

APPROVAL OF AUDITOR FOR 2007-2008 FISCAL YEAR

June 24, 2008

SUMMARY:

This item requests the approval of the auditor for the 2007-2008 fiscal year.

PREVIOUS BOARD ACTION:

Each year the engagement is renewed by approving and signing the engagement letter.

BACKGROUND INFORMATION:

A financial audit is required annually for each school district and is to be made on an organization-wide basis, including all fund types and account groups that are the accounting responsibility of the school district. The audit must be approved and submitted to the Municipal Advisory Council of Texas and the Division of School Financial Audits of TEA within 150 days following the end of the fiscal year. The district has used Hankins, Eastup, Deaton, Tonn and Seay since the late 1970's and has received fair and objective audits throughout its tenure. The audit firm also conducts any special studies requested by the board or administration and assists the District in preparation of its Comprehensive Annual Financial Report.

SIGNIFICANT ISSUES:

The audit report must be approved by the board and submitted to the Texas Education Agency by November 27, 2008 (150 days after the close of the fiscal year).

There have been some significant changes in the audit industry, primarily in response to the audit failures that occurred over the past few years. A collection of new auditing standards, referred to as the risk assessment standards, require expanded audit procedures that are effective for the 6/30/08 audit. The new standards establish requirements related to the auditor's assessment of the risk of material misstatement (whether caused by error or fraud) in a financial statement audit. The new standards require the auditor to:

- Obtain a more in-depth understanding of the District and its environment, including internal controls, to identify risks of material errors or fraud occurring and remaining undetected by the District,
- Perform a more rigorous assessment of the risks of material misstatement in the financial statements based on that understanding, and
- Improve the linkage between our risk assessment and the resulting audit procedures performed.

FISCAL IMPLICATIONS:

The estimated cost of the 2007-2008 Audit is \$43,000. The cost for the 2006-2007 Audit was \$35,150. The estimated fee is a 22% increase over the previous year.

BENEFIT OF ACTION:

Hankins, Eastup, Deaton, Tonn and Seay perform audits of several school districts. Denton ISD will gain from the knowledge and expertise of the firm through recommendations for improving operations and compliance with changes in laws governing the district.

PROCEDURAL AND REPORTING IMPLICATIONS:

The audit must be approved and adopted by the board 150 days after the close of the fiscal year. The audit must be at the Texas Education Agency by November 27, 2008.

ALTERNATIVES:

No alternative actions are proposed.

SUPERINTENDENT'S RECOMMENDATION:

Recommend approval of Hankins, Eastup, Deaton, Tonn and Seay for the 2007-2008 fiscal year audit.

STAFF PERSONS RESPONSIBLE:

Debbie Monschke, Executive Director of Budget and Finance
Dr. Ray Braswell, Superintendent

ATTACHMENT:

Audit engagement letter.

APPROVAL:

Signature of Staff Member Proposing Recommendation: _____

Comments: _____

Signature of Divisional Leader: _____

Comments: _____

Signature of Superintendent: _____

Comments: _____