

**CITY OF EL PASO, TEXAS**  
**AGENDA ITEM DEPARTMENT HEAD'S SUMMARY FORM**

**DEPARTMENT:** Office of the Comptroller

**AGENDA DATE:** March 30, 2021

**CONTACT PERSON/PHONE:** Margarita Munoz, Comptroller, 212-1174

**DISTRICT (S) AFFECTED:** All

**STRATEGIC GOAL NO. 6:** Set the Standard for Sound Governance and Fiscal Management

**SUBJECT:**

Presentation and discussion on a report by Moss Adams, LLP on the financial and grants audits of the City of El Paso ("City"). The report to the City Council will include the audit opinion regarding the City financial statements and a brief overview of the financial results for the City for the fiscal year ended August 31, 2020.

**BACKGROUND / DISCUSSION:**

Moss Adams LLP, is an independent accounting firm of Certified Public Accountants contracted by City Council to audit the financial statements and grants of the City. Included in the services provided by Moss Adams, LLP is an opinion on the financial statements and supplementary information included in the Comprehensive Annual Financial Report (CAFR), and Single Audit on state and federal grants (SEFA), and four Agreed Upon Procedures Reports. The CAFR and SEFA reports are prepared by the Office of the Comptroller.

**PRIOR COUNCIL ACTION:**

Existing Contract 2019-1034R Professional Auditing Services awarded August 13, 2019.

**AMOUNT AND SOURCE OF FUNDING:**

N/A

**BOARD / COMMISSION ACTION:**

N/A

\*\*\*\*\*REQUIRED AUTHORIZATION\*\*\*\*\*

**DEPARTMENT HEAD:** Margarita Munoz



03/09/2021



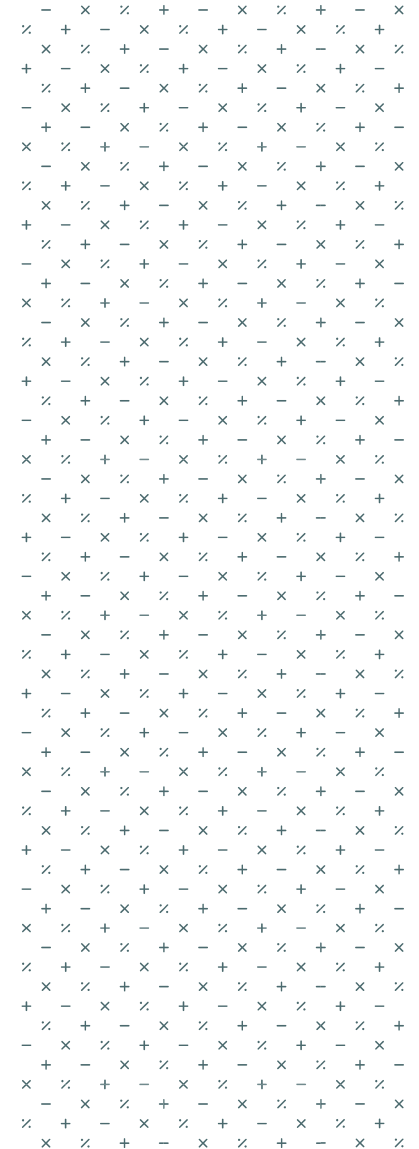
# City of El Paso, Texas

## Report to Financial Oversight & Audit Committee

### 2020 Audit Results

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March 9, 2021





# Agenda

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



# Reports Issued

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**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

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**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

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- **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)

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- **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

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- **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

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**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





# Fiscal Year 2020 External Audit

Margarita Muñoz  
Comptroller





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# 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  
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## 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