
City of El Paso, Texas

Comprehensive Annual Financial Report (CAFR) and
Single Audit Reports
For Fiscal Year Ended August 31, 2014
Finance & Audit Oversight Committee Presentation

*Presented by: David M. Coleman, Partner
Rachel R. Ormsby, Manager*



City of El Paso, Texas

Achievements and Responsibilities

- For the 16th consecutive year awarded the Government Finance Officers Association's Certificate of Achievement (GFOA) for Excellence in Financial Reporting and expected to receive in current year
- Received a clean unmodified opinion for the year ended August 31, 2014
- Responsible for information presented – City staff prepares CAFR and its contents

City of El Paso, Texas

Reporting Entity

- Audited by BKD
 - ❖ City of El Paso
 - ❖ City Employees' Pension Fund
- Audited by Other Auditors
 - ❖ El Paso Water Utilities
 - ❖ El Paso Housing Finance Corporation
 - ❖ El Paso Firemen and Policemen's Pension Fund

City of El Paso, Texas

Proposed Audit Adjustments Not Recorded

- Proposed audit adjustments not recorded were identified in the following funds:
 - ❖ *Business Type Activities (Government-Wide Statements)*
 - ❖ *Community Development Block Grants Fund*
 - ❖ *Capital Projects Fund*
 - ❖ *El Paso International Airport Fund*
 - ❖ *Mass Transit Fund*
- The impact of these uncorrected misstatements was determined to be immaterial both individually, and in the aggregate, to the overall financial statements as a whole.

City of El Paso, Texas

Internal Control Over Financial Reporting - Finding

- We identified a deficiency in internal control described in the Schedule of Findings and Questioned Costs in the City's Single Audit Reports as item 2014-001 that we consider a significant deficiency.
 - ❖ The finding relates to the Schedules of Expenditures of Federal and State Awards (SEFA and SESA) containing classification errors between federal and state programs, instances of the grant match being incorrectly included on the SEFA and SESA schedules, and instances where the total amount of grant expenditures were incorrectly reported.

City of El Paso, Texas

Internal Control Over Financial Reporting - Recommendation

- We recommend the year-end SEFA and SESA be reconciled to the financial records and reviewed and approved by management prior to submitting to the independent auditor. We also recommend that the City maintain a current summary schedule of its grants, which should include the amount, term, dates of receipt, reporting requirements, any restrictions, and other pertinent information, so that SEFA and SESA are kept up to date year round, and not just reconciled at year-end. We also suggest that personnel receive training on the preparation of the SEFA and SESA. This training may lead to employees who are more efficient, effective, and communicative with regard to accounting, financial, and grant matters.

City of El Paso, Texas

Major Federal and State Programs for the Year Ended August 31, 2014

- The City's major federal and state programs were as follows:
 - ❖ Airport Improvement Program – CFDA #20.106
 - ❖ Federal Transit Cluster
 - ✓ Federal Transit – Capital Investment Grants – CFDA #20.500
 - ✓ Federal Transit – Formula Grants – CFDA #20.507
 - ✓ ARRA – Federal Transit – Formula Grants – CFDA #20.507
 - ❖ Clean Fuels – CFDA #20.519
 - ❖ Tuberculosis Prevention and Control – State Grant
 - ❖ HIV Screening Program – State Grant
 - ❖ Immunization Branch – Locals – State Grant

City of El Paso, Texas

Internal Control over Compliance for Major Federal Awards Findings

- The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133. These instances of noncompliance are considered significant deficiencies and are disclosed in the Schedule of Findings and Questioned Costs in the City's Single Audit Reports as items 2014-002, 2014-003, 2014-004, and 2015-005.
- A summary of these findings and questioned costs will be discussed on the following slides.

City of El Paso, Texas

Internal Control over Compliance for Major Federal Awards Findings

- Reference Number: 2014-002
- Finding: Clean Fuels – CFDA #20.519
- Questioned Costs - \$27,690
- Summary: During testing of activities allowed/allowable costs, we noted out of 25 expenditures selected for testing that 5 were identified as not being net of all applicable credits. It was further determined that the credits were being taken by another federal program. We recommend the City develop and implement policies and procedures to ensure credits are being applied to the corresponding grant where the expenditure was incurred.

City of El Paso, Texas

Internal Control over Compliance for Major Federal Awards Findings

- Reference Number: 2014-003
- Finding: Clean Fuels – CFDA #20.519
- Questioned Costs - \$103,240
- Summary: During testing of activities allowed/allowable costs, we noted the Clean Fuels grant reported in 2014 expenditures that were incurred several years ago by another federal program. These expenditures were not allowable costs as they were related to maintenance, training, fire suppression and methane detection system components and installation for passenger buses purchased several years prior. We recommend the City develop and implement policies and procedures to ensure expenditures are being reimbursed only once by federal programs.

City of El Paso, Texas

Internal Control over Compliance for Major Federal Awards Findings

- Reference Number: 2014-004
- Finding: Airport Improvement Program – CFDA #20.106
- Questioned Costs - \$14,325
- Summary: During testing of the matching compliance requirement, we noted out of 10 reimbursements selected for testing, that one requested 100% reimbursement. A 10% matching requirement is required under the grant agreement. We recommend the City develop and implement policies and procedures to ensure matching requirements are being met on reimbursement requests.

City of El Paso, Texas

Internal Control over Compliance for Major Federal Awards Findings

- Reference Number: 2014-005
- Finding: Airport Improvement Program – CFDA #20.106
- Questioned Costs – None
- Summary: During testing of the reporting compliance requirement, we noted the City did not timely file 9 out of 10 required financial reports pursuant to the grant agreement and the OMB Circular A-133 Compliance Supplement for the fiscal year ended August 31, 2014. We recommend the City institute policies and procedures that stipulate the required reports must be filed by their respective due dates and ensure future submissions are within the specified timeline as required by the grant agreement and OMB Circular A-133 Compliance Supplement.

City of El Paso, Texas

Upcoming GASB Pronouncements

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*
 - ❖ Requires recognition of the entire net pension liability attributable to the governmental entity and provides for a more comprehensive measure of pension expense for employer
 - ❖ Requires new note disclosures and required supplementary information
 - ❖ Effective for periods beginning after June 15, 2014 (June 30, 2015, fiscal-year financial statements)
 - ❖ The City will adopt this standard during the year ended August 31, 2015

City of El Paso, Texas

Significant Changes to Federal Grant Policies

- In December 2013, the Office of Management and Budget issued final guidance to supersede and streamline requirements from OMB Circulars A-21, A-50, A-87, A-89, A-102, A-110, A-122 and A-133 by consolidating into one document the federal government's guidance on "*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*" This guidance, commonly referred to as the Omni- or Super Circular, is effective for all federal awards or funding increments provided after December 26, 2014, and the audit requirement changes contained therein will be effective for years beginning on or after December 26, 2014. The final guidance is located in Title 2 of the Code of Federal Regulations.
- The new guidance raises the audit threshold and the minimum Type A/B program threshold to \$750,000, simplifies, in many instances, the support requirements for the indirect cost rate used and increases the focus on internal controls over compliance with federal program rules.

City of El Paso, Texas

- Questions?
- Thank You