

FINANCIAL AUDIT ADVISORY COMMITTEE

Agenda

March 5, 2012 at 8:15 AM

Room 222, City Hall

- Introductions and Terms
- Review Purpose & Authority of the Committee
 - Financial statements: information on significant accounting and reporting issues; review for completeness
 - Internal control: review effectiveness, evaluate areas of risk; review policies and procedures
 - External audit: Review scope, approach and fees; review performance; confirm independence; recommend appointment; review results; review City's responses to the audit; review with auditor critical accounting policies and procedures; meet regularly with auditor
 - Compliance: Review effectiveness, auditor's findings, process for communicating code of conduct, conflict of interest and Whistleblower policies; review complaint and suspected fraud process and submissions
 - Reporting: Report regularly to the Board of Aldermen; communicate regularly with Comptroller, auditors, Executive branch, Board of Aldermen and School Committee
 - Other: Assist the Finance Committee with special investigations; review Financial Audit Advisory Committee rules and processes; confirm annually that responsibilities have been carried out
- Review Audit Cycle
- Briefing on Contents and Purpose of Comprehensive Annual Financial Report (CAFR)
- Potential Topics for Additional Work/Sub-Committees
 - Management Letter & Single Audit Report Follow-up
 - Risk Management and Monitoring & Financial Policies and Procedure Manual
 - Developing Financial Policies and Procedures:
 - Cash
 - Administrative Leave with Pay
 - Compensated Absences and Extended Sick Leave
 - Whistleblower
 - Long-Term Liabilities (Pensions, OPEB, Debt, Compensated Absences)
 - New Accounting and Financial Reporting Requirements
 - Others??

- Scheduling Meetings
 - Time of day, day of week, length
 - Frequency and Schedule for 2012
 - Possible Topics for Next meeting:
 - Chris Rogers: planning for 2012
 - City departments: responses to Financial Management Letter and Single Audit Report
 - Priorities for 2012 and Work assignments

- Open Meeting Law and Conflict of Interest

Handouts:

Contact List

Committee Charter

Audit Cycle

Letter of Agreement with Rogers, Sullivan

Financial Management Letter and Single Audit Report (already received)

Comprehensive Annual Financial Report (already received)

City of Newton Financial Audit Advisory Committee

Audit Cycle

February 28, 2012

March - April: Meet with Auditor prior to field work to:

- Review Committee goals for the audit

- Have the auditor alert the Committee to any new issues or regulations

- Receive a status report on issues in the Management Letter

Auditors meet with School Department to review the yearend financial report filed with the Department of Elementary and Secondary Education (DESE)

May - June: Auditors on premises doing field work

End of August: Comptroller issues Annual Financial Report (budgetary basis)

September – October: Auditors complete Financial Statements

Early October: Committee meets with Auditor to receive a status report

November: Auditors prepare:

- Draft Management Letter

- Draft Single Auditor Report of Federal Grant Programs

- Draft Comprehensive Annual Financial Report (CAFR)(GAP basis)

December: Committee meets with Auditor for Exit Conference

Note: At the end of this meeting, go into Executive Session with the Auditor without City employees

CITY OF NEWTON

IN BOARD OF ALDERMEN

December 6, 2010

RESOLUTION CREATING A FINANCIAL AUDIT ADVISORY COMMITTEE¹

BE IT RESOLVED: that the Board of Aldermen hereby sets out its purpose to create a Financial Audit Advisory Committee to assist the Comptroller and the Board's Finance Committee in the review of audit and fiscal accountability matters.

**Financial Audit Advisory Committee
Purposes, Composition and Appointment, Meetings and Duties**

Purpose: The Financial Audit Advisory Committee will advise the Board of Aldermen through the Board's Finance Committee and has as its purpose to allow and encourage the Board to devote more time to fiscal accountability matters, and thereby elevate the importance of fiscal accountability through strong internal controls, budgetary and other legal compliance, accurate and timely financial reporting and a culture of ethical behavior.

The Financial Audit Advisory Committee will assist Newton's Board of Aldermen and the Comptroller in fulfilling its oversight responsibilities for the financial reporting process to ensure transparency and integrity, effective systems of internal control, auditing, and monitoring of compliance with laws and regulations.

Composition and Appointment: The Financial Audit Advisory Committee shall consist of nine members as follows:

- The Finance Committee Chairman, and three other aldermen appointed by the President of the Board of Aldermen, and four citizens of the City with financial expertise²

¹Note: in order to conform to Article IV, Section 3 of the Board Rules, this is a resolution, but it is intended that it be reprinted as a continuing resolution with the Rules and Orders of the Board so that it will be easily available to Board members and the public after its adoption.

² Financial expertise may include the person having completed a program of learning in accounting or auditing; having experience as a principal financial officer, comptroller, public accountant or auditor; having experience overseeing or assessing the performance of companies, non-profits or municipal organizations or accountants with respect to the preparation of financial statements; or having other relevant experience. For example, the person may have an understanding of generally accepted accounting principles (GAAP) and financial statements; the ability to apply such principles in connection with the accounting for estimates, accruals, and reserves; experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that can reasonably be expected to be raised by the City's financial statements, or experience actively supervising one or more persons engaged in such activities; and an understanding of internal controls and procedures for financial reporting.

appointed by the President of the Board of Aldermen with input from members of the Board of Aldermen, all of whom shall serve at the pleasure of the President of the Board.

- One School Committee member appointed by the President of the Board upon the recommendation of the Chair of the School Committee, who shall serve at the pleasure of the Chair of the School Committee.

The President, in consultation with the Finance Committee Chairman, will appoint the Chairman of this Audit Committee from among the members of the Board of Aldermen on the Committee.

Initial citizen terms shall be staggered as follows: one for a term of one year, one for a term of two years, and two for a term of three years. Thereafter, each citizen appointment shall be for a term of three years. No citizen member shall be eligible to serve as a member for more than two consecutive full terms, not counting any initial one or two year term appointment.

Meetings The Committee is expected to meet at least four times a year, customarily on the Wednesday following the fourth Monday of the month. The committee may invite members of the Executive Department, management, auditors, or others to attend meetings and provide pertinent information, as necessary. It may hold meetings with auditors and, when appropriate, with the Chief Operating Officer, the Chief Financial Officer, the Treasurer, the Comptroller, the City Solicitor, or others.

Duties The Financial Audit Advisory Committee will advise and assist the Board, acting through the Finance Committee, and the Comptroller, by:

- Recommending to the Board of Aldermen appointment of registered public accounting firms employed by the City for auditing and financial review.
- Assisting in oversight of registered public accounting firms employed by the City for auditing and financial review.
- Assisting in resolving any disagreements between the City and the auditor regarding financial reporting.
- Helping pre-approve auditing and non-audit services by outside firms.
- Advising the Board about when it is appropriate to request funding from the Mayor to retain independent counsel, accountants, or others to advise the Financial Audit Advisory Committee.
- Requesting information from employees or external parties.
- Meeting with City officials, external auditors, or outside counsel, as necessary.

The Financial Audit Advisory Committee will report and make recommendations to the Finance Committee. The Finance Committee will receive and, as appropriate, vote on recommendations from the Financial Audit Advisory Committee. As the Financial Audit Advisory Committee has citizen members, items docketed to the Finance Committee may then be referred to the Financial Audit Advisory Committee by vote of the Finance Committee.

In its advisory function, the committee will carry out the following responsibilities:

Financial Statements Obtain from Comptroller and/or external auditors information on significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.

- Review the external annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- Review with City officials and the external auditors all matters required to be communicated to the committee under generally accepted auditing standards.
- Review draft external financial reports with management and the external auditors before filing, and consider whether they are complete and consistent with the information known to committee members.

Internal Control Consider the effectiveness of the City's internal control systems, including information technology security and control.

- Evaluate areas of significant risk or exposure facing the City; assess the steps City officials have taken or propose to take to minimize such risks; and periodically review compliance with such steps.
- Understand the scope of external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- Review with the Executive and School Departments the policies and procedures with respect to use of appropriated monies and funds within its control.

External Audit Review the external auditors' proposed audit scope, approach, and fees, including coordination of audit effort with internal employees.

- Review the performance of the external auditors, and exercise approval on the appointment, replacement, reassignment, or dismissal of the auditors.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the City, including non-audit services, and discussing the relationships with the auditors.
- Establish a regular schedule for periodically discussing whether to re-bid the audit contract with an outside CPA firm.
- Review with City officials and the external auditors the results of the audit, including any difficulties encountered.
- Review City's responses to the audit.
- Review with the independent auditor all critical accounting policies and practices used and alternative treatments of financial information within generally accepted accounting principles.
- On a regular basis, meet with the external auditors to discuss any matters that the committee or auditors believe should be discussed.

Compliance Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.

- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating any code of conduct in effect as well as conflict of interest policies to City and School personnel, and for monitoring compliance therewith, including whistleblower policies in effect.
- Review the procedures for the receipt, retention, and treatment of complaints (including confidential or anonymous ones) received by the City regarding accounting, internal accounting controls, auditing matters, or suspected fraud that may be submitted by internal or external parties; as well as assisting any Finance Committee review of any complaints that have been received, current status, and resolution.
- Obtain regular updates from management and City legal counsel regarding compliance matters.

Reporting Responsibilities Report regularly to the Board of Aldermen about committee activities, issues, and related recommendations.

- Provide an open avenue of communication between the Comptroller, the external auditors, the Executive branch, the Board of Aldermen, and the School Committee on financial management and audit matters.

Other Responsibilities Perform other activities related to this resolution as requested by the Board of Aldermen.

- Assist the Finance Committee in any special investigations relating to the Financial Audit Advisory Committee's scope of responsibilities, as requested.
- Review and assess the adequacy of these Financial Audit Advisory Committee purposes and duties annually, requesting Board of Aldermen approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Report annually confirming that the responsibilities outlined in these purposes and duties have been carried out.
-

Under Suspension of Rules

Readings Waived and Resolution Approved

21 yeas 0 nays 3 absent (Aldermen Freedman, Salvucci, and Sangiolo)



(SGD) DAVID A. OLSON, City Clerk

CITY OF NEWTON
IN BOARD OF ALDERMEN

April 7, 2008

ORDERED:

That in accordance with the recommendation of the Finance Committee through its Chairman, Alderman Paul E. Coletti, recommending the reappointment of Sullivan, Rogers and Company, LLC as the city's independent financial auditors for a five (5) year period from FY'08 to FY'12 in accordance with the audit engagement letter provided by Sullivan, Roger and Company, LLC.

Under Suspension of Rules
Readings Waived and Approved
23 yeas, 0 nays, 1 absent (Ald. Vance)

(SGD) DAVID A. OLSON
City Clerk

(SGD) DAVID B. COHEN
Mayor

Date:

(SGD) PAUL E. COLETTI, Chairman
Finance Committee



Certified Public Accountants

SULLIVAN, ROGERS & COMPANY, LLC
Corporate Place I, Suite 204 • 99 South Bedford Street
Burlington, Massachusetts 01803
P • 781-229-5600 F • 781-229-5610 www.sullivan-rogers.com

Audit Engagement Letter - Single Audit

January 31, 2008

City of Newton
1000 Commonwealth Avenue
Newton, Massachusetts 02459

We are pleased to confirm our understanding of the services we are to provide to the City of Newton, Massachusetts (City) for the years ended June 30, 2008, 2009, 2010, 2011 and 2012. This engagement letter effectively terminates the final year (fiscal year 2008) of our engagement letter dated August 30, 2004.

We will audit the financial statements (part of the Comprehensive Annual Financial Report (CAFR)) of the governmental activities, business-type activities, discretely presented component units, each major fund and the aggregate remaining fund information, which collectively comprise the City's basic financial statements as of and for the fiscal years ending June 30, 2008, 2009, 2010, 2011 and 2012. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to accompany the City's basic financial statements. As part of our engagement, we will apply certain limited procedures to the City's RSI. These limited procedures will consist principally of inquiries of management regarding the methods of measurement and presentation, which management is responsible for affirming to us in its representation letter. Unless we encounter problems with the presentation of the RSI or with procedures relating to it, we will disclaim an opinion on it. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's discussion and analysis
2. Budgetary comparison information
3. GASB required pension information
4. GASB required other post-employment benefit (OPEB) information

In addition, we will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and will provide an opinion on it in relation to the basic financial statements:

1. Combining and individual fund statements and schedules
2. Schedule of expenditures of federal award programs (provided in a separate report)

The following additional information accompanying the basic financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and for which our auditor's report will disclaim an opinion.

1. Introductory section
2. Statistical section

Audit Objectives

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles 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:

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

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 the information and use of the Board of Aldermen, Mayor, Audit Committee, management, specific legislative or regulatory bodies, federal awarding agencies, and if applicable, 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 U.S. generally accepted auditing standards; 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; and the provisions of OMB Circular A-133, and will include tests of accounting records, a determination of major program(s) in accordance with Circular A-133, and other procedures we consider necessary to enable us to express such opinions and to render the required reports. If our opinions on the financial statements or the Single Audit compliance opinions are 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 are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

Management Responsibilities

Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; for the fair presentation in the financial statements of the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City and the respective changes in financial position and, where applicable, cash flows in conformity with U.S. generally accepted accounting principles; and for federal award program compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein.

You are responsible for management decisions and functions. As part of the audit, we will prepare a draft of your schedule of expenditures of federal awards and related notes. In accordance with Government Auditing Standards, you will be required to review and approve those documents prior to their issuance and have a responsibility to be in a position in fact and appearance to make an informed judgment on those documents. Further, you are required to designate a qualified management-level individual to be responsible and accountable for overseeing our services.

Management is responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Management's responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that 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.

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 or illegal acts affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants. Additionally, 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. The summary schedule of prior audit findings should be available for our review on our first day of fieldwork.

Management is responsible for establishment and maintenance of a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous audits or other engagements or studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits or other engagements or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, and the timing and format related thereto.

Audit Procedures – General

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. 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 (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, Government Auditing Standards do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or

violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

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

Audit Procedures – Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including 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. Tests of controls may be performed to test the effectiveness of certain controls that we consider 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. Our tests, if performed, will be less in scope than would be necessary 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 over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary 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 significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under professional standards, Government Auditing Standards, and OMB Circular A-133.

Audit Procedures - Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City’s compliance with applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance 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 City has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of test of transactions and other 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 City’s major programs. The purpose of those procedures will be to express an opinion on City’s

compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133.

Audit Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any invoices selected by us for testing. Additionally, we will provide your employees with an engagement checklist that identifies the information that must be provided and certain procedures that must be completed prior to our beginning fieldwork.

The audit documentation for this engagement is the property of Sullivan, Rogers & Company, LLC and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to certain regulatory agencies or their designees, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Sullivan, Rogers & Company, LLC personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by a regulatory agency. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Our fees for these services are as follows for each fiscal year:

	Fiscal Years 2008 - 2012	
CAFR and management letter	\$	70,000
Single audit/federal grants		32,200 A
DOE Compliance procedures		<u>4,500</u>
Total audit fee	\$	<u><u>106,700</u></u>

A = Includes audit of 7 major federal grants. If an additional grant(s) is required to be audited under the Single Audit Act, we will issue a change order for \$4,600 (per grant) to audit the applicable program(s). If the situation were to arise where we are required to audit less than 7 major federal grants, we will only bill you for the number of federal grants actually audited, at a cost of \$4,600 per grant.

Our fees include all out-of-pocket costs, such as report reproduction, typing, postage, travel, copies, telephone, etc. Our invoices for these fees will be rendered as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances (i.e., a greater than expected risk of material misstatement due to fraud) 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.

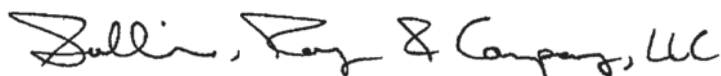
If the scope of the engagement changes (i.e., new auditing or accounting pronouncement) that requires significant additional time, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our most recent peer review report accompanies this letter.

You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

We appreciate the opportunity to be of service to the City 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 below in the space provided and return it to us.

Very truly yours,

A handwritten signature in cursive script that reads "Sullivan, Rogers & Company, LLC".

Sullivan, Rogers & Company, LLC

RESPONSE:

This letter correctly sets forth the understanding of the City. The undersigned has the ability to contractually bind the City.

By: Paul E. Cotello
Chairman Finance
3/24/2008

By: [Signature]
Title: AUDIT COMMITTEE CHAIR
Date: MARCH 24, 2008

By: [Signature]
Title: MAYORⁱⁿ



Certified Public Accountants
Business & Financial Advisors

Richard Hart Harrington, CPA
Kenneth J. Osborn, CPA
Alfred L. Romano, CPA

June 20, 2007

To the Members
Sullivan, Rogers & Company, LLC

We have reviewed the system of quality control for the accounting and auditing practice of Sullivan, Rogers & Company, LLC (the firm) in effect for the year ended February 28, 2007. A system of quality control encompasses the firm's organizational structure, the policies adopted and procedures established to provide it with reasonable assurance of conforming with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of CPAs (AICPA). The firm is responsible for designing a system of quality control and complying with it to provide the firm reasonable assurance of conforming with professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance with its system of quality control based on our review.

Our review was conducted in accordance with standards established by the Peer Review Board of the AICPA. During our review, we read required representations from the firm, interviewed firm personnel and obtained an understanding of the nature of the firm's accounting and auditing practice, and the design of the firm's system of quality control sufficient to assess the risks implicit in its practice. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the firm's system of quality control. The engagements selected represented a reasonable cross-section of the firm's accounting and auditing practice with emphasis on higher-risk engagements. The engagements selected included among others, audits performed under Government Audit Standards. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with firm management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the firm's accounting and auditing practice. In addition, we tested compliance with the firm's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the firm's policies and procedures on selected engagements. Our review was based on selected tests, therefore it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it. There are inherent limitations in the effectiveness of any system of quality control and therefore noncompliance with the system of quality control may occur and not be detected. 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 because 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 of Sullivan, Rogers & Company, LLC in effect for the year ended February 28, 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 conforming with professional standards.

Gordon, Harrington & Osborn, PC