

2008 Meeting with the Finance, Audit and
Accountability Committee
City of Dallas

Communications Related to the Audit

March 24, 2008

Communications Related to the Audit

Responsibilities

Scope and timing

Key Areas of Focus

Fraud Discussion

Our responsibilities

- Perform an audit
 - An audit provides reasonable, not absolute assurance
- Form and express an opinion about whether the financial statements prepared by management, with your oversight:
 - Are materially correct
 - Are fairly presented
 - Conform with generally accepted accounting principles
- Communicate specific matters to you

An audit does not relieve you or management of your responsibilities.

Our responsibilities for other information in documents containing audited financial statements

- Read the other information (we do not corroborate it)
- Consider whether it is materially inconsistent with the financial statements
- Call to management's attention identified material inconsistencies or misstatements of fact, if any

Remember, our responsibility does not extend beyond our report.

Management's responsibilities

- Preparing and fairly presenting the financial statements and schedule of expenditures of Federal and State awards
- Establishing and maintaining effective internal control over financial reporting and compliance
- Providing us with written representations
 - A copy of the representations will be provided to you at the end of the audit

Communications Related to the Audit

Responsibilities

Scope and timing

Key Areas of Focus

Fraud Discussion

We approach your audit by...

- Understanding your organization and the environment you operate in
- Using that knowledge and understanding to analyze your financial statements
- Determining materiality
- Identifying areas more likely to be materially misstated
- Focusing audit attention and effort on those areas

Materiality

- Magnitude of an omission or misstatement that likely influences a reasonable person's judgment
- Based on relevant financial statement benchmark
 - We believe assets is the appropriate benchmark for your City
- Financial statement items $>$ materiality are in scope
- Other areas $<$ materiality may be in scope if qualitative factors are present (e.g., related party transactions, fraud risk, bond coverage requirement, etc.)

Audit timeline

Financial statement and OMB Circular A-133 audit

Appointed as City's auditor	November 2007
Audit planning	January 2008
Fieldwork and OMB A-133 procedures	February – April 2008
Status meeting with management	Weekly
Closing meeting with management	TBD
Finance, Audit and Accountability Committee meeting	TBD

Engagement Team

Audit

Ben D. Kohnle – Engagement Partner	<u>ben.kohnle@gt.com</u>	214-561-2260
Nicole Blythe – Concurring Partner	<u>nicole.blythe@gt.com</u>	214-561-2322
Carrie Ray – Manager	<u>carrie.ray@gt.com</u>	214-561-2344
John D'Sa – Manager	<u>john.dsa@gt.com</u>	214-561-2571
Fulya Bayolken – Senior	<u>fulya.bayolken@gt.com</u>	214-561-2614

Business Advisory

Paul Kanneman – Partner	<u>paul.kaneman@gt.com</u>	214-561-2256
Kirt Seale – Manager	<u>kirt.seale@gt.com</u>	214-561-2367
Ahmed Jessa – Manager	<u>ahmed.jessa@gt.com</u>	214-561-2640

Audit Status by Area

Area	Percentage Complete
Cash	0%
A/R and Revenue	60%
Investments	10%
Capital Assets	5%
Other Assets	60%
Employee Comp	85%
Debt	80%
Aviation	95%
DWU	20%
Grant Revenue	10%

Communications Related to the Audit

Responsibilities

Scope and timing

Key Areas of Focus

Fraud Discussion

Key Areas of Focus – CAFR

Critical Areas	Assertions
Water and Sewer revenue	Existence and Occurrence
Grant Revenue	Existence and Occurrence
Capital Assets	Completeness, Existence and Occurrence and Valuation Net
Other Assets	Valuation Gross
Expenditures	Completeness

Key Areas of Focus – OMB A-133

Major Programs

Federal:

- Special Supplement Nutrition Program for Women, Infants and Children
- CDB Grant - Entitlement and (HUD Administered) Small Cities Cluster
- Flood Control Projects
- Urban Areas Security Initiative
- Housing Opportunities for Persons with AIDS
- HOME Investment Partnership Program
- Airport Improvement Program

State:

- Confiscated State Funds
- Commercial Auto Theft Interdiction Squad

Key Areas of Focus – OMB A-133

Need to Assess Corrective Actions of Management on Prior Year Findings

Federal:

- Women, Infants and Children
 - Reportable Condition and Noncompliance in Eligibility
 - Material Weakness in Reporting
 - Material Weakness in Cash Management and Reporting
- Community Development Block Grant
 - Reportable Condition and Noncompliance in Davis Bacon Act
- HOME Investment Partnership Agreement
 - Material Weakness and Material Noncompliance in Cash Management
 - Reportable Condition and Noncompliance in Cash Management
 - Material Weakness and Material Noncompliance in Special Tests & Provisions: Housing Quality Standards

Key Areas of Focus – OMB A-133

Continued

Need to Assess Corrective Actions of Management on Prior Year Findings

Federal:

- Airport Improvement Program
 - Reportable Condition and Noncompliance in Davis Bacon Act
 - Material Weakness and Material Noncompliance in Special Tests & Provisions: Pavement Maintenance Management Program
- Urban Areas Security Initiative
 - Reportable Condition in Equipment and Real Property Management
 - Reportable Condition and Noncompliance in Procurement, Suspension and Debarment

Key Areas of Focus – OMB A-133 Continued

Need to Assess Corrective Actions of Management on Prior Year Findings

Federal:

- Public Assistance Grant (FEMA)
 - Material Weakness and Material Noncompliance in Activities Allowed/Allowable Costs and Special Tests and Provisions: Project Accounting
 - Material Weakness and Material Noncompliance in Cash Management
 - Material Weakness and Material Noncompliance in Activities Allowed/Allowable Costs

Key Areas of Focus – OMB A-133 Continued

Need to Assess Corrective Actions of Management on Prior Year Findings

State:

- Defense Economic Adjustment Assistance
 - Material Weakness in Procurement, Suspension and Debarment

Communications Related to the Audit

Responsibilities
Scope and timing
Key Areas of Focus
Fraud Discussion

Fraud Discussion

- Discussion regarding any known or potential fraud occurring during the fiscal year
- Discussion of fraud risks

Questions

