

# McGladrey & Pullen

Certified Public Accountants

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February 16, 2010

To the Members of the Board of Education  
Oak Park School District 97  
970 West Madison Street  
Oak Park, Illinois 60302

Attention: Board of Education

This letter is to explain our understanding of the arrangements for the services we are to perform for Oak Park School District 97 (the District) for the year ending June 30, 2010. We ask that you either confirm or amend this understanding.

## Audit Services

We will perform an audit of Oak Park School District 97's governmental activities, each major fund, and aggregate remaining fund information as of and for the year ended June 30, 2010 which collectively comprise the basic financial statements. We understand that these financial statements will be prepared in accordance with accounting principles generally accepted in the United States of America. The objective of an audit of financial statements is to express an opinion on those statements.

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

We will also perform the audit of the Oak Park School District 97 as of June 30, 2010 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.

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

An audit of financial statements also includes obtaining an understanding of the entity and its environment, including its internal control, sufficient to assess the risks of material misstatement of the financial statements, and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, we will communicate to management and the Board of Education any significant deficiencies or material weaknesses that become known to us during the course of the audit.

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

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

- A report on the fairness of the presentation of the District's schedule of expenditures of federal awards for the year ending June 30, 2010.
- Report on internal control related to the financial statements and major programs. This report will describe the scope of testing of internal control and the results of our tests of internal controls.
- Report on compliance with laws, regulations, and the provision of contracts or grant agreements. We will report on any noncompliance which could have a material effect on the financial statements and any noncompliance which could have a direct and material effect on each major program.
- A schedule of findings, responses, and questioned costs.
- Annual Financial Report for the submission to the Illinois State Board of Education (Form ISBE 50-30). The responsibility we are to take for the material included in this report will be the same that we assume for other supplementary information accompanying the financial statements.

The funds that you have told us are maintained by the District and that are to be included as parts of our audit are listed here:

Governmental Fund Types  
General Fund  
Special Revenue Fund  
Debt Service Fund  
Capital Projects Fund  
Fiduciary Fund Types  
Agency Funds

The federal and state financial assistance programs that you have told us that the District participates in and that are to be included as part of the single audit are listed as Attachment A.

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

### **Oak Park School District 97's Responsibilities**

Management is responsible for the financial statements, including the selection and application of accounting policies, adjusting the financial statements to correct material misstatements, and for making all financial records and related information available to us. Management is responsible for providing us with a written management representation letter confirming certain representations made during the course of our audit of the financial statements and affirming to us that it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and to the opinion units of the financial statements.

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

Management is responsible for identifying and ensuring that the 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.

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

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

Oak Park School District 97 agrees that our report on the financial statements will not be included in an official statement or other document involved with the sale of debt instruments without our prior consent. Additionally, if Oak Park School District 97 intends to publish or otherwise reproduce the financial statements and/or make reference to us or our audit, you agree to provide us with printer's proofs or a master for our review and consent before reproduction and/or release occurs. You also agree to provide us with a copy of the final reproduced material for our consent before it is distributed or released. Our fees for any additional services that may be required under our quality assurance systems as a result of the above will be established with you at the time such services are

determined to be necessary. In the event our auditor/client relationship has been terminated when the Organization seeks such consent, we will be under no obligation to grant such consent or approval.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client. Accordingly, Oak Park School District 97 agrees it will compensate McGladrey & Pullen, LLP for any additional costs incurred as a result of the employment of a partner or professional employee of McGladrey & Pullen, LLP.

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.

The assistance to be supplied by the District's personnel, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with Therese O'Neill, Business Manager. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

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

Because McGladrey & Pullen, LLP will rely on Oak Park School District 97 and its management and Board to discharge the forgoing responsibilities, Oak Park School District 97 holds harmless and releases McGladrey & Pullen, LLP, its partners, and employees from all claims, liabilities, losses, and costs arising in circumstances where there has been a knowing misrepresentation by a member of Oak Park School District 97's management which has caused, in any respect, McGladrey & Pullen, LLP's breach of contract or negligence. This provision shall survive the termination of this arrangement for services.

Our fees are based upon the time required by the individuals assigned to the engagement, plus direct expenses. Interim billings will be submitted as work progresses and as expenses are incurred. Billings are due upon submission. Our fee for the services described in the letter will not exceed \$49,500\*\* unless the scope of the engagement is changed, the assistance which the District has agreed to furnish is not provided, or unexpected conditions are encountered, in which case we will discuss the situation with you before proceeding. All other provisions of this letter will survive any fee adjustment. Any change in the scope of the audit or additional work resulting in additional fees must be agreed to in writing by the District prior to the commencement of the work. The written agreement will specify the changes in scope and the resulting fees.

\*\* The fee quote above includes the Federal Single Audit, and assumes that two major programs will be tested for the year ended June 30, 2010. For each additional major program requiring testing we will charge \$3,000 - \$3,500, depending on the complexity of the program. We will discuss with Therese O'Neill if the need arises to test additional major programs prior to performing that testing for agreement. In December 2009, a new chapter was added to the 2009 edition of the GAS A-133 Guide, titled, "Audit Sampling Considerations of Circular A-133 Compliance Audits" (Chapter) to address sampling in a single audit environment. The Chapter provides context around many topics involving sampling, specifically new suggested minimum sample sizes (including sample size tables) and sample selection methods. These new minimum sample sizes will likely increase the amount of transactions required to be tested for compliance as part of our audit compared to past years. We estimate that this will result in additional fees of approximately \$500 - \$750 per major program.

In the event we are requested or authorized by Oak Park School District 97 or are required by Oak Park School District 97 or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for Oak Park School District 97, Oak Park School District 97 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 working papers for this engagement are the property of McGladrey & Pullen, LLP. 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 working papers upon their request; and that we shall maintain the working papers 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 workpapers will be provided under the supervision of McGladrey & Pullen, LLP audit personnel and at a location designated by our Firm.

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. We enter into confidentiality agreements with all third-party service providers and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In addition, we may provide financial information you have provided to us in connection with this engagement to RSM McGladrey Inc. for purposes of creating benchmarking data to be used by McGladrey & Pullen, LLP and RSM McGladrey Inc. professionals and other clients. This benchmarking data is aggregated with data from a minimum of five other entities so that users of the data are unable to associate the data with any single entity in the database.

If circumstances arise relating to the conditions of your 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, misappropriation of assets, or noncompliance which in our professional judgment prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawal from the engagement.

We agree to assist management of the District with the following non-audit services:

- Preparation of the financial statements and other reports based on financial information in the trial balances.
- Posting of client-approved entries to the District's trial balances.
- Posting of proposed standard, adjusting, or correcting entries or other changes to the financial statements and the trial balances provided that a member of management review the entries and that management understands and agrees with the proposed entries and the impact the entries have on the financial statements.

The two overarching principles of the independence standards of the *Government Auditing Standards* issued by the Comptroller General of the United States provide that management is responsible for the substantive outcomes of the works, and therefore, has a responsibility and is able to make any informed judgment on the results of the services described above. Accordingly, the Oak Park School District 97 agrees to the following:

- Therese O'Neill, Business Manager, will be accountable and responsible for overseeing the non-audit services described above.
- Oak Park School District 97 will establish and monitor the performance of the non-audit services described above to ensure that they meet management's objectives.
- Oak Park School District 97 will make any decisions that involve management functions related to the non-audit services described above and accepts full responsibility for such decisions.

- Oak Park School District 97 will evaluate the adequacy of services performed and any findings that result.

In connection with compliance with the Health Insurance Portability and Accountability Act (HIPAA):

- (a) McGladrey & Pullen, LLP agrees not to use or disclose Protected Health Information (as defined in 45 CFR 160.103) other than as permitted or required by this arrangement letter (the "Agreement"); as required by operation of law; or as required by auditing standards or accounting principles.
- (b) McGladrey & Pullen, LLP agrees to use appropriate safeguards to prevent use or disclosure of the Protected Health Information other than as provided for by this Agreement. The Firm agrees to implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of electronic Protected Health Information that it creates, receives, maintains, or transmits.
- (c) McGladrey & Pullen, LLP agrees to report to Oak Park School District 97 any use or disclosure of the Protected Health Information not provided for by this Agreement and/or any Security Incident (as defined in 45 CFR 164.304) of which it becomes aware.
- (d) McGladrey & Pullen, LLP agrees to ensure that any agent, including a subcontractor, to whom it provides Protected Health Information received from, or created or received by McGladrey & Pullen, LLP on behalf of Oak Park School District 97 agrees to the same restrictions and conditions that apply through this Agreement to McGladrey & Pullen, LLP with respect to such information. Moreover, the Firm agrees to ensure that any such agent or subcontractor to whom it provides electronic Protected Health Information agrees to implement reasonable and appropriate safeguards to protect it.
- (e) Oak Park School District 97 shall not request McGladrey & Pullen, LLP to use or disclose Protected Health Information in any manner that would not be permissible under the Privacy Rule if done by Oak Park School District 97.
- (f) McGladrey & Pullen, LLP may use and disclose Protected Health Information (i) for the proper management and administration of its business under this contract, (ii) to provide Data Aggregation Services relating to the Health Care Operations of Oak Park School District 97, and (iii) to report violations of law to appropriate federal and state authorities, all as provided in the Privacy Rule.
- (g) McGladrey & Pullen, LLP agrees to document such disclosures of Protected Health Information made by McGladrey & Pullen, LLP and information related to such disclosures as would be required for Oak Park School District 97 to respond to a request by an individual for an accounting of disclosures of Protected Health Information in accordance with the Privacy Rule. McGladrey & Pullen, LLP further agrees to provide Oak Park School District 97 or an individual, upon request, with such information to permit Oak Park School District 97 to respond to a request by an individual for an accounting of disclosures of Protected Health Information in accordance with 45 CFR Sec. 164.528.
- (h) At no time will McGladrey & Pullen, LLP have possession and/or control of Oak Park School District 97's patients' 'Designated Record Sets' or any copies thereof. The Protected Health Information created or maintained by McGladrey & Pullen, LLP is not part of the patient's Designated Record Set and is therefore, not subject to the Privacy Rule's patient access or amendment rights. Consequently, 45 CFR Part 164.524 and 164.526 and, therefore, 45 CFR Part 164.504(e)(2)(ii) subparts (E) and (F) are not applicable to McGladrey & Pullen, LLP.
- (i) McGladrey & Pullen, LLP agrees to make its internal practices, books and records, including policies and procedures and Protected Health Information, relating to the use and disclosures of Protected Health

Information received from Oak Park School District 97 available to Oak Park School District 97 or the Secretary of the U.S. Department of Health and Human Services or his or her designee promptly for purposes of determining the Oak Park School District 97's compliance with the Privacy Regulations.

(j) Term and Termination


- a. The Term of this Agreement regarding Protected Health Information shall be effective as of December 21, 2009, and shall terminate when all of the Protected Health Information provided by Oak Park School District 97 to McGladrey & Pullen, LLP, or received by McGladrey & Pullen, LLP on behalf of Oak Park School District 97, is destroyed. If it is infeasible to destroy Protected Health Information, protections of this contract are extended to such information, in accordance with the termination provisions in this Section.
- b. Termination for Cause. Upon Oak Park School District 97's knowledge of a material breach by McGladrey & Pullen, LLP, Oak Park School District 97 shall either:
  - i. Provide an opportunity for McGladrey & Pullen, LLP to cure the breach or end the violation and terminate this agreement if McGladrey & Pullen, LLP does not cure the breach or end the violation within the time specified by Oak Park School District 97,
  - ii. Immediately terminate this Agreement, if McGladrey & Pullen, LLP has breached a material term of this Agreement and cure is not possible; or
  - iii. If neither termination nor cure are feasible, Oak Park School District 97 shall report the violation to the Secretary of the Department of Health & Human Services.
- c. Effect of Termination.
  - i. Except as provided in paragraph (ii) of this section, upon termination of this Agreement, for any reason, McGladrey & Pullen, LLP shall destroy all Protected Health Information received from Oak Park School District 97, or received by McGladrey & Pullen, LLP on behalf of Oak Park School District 97 in accordance with their audit record retention policy. This provision shall apply to Protected Health Information that is in the possession of subcontractors or agents of McGladrey & Pullen, LLP. McGladrey & Pullen, LLP shall retain no copies of the Protected Health Information beyond their normal retention period as required for their compliance with applicable professional standards.
  - ii. In the event that McGladrey & Pullen, LLP determines that destroying the Protected Health Information is infeasible, we shall provide to Oak Park School District 97 notification of the conditions that make return or destruction infeasible. Upon any notice that destruction of Protected Health Information is infeasible, McGladrey & Pullen, LLP shall extend the protections of this Agreement to such Protected Health Information and limit further uses and disclosures of such Protected Health Information to those purposes that make destruction infeasible, for so long as McGladrey & Pullen, LLP maintains such Protected Health Information.

This letter constitutes the complete and exclusive statement of agreement between McGladrey & Pullen, LLP and Oak Park School District 97, superseding all proposals, oral or written, and all other communication, with respect to the terms of the engagement between the parties.

In accordance with *Government Auditing Standards*, a copy of our most recent peer review report (and applicable letter of comment) has been provided to you, for your information.

If this letter defines the arrangements as you understand them, please sign and date the enclosed copy, and return it to us. We appreciate your business.

McGladrey & Pullen, LLP

A handwritten signature in black ink, appearing to read 'B. Guastella', with a long horizontal line extending to the right.

Brian Guastella, CPA  
Director

Confirmed on behalf of Oak Park School District 97:

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**ATTACHMENT A**

Oak Park School District 97

Federal financial programs the District participates in that are to be included as part of the single audit.

<u>CFDA Number</u>	<u>Title of Program</u>
10.550	Food Commodities
10.550	Fresh Fruits and Vegetables
10.550	Child Nutrition Program/Salvage
10.553	School Breakfast Program
10.555	National School Lunch Program
84.010	Title 1 Low Income
84.027	IDEA Flowthrough
84.173	IDEA Preschool
84.186	Title 4 Safe and Drug Free Schools
84.298	Title 5 Innovative Programs
84.318	Technology Enhancing Education Formula
84.367	Title 2 Teacher Quality
84.938	Hurricane Education Relief Act
93.778	Medicaid Matching Outreach