

Dallas County Community College District ("District")

*Required Auditor Communications with Those in
Charge of Governance*

Year Ended August 31, 2012



Dallas County
Community College District

December 11, 2012

Required Communications with Those in Charge of Governance

Fraud Risk –

- We performed procedures required by Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit*, including:
 - Discussion with management regarding the policies and procedures to prevent fraud.
 - Making inquiries of people with knowledge of complex transactions and financial controls.
 - Making inquiries of operating personnel not directly involved in the financial-reporting process.
 - Consultations with Internal Audit personnel.
 - Evaluation of internal controls and assessments of risks of fraud.
 - Designing audit procedures based on identified risks of fraud and financial misstatement.
- Management has represented to us that they have no knowledge of any fraud, suspected fraud, or allegations of fraud.

Required Communications with Those in Charge of Governance (Cont'd)

Qualitative Aspects of Accounting Practices –

- Management is responsible for the selection and use of appropriate accounting policies.
- The significant accounting policies used by the District are described in Note 2 to the financial statements.
- No new accounting policies were adopted by the District, and the application of existing policies was not changed during the fiscal year.
- We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus.
- There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Required Communications with Those in Charge of Governance (Cont'd)

Accounting Estimates –

- Accounting estimates are an integral part of the financial statements prepared by management. Significant estimates in the financial statements relate primarily to:
 - Allowance for doubtful accounts and taxes receivable, based on historical write-off amounts and the analysis of the collectability of receivables.
 - Useful lives used for annual depreciation and amortization of capital assets – consistent with industry best practices.
 - Functional allocation of expenses.
- Actual results could differ from those estimates.
- We evaluated the key factors and assumptions used to develop the estimates, and noted they are reasonable.

Required Communications with Those in Charge of Governance (Cont'd)

Difficulties Encountered in Performing the Audit –

- We encountered no difficulties in dealing with management in performing and completing our audit.

Required Communications with Those in Charge of Governance (Cont'd)

Corrected and Uncorrected Misstatements –

- Professional standards require us to accumulate all known and likely significant misstatements identified during the audit, and communicate them to management.
- We did not propose any adjustments to the financial statements during the audit.
- All adjustments recorded in the financial statements were identified by the District.
- The draft financial statements include all adjustments proposed by the District and audited by us.

Required Communications with Those in Charge of Governance (Cont'd)

Disagreements with Management –

- For purposes of this communication, disagreements with management include disagreements on any financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.
- We had no disagreements with management.

Management Representations –

- We have requested certain representations from management that are included in the management representation letter dated (DATE OPEN PENDING APPROVAL).
- Copies of the representation letter are available with management.

Required Communications with Those in Charge of Governance (Cont'd)

Management Consultations of Other Independent Accountants –

- In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations.
- If a consultation involves application of an accounting principle to the District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.
- To our knowledge, there were no such consultations of other accountants by management.

Required Communications with Those in Charge of Governance (Cont'd)

Other Information Accompanying the Audited Financial Statements –

- For the first time, the financial schedules of the individual colleges required by SACS have been included as other supplementary information accompanying the financial statements, for purposes of additional analysis.
- We performed limited procedures on the schedules required by SACS, but did not audit the schedules and did not issue an opinion on them.
- With respect to supplemental schedules of (1) operating revenues, (2) operating expenses by object, (3) non-operating revenues and expenses, (4) net assets by source and availability, and (5) expenditures of federal and state awards accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. accounting standards, prepared in a consistent manner as the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Required Communications with Those in Charge of Governance (Cont'd)

Other Audit Findings or Issues –

- We noted certain other matters that we have communicated to management in a separate letter of recommendation.
 - Specifically, we noted that while most of the District's perpetual records of capitalized (\geq \$5,000) and non-capitalized (\$1,000 - \$4,999) equipment inventory are comprehensive, there are some instances where information such as the equipment cost, acquisition date, serial number, location, and percentage of federal participation are lacking.
 - We have recommended that the records be updated in the instances where they are lacking.
 - Updating the records would enable the District to better monitor and control the movement of equipment, as well as account for equipment acquired with federal funds in accordance with applicable federal administrative circulars.

Required Communications with Those in Charge of Governance (Concluded)

Independence –

- We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
- We are not aware of any relationships between our Firm and the District that, in our professional judgment, may reasonably be thought to bear on our independence.

Required Communications with Those in Charge of Governance (Concluded)

Auditors' Reports –

- We have issued an unqualified opinion on the District's basic financial statements for fiscal years 2012 and 2011.
- We also issued an unqualified opinion on the District's compliance with all direct and material compliance requirements of its major federal and state grant programs.
- The following auditors' reports required by *Government Auditing Standards*, OMB Circular A-133, and the Texas PFIA did not identify any material weaknesses:
 - Report on internal control over financial reporting
 - Report on compliance with laws, regulations and other matters
 - Report on compliance with Texas Public Funds Investment Act (PFIA)
 - Report on internal control over compliance.