

Brown, Samuel

From: Taylor, Martha
Sent: Tuesday, January 20, 2015 12:59 PM
To: 'Thompson, Lois D.'; Brown, Samuel
Cc: 'wbrammer@rllaz.com'; Soto, Karla; Tolleson, Julie; 'wdh@umd.edu'; 'Balentine, Vicki Eileen - (vbalenti) (vbalenti@email.arizona.edu)'; 'rsjr3@aol.com'; 'Bhargava, Anurima (CRT)'; 'Savitsky, Zoe (CRT)'; 'Eichner, James (CRT) (James.Eichner@usdoj.gov)'; 'Juan Rodriguez (jrodriguez@MALDEF.org)'; Desegregation; Soto, Karla; 'Willis D. Hawley'
Subject: RE: 2013-14 USP Audit
Attachments: HM USP questions.docx

With the attachment...

From: Taylor, Martha
Sent: Tuesday, January 20, 2015 11:00 AM
To: 'Thompson, Lois D.'; Brown, Samuel
Cc: 'wbrammer@rllaz.com'; Soto, Karla; Tolleson, Julie; 'wdh@umd.edu'; 'Balentine, Vicki Eileen - (vbalenti) (vbalenti@email.arizona.edu)'; 'rsjr3@aol.com'; 'Bhargava, Anurima (CRT)'; 'Savitsky, Zoe (CRT)'; 'Eichner, James (CRT) (James.Eichner@usdoj.gov)'; 'Juan Rodriguez (jrodriguez@MALDEF.org)'; Desegregation; Soto, Karla; 'Willis D. Hawley'
Subject: RE: 2013-14 USP Audit

Here is the response from the auditors that was send originally to everyone on January 15.

From: Taylor, Martha
Sent: Friday, January 16, 2015 4:20 PM
To: 'Thompson, Lois D.'; Brown, Samuel
Cc: wbrammer@rllaz.com; Soto, Karla; Tolleson, Julie; wdh@umd.edu; Balentine, Vicki Eileen - (vbalenti) (vbalenti@email.arizona.edu); rsjr3@aol.com; 'Bhargava, Anurima (CRT)'; 'Savitsky, Zoe (CRT)'; Eichner, James (CRT) (James.Eichner@usdoj.gov); Juan Rodriguez (jrodriguez@MALDEF.org); Desegregation; Soto, Karla
Subject: RE: 2013-14 USP Audit

Lois – Attached are the answers from HM to the questions asked below.

I hope you all have a relaxing MLK weekend.

Martha

From: Thompson, Lois D. [<mailto:lthompson@proskauer.com>]
Sent: Monday, January 12, 2015 6:35 PM
To: Brown, Samuel
Cc: wbrammer@rllaz.com; Taylor, Martha; Soto, Karla; Tolleson, Julie; wdh@umd.edu; Balentine, Vicki Eileen - (vbalenti) (vbalenti@email.arizona.edu); rsjr3@aol.com; 'Bhargava, Anurima (CRT)'; 'Savitsky, Zoe (CRT)'; Eichner, James (CRT) (James.Eichner@usdoj.gov); Juan Rodriguez (jrodriguez@MALDEF.org)
Subject: 2013-14 USP Audit

Sam,

Question 1

Although materiality has quantitative considerations in the performance of an attestation engagement it is important to note the concept of materiality as applied to attest engagements is a matter of professional judgment. Materiality is affected by the auditor's perception of the informational needs of users of the financial statements or subject matter. In this context, it is reasonable for auditors to assume that users –

1. have a reasonable knowledge of business and economic activities and accounting principles, and a willingness to study the information in the financial statements with reasonable diligence;
2. understand that financial statements are prepared, presented, and audited to levels of materiality;
3. recognize the uncertainties inherent in the measurement of amounts based on the use of estimates, judgment, and the consideration of future events; and
4. make reasonable economic decisions on the basis of the information in the financial statements.

As noted quantitative calculations of materiality are performed to plan attest engagements and to assist in the evaluating the effect of identified misstatements. The practice aids used by our firm provides planning materiality calculation benchmarks for examination engagements which calculated to \$378,000 for our examination of the Schedule of Desegregation Expenditures. Although this amount is used for initial planning and evaluation considerations qualitative factors are also considered for errors or misstatements that are identified during an examination engagement. For example, an identified error of \$1,000 may have increased significance if it were to cause an over expenditure of a particular account balance. We are required to consider such qualitative factors when errors or misstatements are identified, regardless if the amount is less than the initial planning materiality.

Question 2

Audit evidence is cumulative in nature and primarily obtained from procedures performed during the examination to include inspection of documentation, observation of processes, recalculation, reperformance of procedures, and inquiry of personnel, often the procedures are performed in some combination. The object of the evidence gathering is to support and corroborate management's assertions on the subject matter, in this case the Schedule of Desegregation Expenditures. It should be noted that as the auditor of TUSD's annual financial statements we are considering certain audit procedures and internal control documentation obtained during that engagement within the scope of this examination engagement. Supplemental procedures performed or planned to be performed, in order to provide evidence for our examination report include the following.

1. Analysis of budget variances by expenditure activity
2. Review of 80 payroll transactions of employees paid from desegregation funds
3. Review of 30 accounts payable transactions paid from desegregation funds
4. Recalculation of 25 of 65 activity expenditure allocations

Question 3

We can review such an activity. District will need to perform the allocation and provide detail as to amounts included in the category.