



Fiscal Year 2020 External Audit

Margarita Muñoz
Comptroller





Strategic Plan Alignment

Goal 6. Set the Standard for Sound Governance and Fiscal Management

- *6.6 Ensure continued financial stability and accountability through sound financial management, budgeting and reporting*



CITY OF EL PASO, TEXAS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED
AUGUST 31, 2020

Single Audit



CAFR and Single Audit Process

- Continuous improvement in financial reporting
- Regular assessment of internal controls
- Up to date with GASB pronouncements
- Continuous training on accounting and grants compliance



The Results: No Audit Findings





GASB Pronouncements Implemented in FY20

- GASB 84 – Fiduciary Activities
- GASB 89 – Accounting for Interest Cost Incurred Before the End of a Construction Period
- Technical Bulletin No. 2020-1 Accounting and Financial Reporting Issues Related to the CARES Act

The logo for GASB (Governmental Accounting Standards Board) features the letters 'GASB' in a bold, blue, sans-serif font. The letter 'A' is stylized with three diagonal lines crossing through it from the top-left to the bottom-right.

**EFFECTIVE DATES
POSTPONED?**

Future GASB Implementations that are applicable to the City

- GASB 87 – Leases FY22
- GASB 96 – Subscription Based Information Technology Arrangements FY23

Special Thanks To:

- City Manager and CFO
- Comptroller's Office Staff
- All City departments



ANY
QUESTIONS
?



Mission

Deliver exceptional services to support a high quality of life and place for our community



Vision

Develop a vibrant regional economy, safe and beautiful neighborhoods and exceptional recreational, cultural and educational opportunities powered by a high performing government



Values

Integrity, Respect, Excellence, Accountability, People



Misión

Brindar servicios excepcionales para respaldar una vida y un lugar de alta calidad para nuestra comunidad



Visión

Desarrollar una economía regional vibrante, vecindarios seguros y hermosos y oportunidades recreativas, culturales y educativas excepcionales impulsadas por un gobierno de alto desempeño



Valores

Integridad, Respeto, Excelencia, Responsabilidad, Personas

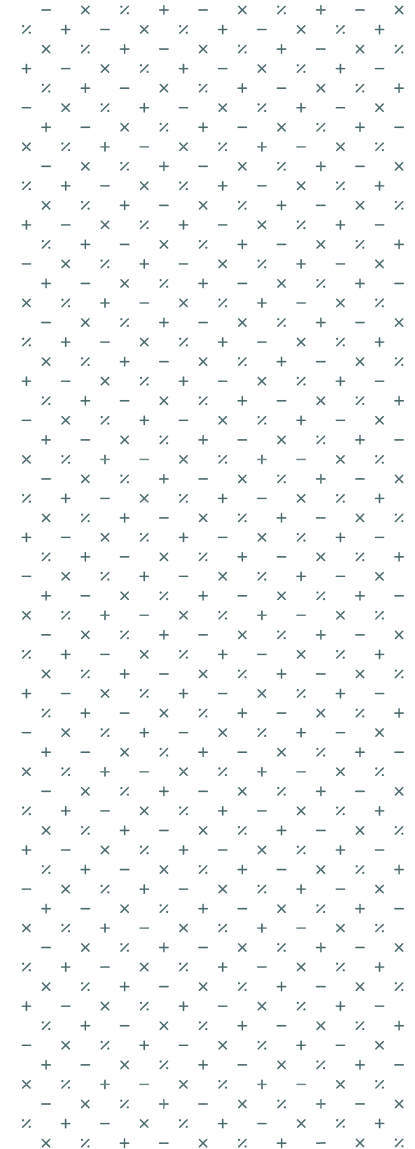


City of El Paso, Texas

Report to Financial Oversight & Audit Committee

2020 Audit Results

March 9, 2021





Agenda

- Reports Issued
- Areas of Audit Emphasis
- Required Communications
- Upcoming Accounting Pronouncement



Reports Issued

We issued the following reports for the year ended August 31, 2020

- **Comprehensive Annual Financial Report (CAFR)**
 - Financial statements are presented fairly in accordance with accounting principles generally accepted in the United States of America (Unmodified opinion)
 - Audit and report on internal control and compliance over financial reporting in accordance with Government Auditing Standards
- **Single Audit Report**
 - Audit and report on compliance related to major federal and state award programs
 - 2 federal programs and 4 state programs tested
 - No findings of noncompliance noted





Other Reports Issued

We issued the following agreed-upon procedure and compliance reports for the year ended August 31, 2020

- Passenger Facility Charge Program (El Paso International Airport)
- Chapter 59 Asset Forfeiture Report (El Paso Police Department)
- TCEQ Local Government Financial Test
- National Transit Database Federal Fund Allocation Data (Sun Metro)

No findings of noncompliance or internal control matters noted



Areas of Audit Emphasis

- **Internal control environment**
 - Capital assets/project management, cash receipts/receivables, cash disbursements/payables, payroll, bond and investment transactions, pensions, and administration of federal awards
- **Management estimates**
 - Environmental remediation liability, legal contingencies/ recoveries, depreciation, allowance for doubtful accounts, grant receivables, actuarial valuations for pensions and health plans
- **Enterprise funds**
 - Including airport, transit, international bridges and environmental services
- **Fiduciary activities and component units**
 - Evaluation of related entities for implementation of GASB No. 84 *Fiduciary Activities*
- **Capital assets**
 - Consideration of capitalization policies and potential impairment, as well as testing of additions, retirements, depreciation
 - New capital asset system implemented during FY2020



Areas of Audit Emphasis (continued)

- **Bond activity**
 - New issuances, debt repayments, discounts and premiums, compliance with covenants, and procedures over information presented in the net revenues schedule
- **Information systems**
 - General computer internal controls
- **Two major federal programs identified and tested this year**
 - Federal Transit Cluster Grants - \$43.6M
 - COVID-19 Coronavirus Relief Fund - \$19.3M
- **Four major state programs identified and tested this year**
 - Tuberculosis Prevention and Control Grant - \$460K
 - TCEQ Local Air Program Contract - \$290K
 - Texas Commission on the Arts Grant - \$120K
 - Epidemiology Capacity Expansion Grant - \$143K



Required Communications

- **Auditor and Management responsibilities for financial statements under Generally Accepted Auditing Standards**
 - Auditor forms and expresses an opinion about whether the financial statements are fairly presented and plans and performs the audits in accordance with generally accepted auditing standards and *Government Auditing Standards*
 - Our audits do not relieve City management of its responsibilities
- **Audits were performed according to the planned scope**
 - Audits for FY2020 were performed entirely remotely due to COVID-19 pandemic
- **Significant accounting policies are summarized in Note 1 to the financial statements**
- **Financial statement disclosures were consistent, clear and understandable**
- **Representations were requested and received from management**
- **No disagreements with management or difficulties encountered**



Required Communications (continued)

- **No consultation with other independent auditors of which we are aware**
- **No material weaknesses noted**
- **No illegal acts noted**
- **Ability to continue as a going concern (no disclosure necessary)**
- **Significant new accounting standard: GASB No. 84 *Fiduciary Activities***
 - Improved guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.
- **Consideration of fraud in a financial statement audit**
 - Procedures performed included journal entry testing, vendor analysis, and interviews of City Council members, management, and personnel
- **Moss Adams is independent with respect to the City of El Paso**



Upcoming Accounting Pronouncement

GASB No. 87 *Leases (effective in 2022)*: Addresses recognition of certain lease assets and liabilities for leases that previously were classified as operating leases.

- We will work with management to plan for the implementation of this standard, which will require careful consideration of current leases and lease-like arrangements for applicability and measurement.
- City is working to early implement the standard.

GASB No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*: Issued in May 2020. Provided temporary relief to governments in light of the COVID-19 pandemic by postponing the effective dates of virtually all upcoming GASB standards by one year. The effective date of GASB No. 87 was postponed by 18 months.





THANK YOU

- Weekly status meetings were held between Moss Adams and City management throughout the audit process
- The audits progressed on time and in an orderly fashion
- Each report was finalized and issued in advance of the target dates established during planning
- All City personnel across all departments were courteous, responsive and fulfilled our requests in a timely manner
- ‘Tone at the Top’ and attitude from management was one of helpfulness, and openness in response to audit requests and discussion points

