

CITY OF SAN ANTONIO

# **External Audit Required Communications**

**Presented by:**

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# External Audit vs Internal Audit

## External Audit

- 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 Audit

- 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

# Contract Fees

- This is the 1st 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

# 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 (cont.)

- 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



# **FY2022 Planning Presentation to the Audit and Accountability Committee of the City of San Antonio, Texas**

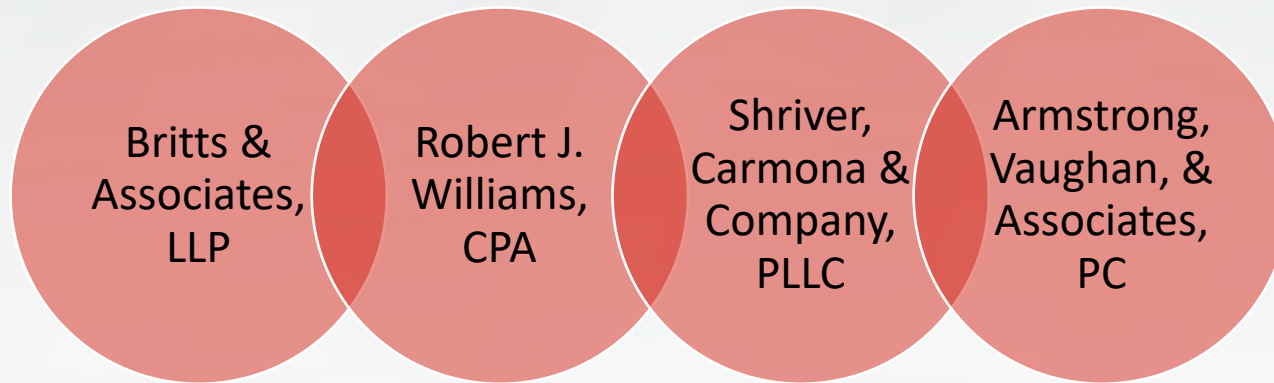
December 6, 2022

# 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 Single Audit Circular and Texas Grants Management Standards (TxGMS)/Uniform Grant Management Standards (UGMS)
- Obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud.

# Teaming Partners

- FORVIS will utilize four teaming partners to complete the audit:



# **Audit Deliverables to be Completed**

City of San Antonio  
Annual  
Comprehensive  
Financial Report

Single Audit  
under Uniform  
Guidance

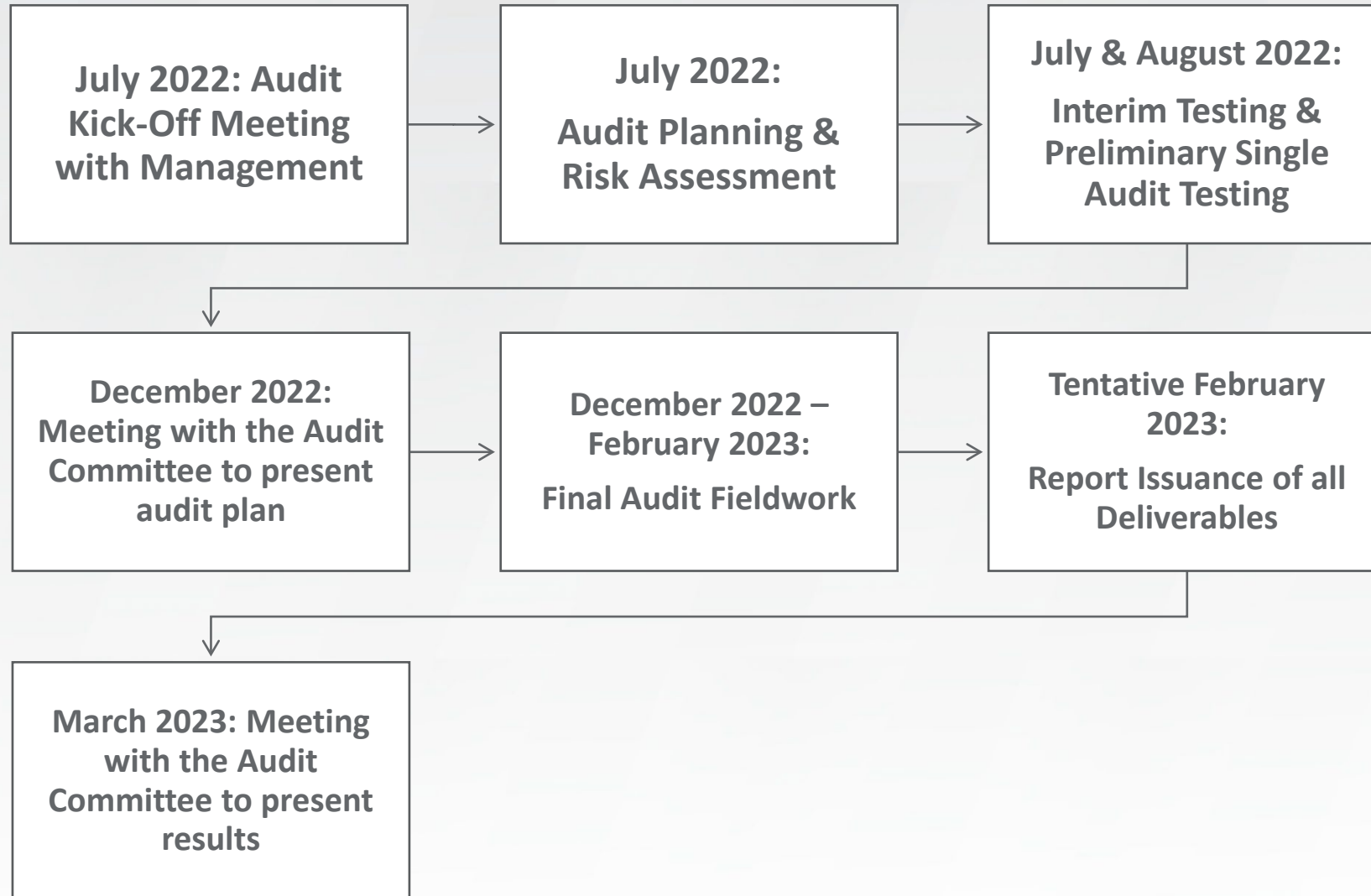
Single Audit under  
State of Texas  
TxGMS/UGMS

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.

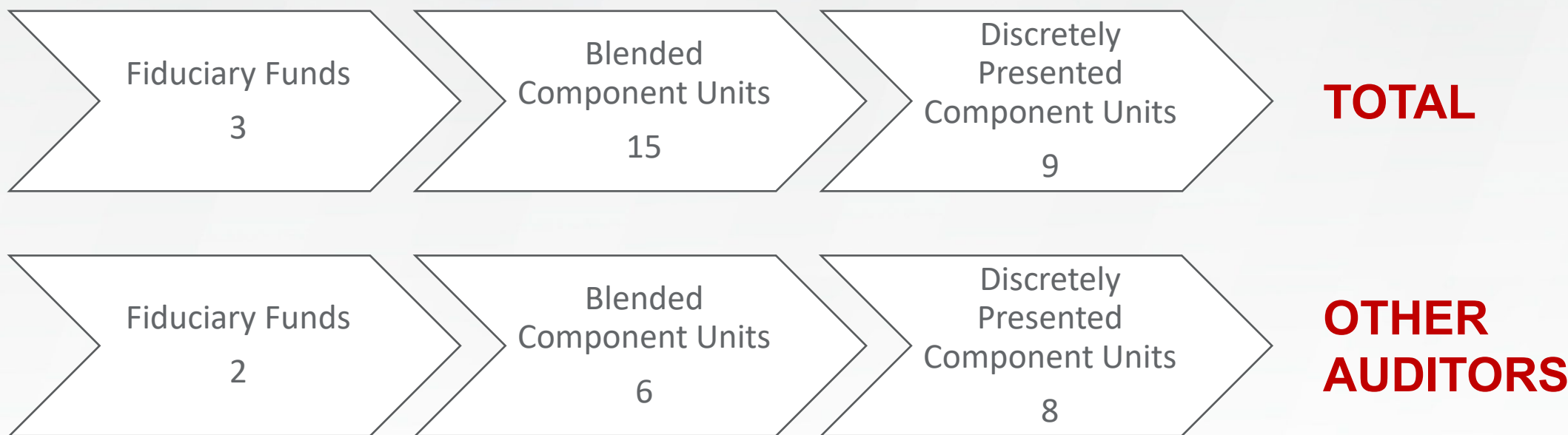
Financial statement items greater than materiality are within our audit scope. Other accounts or classes of transactions less than materiality may be in our scope if qualitative risk factors are present (for example, related party relationships, bond coverage, fraud risk or significant unusual transactions).

# 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* slides [as noted in the Appendix] 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 Uniform Guidance or State of Texas TxGMS/UGMS 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 above, any other significant risk areas in your opinion or other matters you believe warrant particular attention.

Risk Area	Audit Approach
Revenue recognition and the risk of fraud related to revenue accounts	Analytically review revenues, confirmation with third-parties, test of details for accounts not confirmed, test of controls for certain accounts, perform cut-off procedures and review 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 controls and required compliance objectives as required by the Uniform Guidance and TxGMS/UGMS

# Current Major Programs for Single Audit Testing - Federal



# Current Major Programs for Single Audit Testing - State

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- Child Care Delivery System (CCDS)
  - State Confiscated Property
  - Immunization Grants
  - TB Prevention and Control

# 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

## Discussion Points

- 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?

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**FORV/S**

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

# Thank you!

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# FORV/S

Assurance / Tax / Advisory

# Appendix

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**FORV/S**

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

# Accounting & Auditing Matters – Pronouncements Effective for FY2022

GASB Statement No.87, *Leases*

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

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for IRC Section 457 Deferred Compensation Plans*

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

GASB Statement No. 99, *Omnibus 2022* (only Paragraphs 26-32)

# Accounting & Auditing Matters – Pronouncements Effective for FY2023-2025

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

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)

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)

# 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 PFC
- 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
- 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 d/b/a Pre-K 4 SA
- 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

# 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.

