



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

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**Communications Related to the Audit**

**March 24, 2008**

# Communications Related to the Audit

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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

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# 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

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Fulya Bayolken – Senior	<a href="mailto:fulya.bayolken@gt.com"><u>fulya.bayolken@gt.com</u></a>	214-561-2614

## Business Advisory

Paul Kanneman – Partner	<a href="mailto:paul.kaneman@gt.com"><u>paul.kaneman@gt.com</u></a>	214-561-2256
Kirt Seale – Manager	<a href="mailto:kirt.seale@gt.com"><u>kirt.seale@gt.com</u></a>	214-561-2367
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# Audit Status by Area

<b>Area</b>	<b>Percentage Complete</b>
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%

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**Key Areas of Focus**

Fraud Discussion

# Key Areas of Focus – CAFR

<b>Critical Areas</b>	<b>Assertions</b>
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

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Responsibilities  
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# Fraud Discussion

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

# Questions

