



COUNTY OF EL PASO
OFFICE OF THE COUNTY AUDITOR

EDWARD A. DION, CPA, CIO
COUNTY AUDITOR
edion@epcounty.com
www.epcounty.com/auditor

County Administrative Offices
800 East Overland Street, Rm. 406
EL PASO, TEXAS 79901-2407
(915) 546-2040
(915) 546-8172 FAX

06-01

June 4, 2013

The Honorable Delia Briones
County Clerk
Room 105, County Courthouse Building
500 East San Antonio
El Paso, Texas 79901

Dear Ms. Briones:

It would be appreciated if you would place the following item on the consent agenda for the commissioners' court meeting to be conducted on Monday, June 10, 2013:

Approve exercising the 4th and last year option for the County's independent external financial audit to be conducted for the fiscal year ending September 30, 2013. Furthermore, authorize the County Judge to sign the letter of understanding from Gibson, Ruddock, Patterson, CPA's, L.L.C. This audit is required pursuant to the *Texas Local Government Code, § 115.045*.

Your assistance with this agenda item will be appreciated.

Very truly yours,

Edward A. Dion
County Auditor

EAD:TM:ya

Attachment

cc: The Honorable Veronica Escobar, County Judge
The Honorable Carlos Leon, County Commissioner
The Honorable Sergio Lewis, County Commissioner
The Honorable Vincent Perez, County Commissioner
The Honorable Daniel R. Haggerty, County Commissioner
Mrs. Lee Shapleigh, Assistant County Attorney



COMMISSIONERS COURT
COMMUNICATION

AGENDA DATE: June 10, 2013

CONSENT OR REGULAR: Consent _____

CONTRACT REFERENCE NO
(IF APPLICABLE): N/A _____

SUBJECT:

External Audit for FY2013

BACKGROUND/DISCUSSION OF TOPIC: To include statutory requirement, operational impact, legal impact, or performance goal.

Texas Local Government Code, §115.045

FISCAL IMPACT:

Audit Fees are part of the FY2013 appropriations

PRIOR COMMISSIONERS COURT ACTION (IF ANY):

Annual approval by Commissioners Court

RECOMMENDATION:

Approve authorizing the 4th and last year option for the annual external audit

SUBMITTED BY:

Edward A. Dion, County Auditor

600 SUNLAND PARK, 6-300
EL PASO, TX 79912

P 915 356-3700
F 915 356-3779
W GRP-CPA.COM



May 17, 2013

Honorable Judge Veronica Escobar
and Members of Commissioners Court
County of El Paso, Texas
El Paso, Texas 79901

We are pleased to confirm our understanding of the services we are to provide the County of El Paso, Texas for the year ended September 30, 2013. We will audit the primary government financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of the County of El Paso, Texas (County) as of and for the year ended September 30, 2013. The financial statements of the discretely presented component unit, El Paso County Hospital District, will be presented in the basic financial statements, but will be audited by other auditors. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the County's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the County's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the primary government financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis
2. Statement of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund
3. Statement of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual – Grants Special Revenue Fund
4. Schedule of Funding Progress for the Retirement Plan – County of El Paso
5. Schedule of Funding Progress Other Post Employment Benefits – County of El Paso

We have also been engaged to report on supplementary information other than RSI that accompanies the County's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the primary government financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the primary government financial statements or to the primary government financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the primary government financial statements as a whole:

1. Combining statements by fund type presented in the Comprehensive Annual Financial Report (CAFR)
2. Individual fund statements presented in the CAFR
3. Schedules of Capital Assets used in the operation of Governmental Funds presented in the CAFR
4. Schedule of Expenditures of Federal and State Awards

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the primary government financial statements, and our auditor's report will not provide an opinion or any assurance on that other information.

1. Introductory section presented in the CAFR
2. Statistical section presented in the CAFR

Our responsibility for other information included in documents containing the entity's audited financial statements and auditor's report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether such information contained in these documents is properly stated.

Audit Objectives

The objective of our audit is the expression of opinions as to whether your primary government financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the primary government financial statements as a whole. The objective also includes reporting on -

- Internal control related to the primary government financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance which could have a material effect on the primary government financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that

could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Texas Single Audit Circular.

The reports on internal control and compliance will each include a paragraph that states that the purpose of the report is solely to describe (1) the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, (2) the scope of testing internal control over compliance for major programs and major program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance, and (3) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance and OMB Circular A-133 and the State of Texas Single Audit Circular in considering internal control over compliance and major program compliance. The paragraph will also state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133 and the State of Texas Single Audit Circular, and will include tests of the accounting records, a determination of major programs in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular, and other procedures we consider necessary to enable us to express such opinions and to render the required reports. We will make reference to other auditor's report on the audit of El Paso County Hospital District in our report on your financial statements. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the primary government financial statements or the Single Audit compliance opinions are other than unmodified, we will discuss the reasons with you in advance. If circumstances occur related to the condition of your records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the primary government financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming an opinion on the primary government financial statements, we retain the right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

Management Responsibilities

Management is responsible for the basic financial statements, schedule of expenditures of federal and state awards, and all accompanying information as well as all representations contained therein. Management is also responsible for identifying government award programs and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal and state awards in accordance with the requirements of OMB Circular A-133 and the State of Texas Single Audit Circular. As part of the audit, we will assist with preparation of your primary government financial statements, schedule of expenditures of federal and state awards, and related notes. You will be required to acknowledge in the written representation letter our assistance with preparation of the primary government financial statements and the schedule of expenditures of

federal and state awards, and that you have reviewed and approved the financial statements, schedule of expenditure of federal and state awards, and related notes prior to their issuance and have accepted responsibility for them. You agree to assume all management responsibilities for any nonaudit services we provide; oversee the services by designating an individual, preferably from senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met and that there is reasonable assurance that government programs are administered in compliance with compliance requirements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for ensuring that management is reliable and financial information is reliable and properly recorded. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the written representation letter that 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.

You are 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 government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants. Additionally, as required by OMB Circular A-133, and the State of Texas Single Audit Circular, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan.

You are responsible for preparation of the schedule of expenditures of federal and state awards in conformity with OMB Circular A-133 and the State of Texas Single Audit Circular. You agree to include our report on the schedule of expenditures of federal and state awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal and state

awards. You also agree to include the audited primary government financial statements with any presentation of the schedule of expenditures of federal and state awards that includes our report thereon, or make the audited primary government financial statements readily available to intended users of the schedule of expenditures of federal and state awards no later than the date the schedule of expenditures of federal and state awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal and state awards in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular; (2) that you believe the schedule of expenditures of federal and state awards, including its form and content, is fairly presented in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited primary government financial statements with any presentation of the supplementary information that includes our report thereon, or make the audited primary government financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

With regard to the electronic dissemination of audited primary government financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information, and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the primary government financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the primary government financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the primary government financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the primary government financial statements or major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the primary government financial statements and related matters. We will not audit the financial statements of the discretely presented component unit, El Paso County Hospital District. Those statements will be audited by other auditors whose reports will be furnished to us, and our opinion, insofar as it will relate to the amounts included for the discretely presented component unit, will be based solely on the report of the other auditors.

Audit Procedures—Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the primary government financial statements and to design the nature, timing, and extent of further audit procedures. Tests of

controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the primary government financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the primary government financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by OMB Circular A-133 and the State of Texas Single Audit Circular, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal and each major state award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133, and the State of Texas Single Audit Circular.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, OMB Circular A-133, and the State of Texas Single Audit Circular.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the primary government financial statements are free of material misstatement, we will perform tests of the County's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

OMB Circular A-133 and the State of Texas Single Audit Circular require that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the OMB Circular A-133 Compliance Supplement and the State of Texas Single Audit Circular for the types of compliance requirements that could have a direct and material effect on each of the County's major programs. The purpose of these procedures will be to express an opinion on the County's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133 and the State of Texas Single Audit Circular.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedules of expenditures of federal and state awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include in the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditor's reports or nine months after the end of the audit period, unless a longer period is agreed upon in advance by the cognizant or oversight agency for audits.

The audit documentation for this engagement is the property of Gibson, Ruddock, Patterson LLC and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to the U.S. Department of Justice or its designee, a federal or state agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Gibson, Ruddock, Patterson LLC personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the U.S. Department of Justice. If we are aware that a federal or state awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the parties contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit on approximately in August 2013 and to issue our reports no later than March 2014. E. Craig Gibson is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as postage, travel, etc.) except that we agree that our gross fee, including expenses, will not exceed \$81,000. This fee assumes that a total of eight major federal programs and five major state programs will be tested as a part of the OMB Circular A-133 and the State of Texas Single Audit Circular. If it is determined that more than eight major federal programs or more than five major state programs must be tested to satisfy these requirements, an additional fee up to \$3,500 may be charged for each major federal program in excess of eight and each major state program in excess of five. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of

comment received during the period of the contract. Our 2010 peer review report accompanies this letter.

We appreciate the opportunity to be of service to the County of El Paso, Texas and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us. Our audit engagement ends on delivery of our audit report. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

Very truly yours,



Gibson, Ruddock, Patterson LLC

RESPONSE:

This letter correctly sets forth the understanding of County of El Paso, Texas.

Management signature: _____

Title: _____

Date: _____

Governance signature: _____

Title: _____

Date: _____

GLASS & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, P.C.

System Review Report

September 14, 2010

To the Shareholders of Gibson Ruddock Patterson, LLC
and the Peer Review Committee of the TSCPA

We have reviewed the system of quality control for the accounting and auditing practice of Gibson Ruddock Patterson, LLC (the firm) in effect for the year ended June 30, 2010. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under the Government Auditing Standards and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Gibson Ruddock Patterson, LLC in effect for the year ended June 30, 2010, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. Gibson Ruddock Patterson, LLC has received a peer review rating of pass.

Glass & Company

GLASS & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS, P.C.