

Memorandum



DATE October 9, 2009

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

SUBJECT **Discussion of Fiscal Year 2009 Audit**

The Budget, Finance & Audit Committee's October 12th agenda includes the Subject briefing. Grant Thornton's Mr. 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

Attachment

C: Honorable Mayor & Members of the City Council
Mary K. Suhm, City Manager
Deborah A. Watkins, City Secretary
Tom 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

Discussion of Fiscal Year 2009 Audit

October 12, 2009

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
Status update	May 8, 2010
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 – 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 and Passenger Facility Charge compliance
 - Dallas water utilities
 - Cityplace TIF
 - DDDA TIF
 - TCEQ financial assurance agreed-upon procedures
- Internal control deficiency letter

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

