

III Questions for Outside Auditor

The purpose of these questions is to elicit information about the auditor's independence, the quality of the audit process, any issues or disagreements between management and the auditor that should be brought to the attention of the Audit Committee, significant deficiencies and material weaknesses in the City's internal controls over financial reporting and the quality, not just the acceptability, of the City's accounting.

1. Was any audit work not performed due to any limitations placed on you by management (e.g., any areas scoped out by management, or any restriction on fees that limited the scope of your work)?¹

No, there was no limitation placed on the scope of our work by Management.

2. Explain the process your firm goes through to assure that all of your engagement personnel are independent and objective with respect to our audit. Do any non-audit services performed for the City or its related entities affect the work that you do or the manner in which the engagement team or others are compensated?

Reznick Group monitors the independence rules for all engagements nationwide using a web-based electronic system which includes the monitoring of independence under the rules of the PCAOB, SEC, GAO and AICPA. The system is systematically updated for the listing of our clients and the types of engagements and services performed. At least once per year, each employee of the firm is required to review the listing of all the firm's clients and respond to all independence questions online and any potential independence issue is monitored through that electronic system. Also, in the initial assessment of whether to accept a new engagement, a firm-wide e-mail is sent to the partners and managers asking if there is any potential independence conflict. The email includes the type of services we will provide, the name of the potential client along with its principal officers and owners. Also before performing any other engagement for an audit client, we perform procedures to ensure that we are independent and that the expected engagement will have no impact on our independence as auditors prior to performing the work.

¹ Indicates that discussion may need to be had with the outside auditor in "executive session" as permitted under the Brown Act.

3. Was the audit performed in accordance with generally accepted auditing standards (GAAS standards) or generally accepted government auditing standards (GAGAS standards)? If not, why?

Yes, the audit was performed in accordance with GAAS and GAGAS

4. Do the financial statements contain deviations from generally accepted accounting principles (GAAP)? If so, why?

No, the financial statements do not contain deviations from GAAP.

5. Were any new accounting principles adopted, were any changes made, or did you recommend any changes, in the accounting policies used or their application?

No new accounting principles were adopted or recommended during the fiscal year.

6. Were there any significant accounting adjustments affecting the financial statements (prior year as well as current year)?

During the audit fieldwork, three accounting adjustments have been proposed by management and properly recorded in the financial statements. There were no uncorrected financial statements misstatements.

7. Are there any areas of the financial statements, including the notes, in which you believe we could be more explicit or transparent, or provide more clarity to help a user better understand our financial statements?

No.

8. Based on your audit procedures, do you have any concerns as to whether management may be attempting to commit management override? Have you noticed any biases as a result of your audit tests with respect to accounting estimates made by management?³

No, we do not have concerns regarding management override or biases.

9. Did you encounter any difficulties in dealing with management in performing the audit, including any disagreements with management regarding any accruals, estimates, reserves or accounting principles? Did you have the full cooperation of management and staff?¹

We encountered no difficulties and we had full cooperation of management. We held periodic conference calls with the audit committee of the Commission during the course of the audit to keep the audit process moving forward and on schedule.

10. Were there any accounting issues on which you sought the advice of other audit firms or regulatory bodies?

No.

11. Describe any difficulties you encountered while performing the audit (e.g., delays by management in allowing you to begin the audit, lack of access to information, unreasonable timetables, unavailability of personnel, etc.).³

We did not encounter any difficulties with management while performing the audit.

12. Describe any situation in which you believe management has attempted to circumvent the spirit of GAAP, but has yet complied with GAAP.¹

We are not aware of any situations where management has attempted to circumvent GAAP.

13. Would you characterize management's application of GAAP as conservative, aggressive or somewhere in between?

The application of GAAP is conservative.

14. Are there any new pronouncements and or areas of potential financial risk affecting future financial statements of which the Audit Committee should be aware?

We are not aware of any new pronouncement or area of potential financial risk affecting future financial statements.

15. Please explain the significance of any reportable conditions or material weaknesses referenced in your letter or report dealing with the City's internal controls.

[There were no reportable conditions or material weaknesses.](#)

16. Are there any questions we have *not* asked that should have been asked? If so, what are those questions?

[No.](#)

Reznick Group, P.C.



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