SAO

Lisa R. Collier,
CPA, CFE, CIDA,
State Auditor

February 5, 2024

Ms. Alice Felch, Director of Procurement
Texas Permanent School Fund Corporation
400 West 15th Street, Suite 1100
Austin, TX 78701

Re: Audit Delegation Request 706-2024-001

Dear Ms. Felch:

In accordance with Texas Government Code, Section 321.020, and subject to the conditions listed in Attachment A, the State Auditor's Office delegates to the Texas Permanent School Fund Corporation (Corporation) the authority to employ a private auditor to conduct an audit of the Corporation's financial statements for fiscal year 2024, as described in your online request dated January 26, 2024.

If you have any questions, please contact Audit Manager Jennifer Brantley or me at (512) 936-9500.

Sincerely,

Charles H. Wilson

Charles H. Wilson
Risk Assessment Manager

Attachment

Robert E. Johnson Building
1501 N. Congress Avenue
Austin, Texas 78701

P.O. Box 12067
Austin, Texas 78711-2067

Phone:
(512) 936-9500

Fax:
(512) 936-9400

Internet:
www.sao.texas.gov

Attachment A

This delegation of authority is subject to the following:

1. The Corporation must provide the State Auditor's Office with three (3) business days prior notice of key meetings. Examples of key meetings include entrance and exit conferences, meetings regarding internal control assessments, and status meetings. State Auditor's Office representatives may attend key meetings related to any audit engagement the Corporation enters into under this delegation of authority.

2. The Corporation must notify the State Auditor's Office if an amendment to the contract substantially alters any contract terms, including, but not limited to, the scope of work to be performed and the term of the contract.

3. The Corporation must comply with applicable laws in the procurement of audit services, the expenditure of funds under the contract, and all other aspects of forming and administering the contract with the private auditor.

4. For any report resulting from a peer review of the private auditor that the private auditor receives after entering into the contract with the Corporation, the Corporation must ensure that the State Auditor's Office receives a copy of the report within ten (10) business days of receipt.

5. Any contracts entered into under this delegation of authority must include the following language:

   a) The state auditor may conduct an audit or investigation of any entity receiving funds from the state directly under the contract or indirectly through a subcontract under the contract. The acceptance of funds directly under the contract or indirectly through a subcontract under the contract acts as acceptance of the authority of the state auditor, under the direction of the legislative audit committee, to conduct an audit or investigation in connection with those funds. Under the direction of the legislative audit committee, an entity that is the subject of an audit or investigation by the state auditor must provide the state auditor with access to any information the state auditor considers relevant to the investigation or audit.

   b) The contractor understands that the State Auditor's Office may opt to rely on the work of the contractor to support the State Auditor's Office's opinion on the Annual Comprehensive Financial Report for the State of Texas, and the contractor agrees to cooperate with the State Auditor's Office in a joint effort to comply with American Institute of Certified Public Accountants standard AU-C 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*. The contractor agrees that the State Auditor's Office is serving in the capacity of the group engagement auditor. As a component auditor, the contractor agrees to provide to the State Auditor's Office information that includes information necessary to facilitate determinations regarding the contractor's understanding and compliance with ethical requirements and professional competence.

6. If the State Auditor's Office determines that it cannot rely on the contractor's work to support the State Auditor's Office's opinion on the Annual Comprehensive Financial Report for the State of Texas for any reason, including a lack of cooperation in complying with AU-C 600, it may be necessary for the State Auditor's Office to perform additional work at the Corporation and to be reimbursed by the Corporation in accordance with Article X of the State's General Appropriations Act and the Interagency Cooperation Act (Texas Government Code, Chapter 771). Related questions may be directed to Audit Manager Michael Clayton at (512) 936-9500.

7. The term contract, as used throughout Appendix A, is used interchangeably with any written agreement, including an engagement letter. Therefore, if the terms of the agreement are not set out in a contract, the engagement letter or other written agreement, must still contain the language quoted in #5 above.

8. A signed copy of the contract and contract amendments must be provided to the State Auditor's Office within two weeks of execution. For risk assessment purposes, the State Auditor's Office must have access to any draft audit reports and must be provided a copy of such reports upon request. Additionally, the Corporation must provide the State Auditor's Office with copies of all final audit reports and other deliverables provided under the contract, including reports on internal controls and compliance, management letters or reports to management, within two weeks of completion. You may submit the contract and audit reports electronically to auditdelegation@sao.texas.gov or submit hard copies to the attention of Audit Delegation. Please include the audit delegation request number 706-2024-001 with all submissions and related correspondence.

9. The Corporation must immediately notify the State Auditor's Office if any deliverable that is subject to a financial reporting deadline established by the Comptroller of Public Accounts will not be completed by that deadline.