statements (such as maintaining depreciation schedules, drafting the financial statements, etc.) you agree to designate an appropriate individual to oversee the services, make all management decisions involved in those services, evaluate the adequacy and results of the services, and accept responsibility for the results of the services.

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. We enter into confidentiality agreements with all third-party service providers and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others.

#### **Other Terms of our Engagement**

Our fees are based on the time required by the individuals assigned to the engagement, plus direct expenses. Interim billings will be submitted as work progresses and as expenses are incurred. Billings are due upon submission. Our fee for the services described in this letter will not exceed \$6,000, unless the scope of the engagement is changed, the assistance which your personnel has agreed to furnish is not provided, or unexpected conditions are encountered, in which case we will discuss the situation with you before proceeding. All other provisions of this letter will survive any fee adjustment.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client. Accordingly, the RJSCB agrees it will compensate Freed Maxick CPAs, P.C. for any additional costs incurred as a result of the employment of a partner or professional employee of Freed Maxick CPAs, P.C.

In the event we are requested or authorized by the RJSCB or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for the RJSCB, the Rochester Joint Schools Construction Board will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

The documentation for this engagement are the property of Freed Maxick CPAs, P.C. However, you acknowledge and grant your assent that representatives of the cognizant or oversight agency or their designee, other government audit staffs and the U.S. General Accounting Office shall have access to the audit documentation upon their request; and that we shall maintain the audit documentation for a period of at least three years after the date of the report, or for a longer period if we are requested to do so by the cognizant or oversight agency. Access to requested documentation will be provided under the supervision of Freed Maxick CPAs, P.C. audit personnel and at a location designated by our Firm.

We may assist in drafting the RJSCB's financial statements and propose adjustments to the trial balance which are reviewed and approved by management. The draft and the adjustments are the responsibility of management.

The two overarching principles of the independence standards of the *Government Auditing Standards* issued by the Comptroller General of the United States provide that management is responsible for the substantive outcomes of the work and, therefore, has a responsibility and is able to make any informed

judgment on the results of the services described above. Accordingly, the RJSCB agrees to the following:

- Tom Renauto, Executive Director, will be accountable and responsible for overseeing the draft of the financial statements and trial balance adjustments.
- The RJSCB will establish and monitor the performance of the draft of the financial statements and trial balance adjustments to ensure that they meet management's objectives.
- The RJSCB will make any decisions that involve management functions related to the draft of the financial statements and trial balance adjustments and accepts full responsibility for such decisions.
- The RJSCB will evaluate the adequacy of services performed and any findings that result.

**Claim Resolution**

The Rochester Joint Schools Construction Board and Freed Maxick CPAs, P.C. agree that no claim arising out of services rendered pursuant to this agreement shall be filed more than one year after the date of the audit report issued by Freed Maxick CPAs, P.C. or the date of this arrangement letter if no report has been issued. The Rochester Joint Schools Construction Board waives any claim for punitive damages. Freed Maxick CPAs, P.C.'s liability for all claims, damages and costs of the Rochester Joint Schools Construction Board arising from this engagement is limited to the amount of fees paid by the Rochester Joint Schools Construction Board to Freed Maxick CPAs, P.C. for the services rendered under this arrangement letter.

This letter constitutes the complete and exclusive statement of agreement between Freed Maxick CPAs, P.C. and the Rochester Joint Schools Construction Board, superseding all proposals oral or written and all other communication, with respect to the terms of the engagement between the parties.

Kathryn Barrett will be the engagement director and will assume responsibility for its performance and completion. If this letter defines the arrangements as the RJSCB understands them, please sign and date the enclosed copy and return it to us. We appreciate your business.

Freed Maxick CPAs, P.C.



Kathryn M. Barrett, CPA  
Director

Confirmed on behalf of

**Rochester Joint Schools Construction Board:**

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title