

External Audit Required Communications



Presented by: Melanie S. Keeton, CPA

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 & Accountability Committee

Review tends to be more programmatic and specific in nature

Required under the provisions of the City Charter

Reports to the Audit & Accountability Committee

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

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

Contract Fees

- This is the 2nd year of the external audit contract with FORVIS
- 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



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FY2023 Planning Presentation to the Audit and Accountability Committee of the City of San Antonio, Texas

Thank You for Selecting FORVIS



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 & Accountability Committee Chair
- Ben Gorzell, Jr., CPA | Chief Financial Officer

Your audit leader for any questions or communications is:

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

FORVIS' 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
to be
Completed**

**City of San
Antonio 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).

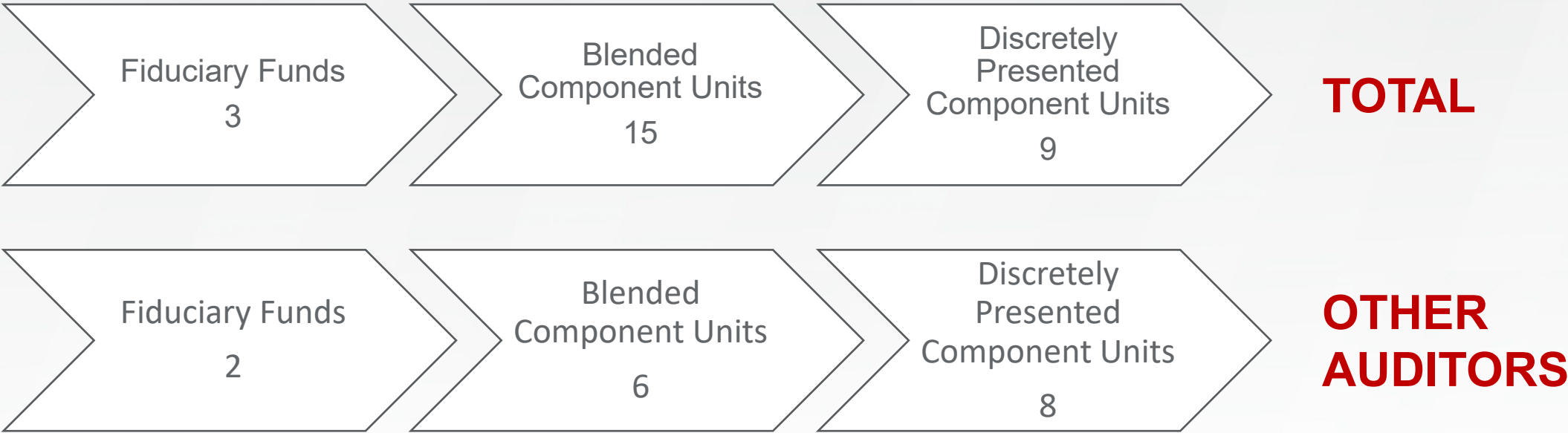
Accounting & Auditing Matters

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

The following areas of significant risks of material misstatement due to error of fraud and material noncompliance have been preliminarily identified and these areas will be addressed as described below. We welcome any input you may have regarding the risk areas identified, any other significant risk areas in your opinion or other matters you believe warrant particular attention.

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

Current Major Programs for Single Audit Testing - Federal

- 
- ALN #21.027 – Coronavirus State and Local Fiscal Recovery Funds
 - ALN #21.023 – Emergency Rental Assistance Program
 - ALN #14.239 – Home Investment Partnerships Program
 - ALN #20.205 – Highway Planning and Construction (Federal-Aid Highway Program)
 - ALN #97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Current Major Program for Single Audit Testing - State



Child Care Delivery System (CCDS)

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

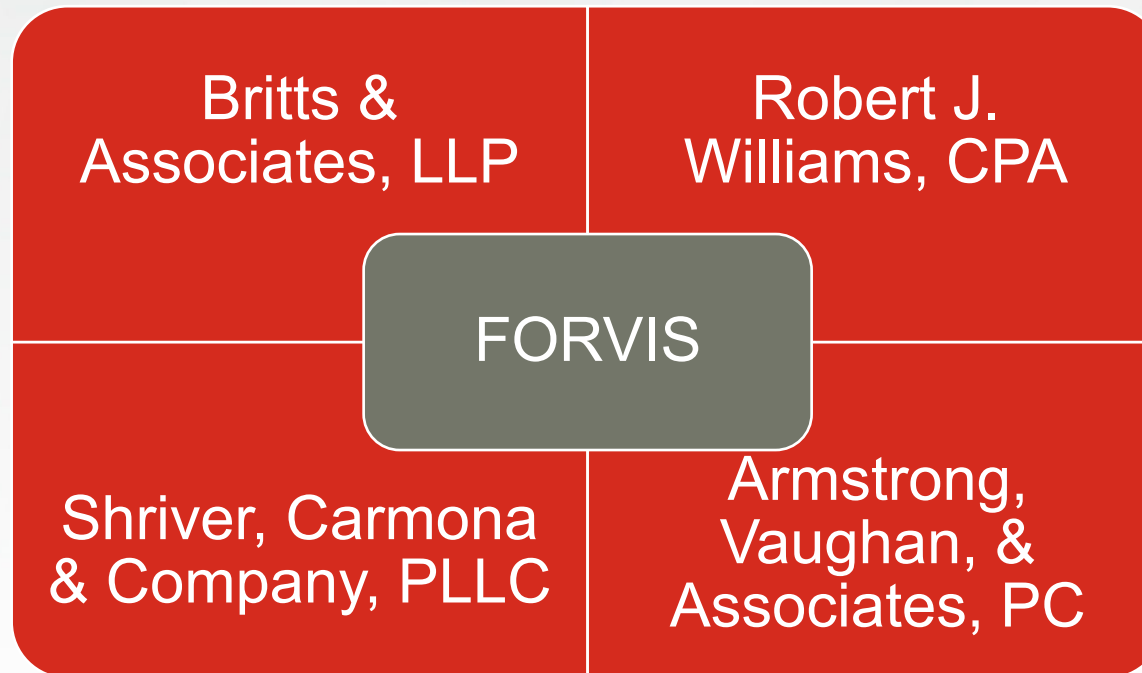
Appendix

FORV/S

FORVIS is a trademark of FORVIS, LLP, registration of which is pending with the U.S. Patent and Trademark Office

Teaming Partners

- FORVIS appreciates the involvement of our teaming partners in the audits:



Component Units

Discretely Presented Component Units:

- Brooks
- CPS Energy
- Port Authority of San Antonio d/b/a Port San Antonio
- SA Energy Acquisition Public Facility Corporation
- SA Bexar County Soccer Public Facility Corporation
- San Antonio Housing Trust Finance Corporation
- San Antonio Housing Trust Foundation, Inc.
- San Antonio Housing Trust Public Facility Corporation
- San Antonio Water System

Fiduciary Funds:

- San Antonio Fire and Police Pension Fund
- Retiree Health & Wellness San Antonio Fire and Police Fund (Health Fund)
- City of San Antonio Retiree Health Care Fund

Blended Component Units:

- City of San Antonio, Texas Municipal Council Aides Corporation (LGC)
- Convention Center Hotel Finance Corporation
- Hemisfair Park Area Redevelopment Corporation
- Municipal Golf Association – San Antonio d/b/a Alamo City Golf Trail
- Prosper West San Antonio (formerly Westside Development Corporation)
- San Antonio Early Childhood Education Municipal Development Corporation
- San Antonio Economic Development Corporation
- San Antonio Education Facilities Corporation
- San Antonio Health Facilities Development Corporation
- San Antonio Industrial Development Authority
- San Antonio Texas Municipal Facilities Corporation
- Starbright Industrial Development Corporation
- Texas Public Facilities Corporation
- Urban Renewal Agency of the City of San Antonio d/b/a Office of Urban Redevelopment of San Antonio (OUR SA)
- Visit San Antonio

Accounting & Auditing Matters – Pronouncements Effective for FY2023

GASB Statement No. 91, *Conduit Debt Obligations*

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

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

GASB Statement No. 99, *Omnibus 2022 (FY2023 & FY2024)*

Implementation Guide 2021-1

Implementation Guide 2023-1

Accounting & Auditing Matters – Pronouncements Effective for FY2024-2025

GASB Statement No. 99, Omnibus 2022 (FY2023 & FY2024)

GASB Statement No. 100, Accounting Changes and Error Corrections—
an amendment of GASB Statement No. 62 (FY2024)

GASB Statement No. 101, Compensated Absences (FY2025)

Questions?

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Thank You!

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The information set forth in this presentation contains the analysis and conclusions of the author(s) based upon his/her/their research and analysis of industry information and legal authorities. Such analysis and conclusions should not be deemed opinions or conclusions by FORVIS or the author(s) as to any individual situation as situations are fact specific. The reader should perform its own analysis and form its own conclusions regarding any specific situation. Further, the author(s) conclusions may be revised without notice with or without changes in industry information and legal authorities. FORVIS has been registered in the U.S. Patent and Trademark Office, which registration is pending.

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Assurance / Tax / Advisory