

Dallas County Community College District

Meeting with the audit committee
Dialogue discussion outline

September 18, 2007

Grant Thornton attendees:

Ben Kohnle, Engagement Partner

Jim Forson, Engagement Senior Manager

Purpose of meeting

- Reports to be issued
- Estimated fees and expenses
- Audit approach
- New auditing standards
- Timeline and expectations
- Audit committee questions and answers

Reports to be issued

- Financial statements
- A-133 report
- Review of the schedule of current funds expenditures by individual campus and central administrative function
- Richland Collegiate High School
- Memorandum of advisory comments

Estimated fees and expenses

	<u>2007</u>
Financial Statement Audit and Advisory Comment Letter	\$65,900
A-133 Audit	\$15,500
Review of Schedule of Expenditures (by campus)	\$6,200
Richland Collegiate High School	up to to \$10,000 (based on actual hours)
Administrative Expenses	(4% of fees)

- Assumes similar level of internal audit assistance as provided in previous years.
- Our methodology for fee increases is typically based on salary inflation, which approximates 5-6% annually.
- Out of pocket expenses are billed as incurred.
- 20% of effort committed to joint venture firms.

Audit approach

Audit to be performed in accordance with generally accepted government auditing standards, including single audit in accordance with OMB Circular A-133. Significant audit areas include:

- Governance
- State appropriations
- Maintenance ad valorem taxes
- Federal, state and non-governmental grants and contracts
- Tuition revenue and related receivable or deferral
- Investments/treasury

Audit approach (continued)

- Payroll and related liabilities
- Operating expenses and related payables
- LT debt
- Fixed assets
- Net assets
- Fraud inquiries and procedures

New auditing standards

SAS 112 "Communicating Internal Control Related Matters Identified in an Audit" (effective fiscal year 2007)

- Conforms definition of control deficiency, significant deficiency and material weakness to PCAOB AS #2
- Definition "...More than a remote likelihood...a misstatement of the financial statements that is more than inconsequential..."
- Focus on "potential" impact not "actual" impact
- Anticipate increases in material weaknesses and significant deficiencies

New auditing standards

SAS 104 – 111 Auditing Risk Standards (effective fiscal year 2008)

- Reasonable assurance defined as "high-level" (104)
- Additional emphasis on linkage between: (105)
 - understanding entity
 - assessing risks
 - designing further audit procedures
- "Appropriate" audit evidence/"understandable" disclosures (106)
- Inquiry-alone not sufficient to evaluate design of controls (106)
- "Must" consider audit risk, determine a materiality level, and can't default to maximum control risk (107)
- "overall audit strategy" vs. "audit approach" (108)
- Additional guidance regarding gaining an understanding of the entity and its environment (109)
- Assume "significant risks" exist on most engagements (109)
- Requires that certain substantive procedures be performed on all engagements (110)
- Provides enhanced guidance regarding "tolerable misstatements"(111)

Timeline and expectations

Audit Committee meeting

September 18, 2007

Financial statement audit

- Preliminary fieldwork and planning
- Final fieldwork
- Audit kickoff meeting
- Weekly status meetings

Ongoing

Oct. 29 – Nov. 16

October 29

November 2

November 9

November 16

- Closing meeting with management

December 3

Audit Committee meeting (SAS 61 communications)

December 18

Engagement team

- Ben Kohnle, Engagement Partner
- Jim Forson, Engagement Manager
- Fulya Bayolken, Engagement Senior
- Deborah Beams, Engagement In-Charge
- Reggie Hopkins, Joint Venture Firm
- Dan Serna, Joint Venture Firm

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