

GLENBROOK HIGH SCHOOLS
Office of the Assistant Superintendent for Business
Regular Meeting Monday, April 8, 2013

TO: Dr. Michael Riggle
FROM: Hillarie Siena
DATE: April 8, 2013
RE: Discussion/Action: Approval of Audit Firm

It is recommended that the Board of Education approve the proposal submitted by Miller Cooper & Co., Ltd. to perform the 2012-13 audit services for the amount of \$37,500. This represents no increase over last year's base fee, not including any fees relative to the collection of additional statistical data. The recommendation is for approval of the current fiscal year services only.

Background

Attached is a copy of the engagement letter for the 2012-13 Comprehensive Annual Financial Report. If there are any areas that the Board would like to have specifically addressed regarding the CAFR, please forward them to me at your earliest convenience. The Business Office plans to continue working with the auditors in preparation for mandatory reporting requirements.

Susan R. Jones, Principal, specializes in school district audits and is a well-known and respected expert in the field of school fund accounting and compliance issues. Based on the above, it is in the best interest of the District to retain the services of Miller Cooper & Co., Ltd.

HS/hjs

Attachment

pc: Board of Education
Mr. A. J. Adams

MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

March 21, 2013

Board of Education
Dr. Michael Riggle, Superintendent
Ms. Hillarie Siena, Assistant Superintendent for Business Affairs
Glenbrook High School District 225
3801 West Lake Avenue
Glenview, Illinois 60026

Attention: Hillarie Siena, Assistant Superintendent for Business Affairs

The Objective and Scope of the Audit of the Financial Statements

You have requested that we audit the financial statements of Glenbrook High School District 225 (the District”), which comprise governmental activities, each major fund and aggregate remaining fund information as of and for the year ending June 30, 2013, which collectively comprise the basic financial statements. We will also perform an audit of the State Annual Financial Report (AFR). We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

Our audit will be conducted with the objective of our expressing an opinion on the basic financial statements and the State Annual Financial Report.

We will also perform the audit of Glenbrook High School District 225 as of June 30, 2013, so as to satisfy the audit requirements imposed by the Single Audit Act and the U. S. Office of Management and Budget (OMB) Circular No. A-133.

The Responsibilities of the Auditor

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of the Single Audit Act, OMB Circular A-133, and OMB’s *Compliance Supplement*. Those standards, circulars, and supplements require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS. 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.

The Responsibilities of the Auditor (Continued)

In making our risk assessments, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during 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 that becomes known to us during the audit, and (b) any instances of noncompliance with laws and regulations that we become aware of during the audit (unless they are clearly inconsequential).

The funds that you have told us are maintained by the District and that are to be included as part of our audit will be the same as the funds reported in the District's financial statements, for the year ending June 30, 2012.

The federal financial assistance programs and awards that you have told us that Glenbrook High School District 225 participates in and that are to be included as part of the single audit are substantially the same as in the prior year Schedule of Expenditures of Federal Awards.

Our report(s) on internal control will include any significant deficiencies and material weaknesses in controls 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 and circulars identified above. Our report(s) on compliance matters will address material errors, fraud, abuse, violations of compliance obligations, and other responsibilities imposed by state and federal statutes and regulations or 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 and circulars identified above.

The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework

Our audit will be conducted on the basis that management and when appropriate, the Board of Education, the Superintendent, and the Assistant Superintendent for Business Affairs, acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and preparation of the AFR, which is prepared using the regulatory basis of accounting as prescribed by the Illinois State Board of Education;
- b. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- c. 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;

The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework
(Continued)

- d. For identifying and ensuring that the entity 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 entity 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 entity received in communications from employees, former employees, analysts, regulators, or others;
- e. 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 package(s); and
- f. To provide us with:
 - (1) Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - (2) Additional information that we may request from management for the purpose of the audit;
 - (3) Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence;
 - (4) When applicable, a summary schedule of prior audit findings for inclusion in the single audit reporting package; and
 - (5) If applicable, responses to any findings reported on the schedule of findings and questioned costs.

As part of our audit process, we will request from management and when appropriate, the Superintendent, Assistant Superintendent for Business Affairs, and the Board of Education, written confirmation concerning representations made to us in connection with the audit including among other items:

- a. That management has fulfilled its responsibilities as set out in the terms of this letter; and
- b. 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 and AFR, taken as a whole.

Management is responsible for identifying and ensuring that the District 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 or abuse, and for informing us about all known or suspected fraud or abuse affecting the entity involving management, employees who have significant roles in internal control, and others where the fraud or abuse could have a material effect on the financial statements or compliance. Management is also responsible for informing us of its knowledge of any allegations of fraud or abuse or suspected fraud or abuse affecting the entity received in communications from employees, former employees, analysts, regulators, or others.

The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework
(Continued)

Management is responsible for the preparation of the required supplementary information (RSI) and supplementary information presented in relation to the financial statements as a whole in accordance with accounting principles generally accepted in the United States of America. Management agrees to include the auditor's report on the RSI and supplementary information in any document that contains the supplementary information and that indicates that the auditor has reported on such RSI and supplementary information. Management also agrees to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

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

Glenbrook High School District 225 agrees that it will not associate us with any public or private securities offering without first obtaining our consent. Therefore, Glenbrook High School District 225 agrees to contact us before it includes our reports or otherwise makes reference to us, in any public or private securities offering.

Our association with an official statement is a matter for which separate arrangements will be necessary. Glenbrook High School District 225 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. In the event our auditor/client relationship has been terminated when Glenbrook High School District 225 seeks such consent, we will be under no obligation to grant such consent or approval.

Because of the importance of oral and written representations to an effective engagements, the District hereby releases Miller, Cooper & Co., Ltd., its current, former and future partners, principals, employees, and personnel from any or all claims, liabilities, losses, and expenses attributable to a misrepresentation by District management or false or incomplete information provided by any of the District's personnel or agents to us in the performance of our services. This provision shall survive the termination of this arrangement for services.

Glenbrook High School District's Records and Assistance

If circumstances arise relating to the condition of the District's records, the availability of appropriate audit evidence, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, or misappropriation of assets, 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, issue a report, or withdraw from the engagement.

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

Glenbrook High School District's Records and Assistance (Continued)

The assistance to be supplied by the District personnel, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with Hillarie Siena, Assistant Superintendent for Business Affairs. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

In connection with our audit, you have requested us to perform certain non-audit services necessary for the preparation of the financial statements, including drafting of the financial statements and AFR, preparation of the Schedule of Expenditures of Federal Awards, assistance with the preparation of the Data Collection Form, assistance with modified accrual adjustments and GASB 34 entries and filing the AFR with the Illinois State Board of Education. The independence standards of the *Government Auditing Standards*, issued by the Comptroller General of the United States *GAS* require that the auditor maintain independence so that opinions, findings, conclusions, judgments, and recommendations will be impartial and viewed as impartial by reasonable and informed third parties. Before we agree to provide a non-audit service to Glenbrook High School District 225, we determine whether providing such a service would create a significant threat to our independence for GAS audit purposes, either by itself or in aggregate with other non-audit services provided. A critical component of our determination is consideration of management's ability to effectively oversee the non-audit service to be performed. Glenbrook High School District 225 has agreed that Hillarie Siena, Assistant Superintendent for Business Affairs, possesses suitable skill, knowledge, or experience and that the individual understands the non-audit services listed above to be performed sufficiently to oversee them. Accordingly, the management of Glenbrook High School District 225 agrees to the following:

1. Glenbrook High School District 225 has designated Hillarie Siena, Assistant Superintendent for Business Services, a senior member of management, who possesses suitable skill, knowledge, and experience to oversee the services.
2. Hillarie Siena, Assistant Superintendent for Business Affairs will assume all management responsibilities for subject matter and scope of the non-audit services listed above.
3. Glenbrook High School District 225 will evaluate the adequacy and results of the services performed.
4. Glenbrook High School District 225 accepts responsibility for the results and ultimate use of the services.

GAS further requires we establish an understanding with the management (and those charged with governance) of Glenbrook High School District 225 of the objectives of the non-audit service, the services to be performed, the entity's acceptance of its responsibilities, the auditor's responsibilities, and any limitations of the non-audit service. We believe this letter documents that understanding.

Other Relevant Information

From time to time depending on 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. In such instances, we will take reasonable steps to maintain the confidentiality of your information, including the use of confidentiality agreements where appropriate.

In accordance with *Government Auditing Standards*, a copy of our most recent peer review report is enclosed, for your information.

March 21, 2013
Board of Education
Dr. Michael Riggle, Superintendent
Ms. Hillarie Siena, Assistant Superintendent for Business Affairs
Glenbrook High School District 225

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Fees, Costs, and Access to Workpapers

Our fees for the audit and accounting services described above are based upon the value of the services performed and the time required by the individuals assigned to the engagement, plus direct expenses. Our fee estimate and completion of our work is based upon the following criteria:

- a. Anticipated cooperation from District personnel,
- b. Timely responses to our inquiries,
- c. Timely completion and delivery of client assistance requests,
- d. Timely communication of all significant accounting and financial reporting matters,
- e. The assumption that unexpected circumstances will not be encountered during the engagement, and
- f. No new accounting or auditing standards that need to be implemented

Our fees will be \$37,500 for the audit and accounting services described above. This fee estimate will be subject to adjustments based on unanticipated changes in the scope of our work and/or incomplete or untimely receipt by us of information on the client participation list. Additional accounting services that may be required will be billed at our standard rates in effect at the time the services are provided. All other provisions of this letter will survive any fee adjustment. Interim billings will be submitted as work progresses and as expenses are incurred. Billings are due upon submission.

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 in a key position. Accordingly, the District agrees it will compensate Miller Cooper & Co., Ltd. for any additional costs incurred as a result of the District's employment of a partner or professional employee of Miller Cooper & Co., Ltd.

In the event we are requested or authorized by Glenbrook High School District 225 or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagement for Glenbrook High School District 225, Glenbrook High School District 225 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 is the property of Miller Cooper & Co., Ltd. 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. Government Accountability 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 Miller Cooper & Co., Ltd. audit personnel and at a location designated by our Firm.

Fees, Costs, and Access to Workpapers (Continued)

You have informed us that you intend to prepare a comprehensive annual financial report (CAFR) and submit it for evaluation by the Association of School Business Officials Certificate of Excellence Program and the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting Program. Our participation in the preparation of the CAFR is to consist of assisting in the preparation of the CAFR and printing of the documents. You will be responsible for the preparation of the Introductory and Statistical Sections. We will update certain Statistical Section tables from information contained in the report. Fees incurred for statistical data collection will be passed on to the District.

Claim Resolution

Any claim arising out of services rendered pursuant to this agreement shall be resolved in accordance with the laws of Illinois. The District and Miller, Cooper & Co., Ltd. agree that no claim arising out of services rendered pursuant to this agreement shall be filed more than two years after the date of the audit report issued by Miller, Cooper & Co., Ltd. or the date of this arrangement letter if no report has been issued, without delay in the running of this period based on the time of discovery of the claim. The District and Miller, Cooper & Co., Ltd. agree that neither of their liability to the other for any damages incurred as a result of this engagement, shall exceed the amount paid by you for services under this engagement. This damages limitation shall occur regardless of the nature of the claim, whether in contract, tort or otherwise, and including but not limited to Miller, Cooper & Co., Ltd.'s own negligence, but shall not apply to the extent that Miller, Cooper & Co., Ltd. is found to have acted with willful misconduct or fraudulent behavior. Furthermore, the District agrees that Miller, Cooper & Co., Ltd. shall not under any circumstances be liable for any special, consequential, incidental or exemplary damages or loss (nor any lost profits, taxes, interest, tax penalties savings or business opportunity).

In addition, the District agrees to indemnify, defend, and hold harmless Miller, Cooper & Co., Ltd. and its current, former and future partners, principals, employees, and personnel from any and all claims, liabilities, costs, and expenses, including attorneys fees, relating to Miller, Cooper & Co., Ltd.'s services under this arrangement letter arising from or relating to the District's misrepresentations or false or incomplete information provided to us during the engagement, except to the extent finally determined to have resulted from the willful misconduct or fraudulent behavior of Miller, Cooper & Co., Ltd. relating to such services.

Reporting

We will issue a written report upon completion of our audit of Glenbrook High School District 225's financial statements. Our report will be addressed to the Board of Education of Glenbrook High School District 225. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement. We will issue an adverse opinion on the AFR due to the AFR being prepared using the regulatory basis of accounting, as prescribed by the Illinois State Board of Education.

Reporting (Continued)

In addition to our report on Glenbrook High School District 225's financial statements and AFR, we will also issue the following types of reports:

- A report on the fairness of the presentation of Glenbrook High School District 225's schedule of expenditures of federal awards for the year ending June 30, 2013.
- Reports on internal control related to the financial statements, and major programs. These reports will describe the scope of testing of internal control and the results of our tests of internal controls.
- Reports on compliance with laws, regulations, and the provisions of contracts or grant agreements. We will report on any noncompliance which could have a material effect on the financial statements and any noncompliance which could have a material effect, as defined by OMB Circular A-133, on each major program.
- A schedule of findings and questioned costs.

Our work is prepared as a result of this engagement of Miller, Cooper & Co., Ltd. by you and the information contained, and any opinions expressed therein are solely for your internal use. Miller, Cooper & Co., Ltd. is not aware that this work is intended to benefit or influence any other party. This agreement can be altered only by an additional written agreement executed by both of us.

This letter constitutes the complete and exclusive statement of agreement between Miller, Cooper & Co., Ltd. and Glenbrook High School District 225, superseding all proposals, oral or written, and all other communications, with respect to the terms of the engagement between the parties. If because of a change in the Company's status or due to any other reason, any provision in this letter would be prohibited by, or would impair our independence under, laws, regulations or published interpretations by governmental bodies, commissions, or other regulatory agencies, such provision shall, to that extent, be of no further force and effect and this letter shall consist of the remaining portions.

At the conclusion of this arrangement, we will return all original records you supplied to us. Your records comprise of the backup and support for your basic financial statements. Our firm destroys our files and all pertinent workpapers for current clients after a retention period of seven years.

March 21, 2013
Board of Education
Dr. Michael Riggle, Superintendent
Ms. Hillarie Siena, Assistant Superintendent for Business Affairs
Glenbrook High School District 225

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

Sincerely,

MILLER, COOPER & CO., LTD.



Susan R. Jones, Principal
Enclosures

ENG/Glenbrook High School District 225 13 ENG sd

Confirmed on behalf of Glenbrook High School District 225

President of the Board of Education

Date

Superintendent

Date

Assistant Superintendent for Business Affairs

Date