

# Draft - For Discussion Purposes Only

Date\_, 2014

Management and the Board of Trustees  
Ector County Independent School District  
802 N. Sam Houston  
Odessa, Texas 79761

To Management and the Board of Trustees:

During the course of our audit of Ector County Independent School District's (the "District") financial statements for the year ended June 30, 2014, we observed the District's significant accounting policies and procedures and certain business, financial, and administrative practices.

In planning and performing our audit of the financial statements of the District as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the second paragraph of this letter and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

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As a result of our observations, we suggest you consider the following:

**Uniform Grant Guidance**

The White House Office of Management and Budget (OMB) December 26, 2013 released its final guidance on "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards." Non-federal entities will need to implement the new administrative requirements and Cost Principles for all new Federal awards made after December 26, 2014, and to additional funding to existing awards (referred to as funding increments) made after that date. This guidance supersedes and streamlines requirements from OMB Circulars A-21, A-87, A-110, and A-122 (which have been placed in OMB guidances); Circulars A-89, A-102, and A-133; and the guidance in Circular A-50 on Single Audit Act follow-up. The objective of this reform is to reduce both administrative burden and risk of waste, fraud and abuse. The new guidance will have significant implications for the District in areas related to Federal awards and internal control.

We recommend that Management obtain a copy of the new Uniform Grant Guidance and implement policies to comply with the requirements as they impact new Federal Awards received after December 26, 2014 and additional funding to existing awards made after that date. These new requirements will be effective for the District's fiscal year ending June 30, 2015.

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In the near future Charles Carlson, CPA, will call to discuss with you the above recommendations and their implementation.

This communication is intended solely for the information and use of management, the Board of Trustees, the Texas Education Agency, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the outstanding cooperation from your staff that our personnel received during the audit of the District's financial statements.

Very truly yours,