

Feather River Charter School

Proposal for Independent Audit Services



Wilkinson Hadley King & Co. LLP

218 W. Douglas Ave.

El Cajon, California 92020

Ph: (619) 447-6700

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E-mail: ksproul@whllp.com

Title Page

RFP Subject: Independent Audit Services

Firm Name: Wilkinson Hadley King & Co. LLP

Firm Addresses: 218 W. Douglas Ave.
El Cajon, California 92020

Website: www.whllp.com

Firm Contact Person: Kevin Sproul, CPA

Bid Contact Phone: (619) 447-6700

Bid Contact Email: ksproul@whllp.com

Date Submitted: January 22, 2021

Proposal is effective for 60 days.



P. Robert Wilkinson, CPA
Brian K. Hadley, CPA

Aubrey W. Mann, CPA
Kevin A. Sproul, CPA

January 22, 2021

Feather River Charter School
13915 Danielson St #200
Poway, California 92064

We are pleased to have this opportunity to present you with a proposal for independent audit services. As a firm with extensive experience auditing California local education agencies, we understand the requirements of this engagement for Feather River Charter School (the School) and the importance of providing the School with reports by the required deadlines. Wilkinson Hadley King & Co. is committed to meeting all of the School's requirements and timelines for successful completion of the annual audit engagement.

Throughout this proposal, we identify the many reasons why we feel that the strengths of Wilkinson Hadley King & Co. LLP create the optimal model to provide the auditing and financial compliance services required by the School. We feel the most important of these strengths are as follows:

- **Charter Schools are a strategic industry for Wilkinson Hadley King & Co. LLP.** We are on the forefront of issues impacting charter schools in California, and we look forward to sharing this knowledge with your school. As a show of our commitment to the education industry, we are actively involved in the California Association of School Business Officials, the Government Audit Quality Center, and the Audit Guide Committee which aids the Education Audit Appeals Panel in writing the annual Audit Guide for California local education agencies. Our objective is to add value beyond the basic financial statement audit by sharing knowledge gained from our vast experience and professional associations.
- **Fresh Perspective.** Our firm engages in audit partner rotation in order to provide a fresh perspective on internal controls, compliance risks, and other operational matters. As noted throughout our proposal, our objective is to provide value beyond our financial and compliance audits.
- **The right people.** Your engagement partner, Kevin Sproul, CPA, is involved in the audit guide committee and has been a guest speaker for the School District Conference hosted by the California CPA Education Foundation to train school auditors. He has extensive knowledge of governmental accounting standards as well as federal and state compliance.

El Cajon Office
218 W. Douglas Avenue El Cajon, CA 92020
Tel. (619) 447-6700 Fax (619) 447-6707

Berkeley Office
2001 Addison Street, 3rd Floor, Berkeley, CA 94704
Tel. (510) 679-6900 Fax (510) 679-6901

- **Record of timely completion.** Our firm has a record of timely completion of audits acceptable to the State Controller's Office. We obtain annually the State Controller's desk review checklist and verify each of our audits against the checklist to ensure all requirements have been met. Once that verification has been completed, we electronically submit reports to the California State Controller's Office prior to the audit report deadline.
- **Communication.** We believe in frequent communication not only during the audit but throughout the year. Our mission is to proactively work with management and those charged with governance to ensure concerns are addressed before they become problems. If we do identify a problem, we will immediately discuss with management.

I am authorized to execute and negotiate this contract on behalf of Wilkinson Hadley King & Co. LLP. Should you have any questions concerning our proposal or you need any additional information, please contact me at (619) 447-6700 or ksproul@whllp.com.

Sincerely,



Kevin Sproul, CPA
Partner

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Part III: Background and Experience

Firm's Background and Experience

The firm of Wilkinson Hadley King & Co. LLP was formed in January 2002 and is a local accounting with two offices located in El Cajon, California and Berkeley, California.

The partners of the firm have collectively more than 50 years of experience in auditing school districts, charter schools, governmental agencies, and nonprofit organizations. Managers and staff have collectively more than 35 years of experience in auditing public entities and nonprofit organizations. Below is a summary of our firm's auditing experience during the past year:

| | |
|---|------------|
| Audits of K-12 School Districts | 39 |
| Audits of Charter Schools | 74 |
| Audits of County Offices of Education | 3 |
| Audits of Proposition 39 General Obligation Bonds | 19 |
| Audits of Other Governmental or Nonprofit Organizations | 23 |
| Total Audits Performed | <u>158</u> |

Our firm has been engaged to work with California local education agencies of all sizes. We currently audit the largest elementary school district in the state along with a number of other large districts. While every school district audit is unique, the breadth of our experience ensure that we can provide the Feather River Charter School (the School) with the expertise and understanding needed for an effective and efficient engagement.

Range of Services

We are a full-service accounting firm providing professional accounting, auditing, tax, and management advisory services for our clients. These services currently include the following:

Assurance Services and Reporting

- Financial Statement audits
- Single Audits (Uniform Guidance)
- Agreed-upon procedures
- Comprehensive Annual Financial Reports for Certificate of Excellence Awards
- Assistance with financial statement preparation
- Performance audits

Consulting and Training Services

- Recommendations for business operations
- Reviews of accounting policies and procedures
- On-site presentations and staff trainings
- Fraud investigations
- Procurement reviews and investigations
- Preparation of internal audit manuals

Experience in Auditing Computerized Systems

As a firm who specializes in auditing charter schools, we are extremely familiar with the requirements on auditing your computerized systems. The variety of automated fund accounting software programs, spreadsheets, report writers, and specialized programs seem unlimited. Our auditors and consultants are familiar with the most common systems used by our clients. Because of our experience, we are familiar with the capabilities and limitations of the programs most commonly utilized by California local education agencies.

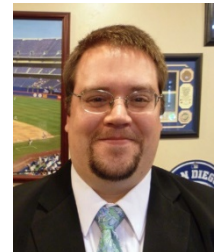
A review and evaluation of school information technology systems will be performed during the audit due to the integral nature and relationship to the financial reporting of the School. Both general information technology (IT) controls and application controls will be assessed during the planning of the audit. Systems tests for integrity, system security tests, use of computer assisted audit tools (CAATs), and/or the use of an IT specialist will be applied as deemed necessary to achieve the planned audit objectives.

Auditor's Staffing and Qualifications

Wilkinson Hadley King & Co. LLP is committed to ensuring your school receives the best auditing services available on a year-to-year basis. As part of our firm's quality control we provide for partner and staff rotation on each engagement. This process ensures to our clients that a fresh set of eyes reviews each years' financial information and provides the quality control that our clients desire. Your audit will be assigned the following leads:

Kevin Sproul, CPA **Engagement Partner**

Kevin is a graduate of the University of Louisville with degrees in both Accounting and Business Administration. He began his accounting career within a private company working directly under the CFO in Louisville, Kentucky. Kevin joined the firm in 2013 and was admitted as a partner in 2016. Kevin is a licensed Certified Public Accountant in the state of California and is also a member of the California Association of Certified Public Accountants. Kevin has experience in audits of local school districts and charter schools.



Kevin began participating on the planning committee for the School District Conference put on by the California Society of CPA's in 2015. He Co-Chaired the 2018 conference. Kevin also participates on the audit guide committee which makes recommendations to the Education Audit Appeals Panel in preparing the audit guide for California K-12 Local Education Agencies.

Additional Wilkinson Hadley King & Co. Partners

Below are brief profiles for the other partners of Wilkinson Hadley King & Co. LLP. More detailed resumes will be provided upon request.

Aubrey W. Mann, CPA Managing Partner

Aubrey is a graduate of Southern Utah University with a Bachelor of Science degree in accounting. Aubrey also obtained a Master of Business Administration with an emphasis in Finance from Washington State University. Aubrey joined the firm in 2003 and was admitted as a partner to the firm in 2006. Aubrey is a licensed Certified Public Accountant in the state of California (certificate #95713). Aubrey has extensive experience in audits of local school districts and has been instrumental in working with the firm's school district and charter school clients. Aubrey also has experience in non-profit auditing and has overseen numerous audits of the firm's governmental and non-profit clients.



For the past several years Aubrey has participated on the planning committee for the School District Conference put on by the California Society of CPA's. In addition to her role on the planning committee, she has been asked to co-chair and speak at the conference a number of times. Aubrey also participates on the audit guide committee which makes recommendations to the Education Audit Appeals Panel in preparing the audit guide for California K-12 Local Education Agencies.

Aubrey is also a member of the AICPA, the California Society of Certified Public Accountants (CalCPA), and the California Association of School Business Officials (CASBO).

Brian K. Hadley, CPA Partner

Brian graduated from Brigham Young University with a Master of Science Degree in Accounting and he has more than twenty years of public accounting experience. Brian started his career in 1986 with Peat, Marwick, and Mitchell where he worked as a staff accountant and tax preparer. Brian has also worked for the national firm of McGladrey & Pullen in the Las Vegas office and with the San Diego firm of Levitz, Zacks & Ciceric.



Brian has experience in the retail, construction, technology, manufacturing, and service industries as well as working with local governmental agencies and school districts. Brian is a licensed Certified Public Accountant in the state of California and also a member of the American Institute of Certified Public Accountants (AICPA). Brian meets all governmental continuing professional education requirements.

Audit Team Levels

The staffing levels which will be utilized for this engagement are outlined below. In addition to the specific qualifications required for each level, all assigned audit staff will also meet the requirements for performing audits in accordance with *Governmental Auditing Standards* as well as *Yellow Book Standards*.



Engagement Partner

The engagement partner assumes responsibility for the overall quality of the audit engagement and is responsible for the managerial, administrative and technical aspects of the engagement. The assigned engagement partner will be a Certified Public Accountant with at least fifteen years of financial statement auditing experience in the school district and governmental industry.

Responsibilities of the engagement partner include:

- Assistance with scheduling and team assignments
- Review of planning documentation and initial audit plan
- On-site assistance as required for critical portions of the audit
- Technical review of financial statements and working papers
- Responsibility to address any concerns from District management regarding audit matters
- Responsibility to address and complete technical and complex audit procedures
- Technical assistance to District personnel
- Authorization of issuance of audit reports to the School and other parties

Engagement Supervisor

The engagement supervisor is responsible for conducting and directing the audit engagement and duties include planning and direction of the engagement, as well as examination and analysis of District records. The engagement supervisor will be a Certified Public Accountant and must have at least five years of financial statement auditing experience in the school district and governmental industry.

Responsibilities of the engagement manager include:

- Assistance with planning of the audit engagement
- Plans and monitors overall audit progress
- Fieldwork supervision when the engagement partner is not on-site
- Supervision of in-charge auditor and any assigned associates during all phases of the audit
- Performance of testwork and evaluation of the School's internal controls as needed
- Evaluation of the School's financial records for compliance with generally-accepted accounting principles, federal and state laws, regulations, policies and procedures
- Additional analysis of District's accounts or performance of other audit work as necessary
- Responsibility to address and complete technical and complex audit procedures
- Technical assistance to District personnel
- Initial reviews of working papers and certain compliance reports

Engagement Staff

Assigned engagement staff members will perform tasks assigned by the engagement partner and engagement supervisor. Engagement staff positions require a B.S. or M.S. degree with a major in Accounting.

Responsibilities of the engagement staff may include:

- Examining the School's financial records
- Evaluating the School's internal controls
- Assisting with interviews of District personnel to obtain data and other supporting information to assess District operations
- Analyzing District accounts as specified in the audit program
- Preparing documentation as evidence of and to support analysis
- Assisting with preparation of final audit reports

Peer Review

Wilkinson Hadley King & Co. LLP firm works hard to ensure all audits by the firm are completed based on the highest standards as outlined in *Generally Accepted Government Auditing Standards*.

Our firm participates in the American Institute of Public Accountants (AICPA) Peer Review Program which evaluates the firm's system of quality control. Our most recent peer review was completed for the year ended December 31, 2017 in which our firm received a score of "Pass", which is the best score that can be received in a peer review.

A copy of the peer review report has been provided on the following page. As our firm received a rating of pass, no deficiencies were noted for the review of the year ended December 31, 2017.



Tucson • Phoenix • Flagstaff
HeinfeldMeech.com

Report on the Firm's System of Quality Control

May 9, 2018

To the Owners of Wilkinson Hadley King & Co., LLP
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Wilkinson Hadley King & Co., LLP (the firm) in effect for the year ended December 31, 2017. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review areas described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Wilkinson Hadley King & Co., LLP in effect for the year ended December 31, 2017, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Wilkinson Hadley King & Co., LLP has received a peer review rating of *pass*.

A handwritten signature in blue ink that reads "Heinfeld, Meech & Co., P.C." in a cursive style.

Heinfeld, Meech & Co., P.C.
Tucson, Arizona

References

The following selection of references are California local education agencies whose financial statements have been recently audited by Wilkinson Hadley King & Co. LLP.

Helix Charter High School

7323 University Ave

La Mesa, CA 91942

Contact: David Yeager

P: (619) 644-1940

E: yeager@helixcharter.net

Work Performed Last 2 Years: Single Audit

Engagement Partner: Kevin Sproul, CPA

Engagement Supervisor: Aubrey W. Mann, CPA

O'Farrell Charter Schools

6130 Skyline Drive

San Diego, CA 92114

Contact: Jonathan Dean

P: (619) 263-3009

E: susan.cuttitta@ofarrellschool.org

Work Performed Last 2 Years: Single Audit

Engagement Partner: Kevin Sproul, CPA

Engagement Supervisor: Aubrey W. Mann, CPA

River Valley Charter School

9707 ½ Marilla Dr

Lakeside, CA 92040

Contact: Brooke Faigin

P: (619) 390-2579

E: brooke.faigin@rivervalleyhigh.org

Work Performed Last 2 Years: Financial Audit

Engagement Partner: Kevin Sproul, CPA

Engagement Supervisor: Aubrey W. Mann, CPA

AICPA Governmental Audit Quality Center Membership



Wilkinson Hadley King & Co. PPC are members of the American Institute of Certified Public Accountants (AICPA) Governmental Audit Quality Center, which is committed to the highest standards of quality in governmental audits.

As a national community of CPA firms, these memberships provide access to best practices and tools that help ensure the quality of governmental audits while providing the up-to-date information needed to serve the School during this engagement.

Assurances

We attest that our firm will meet all requirements as listed in the School's RFP for Independent Audit Services, including the following:

- Wilkinson Hadley King & Co. LLP is a properly licensed certified public accounting firm in California. In addition, all managing and supervising auditors will be properly, licensed certified public accountants on or before July 1, 2015.
- Wilkinson Hadley King & Co. LLP meets the independence requirements of *Government Auditing Standards* and those of the AICPA Code of Conduct. We have established the proper procedures to query our employees and have determined that there are no independence issues that would prevent us from issuing an opinion of the School's financial statements.
- Wilkinson Hadley King & Co. LLP has no record of substandard work.
- Wilkinson Hadley King & Co. LLP agrees to the primary purpose of the audit as outlined in the School's RFP. No extended services will be performed under this contract unless authorized by the School. Any such additional work will be discussed with the School in advance and the existing agreement with the School will be amended to reflect the change in services.
- In accordance with auditing standards and other applicable guidelines and regulations, Wilkinson Hadley King & Co. LLP will select the procedures necessary to test compliance and disclose noncompliance with specified laws, regulations and contracts.

Part IV: Scope of Services

Audits to be Completed

We propose to provide the following services to Feather River Charter School:

1. Audit of the financial statements for Feather River Charter School, inclusive of reporting on state and federal compliance as outlined in the RFP.

Audit Requirements to Be Followed

Due to our team's experience in auditing California local education agencies, Wilkinson Hadley King & Co. LLP is knowledgeable of the applicable audit requirements. We therefore can assure the School that this engagement will adhere to the audit requirements of the California K-12 Local Education Agency Audit Guide, as prepared by the Education Audit Appeals Panel, and Uniform Grants Guidance, 2 CFR Part 200, Subpart F.

Financial and Compliance Areas to Be Audited

Typically, our firm will select various departments of the School for sampling purposes and will test the internal controls on other various departments of the School during each audit. The departments to be tested will be based on the risk assessment completed during the planning phase of the audit. Concerns indicated by the School's management during audit planning are factors considered during the risk assessment process.

In addition, the following are objectives for the financial statement audit of the School. During the audit planning stage, we may identify additional objectives specific to the School. More detailed information about the approach to the audit is provided later in this proposal.

- All cash and investments on the balance sheet are on hand, in transit, or on deposit with third parties (depositories) in the name of the School.
- Cash balances reflect a proper cutoff of receipts and disbursements and are stated at the correct amount.
- Payroll (wages, salaries, and benefits) disbursements are made only for work authorized and performed.
- Payroll is computed using rates and other factors in accordance with contracts and relevant laws and regulations.
- Expenditures for goods or services are authorized and in accordance with USFR, Arizona Procurement Code, and Federal program requirements, as applicable.
- Expenditures for goods or services and related disbursements and liabilities have been recorded correctly as to account, fund, budget category, period, and amount.
- Revenues have been billed or charged and recorded at the correct amount and in the correct fund, and receivables are stated at the net realizable amount.
- Account balances and transactions are properly classified in the financial statements and the related note disclosures to the financial statements are adequate.
- Grants are administered, and grant revenues and expenditures are recorded, in accordance with grant provisions and related laws and regulations, as applicable.

- Capital assets have been recorded at the correct amount in the proper asset category and assigned an appropriate useful life over which the asset will be depreciated.
- Fund balances and net position are properly stated.
- Long-term liabilities of the School and the related payments are properly recorded.

Audit Report Submission Date

Our firm agrees to meet the time constraints and reporting deadline requirements specified in the School's Request for Proposals; therefore, the final audit reports will be provided to the School no later than December 15th each year.

Audit Documentation

Wilkinson Hadley King & Co. LLP has appropriate policies and procedures in place to ensure proper retention of audit documentation for a period of at least three years as required by the School's RFP. Our firm agrees to make available, on request by the California Department of Education, a copy of documentation pertaining to the audit of Feather River Charter School.

Audit Report Issuance

Upon issuance of the final audit reports to the School, Wilkinson Hadley King & Co. LLP will also provide copies of the audit report, as well as any management or communication letter, directly to the California Department of Education, the California State Controller's Office, Winship-Robbins Elementary School District, the Riverside County Office of Education, and the Federal Audit Clearinghouse on behalf of the School.

Audit Approach

1. Audit Phases and Audit Work Plan



This section provides an outline of work typically completed by Wilkinson Hadley King & Co. LLP during each of the major phases of the audit.

Audit Planning

Audit planning procedures will begin at the time of the contract award. These procedures will develop the audit team's understanding of the School's operations, will be used to clarify audit objectives, and will help with the development of a detailed audit plan.

- Preparation and issuance of engagement letter
- Conduct entrance conference with key personnel as deemed necessary
- Perform risk assessment procedures
 - Inquiries of management and staff
 - Preliminary analytical procedures
 - Observation of operations
 - Perform transaction walkthroughs
 - Engagement team discussions
- Develop an understanding of client, the environment and internal controls
 - Review prior year financial statements and applicable accounting records
 - Review of industry guides, regulatory information, statutes, internal/external reports, etc.
 - Preparation of process and control memorandums
 - Completion and review of internal control questionnaires
 - Obtain understanding of information technology systems
- Develop a preliminary judgment of materiality
- Develop a detailed audit plan to include preparation of audit programs
- Identification of major Federal programs for Single Audit, as applicable
- Identify responsibilities and assign tasks to the audit staff and District personnel
- Submit audit questionnaires to audit liaison for assignment to District staff (usually submitted to client approximately a month before scheduled fieldwork dates)
- Other planning procedures, as deemed necessary

Audit Procedures

Certain core audit procedures will be performed at the School during scheduled fieldwork dates; however our firm also minimizes disruption for District operations by conducting audit procedures from our office when appropriate and practical. District management and staff should be available during any scheduled fieldwork dates for discussions and to provide requested materials.

- Perform tests of key operational controls. May include, but not limited to the following areas:
 - Payroll and related benefits
 - Disbursements and accounts payable
 - Capital asset additions and deletions
 - Cash receipts
- Develop and perform compliance tests for applicable compliance requirements
- Perform substantive procedures on the primary financial statement accounts
 - Cash and investments
 - Receivables, including interfund balances
 - Capital assets
 - Payables, including accounts payable, and accrued wages and benefits
 - Long-term debt, including compensated absences, bonds, loans, notes, and leases
 - Intergovernmental revenue, including grants and contributions
 - Net position liability and related accounts
 - Charges for services revenue
 - Other sources/uses, including interfund transfers, debt proceeds, and capital contributions
 - Payroll and related benefit expenditures/expenses
 - Goods and services expenditures/expenses
 - Debt service expenditures
 - Property tax revenues
 - Data analytic procedures on various account balances
- Other necessary audit procedures, if applicable

Audit Conclusion

Audit conclusion procedures include the communication of the audit results to the School's management, quality control procedures over the audit, and drafting and final distribution of applicable audit reports.

- Perform final analytical review procedures
- Perform subsequent events review
- Perform exit conferences with District staff upon completion of audit
- Perform final review of working papers and audit programs
- Audit staff to draft financial statements and applicable audit and compliance reports
- Engagement partner to review financial statements and audit reports
- Secondary partner review of financial statements and key audit documentation, as applicable
- Distribute final audit reports to applicable recipients

Audit Approach Details

Financial Statements

Audit procedures necessary to complete our audit objectives are dependent upon an extensive risk assessment process performed during the planning phase of the audit in which we will gain an understanding of the School and its operations, evaluate internal controls, and assess risks of misstatement for account balances and transaction classes. While it is difficult to provide a complete description of the detailed audit procedures to be performed, the following provides some examples of procedures that are commonly performed by our firm.

- Cash on deposit – review and re-perform reconciliation procedures to the County Treasurer
- Property tax receivables – confirm balances to the County Treasurer
- Due from other governments – confirm balances to supporting documentation
- Capital assets – test amounts recorded to supporting documentation
- Accounts payable – analytical procedures to prior and current year activity, test amounts to supporting documentation
- Accrued payroll – analytical procedures, test amounts to supporting documentation
- Bonded Debt – agree amounts to debt amortization schedules, test transactions to county treasurer records
- Pension/OPEB liabilities – agree amounts to supporting schedules, analytical procedures to District records
- Property tax revenue – analytical procedures, confirm amounts to county treasurer
- Intergovernmental revenue – analytical procedures, confirm amounts, agree to supporting documentation
- Payroll – detail test of controls performed on a sample of transactions, analytical procedures, comparison to IRS form 941, data analytic procedures including vendor/employee fuzz logic test
- Disbursements – detail test of controls performed on a sample of transactions, data analytic procedures including Benford’s analysis
- Depreciation – analytical procedures, recalculation of detail asset postings
- Journal entries – detail test of controls performed on a sample of transactions, data analytic procedures including keyword search analysis

Financial Statements Sampling for Detail Tests

Wilkinson Hadley King & Co. LLP will select sample sizes derived from the entire population of transactions within the major transaction cycles considering both quantitative and qualitative factors. Statistical sampling will typically be utilized for larger, significant transaction classes such as payroll, disbursements, and certain cash receipts. Statistical sampling will be completed utilizing CaseWare IDEA Data Analysis Software. Nonstatistical haphazard or judgmental selections will be utilized for smaller populations that do not provide for the application of statistical sampling, or populations that have attribute testing considerations. Typical sample sizes for a particular control test range from 25 to 60 transactions; however sample sizes are modified based on our assessment of the controls and risk of misstatement.

Single Audit Requirements

If federal award expenditures exceed \$750,000 a Single Audit will be required. We will complete procedures under Uniform Guidance if required to do so. While all the detailed procedures required under Uniform Guidance will be properly completed, the following provides information about some of the more significant procedures and steps in conducting a Single Audit.

- Determination of low-risk auditee status
- Identification of high-risk programs
- Determination of major federal programs to be tested
- Identification of direct and material compliance requirements
- Development of program materiality
- Documentation of internal controls over each major program
- Assessment and documentation of program risk
- Performance of tests of internal controls over compliance
- Performance of compliance tests for major programs
- Review the schedule of expenditures of federal awards for presentation requirements
- Audit reporting on compliance of each major program, internal controls over compliance and the schedule of expenditures of federal awards
- Completion of the data collection form

Federal Programs Sampling for Detail Tests

Nonstatistical judgmental selection sampling is generally utilized for tests of compliance in order to ensure items selected meet the specific objectives of Uniform Guidance compliance requirement of the program or other applicable compliance requirement. Sampling for tests of compliance for a Single Audit requires a planned low level of control risk. In addition, dual purpose samples will be utilized for Uniform Guidance audit procedures when deemed appropriate to test both the operating effectiveness of controls over compliance as well as compliance with a particular compliance requirement. Typical sample sizes for a particular compliance requirement test range from 25 to 60; however sample sizes are modified based on our assessment of the controls and risk of noncompliance.

Gaining an Understanding of Internal Controls

Auditing standards require us to obtain an understanding of internal controls to plan the audit and to assist in determining the nature, timing and extent of audit procedures to be performed. Our understanding of the School's internal control framework will primarily be obtained through inquiry and discussions with management. In addition, an understanding of the School's internal controls over financial reporting will be completed and documented through a series of internal control questionnaires. Key controls will be tested through observation, inspection of documents and detail tests of transactions. Resources such as the School's budget, organizational charts, policy and procedure manuals, and assessment of information technology systems will be utilized accordingly to gain an understanding of the School's internal control structure.

Customer Service Philosophy

Our firm is committed to keeping an open communication with management throughout the audit process. Our client relationships rely upon open and regular communication. We know that your time is valuable and you often need assistance quickly. Due to our specialization in the school district industry, the Santa Monica-Malibu Unified School District will receive knowledgeable assistance throughout the year. The Engagement Partner and Audit Manager will be available continuously throughout the engagement period for consultation or discussion.

Our goal is to respond to all client questions within one workday. Full contact information for your audit team, including emails and cell phone numbers, will be provided to the School. If your audit supervisors happen to be unavailable, the School also may request assistance from other members of our firm. Due to our extensive experience working with school district, you can be assured that all members of our team will provide knowledgeable assistance to the School.

Use of Data Analytics Audit Methodology



CaseWare IDEA software, a comprehensive, powerful tool that allows for faster and more effective auditing techniques over various audit areas, will be utilized for this audit engagement. The use of data analytics will allow for audit procedures to be focused on those items which appear to be anomalies as identified through this analysis. In some instances, the use of data analytics will allow for the testing of complete sets of data rather than the sampling of a limited number of transactions.

Data analytics procedures applied in the audit may include:

- Analyzing month-to-month and year-to-year audit data to identify trends and anomalies
- Examining all weekend, holiday and off hour general ledger activity
- Technology controls checks by comparing established user roles with user activity
- Applying Benford's Law to examine frequency distribution of transactions
- Identifying fluctuations and anomalies in bank account reconciliations
- Using "fuzzy logic" to identify addresses shared by employees and vendors
- Identifying and examining anomalies in payroll-related transactions

Additional audit requests for data analytic procedures may include, but are not limited to, the following data files:

- Detail payroll data file
- Adjusting journal entries
- Employee maintenance files
- Vendor maintenance files
- Invoice processing file
- Banking and credit card reports

Part V: Proposed Fees

The following represents our proposal for the audit fees for the School. Our proposed fees are all-inclusive for the audit engagement. The proposed fees are:

| | 2020-21 | 2021-22 | 2022-23 |
|--|---------|---------|----------|
| Financial & State Compliance | \$9,500 | \$9,750 | \$10,000 |
| Federal Compliance (if expenses exceed \$750,000) | \$1,500 | \$1,750 | \$2,000 |
| Tax Return Preparation | \$1,200 | \$1,200 | \$1,200 |

The following represents our firm's billing rates for any additional accounting or audit work that may be requested by your school. We will not engage any services outside of the annual audit without permission from you. The following represents our hourly rate for charter schools which are discounted 25% from our standard hourly rates:

| Classification | Rate |
|--------------------------|-------|
| Partner | \$175 |
| Manager | \$125 |
| Senior Accountant | \$95 |
| Staff Accountant | \$75 |
| Clerical | \$45 |