

Memorandum



DATE March 4, 2010

TO Members of the Budget, Finance & Audit Committee: Chair Jerry Allen, Vice-Chair Ann Margolin, Vonciel Jones Hill, Angela Hunt, Delia Jasso, Ron Natinsky, David Neumann

SUBJECT Communications Related to the FY 2009 Audit

The Budget, Finance & Audit Committee's March 8, 2010 agenda includes the Subject briefing. Mr. Ben Kohnle, Audit Partner for Grant Thornton, LLP will brief the Committee. His briefing materials are attached.

Should you require additional information, please let me know.



Jeanne Chipperfield
Chief Financial Officer

Attachment

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



Preliminary Meeting with the Budget, Finance and Audit Committee

City of Dallas, Texas

Communications Related to the FY 2009 Audit

March 8, 2010

Attendees:

Ben Kohnle – Partner

Rusty Hale– Sr 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 | August – September 2009 |
| Preliminary OMB A-133 procedures | August – November 2009 |
| Preliminary financial procedures | November 2009 |
| Final procedures | March – June 2010 |
| Status meeting with management | Bi-weekly |
| Closing meeting with management | TBD |
| Budget, Finance and Audit Committee closing 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 |
| Rusty Hale – Senior Manager | <u>rusty.hale@gt.com</u> | 214-561-2380 |
| 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 |
| Angie Jin – Senior | <u>angie.jin@gt.com</u> | 214-561-2467 |

Business Advisory

| | | |
|---------------------------|---|--------------|
| Kirt Seale – Principal | <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 and Passenger Facility Charge compliance
 - Dallas water utilities
 - Cityplace TIF
 - DDDA TIF
 - TCEQ financial assurance agreed-upon procedures
- Internal control deficiency letter

Audit Status by Area - CAFR

| Area | % Complete (March 8, 2010) | Ratio of total expected |
|---------------------|-------------------------------|----------------------------|
| Planning | 95% | 12% |
| Cash | 0% | 2% |
| Investments | 90% | 5% |
| A/R and Revenue | 0% | 8% |
| Grant Revenue | 0% | 2% |
| Capital Assets | 30% | 12% |
| Other Accounts | 0% | 8% |
| Employee Comp | 0% | 4% |
| Debt | 85% | 5% |
| Aviation | 0% | 5% |
| DWU | 0% | 5% |
| OMB A-133 | 75% | 20% |
| Financial Reporting | 0% | 12% |
| | | <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
- Assess corrective actions of management on prior year findings

Key Areas of Focus – OMB A-133

Anticipated Major Programs (based on preliminary numbers)

Federal:

- CDBG - Entitlement and (HUD Administered) Small Cities Cluster
- Highway Planning and Construction Cluster
- Homeland Security – Urban Areas Security Initiative
- HOME Investment Partnerships Program
- Confiscated Federal Funds
- Edward Byrne Memorial Justice Assistance

State:

- Governor's Gang Initiative Grant
- Commercial Auto Theft Interdiction Squad
- Air Pollution Control Inspection and Enforcement

Questions

