



REQUEST FOR PROPOSALS
For
External Auditor Services
Due: March 8, 2010, 5:00 p.m.

Requests for Information

1. What were the Districts prior year audit fees? **\$67,600.00**. Did the auditors provide any services beyond the audit scope (such as Proposition 39 Performance Audits)? **From time to time they have performed departmental audits as well as proposition 39 financial audits**. If so, what were the services and related fees? **\$63,900.00 for Proposition 39 Performance Audit**. Can copies of any reports issued beyond the annual audit (obtained from your web site) be made available for review? **Performance Audit not yet completed**.
2. Does this RFP require Auditing Services from the auditors that go beyond the scope required by the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2009-10* issued by the Education Audit Appeals Panel? **Yes, certain locally funded programs require an audit, such as First 5 and School Community Violence Prevention Program**.
3. How long have your prior auditors been your auditors? **Since prior to 2000**.
4. How many weeks were spent and when were the District's prior auditors in the field (i.e. at the District) for the FY 08/09 Audit? **Approximately 4 weeks – field work takes place during April for schools and departments. Some field work for departments is done in October**.
5. How many of the District's 77 campuses were visited by your auditors for the June 30, 2009 audit? **Ten campuses were visited**.
6. Would we be able to perform control documentation and test work as early as April, 2010? **Typically late April or early May is preferred**.
7. Were your unaudited actuals for 08/09 submitted to the County Office by September 15, 2010? If not, when were they submitted? **September 25, 2009**.
8. Anything new in the current year that is not in the most recent audit report? (i.e. new federal funding, new debt issues/refunding, or new construction projects)? **No**.
9. In the June 30, 2009 report the Federal Award expenditures were \$90,651,221 and four major programs were identified. What level of expenditures and number of major programs are expected (budgeted) for June 30, 2010? **The major reduction will be the ARRA funds – otherwise similar number of programs**.

10. Did the district have their GASB 34 conversion entries available for the auditors review by the end of September? If not, when were they made available and what is the expectation for the current year? **First week in October.**
11. Have there been any significant changes in the business office personnel (manager and above) in the current year? **Yes, Deputy Superintendent/CFO resigned in October, 2009**
12. Does your District have an Audit Committee? If not, has the Board considered establishing one? **Yes, the district has an audit committee.**
13. What internal audit resources are available for audit assistance? How were they used in the June 30, 2009 audit process? **Currently, the internal auditor analyst provides pre-audit preparation and training and mitigation of proposed audit findings.**
14. Please provide a copy of the June 30, 2009 audit agreement (engagement letter). Is it expected that the current audit agreement will be in the same form? **Same or similar. See attached.**
15. Since there is no bidder's conference, may we meet with you? **Pre-submittal meetings will not be scheduled.**
16. Why are you going out to bid at this time? **Short response timeline last year and Board of Education request.**
17. Which firms received your RFP? **N/A.**
18. Was your current auditor invited to bid? **Yes.**
19. How long have they been your auditors? **See #3.**
20. Have you been satisfied with their performance? **Yes.**
21. Was last year's scope the same as stated in the RFP, (i.e., same reports)? **Yes.**
22. If applicable: How many major programs do you have under the Single Audit Act? **Eight major programs.**
23. If applicable: Do you anticipate significant changes in grantors or in federal expenditures? Any changes to the programs? **See #9.**
24. What were the fees for last year's audit? **See #1.**
25. What is budgeted for this year's audit? **See #1.**
26. How many auditors were on the engagement; how many hours/weeks were spent in the field last year? **See #4. Two to four auditors were in the field at a given time.**
27. When will the records for FYE 6/30/10 be ready for the auditor? **Late September.**

28. When would you like a final audit report to be issued? **Late November, early December.**
29. Will the auditor be responsible for preparing the financial statements, editing, printing, and distribution? **Yes.**
30. What unique qualifications/characteristics are you looking for in a firm that was not mentioned in your RFP? **As listed in the RFP.**
31. When will the selected firm be notified? **As soon as possible.**
32. What are some of your main concerns regarding policies, operations issues, upcoming changes in accounting reporting requirements, etc.? **None.**
33. Did your previous auditors have significant deficiencies or material weaknesses? If yes, what were they? **None.**
34. Is there a copy of the 08-09 audit report posted on the district's website for viewing? If not, may we get a copy? **Posted on website.**
35. What are the reasons the district is going out to bid for audit services? **See #16.**
36. Will the prior year auditors be included in the bid process? **See #18.**
37. What was the prior year audit fee? **See #1.**
38. What is the district's fiscal status as of either First or Second, if available, interim reporting? **Qualified at First and Second Interim.**
39. What is the status of Measure I bond funds? Any subsequent bond measures? Any audit services that might be needed pursuant to Prop 39 in the future? **Measure I bonds have all been sold. There are no subsequent bond measures at this time. We will need annual financial and performance bond audits pursuant to Proposition 39.**

See following pages for June 29, 2009, engagement letter.

June 29, 2009

Mr. Tom Barentson
Deputy Superintendent/CFO
Sacramento City Unified School District
5735 47th Avenue
Sacramento, California 95824

Dear Mr. Barentson:

This letter is to explain our understanding of the services we are to perform for Sacramento City Unified School District (the "District") for the years ending June 30, 2009, 2010 and 2011. We ask that you either confirm or amend this understanding.

We will audit the financial statements of the District as of and for the years ending June 30, 2009, 2010 and 2011. Also, the document we submit to you will include the following additional information that will be subjected to the auditing procedures applied in our audit of the financial statements:

- District Organization
- Schedule of Average Daily Attendance
- Schedule of Instructional Time
- Schedule of Expenditure of Federal Awards
- Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements
- Schedule of Financial Trends and Analysis
- Schedule of Charter Schools

The document we submit to you will also include the following additional information that will not be subject to the auditing procedures applied in our audit of the financial statements and for which our auditor's report will disclaim an opinion:

- Management's Discussion and Analysis

OBJECTIVE

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America and to report on the fairness of the additional information referred to in the first paragraph when considered in relation to the financial statements taken as a whole. The objective also includes reporting on:

- Compliance with state laws and regulations.
- Internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grants agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

OBJECTIVE (Continued)

- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The reports on internal control and compliance will each include a statement that the report is intended for information and use of the Board of Education, management, the California Department of Education, the State Controller's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the Single Audit Act Amendments of 1996; the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies*, prescribed by the State of California.

Our audit will include tests of the accounting records of the District, a determination of major programs in accordance with OMB Circular A-133, and other procedures we consider necessary to enable us to express an unqualified opinion that the financial statements prepared as part of this engagement are fairly presented, in all material respects, in conformity with generally accepted accounting principles. If our opinion 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 if we are unable to form an opinion, we may decline to issue a report as a result of this engagement.

AUDIT PROCEDURES

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. Also, 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, misappropriations of assets, or violations of laws or governmental regulations that are attributable to the District or to acts by management or employees acting on behalf of the District. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse. As required by the Single Audit Act Amendments of 1996 and OMB Circular A-133, our audit will include tests of transactions related to major federal award programs for compliance with applicable laws and regulations and the provisions of contracts and grant agreements. However, because of the concept of reasonable assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us. We will inform you of any material errors, fraudulent financial reporting, or misappropriation of assets that come to our attention. In addition, we will inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will also include matters in the reports required for a Single Audit. Our responsibility as auditors is, of course, limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

AUDIT PROCEDURES (Continued)

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the District's compliance with applicable laws and regulations and the provisions of contracts and agreements. However, the objective our audit will not be to provide an opinion on overall compliance and, therefore, we will not express such an opinion. 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. Management maintains the responsibility for identifying and ensuring that the District complies with applicable laws, regulations, contracts, and other agreements.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, may include tests of the physical existence of inventories, and may include direct confirmation of receivables and certain other 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 request certain written representations from you about the financial statements and related matters.

An audit includes obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed by the purpose of expressing our opinion on the financial statements of the District and on its compliance with requirements applicable to major programs. Tests of controls may be performed to test the effectiveness of certain controls that we consider, in our professional judgment, relevant to preventing and detecting errors and fraud that are material to the 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 financial statements. Tests of controls relative to the financial statements are required only if control risk is assessed below the maximum level. Our tests, if performed, will be less in scope than what would be required 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*.

As required by OMB Circular A-133, we will perform tests of controls to evaluate the effectiveness of the design and operations of controls that in our professional opinion are relevant to preventing or detecting material noncompliance with the requirements applicable to each major federal awards program. Our tests, however, will be less in scope than what would be required to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to the appropriate level of management internal control related matters that are required to be communicated under professional standards established by the American Institute of Certified Public Accountants. In accordance with *Government Auditing Standards* and OMB Circular A-133, we will also inform you of internal control matters that are required to be communicated.

AUDIT PROCEDURES (Continued)

As stated in this letter under Management Responsibilities, compliance with laws, regulations, contracts, and grant agreements applicable to the District is the responsibility of management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the District's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of those procedures will not be to provide an opinion on overall compliance of such provisions and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the District has complied with applicable laws and regulations and the provisions of contracts and agreements applicable to major programs. Our procedures will consist of the applicable procedures described in the "OMB Circular A-133 Compliance Supplement" for the types of compliance requirements that could have a direct and material effect on each of the District's major programs. The purpose of these procedures will be to express an opinion on the District's compliance with requirements applicable to major programs in our report on compliance issued pursuant to OMB Circular A-133.

MANAGEMENT RESPONSIBILITIES

Management is responsible for establishing and maintaining internal control and for compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. In fulfilling this responsibility estimates and judgments by management are required to assess the expected benefits and related costs of the controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorizations and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal award programs are managed in compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants.

We understand that you will make all financial records and related information available to us for our audit and that you are responsible for the accuracy and completeness of that information. The management of the District has the responsibility for the proper recording of transactions in the books of account, for establishing and maintaining adequate and effective internal control, including monitoring ongoing activities, for the safeguarding of assets, for ensuring compliance with applicable laws and regulations, and for the preparation and substantial accuracy of the financial statements. Although we may advise you about appropriate accounting principles and their application, the selection and method of application are the sole responsibility of the District's management. As part of our engagement, we may also propose standard, adjusting, or correcting journal entries to your financial statements. Management, however, has final responsibility for reviewing the proposed entries and understanding the nature and impact of the proposed entries to the financial statements. It is our understanding that management has designated qualified individuals with the necessary expertise to be responsible and accountable for overseeing the services performed as part of this engagement, as well as evaluating the adequacy and results of those services and accepting responsibility for the services. In addition, management is responsible for adjusting the financial statements for all material adjustments and for confirming to us in the management representation letter that all uncorrected misstatements aggregated by us during the current audit engagement are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

MANAGEMENT RESPONSIBILITIES (Continued)

Management is also responsible for identifying and ensuring that the District complies with applicable laws and regulations applicable to its activities. Also, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan. We will ask to review the summary schedule or prior audit findings and the corrective action plan as part of our engagement.

By your signature below, you acknowledge that 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 that involves management, employees who have significant roles in internal control, and others where the 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 District that have been received in communications from employees, former employees, regulators, grantors, or others. In addition, you are responsible for identifying and ensuring that the District complies with applicable laws and regulations and for taking timely and appropriate actions to remedy any fraud, illegal acts, or violations of contracts and agreements. You agree that you will confirm to us in your management representation letter your understanding of your responsibilities as defined in this letter.

It is also management's responsibility to ensure that the District has not caused Perry-Smith LLP's independence to be impaired by hiring a former or current Perry-Smith LLP partner, principal, or professional employee in a key position, as defined in the *Code of Professional Conduct* of the American Institute of Certified Public Accountants (AICPA), that would cause a violation of the AICPA *Code of Professional Conduct* or other applicable independence rules. Any employment opportunities with the District for a former or current Perry-Smith LLP partner, principal, or professional employee should be discussed with Mr. Matthew A. Nethaway before entering into substantive employment conversations with the former or current Perry-Smith LLP partner, principal, or professional employee.

We understand that your employees will type all cash and other confirmations we request and will locate any invoices selected by us for testing.

At the conclusion of our engagement, we will complete the appropriate sections of and sign the Data Collection Form that summarizes our audit findings. We will also provide copies of our reports to the State Controller's Office, the California Department of Education and your County Office of Education; however, it is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and a corrective action plan), to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine month after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

DOCUMENT RETENTION

By your signature below, you acknowledge that the audit documentation in connection with this engagement is the property of Perry-Smith LLP and constitutes confidential information. However, in accordance with applicable laws and regulations, we may be requested to make certain audit documents available to and/or provide copies of selected audit documentation to the State Controller's Office or California Department of Education for purposes of quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request.

It is our policy to keep records related to this engagement for seven years. However, Perry-Smith LLP does not keep any original client records, so we will return those to you at the completion of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by government or regulatory agencies.

By your signature below, you acknowledge and agree that upon the expiration of the seven-year period, Perry-Smith LLP shall be free to destroy our records related to this engagement.

PROFESSIONAL FEES

Our professional fees for these services will be at our standard hourly rates and, including out-of-pocket costs such as report production, typing, postage, travel and lodging, will not exceed \$67,600 for the year ending June 30, 2009. The District has the option to extend the contract for the years ending June 30, 2010 and 2011 for fees not to exceed \$69,600 and \$72,300, respectively. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable upon presentation. In accordance with our firm policies, work may be suspended if your account becomes 90 days or more overdue and may not be resumed until your account is paid in full. 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.

MEDIATION AND ARBITRATION

If a dispute arises among the parties hereto, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Rules for Professional Accounting and Related Services Disputes before resorting to litigation. The costs of any mediation proceeding shall be shared equally by all parties.

The District and Perry-Smith LLP both agree that any dispute over fees charged by Perry-Smith LLP to the District will be submitted for resolution by arbitration in accordance with the Rules for Professional Accounting and Related Services Disputes of the American Arbitration Association. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, in the event of a dispute over fees charged by Perry-Smith LLP, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury and instead we are accepting the use of arbitration for resolution.

OTHER MATTERS

This letter shall serve as the District's authorization for the use of e-mail and other electronic methods to transmit and receive information, including confidential information, between Perry-Smith LLP and the District and between Perry-Smith LLP and outside specialists or other entities engaged by either Perry-Smith LLP or the District. The District acknowledges that e-mail travels over the public Internet, which is not a secure means of communication and, thus, confidentiality of the transmitted information could be compromised through no fault of Perry-Smith LLP. Perry-Smith LLP will employ commercially reasonable efforts and take appropriate precautions to protect the privacy and confidentiality of transmitted information.

In accordance with *Government Auditing Standards*, we have attached to this letter a copy of our most recent external peer review report dated September 13, 2007 and any letter of comment. We will also provide you a copy of any subsequent peer review reports and letters received during the period of the contract.

We appreciate the opportunity to be of service to the 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,

Perry-Smith LLP

RESPONSE:

The terms of this letter correctly set forth our understanding of the professional services to be provided by Perry-Smith LLP to Sacramento City Unified School District.

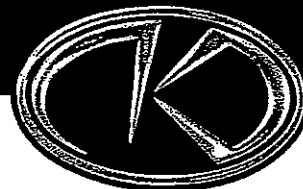
By: _____

ASB

Title: Deputy Superintendent/CFO

Date: _____

7/6/09



KraftCPAs
PLLC

September 13, 2007

To the Partners of
Perry-Smith, LLP
and the Center for Public Company Audit Firms Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Perry-Smith, LLP (the "Firm") applicable to non-SEC issuers in effect for the year ended May 31, 2007. The Firm's accounting and auditing practice applicable to SEC issuers was not reviewed by us since the Public Company Accounting Oversight Board ("PCAOB") is responsible for inspecting that portion of the firm's accounting and auditing practice in accordance with PCAOB requirements. A system of quality control encompasses the firm's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of complying with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of Certified Public Accountants (the "AICPA"). The design of the system, and compliance with it, are the responsibilities of the firm. Our responsibility is to express an opinion on the design of the system, and the firm's compliance with that system based on our review.

Our review was conducted in accordance with standards established by the Peer Review Committee of the Center for Public Company Audit Firms and included procedures to plan and perform the review that are summarized in the attached description of the peer review process. Our review would not necessarily disclose all weaknesses in the system of quality control or all instances of lack of compliance with it since it was based on selective tests. Because there are inherent limitations in the effectiveness of any system of quality control, departures from the system may occur and not be detected. Also, projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the accounting and auditing practice applicable to the non-SEC issuers of Perry-Smith, LLP in effect for the year ended May 31, 2007, has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA, and was complied with during the year then ended to provide the firm with reasonable assurance of complying with applicable professional standards.

KraftCPAs PLLC