

**BOARD OF EDUCATION
BEEVILLE INDEPENDENT SCHOOL DISTRICT**

Agenda Item No. _____

Date: May 16, 2006

Subject: Lovvorn & Kieschnick, LLP
as New Outside Auditors for
BISD 2006 Fiscal Year

Submitted by: Linda O'Connell

Related Pages: 7

Supt's Approval: _____

ACTION

BACKGROUND INFORMATION:

Attached is a summary of Lovvorn & Kieschnick, LLP. Hard copy delivered under separate cover.

ITEMS ADDRESSED:

Lovvorn & Kieschnick, LLP as new outside auditors for BISD 2006 Fiscal Year

RECOMMENDED ACTION:

Approval of Lovvorn & Kieschnick, LLP as new auditors for BISD 2006 fiscal year

BUDGETARY INFORMATION:

\$18,000



Lovvorn & Kieschnick

CERTIFIED PUBLIC ACCOUNTANTS

418 Peoples Street, Suite 308 tele 361-884-8897
Corpus Christi, TX 78401 fax 361-884-3457

April 26, 2006

Board of Trustees and Superintendent
Beeville Independent School District
2400 N. St. Mary's Street
Beeville, Texas 78102

Members of the Board and Dr. John Hardwick, Jr.:

Lovvorn & Kieschnick, CPAs, appreciates the opportunity to submit our proposal for the examination of the financial statements of Beeville Independent School District (the District) for fiscal year ending August 31, 2006.

We understand that this is an organization-wide financial audit of Beeville Independent School District in regard to the basic financial statements and other schedules for the fiscal year ending August 31, 2006. Our audit will be in accordance with generally accepted government auditing standards included in, but not limited to, AICPA Statements on Auditing Standards, the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the Single Audit Act Amendments of 1996, and *Texas Education Agency Financial System Accountability Resource Guide* guidelines and, accordingly, will include tests of the accounting records and other auditing procedures that we consider necessary in the circumstances.

Lovvorn & Kieschnick has performed audits and consulting engagements for Texas school districts for over twenty years. This experience enables us to provide you with technical knowledge of auditing Texas school districts, in addition to understanding the District's needs and requirements.

The attached proposal describes our technical knowledge, management qualifications, school district audit experience and task/activity plan. We would be pleased to furnish additional information if needed.

We are interested in performing the audit of Beeville Independent School District. We sincerely hope you will consider our firm's interest and experience when making your decision.

Sincerely,

Lovvorn + Kieschnick, LLP

Lovvorn & Kieschnick, LLP

LOVVORN & KIESCHNICK, LLP

Technical Component

The purpose of an independent audit is to determine whether generally accepted accounting principles (GAAP) have been followed by the client in the preparation of its financial statements. This determination can be made only after the independent auditor has performed an audit in accordance with generally accepted auditing standards (GAAS). An auditing firm has the responsibility to design a quality control system that reasonably ensures that professional standards will be followed in the conduct of an audit engagement. Generally accepted auditing standards (GAAS) apply to audits of governmental units just as they do to audits of business enterprises. Generally accepted governmental auditing standards (GAGAS) are set forth in "*Government Auditing Standards*" (also known as the "Yellow Book"), issued by the U. S. General Accounting Office. The Yellow Book establishes the concept of an expanded scope audit that includes both financial and compliance features. This type of audit includes review of compliance with applicable laws and regulations that could be material to the financial statements, separate auditor's reports containing a statement of positive assurance on items of compliance tested and a report on the auditor's study and evaluation of internal accounting controls made as a part of the financial audit.

We will conduct an organization-wide financial audit of Beeville Independent School District in regard to the basic financial statements and other schedules for the fiscal year ending August 31, 2006. Our audit will be in accordance with generally accepted government auditing standards included in, but not limited to, AICPA Statements on Auditing Standards, the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the Single Audit Act Amendments of 1996, and *Texas Education Agency Financial System Accountability Resource Guide* and, accordingly, will include tests of the accounting records and other auditing procedures that we consider necessary in the circumstances.

The financial statement audit will be to determine whether (1) the financial statements present fairly the financial position, results of operations, and cash flows or changes in financial positions in accordance with generally accepted accounting principles, and (2) the District has complied with laws and regulations for those transactions and events that may have a material effect on the financial statements. The financial related audit also includes determining whether (1) financial reports and related items are fairly presented, (2) financial information is presented in accordance with established or stated criteria, and (3) the District has adhered to specific financial compliance requirements.

A part of the annual audit of the basic financial statements will include obtaining an understanding of the District's internal control structure and reporting any reportable conditions relating to the internal control structure that come to our attention. To comply with Office of Management and Budget Circular A-133, a study and evaluation of the internal control structure will include internal accounting and administrative controls for all major federal financial assistance programs. Any material weakness noted during our study and evaluation of internal accounting and administrative controls will be reported.

As part of the audit, the basic financial statements, transactions, and records pertaining to federal and state programs will be tested for material compliance with federal and state laws, rules, and regulations, and all instances of non-compliance will be reported to the District.

Additionally, the audit will include the performance of certain audit procedures for the purpose of reviewing the accuracy of fiscal information provided by the District through the Public Education Information Management System (PEIMS), as required by Section 44.008(b) of the Texas Education Code.

We will be available to assist you in preparing the financial statements, but Beeville Independent School District is ultimately responsible for the fair presentation of the financial statements, and ensuring that the financial statements render a full and proper account of the activities of the District. The District further acknowledges that it is responsible for ensuring that its funds are handled properly and in compliance with laws and regulations, and also for achieving the purposes for which the funds were authorized.

Lovvorn & Kieschnick accepts responsibility for ensuring that: the audit is conducted by personnel who have the necessary skills to perform the audit, independence is maintained, applicable standards are followed in conducting the audit, the firm has an appropriate internal quality controls system in place, and Lovvorn & Kieschnick participates in an external quality control review program.

A written auditor's report in the format specified by *Texas Education Agency Financial System Accountability Resource Guide* shall be prepared and submitted one week prior to the December 2006 board meeting.

Beeville Independent School District will be responsible for ensuring that the audit report is received by the Texas Education Agency within 150 days of the close of the fiscal year. The District is further responsible for ensuring that other appropriate governmental agencies receive copies of the audit report according to instructions in *Texas Education Agency Financial System Accountability Resource Guide*.

Our services will also include issuing a management letter, as necessary, oriented to constructive improvements for future operations of the District.

We confirm that we are independent with respect to Beeville Independent School District. None of our partners, managers or staff has any direct or indirect financial interest in the District's contracts, and no one assigned to the audit is related within a prohibited degree (as defined by nepotism law) to any employee of the District or to any of the board members.

Workpapers prepared by Lovvorn & Kieschnick during the audit will be the sole property of Lovvorn & Kieschnick. We will furnish the District with copies of selected workpapers, as requested. Furthermore, the workpapers will be made available for review upon the request of the Texas Education Agency, the Regional Office of Inspector General, other appropriate governmental agencies, or when legal proceedings order their release.

Management Component

Lovvorn & Kieschnick has offices in Corpus Christi and Sinton. The firm currently has four CPAs, two of whom are partners, and one other professional with varying degrees of experience in the fields of public and private accounting. In addition, the firm has a support staff of three.

The Texas State Board of Public Accountancy licenses our firm to practice as Certified Public Accountants. We are members of the American Institute of Certified Public Accountants (AICPA) and its division for Firms (Private Companies Practice Section), the Texas Society of Certified Public Accountants (TSCPA), and the Corpus Christi Chapter of the TSCPA. As members of the Division for Firms of the AICPA, we must submit to a peer review by a team of AICPA appointed auditors. These auditors review our quality control procedures (the application of audit standards and accounting principles) in the performance of audits, reviews, and compilations. The Yellow Book requires that firms undergo peer reviews and provide minimum continuing professional education requirements for the professionals involved in governmental auditing. In peer review for the year ended April 30, 2004, we received an unqualified report. Governmental Auditing Standards – 1994 requires that we provide you with a copy of our most recent quality control review report. The peer review did include a review of specific governmental engagements. Our peer review report accompanies this letter (Exhibit A). Lovvorn & Kieschnick, LLP is the successor accounting firm to Guerra, Kieschnick, Cross & Lovvorn, L.L.P. The peer review reports of Guerra, Kieschnick, Cross and Lovvorn, L.L.P. have been assigned to Lovvorn & Kieschnick, LLP by the AICPA Peer Review Program. Our firm has never had any disciplinary action against it by state regulatory bodies or professional organizations.

We feel our greatest asset is our professional staff and have consistently hired top graduates. Our employees build their knowledge and skills by participating in continuing education courses and seminars. In order to provide our clients with quality services, the members of our firm must continually upgrade their expertise to meet changing technical standards. We have a system of Quality Control for our accounting and auditing practice that requires staff to complete a minimum of 20 hours per year, and a total of 80 hours every two years, of continuing professional education. Professional staff members who participate in governmental audits are required to complete 24 of the 80 credits in training directly related to the governmental environment and governmental auditing.

We will staff Beeville Independent School District's audit out of our Corpus Christi office. Frank Lovvorn will be the partner in charge. All the professional staff assigned to the engagement have experience working with computerized systems, which will provide for efficient use of our time. Partner and staff qualifications are detailed in Appendix A. To provide continuity for a multi-year contract, we would not anticipate rotation of key audit team members. However, we will rotate assignments within the team to ensure an open and thorough approach each year.

The District's business office personnel will be asked to provide specified forms, schedules, and statements. The district's books and records should be balanced, reconciled, and ready for audit

when we receive them. The business office personnel should be available during the audit to provide additional information, as needed.

Audit Tasks/Activity Plan

The following is a brief summarized work plan giving time estimates and staffing for each significant activity. Partner and staff team members are identified in Appendix A.

Estimated Hours

General Task/Activity	Engagement Partners	Staff	Total
Planning	12	8	20
Preliminary Analytical Review	4	3	7
Internal Control and Compliance Tests	8	49	57
Substantive Tests and Observations	8	39	47
Final Analytical Review	5	2	7
Audit Financial and Compliance Report Review and Preparation	25	32	57
General Meetings	3	2	5
Total Estimated Hours	65	135	200

Similar Engagements with Other Entities

Recent firm experience in Governmental audits and Federal Assistance Programs follows:

Entity	Single Audit w/Grant	Years of Service	Contact Person	Telephone No.
San Patricio County, Texas	X	4	David Wendel	361-364-6100
City of Portland, Texas		21	Sandra Clarkson	361-643-6501
Calallen I.S.D. (ADA 4261)	X	13	Erich Morris	361-241-5600
Mathis I.S.D. (ADA 2022)	X	23	Keith Sutherland	361-547-4158
Sinton I.S.D. (ADA 2043)	X	23	George Hernandez	361-364-6800
Jourdanton I.S.D.	X	4	Angelina Balaszi	830-769-3548
Ben Bolt-Palito Blanco I.S.D. (ADA 583)	X	11	Norma Perez	361-664-9904
Skidmore-Tynan I.S.D. (ADA 659)	X	6	Carol Estes	361-287-3442
West Oso I.S.D. (ADA 2013)	X	5	David Palicios	361-855-3321
Poth I.S.D.		2	Dawn Kerbe	830-484-3330
San Patricio County Appraisal District		12	Rufino Lopez	361-364-5402
36th, 156th, and 343rd Judicial Districts CSCD		11	Carolyn Preston	361-364-4243
36th Judicial District Probation Unit	X	2	Marla Ruvalcaba	361-364-6125
Coastal Bend College	X	7	Bill Vaughan	361-358-2838
Lee College	X	3	Steve Evans	281-425-6315
+ Corpus Christi Chamber of Commerce	X	2	Felipe Cisneros	361-881-1855
+ Lee College Foundation		3	Steve Evans	281-425-6315
+ Texas State Aquarium		9	Liz Shipp	361-881-1280
+ Business Roundtable of the Coastal Bend		8	Patti Stegall	361-881-8489
+ United Way of the Coastal Bend		4	Melissa Garrett	361-882-2529
+ Coastal Bend Bays & Estuaries Program	X	4	Alice Sanchez	361-885-6202
+ YWCA of Corpus Christi		1	Elaine Wright	361-857-5661

+ Not-for-Profit Audits

Engagement Partner on Above Audits: Frank Lovvorn

Professional Fees

Lovvorn & Kieschnick's objective is to provide the highest quality of professional services at a fair fee. Our audit plan for Beeville Independent School District will consider both short and long-term goals. Each year, we will reassess the plan based on our knowledge of the District's operations to ensure that the scope of our audit and audit tests are appropriate to current conditions. This perspective is important to continued audit efficiency and effectiveness, which in turn helps to maintain reasonable audit fees.

We appreciate the opportunity to be of service to the District, and we believe this letter accurately summarizes the significant terms of our engagement. If you have questions, please let us know.

Sincerely,

Lovvorn + Kieschnick, LLP

Lovvorn & Kieschnick, LLP