

Memorandum



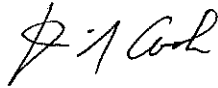
Date February 6, 2009

To Members of the Finance, Audit & Accountability Committee
Chair Mitchell Rasansky, Vice Chair Jerry R. Allen, Mayor Pro Tem Dr. Elba Garcia,
Vonciel Jones Hill, Angela Hunt, Ron Natinsky and David Neumann

Subject **External Audit Plan FY 2007 - 2008**

The Committee's February 9th agenda includes the Subject briefing. Grant Thornton's Ben Kohnle will brief the Committee and his briefing materials are attached.

Should you require additional information, please let me know.



David Cook
Chief Financial Officer

C: Honorable Mayor & Members of the City Council
Mary K Suhm, City Manager
Tom Perkins, Jr., City Attorney
Deborah Watkins, City Secretary
Craig Kinton, City Auditor
Ryan S. Evans, First Assistant City Manager
Forest E. Turner, Interim Assistant City Manager
Ramon Miguez, P.E., Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
A.C. Gonzalez, Assistant City Manager



Preliminary Meeting with the Finance, Audit and Accountability Committee

City of Dallas, Texas

Communications Related to the FY 2008 Audit

February 9, 2009

Attendees:

Ben Kohnle – Partner

John D'Sa – Manager

Andrea Cockrell - Manager

Fulya Bayolken – Manager

Communications Related to the Audit

Responsibilities

Scope and timing

Key Areas of Focus

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

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 benchmarks
 - We believe total assets or total revenues (based on the type of fund) is an appropriate benchmark for the City
- Financial statement line 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 requirements, etc.)

Audit timeline

Financial statement and OMB Circular A-133 audit

Audit planning	November - December 2008
Fieldwork and OMB A-133 procedures	January – May 2009
Status meeting with management	Bi-weekly
Status update	April 13, 2009
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
David Long– Concurring Partner	<u>david.long@gt.com</u>	832-476-3626
John D'Sa – Manager	<u>john.dsa@gt.com</u>	214-561-2344
Andrea Cockrell – Manager	<u>andrea.cockrell@gt.com</u>	214-561-2508
Fulya Bayolken – Manager	<u>fulya.bayolken@gt.com</u>	214-561-2614
Whitney Johnson – Senior	<u>whitney.johnson@gt.com</u>	214-561-2393
Deborah Beams – Senior	<u>deborah.beams@gt.com</u>	214-561-2628
Angie Jin – Senior	<u>angie.jin@gt.com</u>	214-561-2467

Business Advisory

Kirt Seale – Manager	<u>kirt.seale@gt.com</u>	214-561-2367
David Dominguez – Manager	<u>david.dominguez@gt.com</u>	214-561-2503
Jeremy Huval - Senior	<u>jeremy.huval@gt.com</u>	214-561-2583

Reports to be issued

- Financial statement audits:
 - Comprehensive annual financial report (CAFR)
 - Single audit (OMB Circular A-133)
- Separate reports:
 - Airport revenues fund
 - Dallas water utilities
 - Cityplace TIF
 - DDDA TIF
 - TCEQ financial assurance agreed-upon procedures
- Internal control deficiency letter

Audit Status by Area - CAFR

Area	% Complete (February 2, 2009)	Ratio
Planning	95%	10%
Cash	0%	2%
Investments	40%	6%
A/R and Revenue	0%	8%
Grant Revenue	0%	2%
Capital Assets	0%	15%
Other Assets	0%	2%
Employee Comp	0%	4%
Debt	0%	5%
Aviation	0%	8%
DWU	0%	8%
Other Sections	0%	15%
Financial Reporting	0%	15%
		<u>100%</u>

Audit Status by Area – A-133

Area	% Complete (February 2, 2009)	Ratio
Planning	95%	15%
Dept of Justice – Edward Byrne Memorial Justice Assistance	0%	11%
Community Development Block Grant-Entitlement and (HUD) Small Cities Cluster	15%	15%
Housing Opportunities for Persons with AIDS	15%	7%
HOME Investment Partnership Program	15%	7%
Urban Areas Security Initiative	5%	10%
Flood Control Projects	5%	7%
Homeland Security – Public Assistance Grants	5%	7%
Air Pollution Control (State)	5%	7%
Confiscated State Funds (State)	5%	2%
Commercial Auto Theft Interdiction (State)	5%	2%
Financial Reporting	0%	10%
		<u>100%</u>

Communications Related to the Audit

Responsibilities

Scope and timing

Key Areas of Focus

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
Expenditures	Completeness

Other Key Areas:

- Governance
- Fraud inquiries
- Information technology
- Adequacy of disclosures
- Investments

Key Areas of Focus – CAFR

Need to Assess Corrective Actions of Management on Prior Year Internal Control Findings

- Implementation of Statement of Auditing Standards No. 112, redefined evaluation and classification of internal control deficiencies
- Material weaknesses (MW) and significant deficiencies (SD) include:
 - Bank reconciliations (MW)
 - Capital assets (MW)
 - Amortization of bond premiums and discount (MW)
 - Grant revenue reconciliation (SD)
 - Landfill liability (SD)

Key Areas of Focus – OMB A-133

Anticipated Major Programs (based on preliminary numbers)

Federal:

- Dept of Justice – Edward Byrne Memorial Justice Assistance
- CDBG - Entitlement and (HUD Administered) Small Cities Cluster
- Housing Opportunities for Persons with AIDS
- HOME Investment Partnership Program
- Urban Areas Security Initiative
- Flood Control Projects (Trinity River)
- Homeland Security – Public Assistance Grants

State:

- Confiscated State Funds
- Commercial Auto Theft
- Air Pollution Control

Key Areas of Focus – OMB A-133

Need to Assess Corrective Actions of Management on Prior Year A-133 Findings

Federal:

- Community Development Block Grant (CDBG)
 - Significant deficiencies and noncompliance in debarment certification
 - Significant deficiency and noncompliance in allowable activities
 - Significant deficiency and noncompliance in cash management
- Housing Opportunities for Persons with AIDS (HOPWA)
 - Significant deficiency and noncompliance in cash management
- HOME Investment Partnership Program
 - Significant deficiencies and noncompliance in debarment certification
 - Significant deficiency and noncompliance in cash management

Key Areas of Focus – OMB A-133 Continued

Need to Assess Corrective Actions of Management on Prior Year A-133 Findings

Federal (continued):

- Urban Area Security Initiative (UASI)
 - Material weakness and material noncompliance in cash management

State:

- Air Pollution Control
 - Significant deficiency and noncompliance in debarment certification

Questions

