



**AMENDMENT 8
to the CONTRACT
between
SCHOOL DISTRICT NO. 1J, MULTNOMAH COUNTY, OREGON
(PORTLAND PUBLIC SCHOOLS)
and
TALBOT, KORVOLA, & WARWICK, LLP**

Contract No. **PS-54521**

This Amendment 8 changes certain contract provisions during the contract term for the above-numbered contract between School District No. 1J, Multnomah County, Oregon ("Portland Public Schools" or "District") and **TALBOT, KORVOLA, & WARWICK, LLP** ("Contractor"). The parties agree as follows:

1. This Amendment 8 takes effect on July 1, 2012.
2. As a result of RFP 06-1013 and subsequent contract #PS-54521, this amendment is to extend auditing services for one (1) year and add additional funds. TKW is to audit fiscal year ending June 30, 2012. For details RFP 06-1013 and attached Exhibit A.
3. The contract termination date is extended to June 30, 2013.

CONTRACT AMOUNTS	
A. Original Contract Amount	\$130,900.00
B. Total Amount of Previous Amendments	\$988,500.00
C. AMOUNT OF THIS AMENDMENT	\$235,000.00
D. New Total Contract Amount (A+B+C)	\$1,354,400.00

3. All other terms and conditions of this Contract shall remain the same.

CONTRACTOR DATA

Contractor Name: Talbot, Korvolka, & Warwick, LLP

Contact Person: Timothy R. Gillette, Partner

Address: 4800 SW Macadam Ave., Ste 400

City, State, ZIP: Portland OR 97239

Telephone: 503.274.2849

Facsimile: 503.274.2853

Email: tgillette@tkw.com

Federal Tax Identification Number or Social Security Number: [REDACTED]

I HAVE READ THIS CONTRACT AMENDMENT, INCLUDING ALL EXHIBITS AND ATTACHMENTS, IF APPLICABLE. I CERTIFY THAT I HAVE THE AUTHORITY TO SIGN AND ENTER INTO THIS CONTRACT AMENDMENT ON BEHALF OF THE PARTY I REPRESENT AND AGREE TO BE BOUND BY ITS TERMS.

CONTRACTOR:

Timothy R Gillette
Signature

TIMOTHY R GILLETTE, PARTNER
Contractor Printed Name and Title

JAN 18, 2012
Date

DISTRICT:

Gregory C. MacCrone
Gregory C. MacCrone, Deputy Clerk

MAR 13 2012
Date

APPROVED AS TO LEGAL FORM

Jollee F. Patterson, General Counsel

SHARIE LEWIS, Accounting & Payroll Services Director

MAIL CORRESPONDENCE TO: Name of Dept./School Contract Manager, Name of Dept./School, Portland Public Schools, P.O. Box 3107, Portland, Oregon 97208-3107

EXHIBIT A



**Talbot, Korvola
& Warwick, LLP**

Certified Public Accountants
& Consultants

4800 SW Macadam Ave, Suite 400
Portland, Oregon 97239-3973

P 503.274.2849
F 503.274.2853

www.tkw.com

January 13, 2012

Board of Education
School District No. 1J, Multnomah County
501 N. Dixon Street
Portland, Oregon 97227

Attention: Pam Knowles, Board Co-Chair
Martin Gonzalez, Board Co-Chair

This letter is to explain our understanding of the arrangements for the services we are to perform for School District No. 1J, Multnomah County, Oregon, (the District) for the year ending June 30, 2012. We ask that you confirm this understanding.

Audit Services

We will perform an audit of the District's governmental activities, each major fund, and aggregate remaining fund information as of and for the year ending June 30, 2012, 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 opinions 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 Finance, Audit and Operations Committee (the Committee) 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 District as of June 30, 2012, 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 and the *Minimum Standards for Audits of Oregon Municipal Corporations*.

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, circular and supplement 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 Independently Owned Member
MCGLADREY ALLIANCE



McGladrey

Audit Services (Continued)

An audit of financial statements includes obtaining an understanding of the District 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 Committee any significant deficiencies or material weaknesses that we become aware of during the course of the audit.

We will also communicate to the Committee (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 illegal acts, violations of provisions of contracts or grant agreements, and abuse that come to our attention (unless they are clearly inconsequential), (c) disagreements with management, should any arise, and other serious difficulties encountered in performing the audit, and (d) various matters related to the District's accounting policies and financial statements.

In addition to our reports 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, 2012.
- Reports on internal control related to the financial statements and major programs. These reports will describe the scope of testing of internal control and the results of our tests of internal controls.
- Reports 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 and Questioned Costs.
- A Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations, U.S. Department of Commerce Form SF-SAC, for the year ending June 30, 2012.
- Independent Auditors Report required by Oregon State Regulations.
- A Summary of Revenues and Expenditures as required by *Minimum Standards for Audits of Oregon Municipal Corporations*. The responsibility we are to take for the material included in this report will be the same as 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 part of our audit are consistent with those reported in the prior year.

The federal 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 consistent with those reported in the prior year.

Audit Services (Continued)

The District has informed us that the following programs include American Recovery and Rehabilitation Act (ARRA) funding:

<u>CFDA Number</u>	<u>Grant</u>
43.004	Aeronautics
81.041	State Energy Program
84.387	Education for Homeless Children and Youth
84.388	School Improvement Grants
84.389	Title I Grants to Local Educational Agencies
84.391	Special Education – Grants to States
84.394	State Fiscal Stabilization Fund (SFSF)
84.410	Education Jobs Fund
93.658	Foster Care – Title IV-E
93.708	Head Start
93.724	Prevention and Wellness – Communities Putting Prevention to Work

Our reports on internal control will include any significant deficiencies and material weaknesses in controls 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 circulars identified above. Our reports 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.

The District'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 District 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

The District's Responsibilities (Continued)

fraud affecting the District 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 District received in communications from employees, former employees, analysts, regulators, or others.

Management is responsible for the preparation of the Schedule of Expenditures of Federal Awards. Management is also responsible for:

- Making us aware of significant vendor relationships where the vendor is responsible for program compliance;

- 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;

- Report distribution including submitting the reporting package;

- Identifying all federal awards received and expended and the federal program name under which they were received. Federal program and award identification includes, as applicable, the CFDA title and number, the award number and year, the name of the federal agency, and the name of the pass-through entity, as well as the identification of program clusters;

- Establishing and maintaining effective internal control over compliance for federal programs that provides reasonable assurance that the District is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs;

- Complying with laws, regulations, and the provisions of contracts or grant agreements related to each of its federal programs; and

- Ensuring that the audits required by Circular A-133 are properly performed and submitted when due.

Management is required to submit to the Federal Audit Clearing House a reporting package that comprises the financial statements and Schedule of Expenditures of Federal Awards, Summary Schedule of Prior Audit Findings, auditor's reports, and corrective action plan. This reporting package is to be submitted electronically with Form SF-SAC Data Collection Form.

The Board of Education and the Committee are responsible for informing us of their views about the risks of fraud within the District, and their knowledge of any fraud or suspected fraud affecting the District.

The District agrees that it will not associate us with any public or private securities offering without first obtaining our consent. Therefore, the District agrees to contact us before it includes our reports or otherwise makes reference to us, in any public or private securities offering. We may conclude that we are not otherwise associated with the proposed offering and that our association with the proposed offering is not necessary, providing the District agrees to clearly indicate that we are not associated with the contents of the official statement or memorandum. The District agrees that the following disclosure will be prominently displayed in the official statement or memorandum:

The District's Responsibilities (Continued)

Talbot, Korvola & Warwick, LLP, our independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Talbot, Korvola & Warwick, LLP also has not performed any procedures relating to this official statement or memorandum.

Our association with an official statement or memorandum is a matter for which separate arrangements will be necessary. The District agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing, and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when the District seeks such consent, we will be under no obligation to grant such consent or approval.

Because Talbot, Korvola & Warwick, LLP (the Firm) will rely on the District and its management and Committee to discharge the forgoing responsibilities, the District holds harmless and releases the Firm, 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 the District's management that has caused, in any respect, the Firm's breach of contract or negligence. This provision shall survive the termination of this arrangement for services.

During the course of our engagement, we may request information and explanations from management regarding, among other matters, the District's operations, internal controls, future plans, specific transactions, and accounting systems and procedures. At the conclusion of our engagement, we will require, as a precondition to the issuance of our report, that management provide us with a written representation letter confirming some or all of the representations made during the engagement. The procedures we will perform in our engagement will be heavily influenced by the representations that we receive from management. Accordingly, false representations could cause us to expend unnecessary efforts or could cause a material error or fraud to go undetected by our procedures. In view of the foregoing, you agree that we will not be responsible for any misstatements in the District's financial statements that we fail to detect as a result of false or misleading representations, whether oral or written, that are made to us by the District's management. While we may assist management in the preparation of the representation letter, it is management's responsibility to carefully review and understand the representations made therein.

In addition, because our failure to detect material misstatements could cause others relying upon our audit report to incur damages, the District further agrees to indemnify and hold us harmless from any liability and all costs (including legal fees) that we may incur in connection with claims based upon our failure to detect material misstatements in the District's financial statements resulting in whole or in part from false or misleading representations made to us by any member of the District's management, to the extent allowed by law.

The District's Records and Assistance

If circumstances arise relating to the condition 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, or misappropriation of assets which in our professional judgment prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any

The District's Records and Assistance (Continued)

course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawal from the engagement.

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 District personnel, including the preparation of schedules and analyses of accounts, will be discussed and coordinated with Bill Leidy. Sharie Lewis will coordinate assistance to be supplied for the Single Audit portion of our engagement. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

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.

If circumstances arise relating to the condition 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, or misappropriation of assets 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.

Fees, Costs, and Access to Audit Documentation

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. Our fee for the services described in this letter is estimated to be \$235,000 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.

Our fees are based on the understanding that the District is a high-risk auditee for Single Audit purposes, has properly identified programs with expenditures of ARRA funds, and that we will be required to audit seven or fewer Type A major programs. In the event that the District expends ARRA funds on programs other than those identified above, or we are required to audit more than seven major programs, the scope of our audit will be changed.

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, the District agrees it will compensate the Firm for

Fees, Costs, and Access to Audit Documentation (Continued)

any additional costs incurred as a result of the District's employment of a partner or professional employee of the Firm.

In the event we are requested or authorized by the District 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 the District, the District 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.

You may choose to publish your financial statements electronically on the District's internet website. You agree we are not required under professional standards or this arrangement letter to read or monitor the information contained on your website or to consider the consistency of other information in the electronic site with the original document. However, we reserve the right to review the information as presented on your internet website, and to withdraw our report should we disagree with the form, context or manner of presentation of the financial statements upon which we reported. You agree upon written notification of our objections, to immediately remove our report and any reference thereto or to Talbot, Korvola & Warwick, LLP from your internet website.

In the interest of facilitating our services to you, we may communicate by electronic mail over the Internet. Such communications may include information that is confidential to the District. Our Firm employs measures in the use of computer technology designed to provide reasonable assurance that data security is maintained. While we will use our best efforts to keep such communications secure in accordance with our obligations under applicable laws and professional standards, you recognize and accept that we have no control over the unauthorized interception of these communications once they have been sent. Unless you issue specific instructions to do otherwise, we will assume that you consent to our use of electronic communication during this engagement as we deem appropriate.

The documentation for this engagement is the property of the Firm. 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 documentation upon their request; and that we shall maintain the audit documentation 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 documentation will be provided under the supervision of Firm audit personnel and at a location designated by our Firm.

You have informed us that you intend to prepare a Comprehensive Annual Financial Report (CAFR) and submit it for evaluation by the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting and the Association of School Business Officials Certificate of Excellence in Financial Reporting. Our participation in the preparation of the CAFR is to consist of reviewing the CAFR's transmittal letter and statistical data for internal consistency.

The Contract PS 54521 and this letter constitute the complete and exclusive statement of agreement between Talbot, Korvola & Warwick, LLP and School District No. 1J, Multnomah County, superseding

all proposals, oral or written, and all other communication, with respect to the terms of the engagement between the parties.

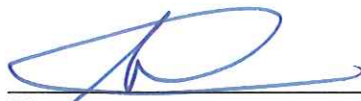
In accordance with *Government Auditing Standards*, we have enclosed our most recent peer review.

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.

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By 
Timothy R. Gillette, Partner

Confirmed on behalf of the addressee:
School District No. 1J, Multnomah County, Oregon


Signature **SHARIE LEWIS, CPA**

Director Accounting & Payroll
Title

1/19/12
Date

cc: Sharie Lewis, CPA, Director, Accounting and Payroll Services
Director, Accounting and Payroll Services