CITY OF SAN ANTONIO

P.O. Box 839966
SAN ANTONIO TEXAS 78283-3966

July 31, 2024

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Mayor

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Councilwoman, District 1

Jalen McKee-Rodriguez
Councilman, District 2

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Councilwoman, District 7

Manny Peláez
Councilman, District 8

John Courage
Councilman, District 9

Marc Whyte
Councilman, District 10

SUBJECT: Audit Report of Finance Public Utilities

Mayor and Council Members:

We are pleased to send you the final report of the Audit of Finance Public Utilities. This audit began in November 2023 and concluded in June 2024. Management's acknowledgement is included in Appendix B of the report. The Finance Department management and staff should be commended for their cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this report with you individually at your convenience.

Respectfully Submitted,

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

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Erik Walsh, City Manager
Ben Gorzell, Chief Financial Officer
Troy Elliott, Deputy Chief Finance Officer
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CITY OF SAN ANTONIO
OFFICE OF THE CITY AUDITOR

FINANCE DEPARTMENT
AUDIT OF PUBLIC UTILITIES
PROJECT NO. AU24-011
JULY 31, 2024

KEVIN W. BARTHOLD, CPA, CIA, CISA
CITY AUDITOR

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Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the Finance Department, specifically the management of revenue reported and payments received from public utilities. The audit objective and conclusion follow:

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

Overall, required reporting and payments from City owned utilities are received, monitored, and accurate. Finance has effective procedures in place for reviewing financial documents from CPS and SAWS to verify the monthly revenues reported and monthly payments received are accurate.

Additionally, Finance has effective controls in place to verify monthly payments are received on time, untimely payments are communicated to CPS and SAWS, and variances between budget amounts and actual amounts are tracked. Lastly, Finance has adequate procedures for monitoring utility meters assigned to City departments.

We make no recommendations to the Finance department; consequently, no management responses are required. Management's Acknowledgement of these results is in Appendix B on page 7.

Background

The Finance Department is dedicated to providing quality, efficient, and accurate financial services and is focused on delivering excellence in organizational and community needs. Finance is comprised of 8 divisions, including the Public Utilities Group. This division provides recommendations and assistance to the Mayor and City Council regarding regulatory oversight of City Public Service Energy (CPS) and San Antonio Water System (SAWS). This includes the review and analysis of utility financial transactions.

CPS and SAWS send a monthly payment to the City of San Antonio (COSA) General Fund. Per City Ordinance, the monthly payment from CPS to the COSA General Fund shall not exceed 14% of gross revenues. Currently, the payment percentage rate being paid by CPS is 14%. In addition, per City Ordinance, the monthly payment from SAWS to the COSA General Fund shall not exceed 5% of gross revenues. Beginning in FY 2020, the payment percentage rate being paid by SAWS is 4%.

Each month, CPS and SAWS calculate their total revenues generated. From this amount, specific revenues are subtracted as allowed by City Ordinances, and this provides the revenue amount that is used to calculate the monthly payment. This revenue amount is multiplied by the appropriate percentage as stated in the City Ordinance, and this provides the payment amount that is due to COSA. From this payment amount due, the charges for the monthly services provided to City departments are subtracted. The remaining amount is the monthly payment that is made by CPS and SAWS to the COSA General Fund.

CPS and SAWS provide the details of their revenues and the calculation of the payment amount due to COSA in a Payment Calculation Report, and this report is sent to Finance each month. In addition, CPS and SAWS provide the details of all the meters assigned to COSA in a Monthly Billing Report, and this report is also sent to Finance each month. This report includes the department each meter is assigned to, the physical address of each meter, the consumption for the previous month, and the total charges billed.

Every month, Finance reviews these reports for reasonableness and recalculates the payment amount to verify accuracy. Finance inputs the payment amount into a tracking spreadsheet that compares the actual payment amount to the budgeted payment amount. CPS and SAWS are contacted for an explanation of the variance if Finance believes it is needed.

The Monthly Billing Reports are provided to each City department for their review. Any irregularities or discrepancies are reported to Finance, and an explanation is requested from CPS and SAWS.

Audit Scope and Methodology

The audit scope included revenue reporting and payments received from CPS and SAWS from FY 2022 through FY 2023.

To gain an understanding of how the public utilities are monitored, we interviewed Finance personnel and conducted walkthroughs of the process of revenue reporting, payment calculation, and payment and utility meter tracking and monitoring. The City Ordinances related to CPS and SAWS were our primary criteria for this audit. We assessed internal controls relevant to the audit objective. This included a review of department policies and procedures for reviewing reported revenue and payments, observing monthly payment variances, and tracking and monitoring active utility meters.

We reviewed Payment Calculation Reports, Monthly Billing Reports, and audit reports/financials to determine if the monthly revenue reporting and calculated payments submitted by CPS and SAWS were accurate. We also reviewed the dates the utility payments were received to determine if payments were being received on time. Additionally, we reviewed variance tracking procedures to determine if utility payments were reviewed to identify variances or discrepancies. Lastly, we reviewed a list of utility meters assigned to City departments to determine if the meters are still in use and are being adequately monitored.

We relied on computer-processed data in SAP to validate the timing and the amounts of the payments received from CPS and SAWS. Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. 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

Finance has effective procedures in place for ensuring the financial data reported and payments received from CPS and SAWS are accurate. We reviewed 20 Payment Calculation Reports detailing revenues of $3,314,307,084 and payments to the COSA General Fund totaling $339,882,173. Furthermore, we reviewed 20 Monthly Billing Reports detailing the charges billed to City departments for utility services totaling $35,223,219. We also reviewed audit reports/financials from both utilities. We determined the monthly revenue reporting and monthly calculated payments by CPS and SAWS are adequately reviewed by Finance and are accurate.

Additionally, Finance has effective controls in place to monitor the monthly payments made by CPS and SAWS. We tested 20 monthly utility payments made to COSA and determined the payments are received on time, payments and charges for services provided to COSA are input accurately into SAP, and untimely payments are communicated to CPS and SAWS. Furthermore, we reviewed tracking spreadsheets where variances of utility payment amounts are tracked. We determined that the variances between the monthly payment budget amounts and actual amounts are properly tracked, and variances are reviewed for discrepancies.

Lastly, Finance has adequate procedures for monitoring utility meters assigned to City departments. We reviewed a total of 4,853 utility meters (3,877 CPS meters and 976 SAWS meters) assigned to City departments and determined the meters are located on City properties. Additionally, we identified a total of 258 utility meters (193 CPS meters and 65 SAWS meters) as having low consumption. We confirmed that these meters are still needed by City departments to provide services to City facilities. We also reviewed a sample of 25 meters installed or removed during FY 2023 and determined Finance provided proper authorization to CPS and SAWS for the addition or removal of the meter.

Appendix A – Staff Acknowledgement

Buddy Vargas, CPA, CIA, CFE, Audit Manager
Michael Gutierrez, Auditor in Charge
Megan Dodd, Auditor
Kaycie Requejo, Auditor

Appendix B – Management Acknowledgement

CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

July 16, 2024

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

RE: Management's Acknowledgement of its Review of Finance Public Utilities

The Finance 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.

The Finance Department:

☒ Fully Agrees

☐ Does Not Agree (provide detailed comments)

Sincerely,

Troy Elliott
Deputy Chief Financial Officer
Finance Department

Date 7/17/2024

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

Date 7/23/2024