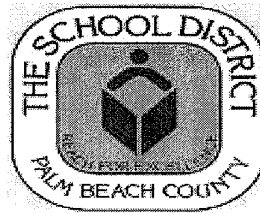


**PROPOSAL  
TO PROVIDE  
INDEPENDENT AUDITING SERVICES**

**FOR**

**CHARTER SCHOOL OF PALM  
BEACH COUNTY, INC.**



**Proposer:**

**S. Davis & Associates, P.A.**

*A Florida Corporation since January 30, 1997*

**Contact Person: *Shaun Davis, CPA/Managing Partner***

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October 30, 2006

Mr. Lung Chiu, District Auditor  
School District of Palm Beach County, Florida  
3300 Forest Hill Boulevard  
West Palm Beach, Florida 33406

**RE: Independent Auditing Services**

Dear Mr. Chiu:

The practice of S. Davis & Associates, P.A. ("SD&A") is pleased to have the opportunity to respond to your request for proposal to provide Independent Auditing Service for Survivors Charter School of West Palm Beach and the Survivors Charter School of Boynton Beach collectively called the Charter School of Palm Beach County, Inc. ("CSPBC") for the fiscal year ending March 1, 2006 through June 2006.

The selection of a certified public accounting firm is an important decision for CSPBC. In selecting SD&A, CSPBC has the opportunity to select full service auditors that have successfully demonstrated the ability to deliver responsive quality service, combining the responsive personal contact associated with smaller firms and the sophisticated professional resources of the national accounting firms.

Through quality service and progressive management, SD&A has established itself as one of Florida's leading certified public accounting and consulting firms. In addition, SD&A currently provides audit services to the CSPBC through our subcontractor relationship with KPMG. SD&A is registered as a business entity in the State of Florida and operates from offices in Palm Beach, Broward, and Miami-Dade, with a complement of twenty-two professional full-time staff. Our clients range from large governmental entities to non-profit and multi-million dollar private entities.

Member  
Florida Institute of Certified Public Accountants  
New York State Society of Certified Public Accountants  
American Institute of Certified Public Accountants

In 2003, the firm aligned with CPAConnect, a national network of independent accounting firms that provides access to knowledge and markets across the country and around the world. CPAConnect forms one of the largest networks of independent CPA and consulting firms in the United States and, along with Horwath International, forms one of the largest alliances of CPA and consulting firms in the world. Firms accepted for membership in CPAmerica International must meet high standards of excellence in all aspects of practice and then continue to pass strict quality reviews every three years. The result for the CSPBC, means that not only do you have the experience of SD&A, which is significant, but you also have access to the collective experience of CPAs and business consultants across the country.

Our staff members are required to maintain continuing professional education (CPE) credits as required by Florida Statutes. They attend seminars sponsored by American and Florida Institutes of Certified Public Accountants and qualifying courses by Big Four accounting firms and local colleges, universities, and professional organizations. SD&A ensures that our partners, as well as staff, receive governmental CPE training as required by Governmental Auditing Standards. All of our professional staff are degreed accountants and business consultants. The firm's partners and several of our audit staff members have worked in international accounting firms and/or major fortune 500 companies. SD&A brings a wealth of knowledge and new insight to our clients.

As professionals serving the public sector, we know of no other firm as eminently qualified to serve the CSPBC as our own. Our responsibility is to provide the CSPBC with internal control review service from which you receive value and where we establish and maintain a relationship with key members of CSPBC's management so that we can be valued business advisers. We will continue to achieve these objectives and, thus, differentiate ourselves from other professional service firms in the following ways:

- **Valuable resources.** We firmly believe that the relationship between the CSPBC and its outside auditor is one of the more important professional relationships that exist. At the outset, we foster open communication on a year-round basis. We use our knowledge of internal operations on a proactive basis to work closely with CSPBC in identifying potential issues and concerns before they become serious problems. The continuity of the engagement team will be a valuable resource to CSPBC.
- **SD&A's audit approach.** Our planning phase is designed to provide solutions that are specifically tailored to CSPBC's needs. During this phase of the monitoring we focus, not only on CSPBC, but also on the external forces that affect it, and its operating procedures for dealing with risks and customer demands. This process provides feedback on the operational activities at the providers and what needs to be done to improve them in the future.
- **Responsiveness.** As a competitive business enterprise, we pride ourselves in responding to the needs of our clients. This responsiveness is demonstrated by our continued success at being able to meet deadlines specified in our response to other requests from our clients as well. These requests could be in the form of special reviews requested as a

result of a finding. Our ability to be responsive is enhanced by the open communications and good working relationships we have developed over time.

- **Professional experience to specifically meet your needs.** SD&A partners and managers in the Public Sector practice spend 100% of their time serving governmental and not-for-profit organizations.
- **Community commitment.** We are committed to the South Florida community. Our people are our most valuable resource and they volunteer their time, talent and treasure to various civic and charitable organizations in the South Florida area.
- **Understanding of your needs.** We have a clear understanding of the work to be performed as we are currently engaged by several Charter Schools to perform either audit or accounting and consulting work and will perform the work within the specified time period. With the experience and continuity of our engagement team, CSPBC can be assured that the work will be completed in both an accurate and timely manner.

The Firm's partner will maintain frequent contact with the audit team, coordinate ongoing work and advise management of CSPBC on the status of the engagement. The engagement team will be available to the management of CSPBC as a technical resource. All key members of our client service team exceed the continuing professional education requirements promulgated by *Government Auditing Standards*.

Our firm stands to commit its resources to CSPBC and we will perform the engagement within the time period required and the performance specifications as stated in the request for proposal. We offer you a team with significant governmental and monitoring experience. Again, on behalf of our firm, we are excited about this opportunity to be part of CSPBC's team in order to help you address continuing challenges.

Sincerely,

*S. Davis & Associates, P.A.*

S. Davis & Associates, P.A  
By: Shaun M. Davis, Managing Partner

Mr. Lung Chiu, District Auditor  
School District of Palm Beach County, Florida  
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## **AUDIT APPROACH**

SD&A has significant experience in auditing non profit organizations. Our experience has allowed us to become familiar with numerous federal agencies and their requirements.

We have prepared a detailed work plan to achieve our audit objectives. This work plan will be updated based on our experience in performing audits for non profit organizations for the past fifteen years, and will include the following segments:

- Audit planning and pre-audit work
- Detailed audit procedures
- Review of working papers and reports
- Engagement administration

### **A. Audit Planning and Pre-Audit Work**

This is a very important task and forms the basis of our actual audit. Our objectives in performing this phase of the audit are as follows:

- Provide the most comprehensive audit approach.
- Identify specific areas where each class of professional will be assigned.
- Identify potential problem areas.
- Confirm with you the audit scope.
- Identify contact persons at the CSPBC.

### *Procedures*

Perform an entrance conference with the CSPBC and obtain copies of pertinent documents, as follows:

- A. Minutes of Board meetings
  - B. Organization charts
  - C. Financial budgets
  - D. Financial statements, trial balances, and general ledgers
  - E. Accounting/procedures manuals
  - F. Executed contracts entered into by the CSPBC which is still in effect.
  - G. Any reports issued by the CSPBC's funding agencies
- Introduce senior members of the audit team to the CSPBC's key personnel.
  - Identify audit communication protocols and establish areas of responsibility.
  - Perform planning stage analytical review of actual revenues and expenditures to the same budgeted and prior year's actual amounts, and obtain explanations for significant variances.
  - Schedule year-end inventory observations, if necessary.





## **AUDIT APPROACH - Continued**

- Obtain updated responses to prior year's audit findings.
- Prepare our pre-audit participation letter and send to management.

### **B. Detailed Audit Procedures**

This task is the heart and soul of the entire audit. The fundamental steps are:

- Confirm the appropriateness of the sample and extent of testing
- Confirm with the CSPBC the applicable laws and regulations that will be subject to audit test work.
- Review internal control structure (including EDP hardware & software).
- Evaluate the control structure.
- Determine sample design and the extent of statistical sampling using our proprietary software.

The sequence of these steps provides a logical framework for the audit process.

1. Review Internal Control Structure: The nature and extent of the audit work to be performed depends largely on the effectiveness of the internal control structure of the CSPBC. Hence, we will document the structure, understand how it works, and document the same in the working papers. In addition, we will also perform analytical reviews and risk analyses to determine areas of material variances and risks.
2. Evaluate the Structure: It is important that we evaluate the internal control structure to determine reliance (both IT and manual systems will be reviewed). Results of the evaluation will determine the nature, timing and extent of the audit procedures required to complete the audit. During this evaluation, we will consider the cost-benefit relationship of any weakness in the structure and its effect on the audit process, including areas of material variances and risks. The audit program will then be updated to address material system weaknesses.
3. Test Compliance: Our next step will be to test the organization's compliance with the information contained in our working papers. Instances of non-compliance will be investigated and discussed with CSPBC's officials, documented in the working papers and included in our findings/recommendations. Possible suggestions to minimize such instances in order to improve the existing system will also be given wherever possible.
4. Test Transactions: In this type of audit, a compliance test of CSPBC's transactions is a very crucial function in the entire audit process. After confirming the nature, timing and extent of the audit functions with CSPBC, we will conduct tests to substantiate compliance of specific cost items. The attributes listed in the system study will be utilized in evaluating each sample transaction selected.







## **AUDIT APPROACH - Continued**

5. Prepare Report: Based on our study and evaluation of the internal control and compliance tests performed, we will write a report to document our findings and recommendations and to address any instances of non-compliance with the contractual terms. These reports will be reviewed with the Executive Director and Finance Director.

The majority of the work on this task will be performed by the engagement senior and engagement staff auditors with appropriate input from the engagement manager.

### **C. Review of Working Papers and Reports**

A review of working papers to ensure completeness in all respects will be an on-going process as well as the final step in the completion of the audit. The engagement senior will review the working papers as the audit progresses. A review will also be performed by the audit senior of the work performed by the staff accountants. The engagement manager will review all the working papers upon completion of the work. The audit report will first be reviewed by the engagement manager for completeness, accuracy and disclosures. The report will then be thoroughly reviewed by the engagement partner and the concurring review partner will perform a second review before its issuance. We will also review these reports with the Audit Committee, the Executive Director and the Finance Director.

### **D. Engagement Administration**

We will meet with the Finance Director, and/or other CSPBC officials as frequently as possible to discuss the progress of the audit, major problems encountered and our audit plan for the remainder of the engagement. The engagement partner will be in charge and will also meet with the CSPBC officials.

During the planning stage, a detailed budget is prepared by the engagement manager for each segment of the audit. The budget is submitted to the engagement partner for review and approval.

During the course of the audit, there is active communication between the staff and management. A weekly time report is submitted to the management and the time spent on each task is listed separately. All the budgets are closely monitored to avoid any negative variances. The staff members assigned to the engagement are professionals with the highest qualifications and best experience. Also, our experience in the field of auditing nonprofit organizations coupled with a continuous review process, assures our clients of quality work.





## **AUDIT APPROACH - CONTINUED**

### **Audit and Tax Service Schedule**

The table below charts a course for a successful and efficient audit that enables us to meet your needs without disrupting your daily operations.

#### **Tentative Timetable – 2006 – 2007 Audit**

	November	December
Planning	■	
Transition of Internal Controls	■	
Systems Evaluation		■
Testing		■
Quality Control		■
Financial Statements		■
Tax Preparation		■
Management Letter		■
Presentation of Auditors' Reports to the Board of Directors		■

## **FEE PROPOSAL**

We project that our fee for performing the above described audit services to be as follows:

Survivors West Palm Beach            \$7,500

Survivors Boynton Beach            \$7,500

Our proposal does not contemplate a single audit. If necessary, a single audit component will be separately negotiated.



