
CITY OF SAN ANTONIO
OFFICE OF THE CITY AUDITOR



Follow-Up Audit of Finance Utility Reporting Requirements

Project No. AU18-F03

September 26, 2018

Kevin W. Barthold, CPA, CIA, CISA
City Auditor

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted a follow-up audit of the recommendations made in the Finance Utility Reporting Requirements audit dated August 9, 2016. The objective for this follow-up audit is:

Determine if the recommendations made in the prior audit of the Utility Reporting Requirements have been effectively implemented.

We determined that Finance has successfully implemented adequate controls to address prior audit recommendations.

There were two recommendations from the prior audit and both have been implemented. Finance now reconciles the monthly payment from SAWS with supporting documentation. Additionally, Finance performs a monthly utility account review to confirm that facilities are owned or leased by the City, and to identify any significant variances in usage.

Management's acknowledgement is in Appendix B on page 6.

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Background

In August of 2016, the Office of the City Auditor completed an audit of the Finance Department Utility Reporting Requirements. The objective of the audit was as follows:

Determine if required reporting and payments from City owned utilities are received, monitored, and accurate.

The Office of the City Auditor concluded that Finance has a standard reporting process in place which includes conducting a monthly variance/trend analysis of revenue payments due to the City. However, the following recommendations were made in the prior audit. Reconciliations of CPS & SAWS generated monthly payment statements to financial reports and supporting documentation should be improved. Additionally, annual and monthly reviews in place to verify the accuracy of city utility accounts need improvement to ensure that all facilities are owned or leased by the City, the rate categories are accurate, and usage amounts are reasonable.

Audit Scope and Methodology

The audit scope was limited to the recommendations and corrective action plans made in the original report for the time frame from March 2018 to May 2018.

We interviewed Finance management and staff to gain a detailed understanding of the action plans that have been implemented for both findings from the prior audit.

We recalculated the payment from SAWS for the months of March, April, and May of 2018. Additionally, we obtained supporting documentation from SAWS for all revenue adjustments on the monthly payment summary and traced the payment into SAP.

We obtained the utility consumption reports for the months of March, April, and May of 2018. We determined if Finance is investigating any significant variances in consumption. Additionally, we determined if Department Fiscal Administrators are performing a monthly utility account review to confirm if utility accounts are owned by the City.

We relied on computer-processed data in the SAP system to validate the monthly payment from SAWS. Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. Our direct testing included recalculating the payment and obtaining supporting documentation from SAWS. We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Prior Audit Recommendations and Status

A. SAWS City Payment Review

Prior Recommendation:

The Finance Director should:

- Request support documentation for revenue adjustments made to gross revenue from SAWS on a monthly basis to ensure the accuracy of the City payment due from SAWS.
- Implement a monitoring process that would include identification of variances between SAWS' monthly payment statements to preliminary detailed financial reports.
- Request a copy of an approved City Payment Reconciliation from SAWS and use the document as a source to verify that any variances identified in the review mentioned above reflect adjustments noted on the City Payment Reconciliation document. Questionable adjustments should be followed up with SAWS.

Status: Implemented

Finance now reconciles the City's monthly payment from SAWS with supporting documentation. We obtained the monthly payment summary for the months of March, April, and May of 2018 totaling \$2.8 million. We recalculated the payment and validated all revenue adjustments with supporting documentation from SAWS. Additionally, we traced the payment into SAP and determined it was accurately recorded.

Recommendation

None

B. Monthly Utility Account Review

Prior Recommendation:

The Finance Director Should:

Establish guidelines outlining a standard review process to ensure that utility expenses are valid. At a minimum, conduct the following on a quarterly basis for a sample of properties:

- Perform an analysis of monthly utility consumption for each account to ensure that monthly usage reported is reasonable.
- Ensure that assigned rate categories are appropriate based on account type.
- Conduct a comparison of the account addresses listed on the monthly utility expense reports to those listed as city owned properties on the list maintained by the Risk Management department.

Status: Implemented

Finance now performs a monthly utility account review. We obtained the utility consumption reports for the months of March, April, and May of 2018. We determined Finance reviews for significant variances in consumption and investigates to determine the cause. Additionally, we obtained evidence that the Department Fiscal Administrators are performing a monthly utility account review to confirm if facilities are owned or leased by the City.

Recommendation

None

Appendix A – Staff Acknowledgement

Buddy Vargas, CIA, CFE, Audit Manager
Douglas Francis, Auditor in Charge
Sophia Konstantinidis, Auditor

Appendix B – Management Response



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

September 20, 2018

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
San Antonio, Texas

RE: Management's Acknowledgement of its Review of Finance Utility Reporting Requirements
Follow-up Audit

Finance has reviewed the audit report and provided its comments to the auditors. As there are no recommendations for management, no management responses are required.

Finance:


Fully Agrees

Does Not Agree (provide detailed comments)


Sincerely,



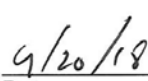
Troy Elliott, CPA
Deputy Chief Financial Officer
Finance



Date



Ben Gorzell, CPA
Chief Financial Officer
City Manager's Office



Date