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## Presentation to the Audit Committee



Dallas County  
Community College District



*October 5, 2010*

## Engagement Team Leadership



America Counts on CPAs™



- ❖ Wayne McConnell, Engagement Partner
  - ❖ Godwin Okoye, Director, Governmental and Nonprofit Sector
  - ❖ Abiodun Bankole, Manager, Governmental and Nonprofit Sector
  - ❖ Knoel Kambak, Audit Supervisor
- Each member of the engagement leadership team has significant experience in auditing governmental and nonprofit organizations, including community colleges, universities, local governments, charter schools, and Federal and State grant award programs.
- All are CPAs, and professionally and ethically sound individuals who are also independent of the District.
- The engagement team leadership will be actively involved in all phases of the audit process, including planning, field work execution, workpaper quality review, and reporting.

## Engagement Objectives



- ❖ To express an opinion on the District's financial statements.
- ❖ To express an opinion on the supplemental schedules in relation to the financial statements taken as a whole.
- ❖ To report on our considerations of internal control for financial reporting, compliance and other matters as required by Government Auditing Standards.
- ❖ To report on internal control related to major programs and express an opinion (disclaimer of opinion) on compliance in accordance with Single Audit Amendment Acts of 1996, OMB Circular A-133 and State of Texas Single Audit Circular.
- ❖ Observations regarding opportunities for improvements in internal controls and operational matters.

## Engagement Milestones & Timelines



- Audit Planning & Risk Assessment: May 27 - July 31
- Interim Audit Fieldwork: July 12 - 23
- Final Audit Fieldwork: October 25 – November 24
- Quality Control Review of Workpapers: November 11 – 29
- Preliminary Drafts of Financial Statements: November 29
- Exit Conference with Management: December 6
- Draft Reports for Audit Committee and Board: December 8
- Audit Committee / Board Approve Audit Reports: December 21
- Delivery of the AFR to the State: December 23

## Planning & Risk Assessment



### Planning & Risk Assessment Procedures Include:

- Meetings/inquiries with Management and the Audit Committee
- Signing of the engagement letter
- Documenting and understanding the District's control environment and operations
- Preliminary analytical procedures
- Determining major programs for the Single Audit
- Assessing risks of material misstatement of financial statements and material noncompliance
- Developing the overall audit plan
- Third-party direct confirmation activities

## Audit Fieldwork

### Fieldwork activities include:

- ✓ Tests of the accounting records
- ✓ Analysis of account balances
- ✓ Examination of internal documents
- ✓ Evaluation of significant estimates
- ✓ Tests of controls and compliance with applicable requirements
- ✓ Performance of analytical & other substantive procedures
- ✓ Review of account reconciliations
- ✓ Inquiries of management
- ✓ Corroboration of audit evidence from all audit procedures
- ✓ Documentation of audit conclusions
- ✓ On-going communications with management

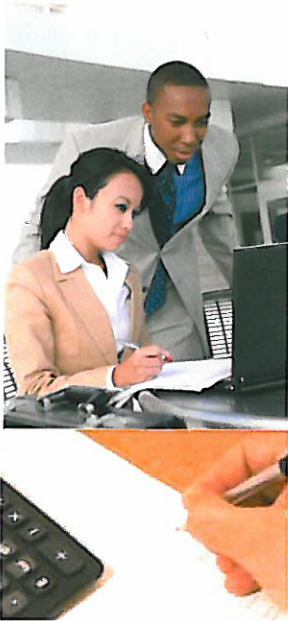


## Review and Quality Control



- Review of audit work papers;
- Ensuring that prescribed procedures were properly performed and documented;
- Discussions by senior members of the audit team to ensure compliance with standards and compliance requirements;
- Use of checklists to ensure that all required audit procedures, documentation and reviews are completed;
- Consideration of adequacy of documentation to support audit conclusions and reports; and
- Discussion/resolution of relevant matters with Management.

## Development of Reports



- Preparation of required reports, in accordance with applicable standards, on the financial statements prepared by management;
- Preparation of reports required by Government Auditing Standards and OMB;
- Discussion of draft reports with Management;
- Presentation of draft reports to the Audit Committee;
- Presentation of draft reports to the Board of Trustees;
- Issuance of final reports; and
- Submission of reports and Data Collection Form to Agencies.



## Risks of Material Misstatement



### Control and inherent risks presently assessed at a low level:

- Cash
- Accounts, Grants and Taxes Receivable
- Deferred Charges
- Capital Assets

### Control and inherent risks assessed at a medium level:

- Investments
- Deferred Revenue
- Compliance with grant provisions and requirements
- Bonds Payable
- Payroll Costs

## OMB Circular A – 133 Audit: Major Programs

### ❖ Federal Programs:

- Student Financial Assistance Programs - PELL, FSEOG, ACG, FWS, and FFEL Programs
- Workforce Investment Act (WIA) Cluster Programs

### ❖ State Programs:

- Texas Workforce Commission: Skills Development Fund
- Texas Higher Education Coordinating Board: Texas Grant Fund



## Recent Pronouncements & Guidelines

### GASB Recent Pronouncements



- **Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*.** This Statement addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers).

Effective Date:

- ✓ The provisions related to the use and reporting of the alternative measurement method: December 2009
  - ✓ The provisions related to the frequency and timing: beginning after June 15, 2011
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- **Statement No. 59, *Financial Instruments Omnibus*.** The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This Statement amends certain sections of Statement Nos. 4, 25, 31, 40 and 53 and becomes effective for periods beginning after June 15, 2010.

## New Pronouncements & Guidelines



### Statement on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters Identified in an Audit*. Updated SAS No. 112.

The changes introduced by SAS No. 115 are as follows:

- Revises the definitions of the terms *material weakness* and *significant deficiency*, and provides examples of internal control deficiencies that are indicators of a material weakness. New definitions are as follows:
  - **Material Weakness:** Reasonable possibility that a material misstatement of financial statements will not be prevented, or detected and corrected on a timely basis indicate a material weakness.
  - **Significant Deficiency:** A deficiency in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance is considered significant.
- Provides an illustrative written communication to management and those charged with governance of material weaknesses and significant deficiencies.
- Effective for audits of financial statements for periods ending on or after December 15, 2009.

## New Pronouncements & Guidelines



### **Statement on Auditing Standards (SAS) No. 117, *Compliance Audits*. For periods ending on or after June 15, 2010. Supersedes SAS No. 74.**

- Provides authoritative guidance when performing compliance auditing (e.g. A-133 auditing).
- Clarifies the requirements for a risk assessment approach to the audit:
  - Gain and document an understanding of controls; analyze adequacy; verify implementation.
  - Understand all the 5 COSO control elements around each applicable compliance requirements, and test key controls for major programs.
- Supplemented by AICPA's audit & accounting guide to *Government Auditing Standards*.
- Provides additional education on sampling under *Government Auditing Standards*.
- Provides additional education on AICPA practice aid for proper presentation of the schedule of expenditures of federal awards under *Government Auditing Standards*.

## Current GASB Projects



### ❖ Postemployment Benefit Accounting and Financial Reporting:

- ❖ The objective of this project is to consider the possibility of improvements to the existing standards of accounting and financial reporting for postemployment benefits—including pension benefits and other postemployment benefits (OPEB)—by state and local governmental employers and by the trustees, administrators, or sponsors of pension or OPEB plans.

### ❖ GASB Statement No.14 Re-examination:

- ❖ This objective of this project is to reexamine the requirements of Statement No. 14, *The Financial Reporting Entity*, as amended, to determine the effectiveness of the current standards, including its provisions for reporting fiduciary activities. That is, it would determine whether financial statement users, preparers, and attestors believe that reporting entities applying that standard are including all appropriate related organizations and excluding organizations that should not be included. The reexamination also would raise the question of whether the financial information of the included organizations is displayed and disclosed in the most appropriate and useful manner.

### ❖ Codification of Pre-November 30, 1989, FASB Pronouncements:

- ❖ The objective of this project is to specifically identify provisions in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, Accounting Research Bulletins of the AICPA Committee on Accounting Procedure, and AICPA Accounting Interpretations, issued on or before November 30, 1989 (collectively, the "FASB pronouncements"), as referenced in paragraph 17 of GASB Statement No. 34, *Basic Financial Statements—Management's Discussion and Analysis—*for State and Local Governments, that do not conflict with or contradict GASB pronouncements and to incorporate those provisions into the GASB's literature.

## Communications With Those Charged With Governance



- ❖ We will provide the following required communications to the Audit Committee at the conclusion of the audit:
  - Audit matters that are significant and relevant, in accordance with SAS No. 114, *Communication with Those Charged with Governance*.
  - Written representations made to us by management.

## Engagement Fees



- ❖ Financial Statement and Compliance Audit:
  - Fees and out-of-pocket costs, not to exceed: \$114,665.
- ❖ Review of Individual Campus' Schedule of Current Funds and Central Administrative Function Report:
  - Estimated fees - \$4,790
- ❖ Fees are based on:
  - Anticipated cooperation of the District's personnel
  - Unexpected circumstances will not be encountered during the audit



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## Our Commitment



*“To provide the highest level of service quality that our clients expect and deserve.”*