



Travis County Commissioners Court Agenda Request
Capital Health Facilities Development Corporation
Travis County Housing Finance Corporation
Travis County Health Facilities Development Corporation
Travis County Cultural Education Facilities Development Corporation
Capital Industrial Development Corporation
Travis County Development Authority

Meeting Date: June 26, 2012

Prepared By/Phone Number: Andrea Shields, Manager/854-9116

Elected/Appointed Official/Dept. Head: Leslie Browder, County Executive, Planning and Budget/854-9106

Commissioners Court Sponsor: Samuel T. Biscoe, President

AGENDA LANGUAGE: CONSIDER AND TAKE APPROPRIATE ACTION ON REQUEST TO APPROVE ENGAGEMENT LETTER TO RENEW CONTRACT WITH OUTSIDE AUDITOR, ATCHLEY & ASSOCIATES, L.L.P., BEGINNING JULY 1, 2012.

BACKGROUND/SUMMARY OF REQUEST AND ATTACHMENTS: See attached backup.

STAFF RECOMMENDATIONS: Staff recommends approval.

ISSUES AND OPPORTUNITIES: None.

FISCAL IMPACT AND SOURCE OF FUNDING: None.

REQUIRED AUTHORIZATIONS: Andrea Shields, Manager/854-9116; Leroy Nellis, Budget Director, Planning and Budget/854-9066; Leslie Browder, County Executive, Planning and Budget/854-9106

AGENDA REQUEST DEADLINE: All agenda requests and supporting materials must be submitted as a pdf to Cheryl Aker in the County Judge's office, Cheryl.Aker@co.travis.tx.us by **Tuesdays at 5:00 p.m.** for the next week's meeting.



May 25, 2012

The Honorable Samuel T. Biscoe
President
Travis County Corporations
Corporations Project Manager, Room 540
Austin, Texas 78767

Dear Mr. Biscoe:

Atchley & Associates, LLP is pleased to serve as independent auditors for the Capital Health Facilities Development Corporation, Travis County Housing Finance Corporation, Travis County Health Facilities Development Corporation, Travis County Cultural Education Facilities Finance Corporation, Capital Industrial Development Corporation, and Travis County Development Authority (collectively, the "Corporations" or the "Travis County Corporations"). Mr. Dan Shaner will be responsible for the services that we perform for the Corporations pursuant to the External Auditing Contract executed on July 7, 2009 ("the Contract"), which automatically renews for an additional year beginning July 1, 2012.

This letter sets forth our expectation of continued engagement and describes the services we expect to provide for the fiscal year ending September 30, 2012. These services are consistent with the audit services we are engaged to provide under the Contract for the fiscal year ending September 30, 2012. We ask that this Engagement Letter be incorporated into the Contract as anticipated in Section 1.5. Further, we would be pleased to assist the Corporations on issues as they arise throughout the year. We hope that you will call Mr. Shaner whenever you believe that we can be of assistance.

Audit Services

We will perform the engagement subject to the terms and conditions set forth in the Contract. Regarding this engagement letter, all parties agree that separate reports will not be issued for the opinions expressed by Atchley & Associates, LLP on the Corporations' financial statements, internal controls, or compliance with laws and regulations related to major federal or state award programs. The Corporations' financial statements are included as blended component units in the financial statements of Travis County (the "County"); therefore, the opinions expressed in the reports issued by Atchley & Associates, LLP for the County include the Corporations.

We will perform an audit of the Corporations' financial statements for the year ended September 30, 2012. We understand the financial statements will be prepared in conformity with the statutory basis of accounting ("OCBOA") as prescribed or permitted by Government Code Section 2266.051, as adopted by State of Texas House Bill 2365, and, where applicable the financial reporting requirements of GASB Statement No. 34. The objective of an audit of financial statements is to express an opinion on those statements contained in the County's Comprehensive Annual Financial Report.

We are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by the Corporations' management with the oversight of the Corporations' Boards of Directors are presented fairly in conformity with the statutory basis of accounting as prescribed or permitted by Government Code Section 2266.051, as adopted by State of Texas House Bill 2365, in all material respects, and, where applicable the financial reporting requirements of GASB Statement No. 34.

We will also perform the audit of the Corporations as of September 30, 2012 so as to satisfy the audit requirements imposed by the Single Audit Act and the U.S. Office of Management and Budget ("OMB") Circular No. A-133 and the State of Texas Uniform Grants Management Standards.

We will conduct the audit in accordance with auditing standards generally accepted in the United States of America and "Government Auditing Standards" issued by the Comptroller General of the United States; the provisions of the Single Audit Act, OMB Circular A-133 and OMB's Compliance Supplement; and, the State of Texas Uniform Grants Management Standards. Those standards require that we plan and perform the audit to obtain reasonable rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error or fraud. However, because of the characteristics of fraud, a properly planned and performed audit may not detect a material misstatement. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. The determination of abuse is subjective; therefore, Government Auditing Standards do not expect us to provide reasonable assurance of detecting abuse.

The objectives of an audit conducted in accordance with the aforementioned standards are listed below. As previously mentioned, the Corporations are included as blended component units in the County's financial statements, and as such do not require separate reporting but are included in the reports for the County.

- To express an opinion on the fairness of the presentation of the Corporations' financial statements contained in the County's Comprehensive Annual Financial Report for the year ending September 30, 2012 in conformity with the statutory basis of accounting provided by State law, which is a comprehensive basis of accounting, in all material respects.
- To express an opinion on whether the supplementary information that accompanies the financial statements, including the schedule of expenditures of federal and state awards

are presented fairly, in all material respects, in relation to the financial statements taken as a whole.

- To report on the Corporations' internal control over financial reporting and on their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ending September 30, 2012, based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.
- To report on the Corporations' compliance with requirements applicable to each major program, if any, and on internal control over compliance in accordance with the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* (OMB Circular A-133) and the State of Texas Uniform Grants Management Standards.

An audit of financial statements also includes obtaining an understanding of the entity and its environment, including its internal control, sufficient to assess the risks of material misstatement of the financial statements, and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, we will communicate to the Corporations' management and the Corporations' Boards of Directors any significant deficiencies or material weaknesses that become known to us during the course of the audit.

We will also communicate to the Corporations' Boards of Directors (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements, (b) any fraud, illegal acts, violations of provisions of contracts or grant agreements and abuse that come to our attention (unless they are clearly inconsequential), (c) any disagreements with management and other serious difficulties encountered in performing the audit, and (d) various matters related to the entity's accounting policies and financial statements.

Corporations' Management and Corporations' Boards of Directors Responsibilities

The Corporations' management is responsible for the financial statements, including the selection and application of accounting policies, adjusting the financial statements to correct material misstatements, and for making all financial records and related information available to us. Management is responsible for providing us with a written management representation letter confirming certain representations made during the course of our audit of the financial statements and affirming to us that it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and to the opinion units of the financial statements.

While we will make direct inquiries, management is responsible for establishing and maintaining effective internal control over financial reporting and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge.

While we will make direct inquiries, management is responsible for identifying and ensuring that the entity complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the entity involving management, employees who have significant roles in internal control, and others where the fraud could have a material effect on the financial statements. Management is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.

While we will make direct inquiries, the Corporations' Boards of Directors are responsible for informing us of their views about the risks of fraud within the entity, and their knowledge of any fraud or suspected fraud affecting the entity.

Any inclusion of our report or references to Atchley & Associates, LLP in other documents or electronic sites are to be in compliance with the terms in section 7 of the Contract.

The Corporations' Boards of Directors will coordinate with us to ensure that our independence is not impaired by hiring former or current Atchley & Associates, LLP partners, principals, or professional employees in a key position, as defined in the *AICPA Code of Professional Conduct*, that would cause a violation of the *AICPA Code of Professional Conduct* or other applicable independence rules. The Corporations' Administrator will make reasonable efforts to notify us of any current Atchley & Associates, LLP partner, principal, or professional employees who are selected for an interview with the Corporations. In mutual cooperation, we will make reasonable efforts to notify the Corporations' Administrator of any current Corporations' employees who seek employment with us before entering into substantive employment discussions with the Corporations' employees.

During the course of our engagement, we may accumulate records containing data that should be reflected in the Corporations' books and records. The Corporations will determine that all such data, if necessary, will be so reflected. Accordingly, the Corporations will not expect us to maintain copies of such records in our possession except as referenced in section 6.2 of the Contract.

The assistance to be supplied by the Corporations is addressed in section 4 of Attachment A to the Contract. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

Other Terms of our Engagement

It is agreed by the Corporations and Atchley & Associates, LLP or any successors in interest that no claim arising out of services rendered pursuant to this agreement by or on behalf of the Corporations shall be asserted more than four years after the date of the last audit report issued by Atchley & Associates, LLP.

Section 8 of the Contract contains the agreed upon compensation and payment terms. We anticipate sending invoices and receiving payments as stated in Section 9 of the Contract. Additional services provided beyond the described scope of services must be set forth in a written modification to the Contract and approved by the Corporations' Boards of Directors and will be billed separately following the terms in Section 8.4 of the Contract.

In the event we are requested to produce our documents or our personnel as witnesses with respect to our engagements for the Corporations, costs will be treated in accordance with section 3.7 of the Contract.

Access to requested workpapers will be provided under the supervision of Atchley & Associates, LLP audit personnel and at a location designated by our Firm in accordance with section 6.2 of the Contract.

We may terminate the contract as set forth in section 17 of the Contract.

This letter constitutes a part of the Contract agreement between Atchley & Associates, LLP and the Corporations with respect to the terms of the engagement between the parties.

Atchley & Associates, LLP

Atchley & Associates, LLP
Dan Shaner, CPA, Partner