

# Results of the 2021 External Audit

Presented by Melanie Keeton, CPA, Assistant Finance Director

April 27, 2022

# External Audit Requirements

Required under the provisions of the City Charter



Provides a true & fair view of the financial position of the City



Required by State Statute



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

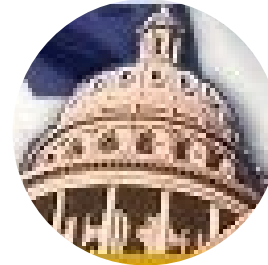
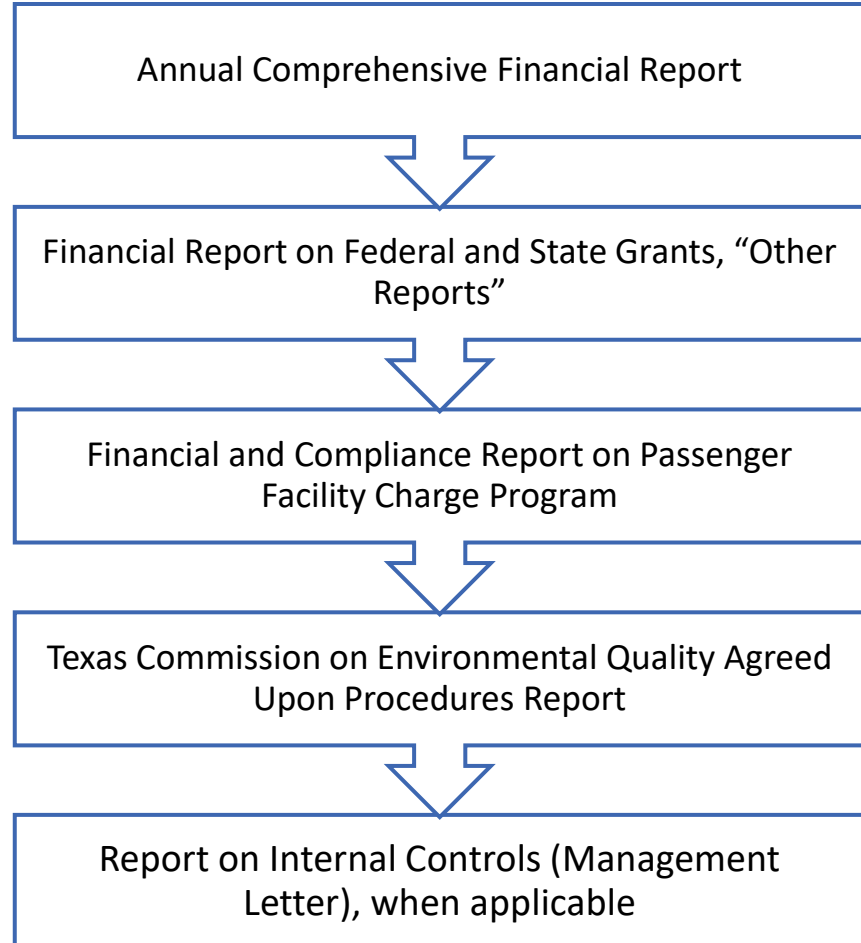


# External Audit Contract

- Grant Thornton LLP (GT) was awarded the contract on 6/15/17. April 2020 GT assigned all its rights, title, and interest in public sector clients to BKD, LLC.
  - The contract was a three-year term with two separate one-year extensions
  - Council approved the second and final one-year extension and assignment to BKD in June 2021.
  - Finance is currently reviewing solicited responses for a new contract.
- This presentation is to go over the results of the FY2021 external audit and discuss required communications between BKD, LLC and the Committee

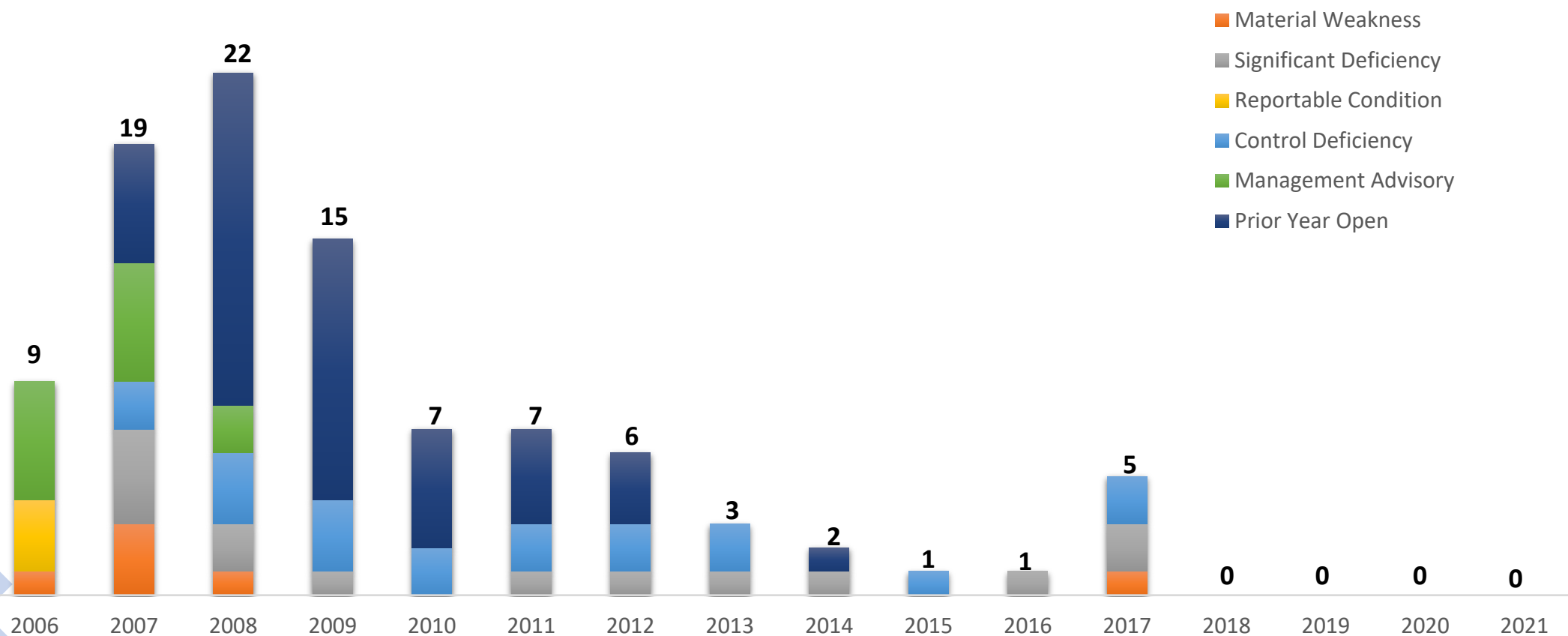


# Deliverables of the External Audit



These documents are available on the City's transparency website: <http://www.sanantonio.gov/Finance/bfi.aspx>

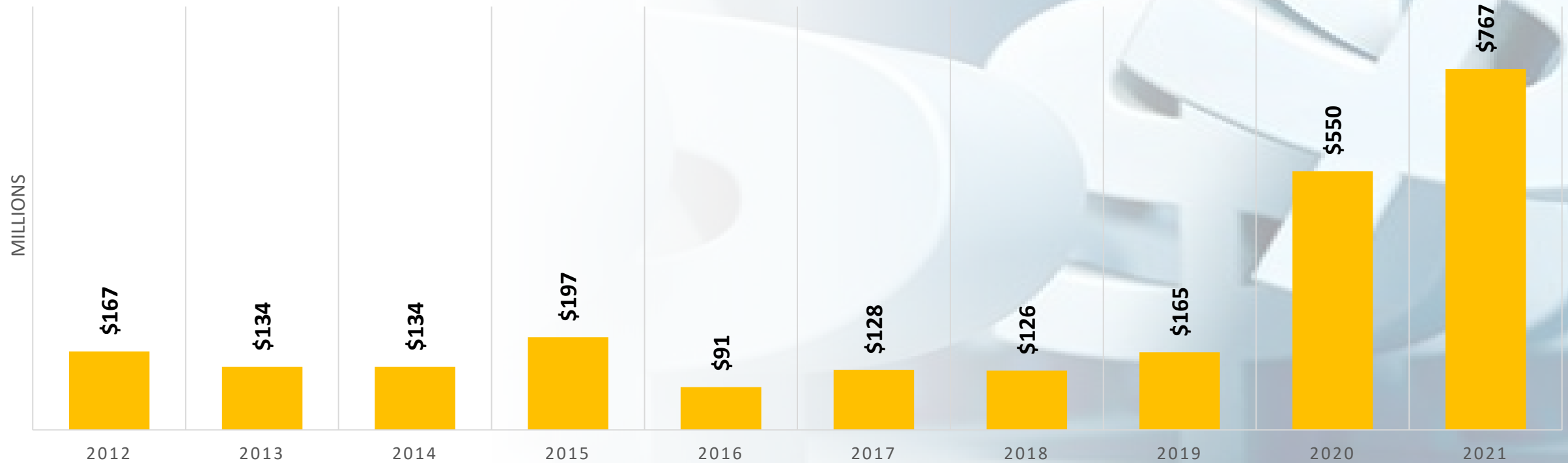
# Internal Control Findings



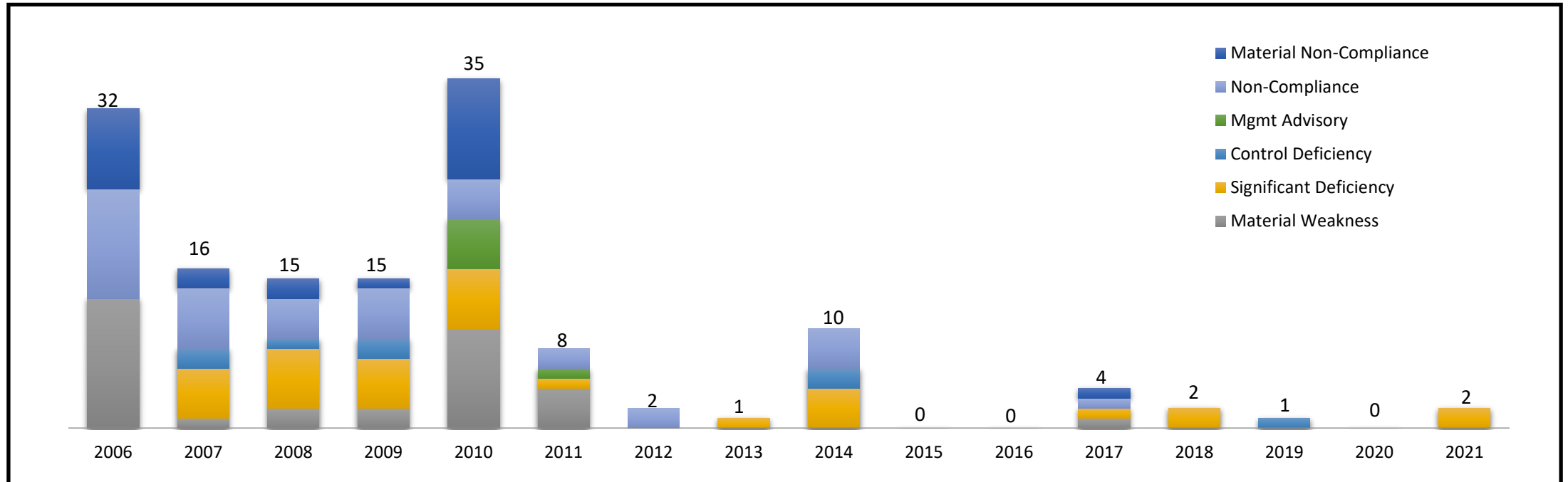
# Adjustment History

Fiscal Year	Reclassifications	Change in Net Position	Assets	Liabilities	Total Adjustments
2006	636,450,877	133,473,000	153,828,000	20,220,000	46
2007	196,929,107	51,556,450	9,023,045	33,485,547	11
2008	16,236,789	15,141,262	722,689	14,418,573	14
2009	21,294,238	313,751	1,010,073	696,322	9
2010	1,863,000	545,877	1,044,909	292,904	10
2011	14,091,013	2,768,994	9,026,866	4,929,028	10
2012		15,304,086	2,208,000	49,456,120	4
2013		38,563,000	6,876,000	28,400,000	7
2014		144,000	191,925,000	199,495,000	8
2015		115,000	3,485,000	3,600,000	3
2016		26,119,754	36,468,250	2,200,000	3
2017	19,946,930	383,203	4,418,548	3,449,224	7
2018		20,637,296		20,637,296	1
2019		-		-	0
2020		2,000,000		2,000,000	1
2021		10,637,201	10,637,201		1

# Federal Funding



# Single Audit Findings







# FY 2021 Wrap Up

- A significant portion of fiscal operations across the City have worked in a remote work environment for the past 2 years
  - Finance Department had to revise and create new policies to ensure controls were in place and operating effectively for remote work
- Controller's Division has been 100% remote since March 2020
  - The External Audit was conducted remotely for the 2<sup>nd</sup> year.
- Increase in new federal funding with complex and changing grant stipulations.
  - Resulted in additional programs required to be tested
- Even with these challenges, staff were able to ensure the monthly financials and annual report were accurate, complete and timely.
- Special thanks goes out to the Controller's Division for their hard work in completing this audit. Specifically:
  - Elizabeth Drouillard & Kimberly Nunez, Financial Reporting Managers;
  - Jay Blackwell, General Ledger Manager; as lead by
  - Victoria Roeder, Controller



**FY2021 Audit Results Presentation to  
the Audit and Accountability Committee  
of the City of San Antonio, Texas**

# Audit Scope

- › Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America and the Standards Applicable to Financial Audits Contained in *Government Auditing Standards* Issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), the State of Texas *Uniform Grants Management Standards* (UGMS), and the *Passenger Facility Charges Audit Guide* (PFC Audit Guide)
  - Designed to obtain reasonable, rather than absolute, assurance about the financial statements and about whether noncompliance with the types of compliance requirements described in the OMB Compliance Supplement, UGMS, or PFC Audit Guide that could have a direct and material effect on a major federal or state program occurred.
  - In performing auditing procedures, we establish scopes of audit tests in relation to the opinion unit being audited.
  - Our engagement does not include a detailed audit of every transaction.
  - Our engagement letter more specifically describes our responsibilities.

# Audit Scope, continued

- › These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated on the following slides
- › The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.
- › An audit of the financial statements and compliance does not relieve management or those charged with governance of their responsibilities.

# Audit Deliverables Completed

City of San Antonio  
Annual  
Comprehensive  
Financial Report

Single Audit under  
Uniform Guidance

Single Audit under  
State of Texas  
Uniform Grant  
Management  
Standards

Passenger Facility  
Charge Report

Texas Commission  
on Environmental  
Quality Agreed Upon  
Procedures Report

Everyone needs a trusted advisor.  
Who's yours?

**BKD**

# Results of the Audit

- Unmodified "clean" opinions
- No scope limitations
- No unresolved audit issues
- Open and effective communication with management

# Passed Audit Adjustment

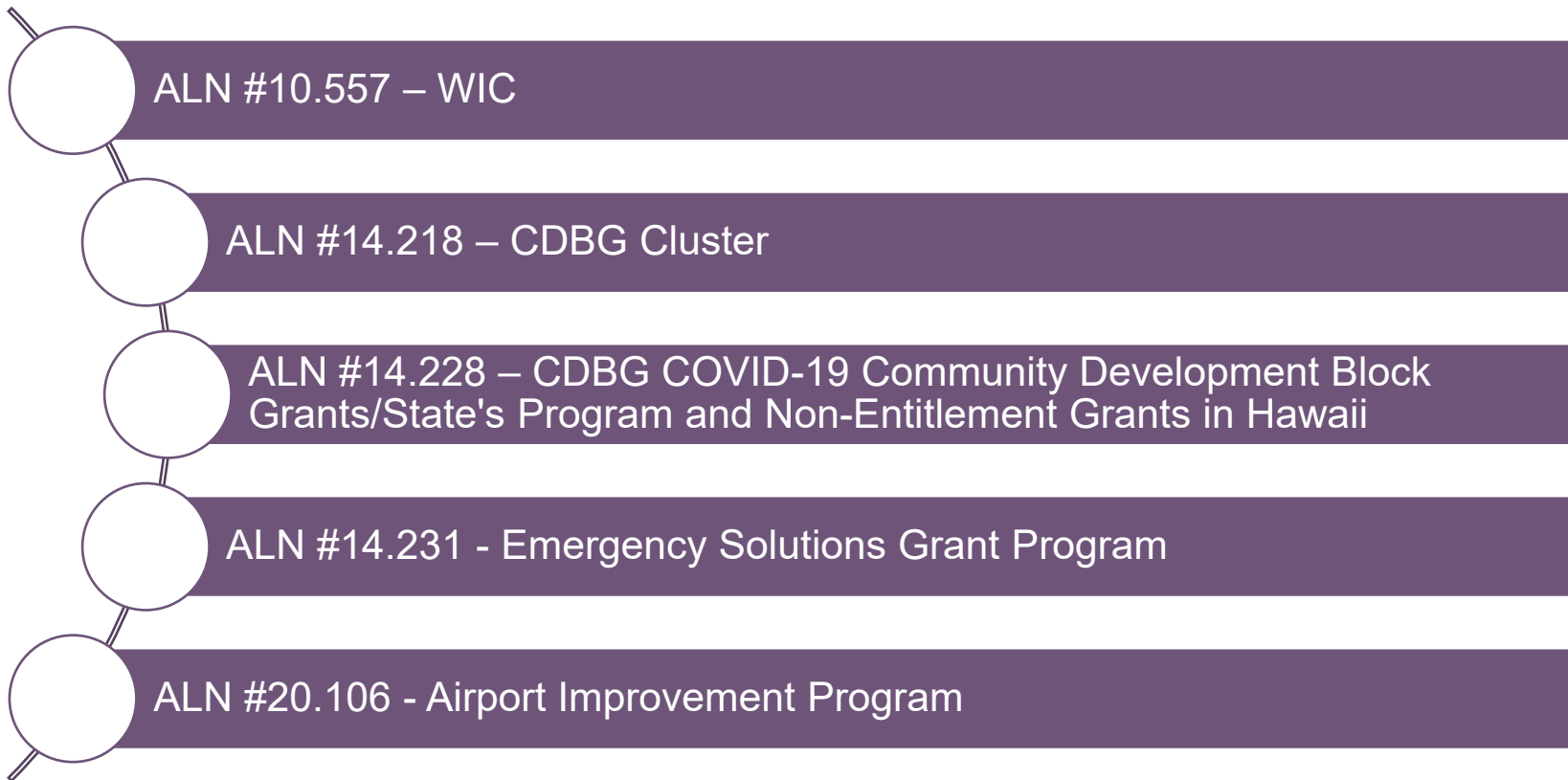
To record Witte Museum Leasehold Improvements based on value communicated by Witte Museum

Leasehold Improvements	10,637,201	
Capital Contributions		10,637,201

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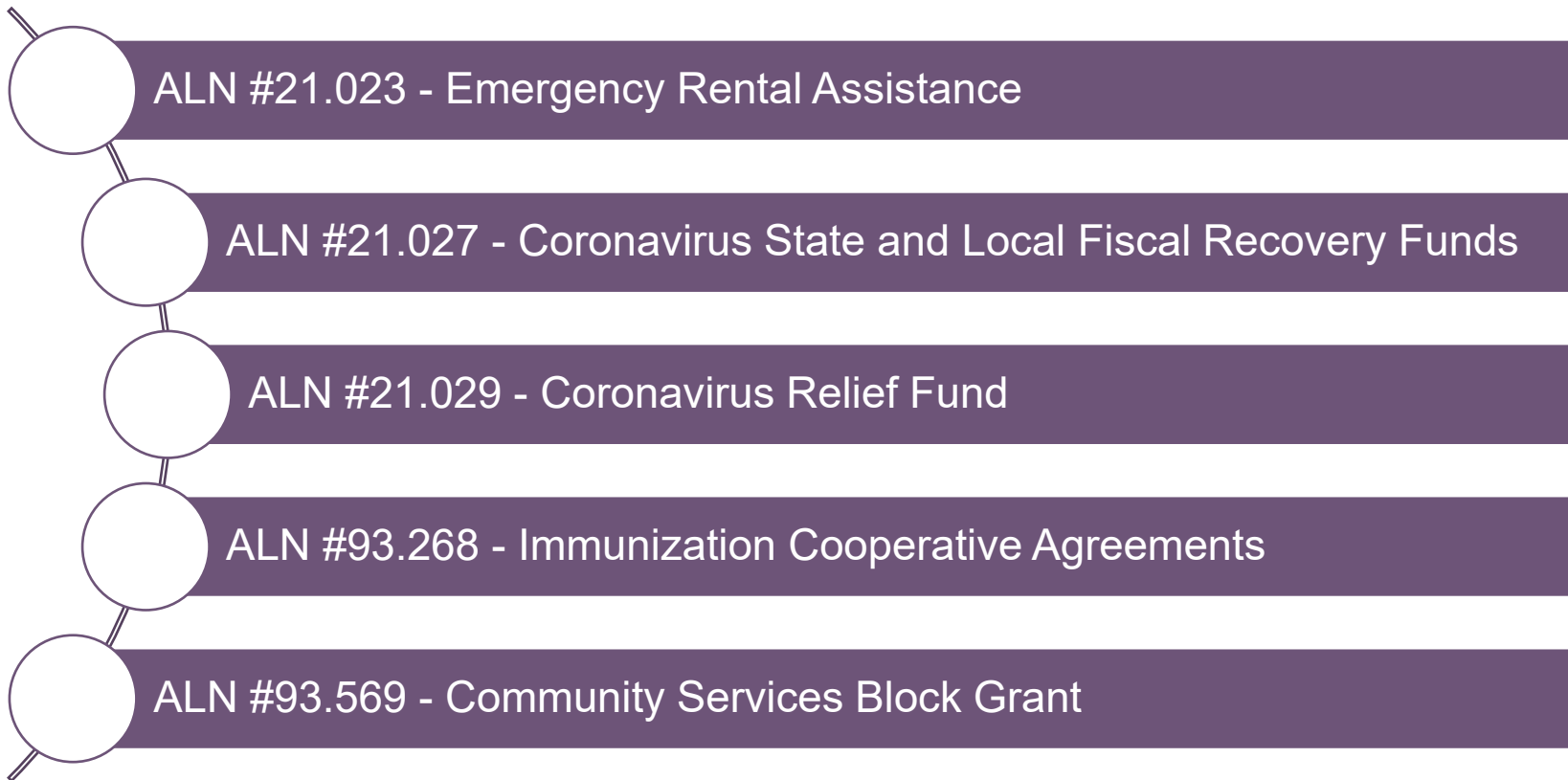
**BKD**

# Major Programs Tested for the Single Audit - Federal

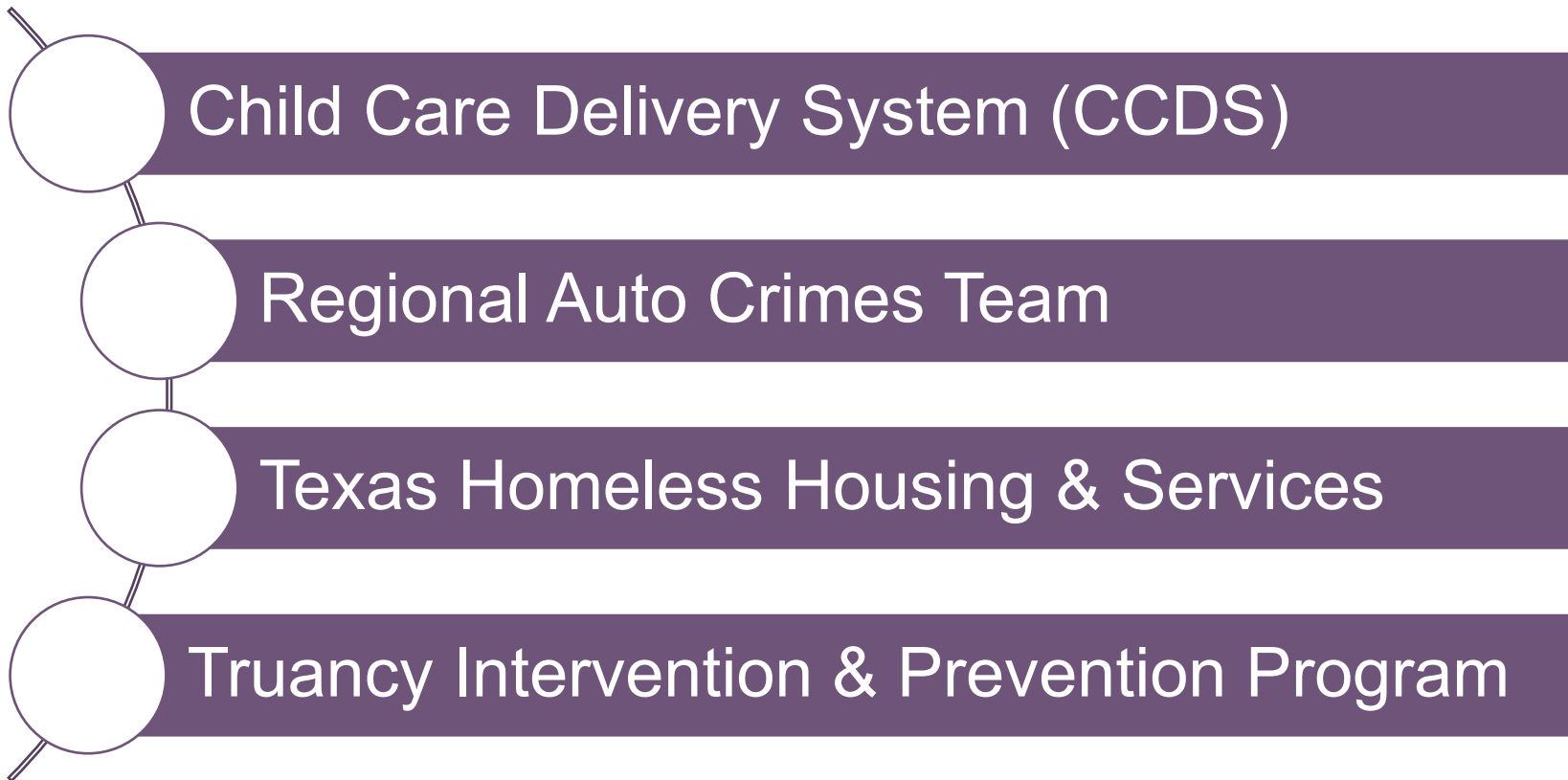




# Major Programs Tested for the Single Audit – Federal (continued)



# Major Programs Tested for the Single Audit - State



# Results of Federal and State Single Audit and PFC Compliance Audits

## **Federal Programs**

- › Report on internal control over financial reporting
- › Unmodified opinion on compliance
- › 2 findings noted

## **State Programs**

- › Report on internal control over financial reporting
- › Unmodified opinion on compliance
- › No findings

## **PFC Program**

- › Report on internal control over financial reporting
- › Unmodified opinion on compliance
- › No findings

# Single Audit Findings

## › Emergency Solutions Grant Program

- Special Tests and Provisions – Obligation, Expenditure and Payment
- Type of Finding: Noncompliance and Significant Deficiency
  - For eight (8) of the twenty-one (21) payments to subrecipients judgmentally selected for testing, the City did not pay the subrecipient within thirty (30) days of receiving the subrecipient's complete payment request.

## › Community Development Block Grant

- Reporting
- Type of Finding: Significant Deficiency
  - Quarterly performance reports were prepared and reviewed by the same person.

# Status of Prior Year Findings

Source	Program	Year	Finding	Type of Finding	Status
State	Confiscated Property	2019	Cash Management - the SAPD did not deposit the funds within the required 15 days.	Control deficiency and Noncompliance	Corrected in February 2021

# Accounting & Auditing Matters – Pronouncements Effective for FY2021

GASB Statement No. 84, *Fiduciary Activities*

GASB Statement No. 90, *Majority Equity Interests* – an amendment of GASB Statements No. 14 and 61

GASB Statement No. 92, *Omnibus 2020* (Certain paragraphs)

GASB Statement No. 93, *Replacement of Interbank Offered Rates* – except paragraphs 13 & 14

GASB Statement No. 98, *The Annual Comprehensive Financial Report*

# Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies	Described in Note 1 of the audited financial statements
Alternative Accounting Treatments	No matters are reportable
Management Judgements and Accounting Estimates	<ul style="list-style-type: none"><li>- Fair value of investments</li><li>- Allowance for doubtful accounts</li><li>- Arbitrage rebate liability</li><li>- Self-insurance and IBNR liability</li><li>- Actuarial assumptions used to estimate the liability, expense and related deferred inflows and outflows of resources for pension and OPEB plans</li></ul>
Financial Statement Disclosures	<ul style="list-style-type: none"><li>- Note 11: Pension and retirement plans</li><li>- Note 12: Other postemployment retirement benefits</li><li>- Note 14: Commitments and contingencies</li><li>- Note 16: Risk financing</li><li>- Note 22: Subsequent events</li></ul>

# Required Communications

Auditor's judgments about the quality of the City's accounting principles	No matters are reportable
Other information in documents containing audited financial statements	No matters are reportable
Disagreements with Management	No matters are reportable
Consultation with other accountants	No matters are reportable
Significant matters discussed with management regarding application of accounting principles or auditing standards	Omission of certain component units
Difficulties encountered in performing the audit	No matters are reportable
Other material communications	Management representation letter



# Appendix

Everyone needs a trusted advisor.  
Who's yours?

**BKD**

# Accounting & Auditing Matters – Pronouncements Effective for FY2022 and FY2023

GASB Statement No. 87, *Leases* (FY2022)

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (FY2022)

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for IRC Section 457 Deferred Compensation Plans (paragraphs 6-9)* (FY2022)

GASB Statement No. 91, *Conduit Debt Obligations* (FY2023)

GASB Statement No. 93, *Replacement of Interbank Offered Rates* (only Paragraphs 13 & 14 - FY2022)

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (FY2023)

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (FY2023)

# Texas Grant Management Standards

- The Texas Grant Management Standards (TxGMS) supersedes the State of Texas Uniform Grant Management Standards (UGMS).
- **TxGMS highlights:**
  - TxGMS is better aligned with the federal *Uniform Guidance* in 2 CFR, Part 200.
  - **TxGMS will apply to grants and contracts that begin on or after Jan. 1, 2022.**
  - To ensure a seamless adoption of changes to federal law and regulation, TxGMS is automatically amended to include all modifications to the *Uniform Guidance* and any associated Federal agency implementing regulations that occur subsequent to the TxGMS publication date.

# Questions?

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# Thank You!

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[bkd.com](http://bkd.com) | [@BKDGov](https://twitter.com/BKDGov)

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CPAs & Advisors