

---

# **CITY OF SAN ANTONIO**

## **OFFICE OF THE CITY AUDITOR**



Audit of Government and Public Affairs Department

Public Education and Government Fund

Project No. AU18-005

November 1, 2018

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

---

## Executive Summary

---

As part of our annual Audit Plan approved by City Council, we conducted an audit of the Government and Public Affairs (GPA) Department, specifically the Public Education and Government (PEG) fund. The audit objective, conclusions, and recommendation follow:

**Determine if PEG revenues collected are accurate and supported and if expenditures of PEG funds are allowable and supported.**

GPA has effective controls in place to ensure PEG revenues and expenditures are accurate, adequately supported and allowable. PEG revenues collected from cable providers were accurate and adequately supported. In addition, expenditures incurred by GPA and the Alamo Community College District (ACCD) related to PEG were allowable, approved and adequately supported.

We reviewed the Interlocal Agreement between the City and ACCD and determined GPA had adequate monitoring controls in place over ACCD's use of PEG funds.

No findings were identified while conducting this audit. We make no recommendations to GPA department; consequently, no management responses are required. GPA management acknowledgement of these results is in Appendix B on page 7.

## Table of Contents

---

Executive Summary .....	i
Background.....	1
Audit Scope and Methodology .....	3
Audit Results and Recommendations .....	5
A. Public Education and Government Fund .....	5
Appendix A – Staff Acknowledgement .....	6
Appendix B – Management Acknowledgement .....	7

## Background

Effective September 2005, the Texas Utilities Code Public Utilities Regulatory Act (PURA) was revised to include a section titled “State-Issued Cable and Video Franchise” which removed the authority of local governments to grant cable franchise agreements and authorized the Texas Public Utility Commission (PUC) to issue certificates of authority for the delivery of cable and video services in the State of Texas. PURA also shifted the responsibility of the operation, management and control of Public Education and Government (PEG) access channels from cable service providers to municipalities.

The Government and Public Affairs (GPA) Department was charged with the operation, management and control of the PEG access channels while the cable service providers bear the responsibility for connectivity at each PEG access channel point of distribution, and the transmission of PEG programming content over their cable systems.

Cable providers (Spectrum, AT&T, and Grande) are required to give municipalities 1% of their gross revenue funds per the Texas Utilities Code Ch. 66. The funds are allocated in a PEG fund account and can only be used for PEG related capital outlay and cannot be used for operational costs of the department. GPA and Finance department staff are responsible for ensuring the PEG funds are used only for capital outlay. The following chart displays revenue from cable providers for FY17 and FY18 and the corresponding fund expenditures:

<b>PEG Fund Balance</b>		
	<b>FY2017</b>	<b>FY2018</b>
Beginning Fund Balance	\$6,552,943	\$8,613,835
Revenue	2,883,030	2,767,161
Expenditure	(822,138)	(2,383,941)
Ending Fund Balance	\$8,613,835	\$8,997,055

The City has three channels supported by the PEG fee and GPA directly manages two channels; TVSA and PATV.

- TVSA is a government access channel granted to the City of San Antonio for the purpose of cablecasting government television programming, such as City Council meetings and informational programming created by City departments for residents.

- PATV is a 24-hour public access channel that provides San Antonio residents with an opportunity to produce non-commercial, alternative programming for public broadcast.

The third channel, INTV, is the educational channel managed by Alamo Community College District via an Interlocal Agreement approved by City Council in 2009.

## Audit Scope and Methodology

---

The audit scope was from October 2016 to May 2018. It included Public Education and Government (PEG) fund revenue and expenditures and the Interlocal Agreement (ILA) between the City and Alamo Community College District (ACCD).

We interviewed Government and Public Affairs (GPA) staff and obtained an understanding of the controls in place to verify the accuracy of PEG fund revenues in SAP received from cable service providers. In addition, we obtained an understanding of the expenditure process and controls in place to determine and verify allowable PEG purchases. Testing criteria included the Texas Utilities Code Public Utilities Regulatory Act Chapter 66 and the ILA between the City and Alamo Community College District.

We reviewed the controls in place over the submission of PEG fund revenues from cable providers. The review included tracing quarterly statement revenue amounts submitted to the City by ATT, Spectrum and Grande Communications to SAP. In addition, we recalculated the PEG fee amount to verify it was 1% of the gross revenue submitted by the cable service providers. Finally, we reviewed rental fee invoices to determine whether customers were accurately billed and rental fee rates were correct.

We reviewed the expenditure process and the controls in place over the purchasing and approval of allowable PEG expenditures. We tested a random sample of 50 expenditures transactions from fiscal years 2017 and 2018 for proper support documentation, approval and allowability. In addition, we judgmentally reviewed 9 expenditure transactions to verify allowability.

We reviewed the ILA between the City and ACCD to determine if GPA had adequate monitoring controls in place over ACCD's use of PEG funds. We tested all expenditures incurred by ACCD to determine allowability. We performed a physical inventory count at ACCD studios to determine if inventory purchased with PEG funds was accurate and being used appropriately.

We relied on computer-processed data in SAP to validate the PEG fund revenues and expenditures. Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. Our direct tests included confirming PEG revenues submitted by cable providers to SAP and verifying expenditure approvals. 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.

## **Audit Results and Recommendations**

---

### **A. Public Education and Government Fund**

The Government and Public Affairs (GPA) department Public Education and Government (PEG) funds revenues and expenditures were accurate, properly supported and allowable. We reviewed a sample of 18 quarterly statements totaling \$4,275,747, which is 1% of the gross revenue from the three cable providers and determined PEG fees were accurately submitted to the City. In addition, we determined all \$2,875 in rental fee revenue was properly supported and accurate in SAP.

We reviewed 50 random PEG expenditure transactions from fiscal year 2017 and 2018, valued at approximately \$140,000, and determined they were properly supported, approved and allowable. In addition, we judgmentally reviewed 9 expenditure transactions and determined they were allowable PEG fund purchases.

We reviewed the Interlocal Agreement between the City and Alamo Community College District (ACCD) and determined GPA had adequate monitoring controls in place to confirm PEG funds received by ACCD were used appropriately. We reviewed all PEG funds received by ACCD, \$135,808 and \$14,063 in fiscal years 2017 and 2018, and determined the funds were used for allowable PEG fund purposes and properly supported. Finally, we performed a physical inventory count at ACCD studios and determined inventory purchased with PEG funds was accurate and being used appropriately.

### **Recommendations**

None



## **Appendix A – Staff Acknowledgement**

---

Buddy Vargas, CIA, CFE, Audit Manager  
Danny Zuniga, CPA, CIA, Auditor in Charge  
Hedei Arias, CFE, Auditor

## Appendix B – Management Acknowledgement

---



### CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

October 11, 2018

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

RE: Management's Acknowledgement of its Review of Audit of Government and Public Affairs  
Department Public Education and Government Fund

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

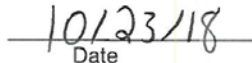
Government and Public Affairs Department:


☒ Fully Agrees

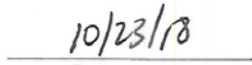
☐ Does Not Agree (provide detailed comments)

Sincerely,

  
\_\_\_\_\_  
Jeff Coyle  
Director  
Government and Public Affairs Department

  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Carlos Contreras  
Assistant City Manager  
City Manager's Office

  
\_\_\_\_\_  
Date