



# City of San Antonio

## Agenda Memorandum

**File Number:**16-5014

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**Agenda Item Number:** 4.

**Agenda Date:** 9/20/2016

**In Control:** Audit Committee

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### **AUDIT COMMITTEE SUMMARY**

**September 20, 2016**

**Audit of the Finance Department Utility Reporting Requirements**

Report Issued July 25, 2016

### **Background**

The Finance Department's Public Utilities Division provides regulatory oversight of CPS Energy (CPS) and San Antonio Water System (SAWS). This includes review and analysis of all utility financial transactions with the City for payment revenues reported by the utility companies and expenses incurred for utility services provided.

As owner of CPS and SAWS, the City of San Antonio receives a monthly payment from each of the utility companies. The funds go into the City's General Fund. The payment is based on a percentage of the utility's gross revenues. The City is to receive no more than 14% of CPS Energy's gross revenues and no more than 5% of SAWS' gross revenues as payment (the City currently receives 2.7% of SAWS' revenues).

### **Audit Objective**

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

### **Audit Scope & Methodology**

The audit scope included monthly payments made to the City by CPS and SAWS between January 1, 2014 and June 30, 2015.

Interviews and walkthroughs were conducted to obtain an understanding of internal controls related to utility reporting requirements and accounting of the payment revenue process. Testing criteria included related City ordinances, CPS' 2014 independent audit of gross revenues and required payments to the City, SAWS' 2014 Comprehensive Annual Financial Report (CAFR), SAWS' 2015 Adopted Budget for Stormwater Fees, and CPS' Wastewater Contract and adjustment notification.

### **Audit Conclusions**

The Public Utilities Division has a standard reporting process in place which includes conducting a monthly variance/trend analysis of revenue payments due to the City. However, the process for ensuring the accuracy of the data provided by CPS and SAWS could be improved. Specifically:

- Reconciliations of CPS & SAWS generated monthly payment statements to financial reports and supporting documentation should be improved. Variances totaling \$264,704 for FY2014 were identified during the audit. Note: For CPS, a mitigating control exists in that independent audits are conducted on the revenue payments to ensure that payments to the City are accurate.
- Annual and monthly reviews in place to verify the accuracy of City controlled utility accounts need improvement to ensure that all are owned or controlled by the City, the rate categories are accurate, and usage and consumption amounts are reasonable.

Finance Management agreed with the audit findings and have developed positive action plans to address them.