

External Audit Required Communications



Presented by:
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Amanda Eaves, CPA, Forvis Mazars Partner

External Audit vs Internal Audit



External

Ensures City records are properly maintained, free from material misstatement, and comply with established concepts, principles, and accounting standards

Provides a true and fair view of the financial statements of the City

Required under the provisions of the City Charter

Required by State Statute

Internal

Performs financial, fiscal compliance & other audits as directed by the Audit Committee

Review tends to be more programmatic and specific in nature

Required under the provisions of the City Charter

Reports to the Audit Committee

Contract Fees

- This is the 3rd year of the external audit contract with Forvis Mazars
- The contract is a three-year term with two separate one-year extensions

| Fiscal Year | Price |
|-------------|-------------|
| 2022 | \$985,000 |
| 2023 | \$1,015,000 |
| 2024 | \$1,045,000 |
| 2025 | \$1,076,000 |
| 2026 | \$1,108,000 |
| Total | \$5,229,000 |

City's Responsibilities



- Develop, review and revise internal controls and fiscal policies and procedures
- Interpret and implement new GASB regulations
- Prepare and consolidate annual financial statements
- Develop disclosure notes, transmittal letter, MD&A and statistical sections
- Review, adjust, and consolidate component unit financials into the City's annual report
- Creation of supporting schedules and documents for auditor testing
- Answer auditor follow-up requests

City's Responsibilities (continued)



- Prepare the Airport's PFC report
- Create Federal and State Grant Expenditure schedules and reports
- Work with departments on responses to any findings, where needed.
- Enter the federal expenditures into the Federal Data Collection Form database
- Creation of supporting schedules and documents for auditor testing
- Coordination with departments to answer auditor follow-up requests



City of San Antonio, Texas Report to the Audit Committee

Audit Plan and Strategy for the Year Ending September 30, 2024

October 8, 2024

Thank You for Selecting Forvis Mazars

We are grateful for the opportunity to continue serving the City of San Antonio, Texas. This communication provides useful information relevant to your role as those charged with governance of the City, including summarized information required by professional standards, such as the planned scope and timing of the audit.

Our goal is to establish a foundation for effective two-way communication throughout the audit. We are available at your convenience to discuss this information and answer questions as we begin our audit.

We understand the appropriate people in the governance structure with whom to communicate are:

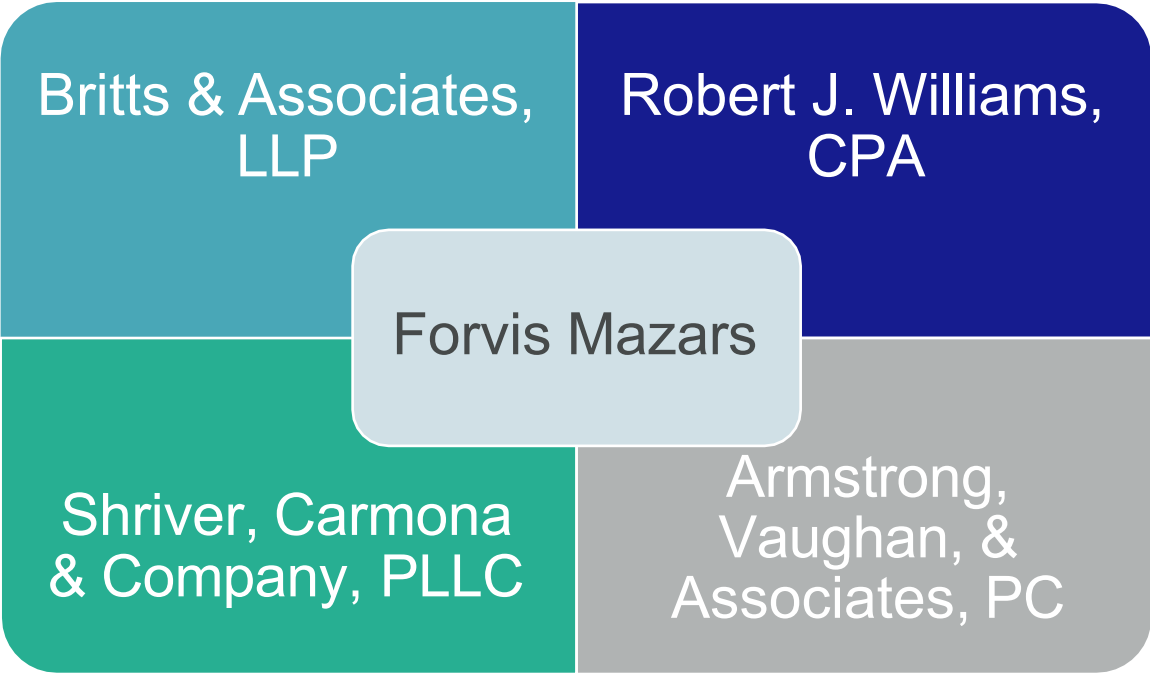
- Phyllis Viagran | District 3 Councilmember and Audit Committee Chair
- Ben Gorzell, Jr., CPA | Chief Financial Officer

Your audit leader for any questions or communications is:

- Amanda Eaves, CPA | Partner | Amanda.Eaves@us.forvismazars.com | (713) 499-4603

Teaming Partners

Forvis Mazars appreciates the involvement of our teaming partners in the audits:



Forvis Mazars' Responsibilities

- Audit of the City's Annual Comprehensive Financial Report
- Compliance with specified requirements applicable to its major federal and state award programs
- An audit 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
 - Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)
 - State of Texas Grants Management Standards (TxGMS)
- Obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud.

Audit Deliverables

**Annual
Comprehensive
Financial Report**

**Single Audit under
Uniform Guidance
(UG)**

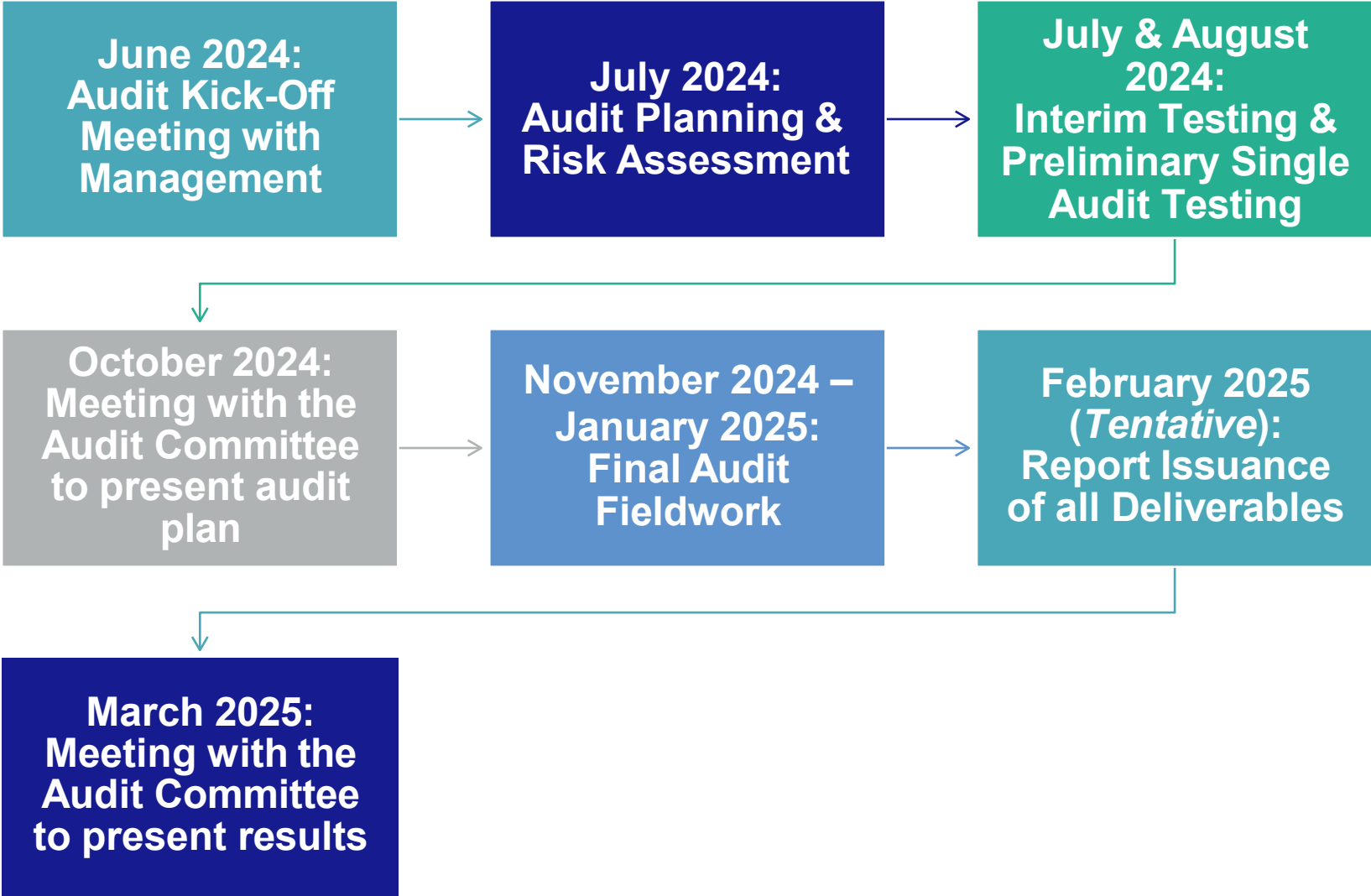
**Single Audit under
State of Texas
TxGMS**

**Passenger Facility
Charge Report**

**Texas Commission
on Environmental
Quality Agreed
Upon Procedures
Report**

**Municipal Aides
Corporation (LGC)
Financial
Statements**

Audit Timeline



Materiality

Materiality is the magnitude of an omission or misstatement that likely influences a reasonable person's judgment. It is ordinarily evaluated against relevant financial statement benchmark(s).

- We believe that total assets, total revenues, or total expenses/expenditures is the appropriate benchmark for the major funds of the City's financial statements dependent upon the type of fund.
- We believe total expenditures for each major program are the appropriate benchmarks for the City's federal and state Single Audit.

Financial statement items greater than materiality are within our audit scope. Other accounts or classes of transactions less than materiality may be in our scope if qualitative risk factors are present (for example, related party relationships, bond coverage, fraud risk or significant unusual transactions).

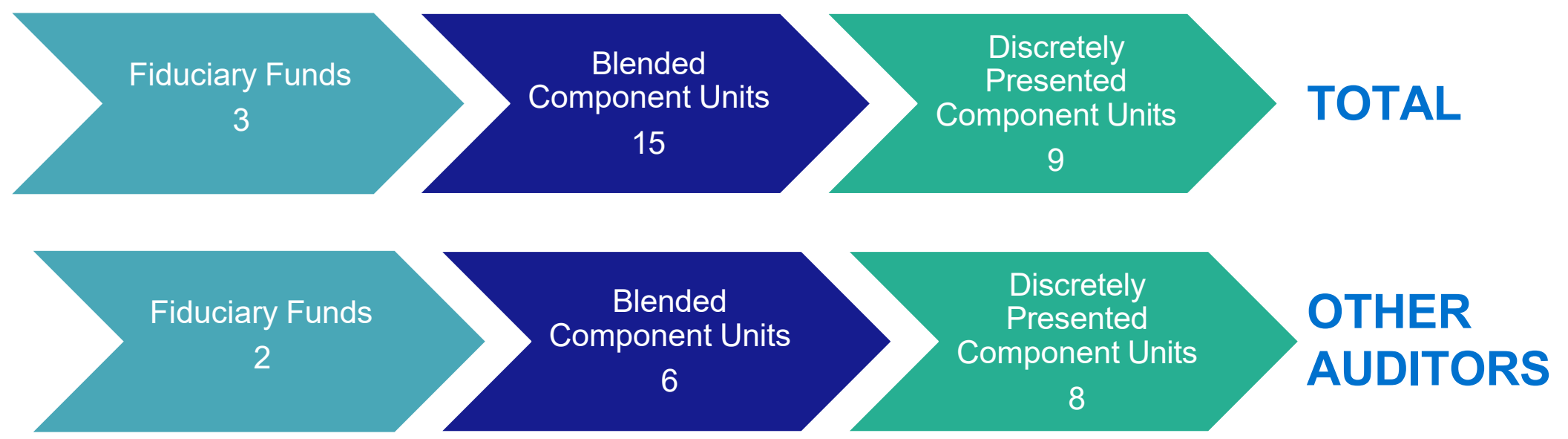
Accounting & Auditing Matters

The following matters are, in our judgment, relevant to the planned scope of the audit, as well as your responsibilities in overseeing the financial reporting process:

- The development and implementation of internal control over financial reporting and grant compliance.
- See upcoming *Accounting Pronouncements* slide for standards that will be implemented in the current and future fiscal years.
- Significant estimates, such as allowance for doubtful accounts, pension liabilities, other post employment benefit liabilities and depreciable lives.
- Testing major programs in accordance with UG or TxGMS requirements and reporting related to federal or state expenditures for the City, including the filing of the data collection form.

Component Units and Use of Other Auditors

There are certain component units that are audited by other auditors whose reports will be furnished to us. A detail list of the component units is noted in the Appendix.

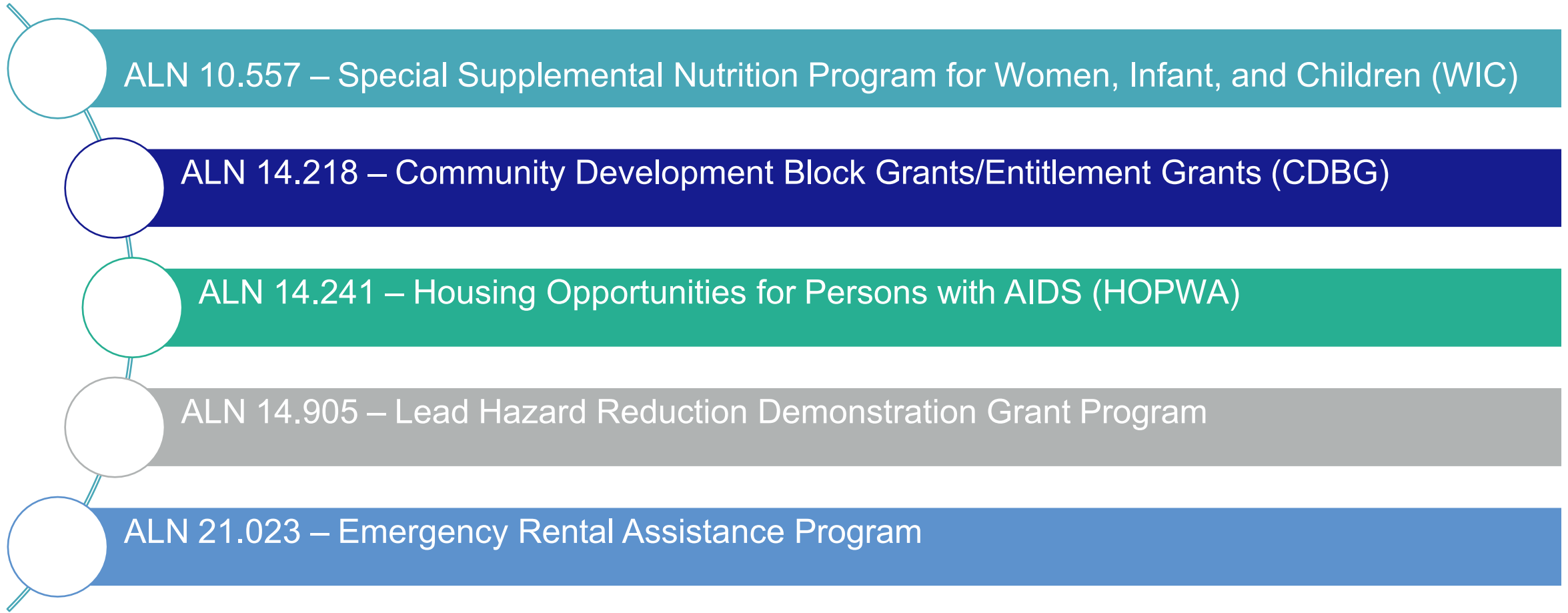


Significant Risk Areas

| Risk Area | Audit Approach |
|---|--|
| Revenue recognition and risk of fraud related to revenue accounts | Analytical review, confirmation with third-parties, test of details for accounts not confirmed, test of controls for certain accounts, cut-off procedures and review of subsequent collections |
| Management override of controls | Review of journal entries, review of estimates for management bias and review of significant/unusual transactions for business purpose |
| Program compliance | Test of controls and required compliance objectives as required by UG and TxGMS |

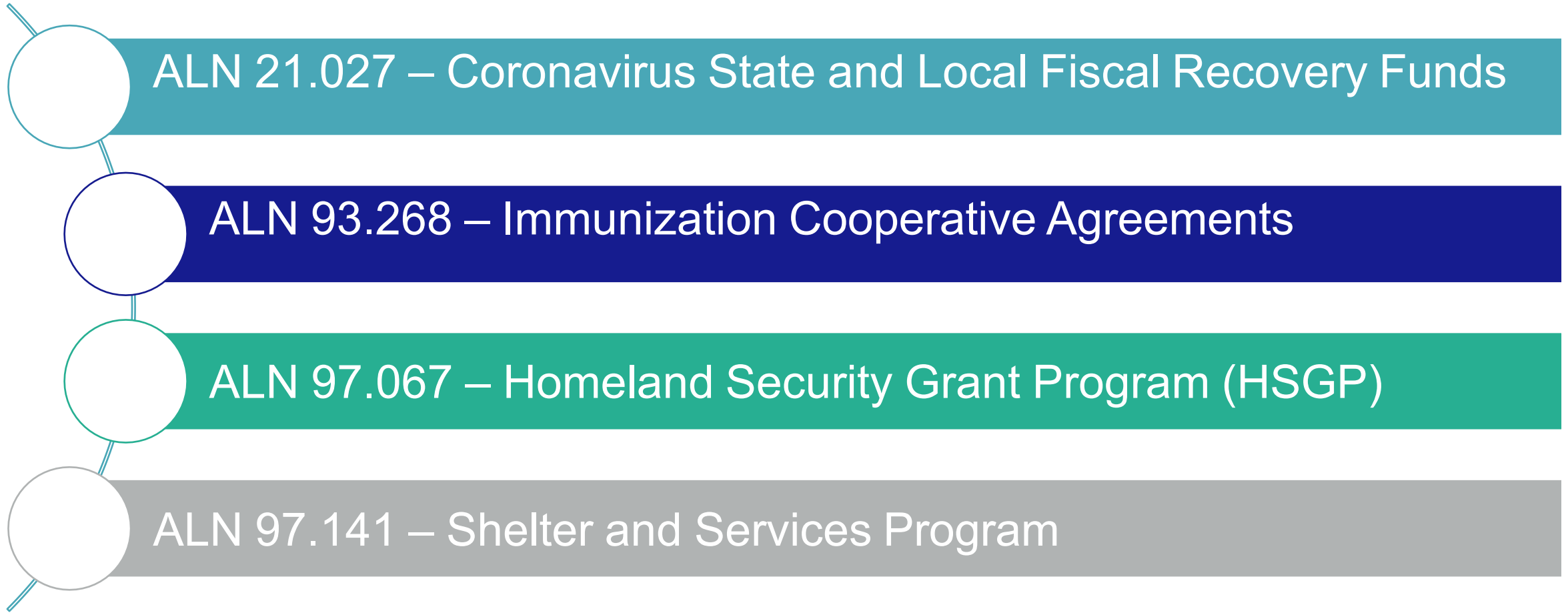
Federal Single Audit

Major Programs - Current



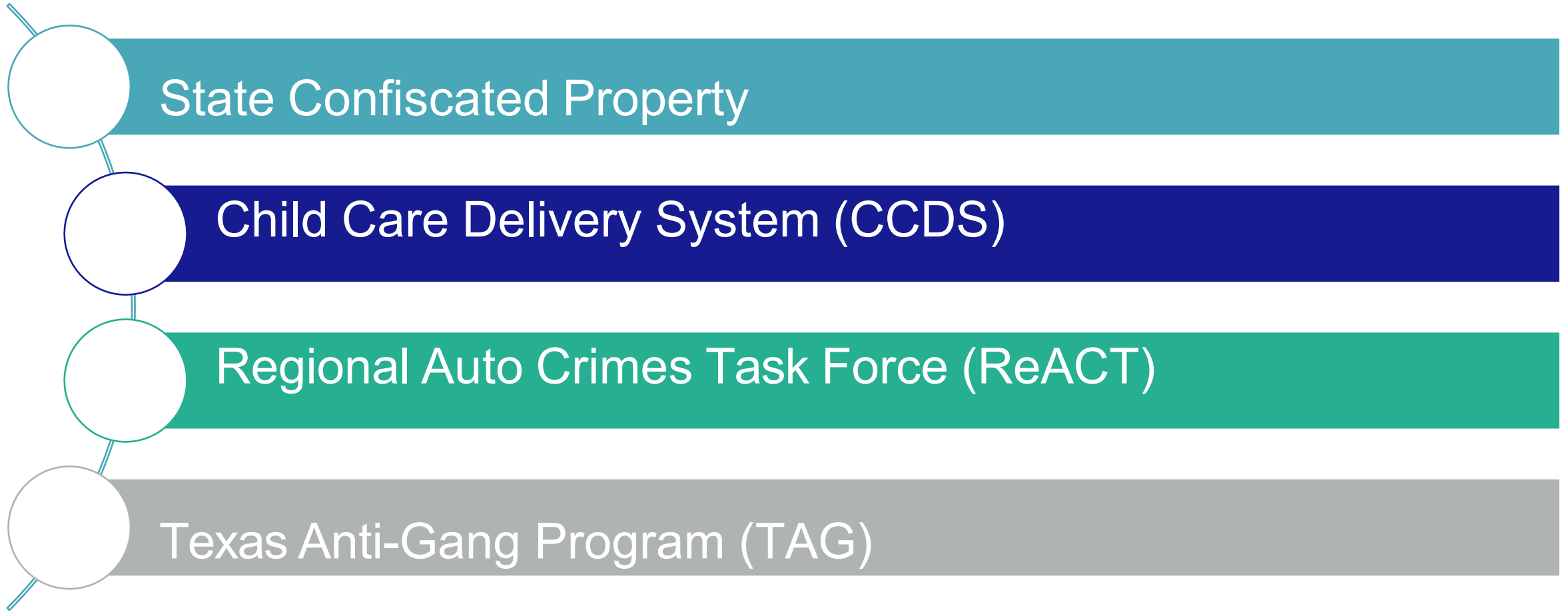
Federal Single Audit

Major Programs – Current, Continued



State Single Audit

Major Programs - Current



Consideration of Error or Fraud



Engagement
team
brainstorming



Inquiries of
management
and others



Reviewing
accounting
estimates for
bias



Evaluating
business
rationale for
significant
unusual
transactions



Incorporating
an element of
unpredictability
into the audit
each year

Views of Those Charged with Governance

Knowledge of any significant known or suspected fraud

Any specific risks of error or fraud that the City has identified

Audit committee oversight

Any noncompliance with requirements of laws or regulations

Known internal control deficiencies/overall view of internal control structure

Any concerns over relationships or transactions with related parties

Significant and unusual transactions entered into during the year

Known data breaches, ransomware attacks, or other cybersecurity events

Questions?



Thank you!

