

Presentation to

# City of Corpus Christi

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City Council Meeting



# Overview

- Introductions
- Audit Process
- Audit Results and Communications
- Questions



# Introductions



Weaver**Views**

# Engagement Team



## City of Corpus Christi

### Audit Leadership

**Laura Lambert, CPA**  
Engagement Partner

**Matt Rogers, CPA**  
Engagement Senior Manager

**Kaitie Miller**  
Engagement Senior

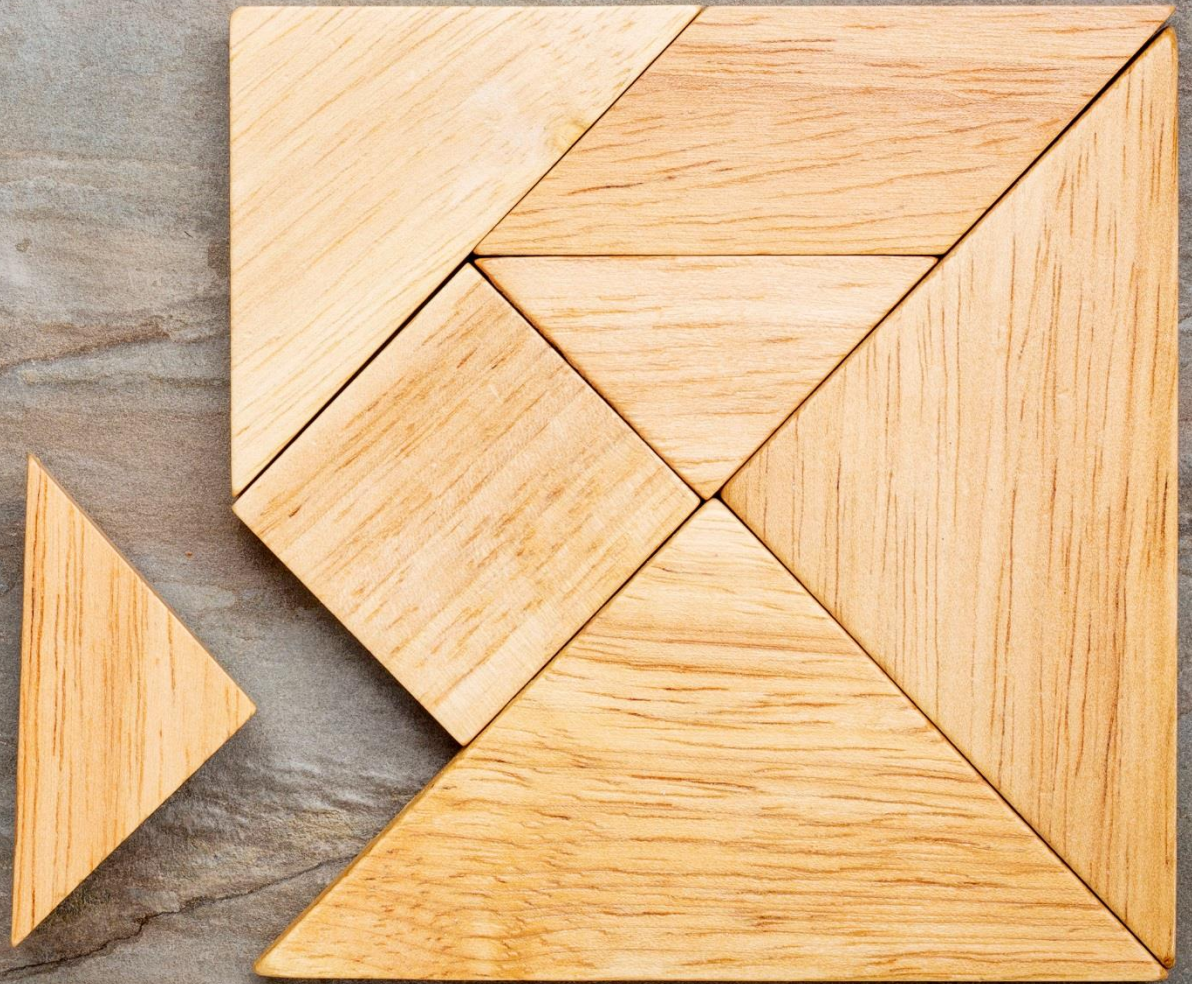
**Nick Laitkep**  
Engagement Senior

**Audit Staff**

**IT Advisory Services**



# Audit Process





# Audit Schedule



# Audit Process

- **Audit Standards** — Performed the audit in accordance with *Generally Accepted Auditing Standards (GAAS)* and *Generally Accepted Government Auditing Standards (GAGAS)*
- **Single Audit** — Performed the single audit of federal and state awards in accordance with the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and *Texas Uniform Grant Management Standards*
- **Compliance** — Performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, including items such as compliance with the Public Funds Investment Act and State procurement requirements.

# Audit Process

- **Risk-based approach** focused on specific risks, such as:
  - Federal and state grant revenues and expenditures
  - Utility system billings and related accruals
  - Accounts payable - proper documentation and authorization
  - Payroll and payroll related liabilities – proper documentation and authorization
- **Tested internal controls** over financial reporting and compliance
- **Tested compliance** with major federal and state program requirements







# Audit Results and Communications



# Audit Results: Financial Statements

Type of report issued:

**Unmodified**

Internal control over financial reporting:

➤ Material weakness(es) identified?

**No**

➤ Significant deficiencies that are not material weaknesses?

**Yes, 2023-001**

➤ Noncompliance material to financial statements noted?

**No**



# Audit Results: Federal and State Awards

## Federal Major Programs:

- Coronavirus State and Local Fiscal Recovery Funds (21.027)
- Community Development Block Grant (CDBG) Entitlement Grants Cluster (14.218 / 14.225)
- Airport Improvement Programs (20.106)
- Economic Development Cluster (11.307)

## State Major Programs:

- Defense Economic Adjustment Assistance Grant (DEAAG)

## Significant Deficiency in Internal Control over Financial Reporting 2023-001

- Condition: During our audit we identified several accounts that were not reconciled timely and/or accurately that resulted in audit adjustments, adjustments received from the client late in the audit process, and delays in the audit process.
- Cause: The City has experienced high turnover, creating difficulties with staff having the knowledge and experience to perform the annual closing procedures and prepare supporting documents for annual financial reporting.
- Effect or Potential Effect: Activity in several accounts were unreconciled resulting in adjusting entries after fiscal year-end.
- Recommendation: We recommend accounting procedures be modified to perform reconciliations quarterly and provide additional staff training. The City also should evaluate if the proper staffing levels are in place to manage the volume and complexity of data.



# Summary Schedule of Prior Audit Findings



## Material Weakness in Internal Control Over Compliance 2022-001

- **Federal Program:** CDBG Entitlement Grants Cluster
- **Federal Agency:** U.S. Department of Housing and Urban Development
- **Assistance Listing:** 14.218
- **Compliance requirements:** Allowable costs/Cost Principles
  
- Corrective Action Plan – The City of Corpus Christi's Responsible Official(s) will work with HUD to determine the nature of demolition costs and ensure all demolition costs are being appropriately expended under the grant agreement and ensure costs reported through the Consolidated Annual Performance Evaluation Report have the correct IDIS numbers.
  
- Status - Completed

# Audit Results:

## Passenger Facility Charge Audit

- Type of report issued on compliance: **Unmodified**
- **Internal control over compliance:**
  - Material weakness(es) identified? **No**
  - Significant deficiencies that are not material weaknesses? **None reported**
  - Any audit findings required to be reported under the *Passenger Facility Charge Audit Guide for Public Agencies* **No**

# Auditor Communications

## Auditor Responsibility

- Form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your respective responsibilities.
- Plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.
- Communicate significant matters related to the audit.

# Auditor Communications

## Auditor Responsibility - Continued

- We relied on the reports of other auditors and our opinion includes a reference to these other auditors for the following entities:
  - Corpus Christi Firefighters' Retirement System
- Our responsibility as auditors for other information in documents containing the City's audited financial statements does not extend beyond the financial information identified in the audit report.
- Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.



## Auditor Responsibility - Continued

- Our opinion included an “other matters” section addressing supplementary and other information, in which we
  - Express an “in-relation-to” opinion on the supplementary information
- Express no opinion on the “other” information which includes the introductory and statistical sections.

# Auditor Communications

## Compliance with Requirements Regarding Independence

- The engagement team, others in our firm, as appropriate, our firm have complied with all relevant ethical requirements regarding independence.
- Weaver performed the following nonattest services:
  - Preparing financial statements
  - Compiling the schedule of federal and state awards and related notes
  - Compiling the schedule of passenger facility charge program revenues and expenditures and related notes
- Such nonaudit/nonattest services do not constitute an audit under *Government Auditing Standards* and such services were not conducted in accordance with *Government Auditing Standards*.
- Management designated Judy Sandroussi to review and approve the services we provided.
- These services were also reviewed by an internal engagement quality reviewer.

## Significant Accounting Policies

- Management has the responsibility to select and use appropriate accounting policies.
  - A summary of significant accounting policies adopted by the City is included in Note 1 to the financial statements.
- The City adopted Governmental Accounting Standards Board Statement (GASB) No. 96, *Subscription-Based Information Technology Arrangements*
  - \$6,728,834 (governmental activities) and \$244,586 (business-type activities) in subscription-based technology assets and liabilities at October 1, 2022
- No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

# Auditor Communications

## Significant Accounting Risks

- As part of our risk assessment procedures, we identified the following risks to the financial statements:
  - Management override of controls
  - Improper revenue recognition – grants and utility billings
  - Improper cash disbursements
  - Improper payroll expenditures



## Significant Accounting Estimates

- Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgements.
- The most significant accounting estimates affecting the financial statements are:
  - Allowance for uncollectible taxes
  - Allowance for uncollectible utility accounts
  - Pension liability - TMRS
  - Pension liability – Firefighter System
  - OPEB liability
  - Incurred but not reported claims for healthcare, workers' compensation, and general liability
- We evaluated the key factors and assumptions used to develop these estimates and determined that the estimates are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

## Financial Statement Disclosures

- Certain financial statement disclosures involved significant judgment and are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosures are
  - Employment Retirement Benefits (Note 10)
  - Post-Employment Health Care Benefits (Note 11)
  - Contingent Liabilities (Note 9. B.)

## Uncorrected Misstatements

- For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit.

## Uncorrected Misstatements - Continued

- The following summarizes the uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.
- Governmental Activities/Nonmajor Governmental Funds
  - Construction invoices of \$571k were improperly accrued
  - Construction invoices of \$1.7M were not accrued

# Auditor Communications



## Corrected Misstatements

- In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures.
  
- The following material misstatements identified by us as a result of our audit procedures and corrected by management:
  - FEMA receivable and deferred inflow of \$6.7 million
  - FAA receivable and revenue of \$4.2 million

*Thank you!*

We appreciate the opportunity to serve the **City of Corpus Christi** and look forward to working with you next year.

**weaver**   
Assurance • Tax • Advisory



**Contact us:**

**Discussion**

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