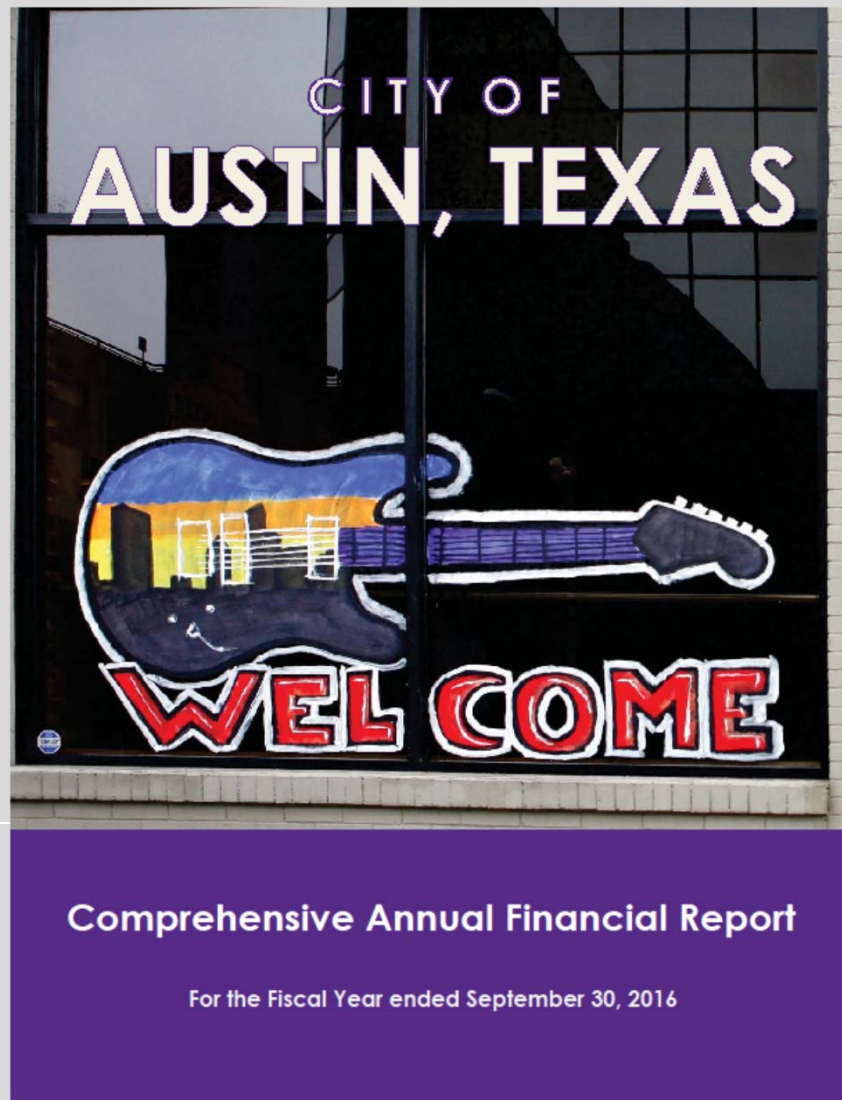




# City of Austin External Audit Presentation

Controller's Office  
March 29, 2017



<https://assets.austintexas.gov/financeonline/downloads/cafr/cafr2016.pdf>

# Background – Audits, City Code, Financial Policies, etc

- **City Charter (Article VII-16)** requires an independent audit by a certified public accountant (CPA) at the close of each fiscal year. The CPA shall be independent from the City or any of its officers. Upon completion, the results shall be published immediately.
- **Financial policies (*Accounting, Auditing, and Financial Planning #2*)** requires an annual audit by an independent CPA firm and issuance of the CAFR no later than 6 months following fiscal year-end.
- **Financial policies (*Accounting, Auditing, and Financial Planning #3*)** requires presentation to the Audit and Finance Committee of the results of the annual audit by the CPA firm no later than 60 days following the issuance of the CAFR.
- **Debt** agreements, including bonds and loans, also often require an independent audit.

# Thank You!

- Mayor and Council members, for your continued support of the City's goal of excellence in all aspects of financial management
- Interim City Manager and her Executive team, Interim Chief Financial Officer, and Department Directors, for your support of the City's Controller's Office and excellent financial management
- City staff, especially the staff in the Controller's Office for their many hours of dedicated service toward completion of this report
- Deloitte, for the professional and thorough manner in which they conducted this audit

# Management Responses

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# Management Responses

- **Finding 2016-001:** Management did not properly apply all aspects of GASB Statement No. 60 for the City's service concession arrangement entered into for the purpose of building the CONRAC.
- **Responsible departments:** Controller's Office
- **Response:**
  - Concur. Development of the consolidated rent-a-car (CONRAC) facility at ABIA was completed during FY16. Management's review of the transaction appropriately determined that the CONRAC facility represented significant consideration received by the City in exchange for giving the operator the right to operate the facility and receive compensation from third parties, or a service concession arrangement (SCA). The facility asset and related deferred gain were recorded in compliance with GAAP for SCAs. Depreciation of the facility and amortization of the deferred gain were also recorded. However, management's review did not classify future rental payments as installments payments; consequently, the City's treatment of the transaction failed to meet the requirement to record an asset equal to the discounted value of future installment payments. In addition, management did not adjust the balance of Net Investment in Capital Assets, a classification of net position, appropriately for the SCA. Management will devote more attention to review of GAAP requirements for these or similar complex accounting transactions in the future.

# Management Responses

- **Finding 2016-002:** Management's review of the calculation of deferred depreciation for Austin Water Utility was not performed in sufficient detail to identify errors in the calculation.
- **Responsible departments:** Controller's Office
- **Response:**
  - Concur. This issue arose from a prior period adjustment that was not updated appropriately in the complex series of schedules used in this calculation. Although many hours were spent reviewing the detailed calculation, this prior period adjustment was missed in the review. Management is putting into place a process to ensure that all adjustments are posted to the schedules at the end of each fiscal year and a review procedure that will assist in identifying mistakes of this nature in the future.