



# Central Oklahoma Community Action Agency

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## FAX

Date: 17 June 08

To: Dan Miller

Subject: Engagement letter

Number of Pages 8 (Including Cover Page)

Fax Number 866-208-3554

From: Randy Birkhoff

### Message

Sorry, email didn't go through for some  
reason

# Saunders & Associates, PLLC

Certified Public Accountants

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P.O. Box 1406 • 630 East 17th • Ada, Oklahoma 74820 • (580) 332-8548 • FAX: (580) 332-2272  
E-mail [sndrsgpr@yahoo.com](mailto:sndrsgpr@yahoo.com)

February 23, 2007

Mr. Pat McGinnis, Board Chairman  
Central Oklahoma Community Action Agency, Inc.  
429 N. Union  
Shawnee, OK 74801

RE: Annual Audit covering FYE March 31, 2007

Dear Mr. McGinnis:

As you are aware, SAUNDERS & ASSOCIATES, PLLC performed your audit last year in accordance with your Request for Proposal (RFP) and our related proposal.

Provided you and your Board were pleased with the services we provided, SAUNDERS & ASSOCIATES, PLLC proposes exercising the option to extend the contract period to cover the year ended March 31, 2007 in accordance with the terms of your RFP and our proposal.

In accordance with those terms, SAUNDERS & ASSOCIATES, PLLC proposes the audit fee covering the year ended March 31, 2007, be \$17,657, provided the funding levels, number of programs and/or number of contracts do not change significantly. **The audit fee includes the implementation of the new fraud standards effective with 2004 as a result of Statement on Auditing Standards No. 99, "Consideration of Fraud in a Financial Statement Audit."** The provisions of this standard increase the amount of required fieldwork as well as the amount of time to issue the report.

I have enclosed two Engagement Letters should the Board choose to exercise this option provision. Upon review and approval please sign and return one copy to SAUNDERS & ASSOCIATES, PLLC and **retain one copy for your files.**

If SAUNDERS & ASSOCIATES, PLLC can be of any assistance in the interim, please do not hesitate to give us a call on (580) 332-8548. We are looking forward to the opportunity of being a service to your organization again this year.

Very truly yours,

SAUNDERS & ASSOCIATES, PLLC



G. B. Saunders  
Certified Public Accountant

GBS:sjp  
Enclosure

# Saunders & Associates, PLLC

Certified Public Accountants

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February 23, 2007

Mr. Pat McGinnis, Board Chairman  
Central Oklahoma Community Action Agency, Inc.  
429 N. Union  
Shawnee, OK 74801

Re: Annual Audit

Dear Mr. McGinnis:

We are pleased to confirm our understanding of the services we are to provide for Central Oklahoma Community Action Agency, Inc. for the year ended March 31, 2007.

We will audit the basic financial statements of Central Oklahoma Community Action Agency, Inc. as of March 31, 2007 and for the year then ended. Also, the document we submit to you will include a section of Supplemental Information that will be subjected to the auditing procedures applied in our audit of the basic financial statements. The document will also include the schedule of expenditures of federal awards and state awards as applicable that will be subjected to the auditing procedures applied in our audit of the basic financial statements.

## **AUDIT OBJECTIVES**

The objective of our audit is the expression of an opinion as to whether your financial statements are fairly presented, in all material respects, in conformity with United States generally accepted accounting principles and to report on the fairness of the additional information referred to in the second 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 laws, regulations, and the provisions of contracts or grant agreements, 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 audit committee (or equivalent), 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 auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the *Single Audit Act Amendments of 1996*; and the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and will include tests of accounting records, a determination of major program(s) in accordance with OMB Circular A-133, and other procedures we consider necessary to enable us to express such an opinion and to render the required reports. If our opinion on the financial statements or the Single Audit compliance opinion is other than unqualified, we will discuss the reasons with management in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

### **MANAGEMENT RESPONSIBILITIES**

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

Management is responsible for making all financial records and related information available to us, including any significant vendor relationships in which the vendor has responsibility for program compliance. We understand that you will provide us with such information required for our audit and that you are responsible for the accuracy and completeness of that information. Management's responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management 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 establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation of the basic financial statements in conformity with U. S. generally accepted accounting principles. You are also responsible for management decisions and functions; for designating an individual with suitable skill, knowledge, or experience to oversee the tax services we provide; and for evaluating the adequacy and results of those services and accepting responsibility for them. We will advise you with regard to tax positions taken in the preparation of the information returns, but the responsibility for the information returns remains with you.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Organization involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud 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 Organization received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the Organization complies with applicable laws and regulations and for taking timely and appropriate steps to remedy any fraud, illegal acts, or violations of contracts or grant agreements, or abuse that we may report. With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on the Organization's website, management understands that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

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 the first day of our on site fieldwork.

As part of the audit, we will prepare a draft of your financial statements, schedule of expenditures of federal awards, and related notes. In accordance with *Government Auditing Standards*, you will be required to review and approve those financial statements prior to their issuance and have responsibility to be in a position in fact and appearance to make an informed judgment on those financial statements. Further, you are required to designate a qualified management-level individual to be responsible and accountable for overseeing our services. We will prepare the general ledger trial balance for use during the audit. Our preparation of the trial balance will be limited to formatting information in the Central Oklahoma Community Action Agency, Inc.'s general ledger into a working trial balance.

### **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 (a) errors, (b) fraudulent financial reporting, (c) misappropriation of assets, or (d) violations of laws or governmental regulations that are attributable to the Organization or to acts by management or employees acting on behalf of the Organization. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse. As required by the *Single Audit Act Amendments of 1996* and OMB Circular A-133, "*Audits of States, Local Governments, and Non-Profit Organizations*", our audit will include tests of transactions related to major federal award programs for compliance with applicable laws and regulations and the provisions of contracts and agreements. 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, or noncompliance 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, or to major programs. 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. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any 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 funding sources, 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 require certain written representations from you about the financial statements and related matters.

### **AUDIT PROCEDURES – INTERNAL CONTROL**

In planning and performing our audit, we will consider the internal control sufficient to plan the audit in order to determine the nature, timing, and extent of our auditing procedures for the purpose of expressing our opinions on Central Oklahoma Community Action Agency, Inc.'s financial statements and on its compliance with requirements applicable to major programs.

We will obtain an understanding of the design of the relevant controls and whether they have been placed in operation, and we will assess control risk. Test 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. Tests of controls relative to the financial statements are required only if control risk is assessed below the maximum level. Our tests, if performed, will be less in scope than 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 reportable conditions. However, we will inform the governing body or audit committee of any matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. We will also inform management of any nonreportable conditions or other matters involving internal control, if any, as required by OMB Circular A-133.

#### **AUDIT PROCEDURES – COMPLIANCE**

Our audit will be conducted in accordance with the standards referred to in the section titled "AUDIT OBJECTIVES". As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Central Oklahoma Community Action Agency, Inc.'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 auditee has complied with applicable laws and regulations and the provisions of contracts and agreements applicable to major programs. Our procedures will consist of the applicable procedures described in the OMB A-133 Compliance Supplement for the types of compliance requirements that could have a direct and material effect on each of the Organization's major programs. The purpose of these procedures will be to express an opinion on Central Oklahoma Community Action Agency, Inc.'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 and other confirmations we request, and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate section of and sign the Data Collection Form that summarizes our audit findings. We will provide an original and 10 bound copies and one unbound copy of our reports to the Organization; however, it is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of

prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the designated federal clearinghouse and, if appropriate, to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditor's reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for the audit. At the conclusion of the engagement, we will provide information to management as to where the reporting packages should be submitted and the number to submit.

The audit documentation for this engagement is the property of SAUNDERS & ASSOCIATES, PLLC and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to a federal or state funding agency or its designee, 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 documentation will be provided under the supervision of SAUNDERS & ASSOCIATES, PLLC 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. This audit documentation will also be retained for a minimum of three (3) years after the date the auditor's report is issued.

Entrance and exit conferences at the commencement and end of fieldwork respectively have been incorporated in our audit program.

We intend to begin our audit at a time that is mutually acceptable to you, and anticipate that our reports for the audit will be completed prior to the time constraints required by your funding agencies.

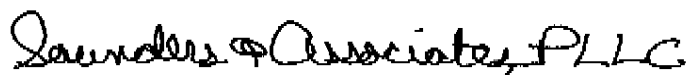
Our total fee for these services will be \$17,657 based upon anticipated cooperation from your personnel and unless unforeseen circumstances develop during the course of our examination, or unless you request additional services. In either of the two latter events, the situation will be discussed with you, and if we are to proceed, we are to be reimbursed separately for these additional services. Additionally, the fee set by this Engagement Letter is based on the following assumptions: management will respond promptly to all requests for basic information and/or documentation; the books will have been posted through the year end; bank reconciliations for all bank accounts will have been performed for each month in the audit period; all adjustments will have been posted; management personnel will prepare cash and other confirmations in a timely manner upon request; and that year end schedules supporting account balances will be provided as requested.

It is also important to note that the above fee includes one original, one unbound copy, one copy to a board representative and 25 bound copies of the audit report. Additional copies are charged on a per page basis.

In the event of any dispute between us relating to our engagement to provide audit services to your Organization, we mutually agree to try in good faith to resolve the dispute, controversy or claim through negotiation or alternative dispute resolution techniques before pursuing full-scale litigation.

We appreciate the opportunity to be of service to Central Oklahoma Community Action Agency, Inc. and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,



SAUNDERS & ASSOCIATES, PLLC  
Certified Public Accountants  
GBS:sjp

**RESPONSE:**

This letter correctly sets forth the understanding of services to be performed covering Central Oklahoma Community Action Agency, Inc.

Accepted by: Pat McQuinn

Title: Board Chairman

Date: 3-8-07