



# City of Atlanta Discussion with the Audit Committee

Audit results for the year ending June 30, 2021

December 16, 2021



# Our commitment to you

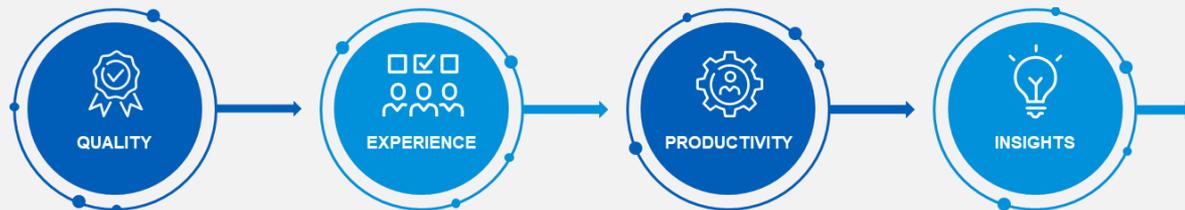


## Delivering a better audit experience drives us.

With KPMG you can expect an experience that's better for your team, organizations and the capital markets. An experience that's built for a world that demands agility and integrity.

See patterns in what has passed. See where risks may emerge. See opportunities emerge. See opportunities to optimize processes. And see ahead to new possibilities.

## We aim to deliver an exceptional client experience for City of Atlanta by focusing on:



# Expanding the use of technology

## Use of technology - Current year



### KPMG Clara Expansion

#### Collaboration

- KPMG Clara for clients (KCfc)



### JEI Dashboard

#### Risk Assessment

- Utilization on JEI Dashboard for visualization



### VAR

#### Operational & Administrative

- Virtual Audit Room for effective internal discussion channel for the team
- Power BI for the review status management



### PowerBI



# Required Communications to Audit Committee

December 16, 2021



# Summary: Audit results required communications and other matters

		Response
Audit results	Outstanding matters	None
	Significant unusual transactions	No significant unusual transactions identified during the audit
	Uncorrected audit misstatements	Uncorrected misstatements by opinion unit are included in Appendix A
	Corrected audit misstatements	Corrected misstatements by opinion unit are included in Appendix B
	Financial presentation and disclosure omissions	No matters to communicate
	Non-GAAP policies and practices	If significant, they are included as part of summary of uncorrected misstatements
	Material weaknesses and significant deficiencies in internal control	See slides 6-7
	Auditors' report	We plan to issue unmodified opinions on the annual comprehensive financial report (ACFR)
	Changes to our risk assessment and planned audit strategy	No matters to report
	Significant accounting policies and practices	The City's significant accounting policies are listed in footnote I. in the ACFR
	Significant accounting estimates	See slide 8-12
	Significant financial statement disclosures	See slide 13
	Group audit engagement considerations	No matters to report
	Related parties	No significant findings or issues arose during the audit in connection with the City's related parties
	Going concern	No matters to report
Other information	Our responsibility with respect to information in a document does not extend beyond the financial information identified in our report, and we have no obligation to perform any procedures to corroborate other information contained in a document. However, we do have a responsibility to read the other information and consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the ACFR. As a result of our consideration of the other information, no material inconsistencies or material misstatements of facts were identified related to other information	

# Summary: Audit results required communications and other matters

		Response
Audit results	Subsequent events	Events have been disclosed in footnotes to the financial statements
	Illegal acts or fraud	No actual or suspected fraud involving current management, employees with significant roles in City internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit. As communicated in prior years, we continue to consult with our Forensics team and National office on the ongoing matters related to DOJ, SEC, FAA and HUD.
	Noncompliance with laws and regulations	No matters to report
	Significant difficulties encountered during the audit	No matters to report
	Significant findings or issues discussed, or the subject of correspondence, with management	No matters to report.
	Management's consultation with other accountants	No matters to report.
	Difficult or contentious matters for which the auditor consulted	No matters to report.
	Disagreements with management	No matters to report.
	Other significant matters	See slides 14 to 15
	Audit and professional services fees	See slide 16
Written communications	Engagement letter, management representation letters, including summary of uncorrected misstatement, internal control deficiency letter to be distributed under separate covers.	
Independence	See slide 17	
Inquiries	See slide 18	

# Material weaknesses and significant deficiencies in internal control

## Material weaknesses

Description	Potential effects	Status
Pension Plan Census Data	Inaccurate computation related to contributions, net pension liability and payments to individual retirees/beneficiaries.	Material weakness communicated in previous audit that has not yet been remediated.
Description	Potential effects	Status
Pension Plan Benefit Payments	Potential overpayments and/or underpayments made to retirees and/or beneficiaries	Material weakness communicated in previous audit that has not yet been remediated.
Description	Potential effects	Status
Errors in financial reporting due to inadequate review of accounts reconciliation (Central)	Undetected errors reported in the financial statements which resulted in audit adjustments.	Material weakness in fiscal year 2021

# Material weaknesses and significant deficiencies in internal control, continued

## Material weaknesses, continued

Description	Potential effects	Status
Errors in financial reporting due to inadequate review of year end accrual process (Department of Watershed)	Undetected errors reported in the financial statements which resulted in audit adjustments.	Material weakness in fiscal year 2021
Description	Potential effects	Status
Errors in financial reporting due to inadequate review of capitalized interest (Department of Aviation)	Undetected errors reported in the financial statements which resulted in audit adjustments.	Material weakness in fiscal year 2021

All other deficiencies in ICFR noted during the audit that are of a lesser magnitude than a material weakness or significant deficiency have been communicated to management in writing.

# Significant accounting estimates

## Description of significant accounting estimates

- Net Pension liability and related deferred inflows/outflows of resources.

## Audit findings

### Management's process used to develop the estimates

- Management utilized the services of an independent actuary in order to estimate the amounts in accordance with GASB No.67 and 68.

### Significant assumptions used that have a high degree of subjectivity

- The estimate is based upon key inputs including census data, discount rate, long-term rate of return and mortality tables.

### Indicators of possible management bias

- There was no indicators of management bias.

### Qualitative aspects

- There has not been a change from the prior period in the methods for making the accounting estimates
- The amounts in net pension liability and related deferred inflows/outflows of resources are material to the financial statements as a whole.
- The measurement date is June 30, 2020 for the reporting period fiscal year 2021.

## Conclusions

- KPMG utilized a reviewing actuary and tested the various inputs used to estimate the amounts under GASB No. 68 and determined management's judgements were reasonable.

# Significant accounting estimates

## Description of significant accounting estimates

- Total OPEB liability and related deferred inflows/outflows of resources.

## Audit findings

### Management's process used to develop the estimates

- Management utilized the services of an independent actuary in order to estimate the amounts in accordance with GASB No.75.

### Significant assumptions used that have a high degree of subjectivity

- The estimate is based upon key inputs including census data, discount rate, mortality tables and participation rates.

### Indicators of possible management bias

- There was no indicators of management bias.

### Qualitative aspects

- There has not been a change from the prior period in the methods for making the accounting estimates.
- The valuation was updated with the census data as of June 30, 2020.
- The amounts in total OPEB liability and related deferred inflows/outflows of resources are material to the financial statements as a whole.
- There would be material impact for changes of significant assumptions used in accounting estimates and the degree of subjectivity involved in the development of the assumptions is high.

## Conclusions

- KPMG utilized a reviewing actuary and tested the various inputs used to estimate the amounts under GASB No. 75 and determined management's judgements were reasonable.

# Significant accounting estimates

## Description of significant accounting estimates

- General Claims Payable

## Audit findings

### Management's process used to develop the estimates

- Management establishes a reserve based upon an estimate of the expected costs for cases with a probable and reasonably estimated exposure

### Significant assumptions used that have a high degree of subjectivity

- Management's reserve is dependent upon the completeness and accuracy of the claims listing.

### Indicators of possible management bias

- There was no indicators of management bias.

### Qualitative aspects

- There has not been a change from the prior period in the methods for making the accounting estimates.

## Conclusions

- KPMG tested completeness and accuracy of reserve based upon City Council minutes and attorney inquiry responses. KPMG determined management's judgement was reasonable.

# Significant accounting estimates

## Description of significant accounting estimates

- Self-insurance reserve – worker’s compensation

## Audit findings

### Management’s process used to develop the estimates

- Management utilized the services of independent actuaries to estimate the applicable reserve amount.

### Significant assumptions used that have a high degree of subjectivity

- The estimates are based on inputs including claims logs and discount rate.

### Indicators of possible management bias

- There was no indicators of management bias.

### Qualitative aspects

- There has not been a change from the prior period in the methods for making the accounting estimates.

## Conclusions

- KPMG tested completeness of claims logs and utilized a reviewing actuary for the worker’s compensation reserve and determined that the reserves were reasonable.

# Significant accounting estimates

## Description of significant accounting estimates

- Investments, at fair value – Net Asset Value (NAV) per share (Pension Plans)

## Audit findings

### Management's process used to develop the estimates

- Management measures its investments at fair value. Management considers the current circumstances of whether NAV is still appropriate or whether events or conditions exist that necessitate a change in technique at each financial reporting date. The data for NAV is obtained from the investees, and management evaluates whether the NAV is calculated consistent with GASB 72

### Significant elements used in the estimates

- Method: NAV per share (or its equivalent) as practical expedient
- Input: NAV per share (or its equivalent) as reported by the investee at year-end
- Application: application of NAV per share including reasonableness considering disconfirming evidence and any adjustments

### Indicators of possible management bias

- There was no indicators of management bias

### Qualitative aspects

- Using NAV as a practical expedient is common industry practice and acceptable under GASB 72
- The data is sourced directly from the investment company and is considered the primary data input to the application. Because the data is audited and accounted for in accordance with the applicable accounting standards, there are low levels of complexity, subjectivity, estimation, susceptibility to bias or other factors
- There are some level of adjustments made by management to the reported NAV by the investee mainly to address the timing difference
- KPMG team obtained the confirmations from the investees and performed the substantive procedures over the NAV investments

## Conclusions

- KPMG engaged the KPMG valuation specialist and conclude management's estimate appears reasonable.

# Significant financial statement disclosures

Description of significant financial statement disclosures	Audit findings
<ul style="list-style-type: none"><li>— Investments (GASB 72)</li><li>— Capital Assets</li><li>— Long-term obligations</li><li>— Pension</li><li>— OPEB</li></ul>	<ul style="list-style-type: none"><li>— KPMG utilized disclosure checklists applicable to State and Local governments and determined that management's disclosures were reasonable.</li></ul>

# Other Significant Matters

Significant risk	Our audit response and findings
Management override of controls – Fraud risk	KPMG performed substantive procedures over journal entry testing considering the element of unpredictability. No findings noted.

# Our approach to fraud risk

## Quality in all that we do

- Audit quality remains our highest priority and is critical to fulfilling our role in the capital markets.
- To deliver on our audit quality commitment, we are focused on consistently planning and executing our audits, in line with the requirements of applicable professional standards within a strong system of quality control.
- Core to actions to drive quality are a culture of integrity, innovation, including our smart audit platform KPMG Clara, and nurturing and supporting our talented professionals.

- Financial fraud can be complex and sophisticated and it is essential that businesses, those charged with governance, and their auditors assess the risk of financial fraud and respond accordingly.
- The auditors' responsibility is to plan and perform an audit to provide reasonable assurance that material misstatements are detected, whether caused by error or fraud.
- At KPMG, we are focused on exercising professional skepticism, and executing fundamental audit procedures and collating evidence, aligned with the professional standards, to seek to detect material misstatement as a result of fraud.
  - We share our planned audit approach and responses with those charged with governance every year.
  - We perform risk assessments, including conducting interviews within the company, assessing management's fraud risk, and running analytical procedures, as appropriate under the standards.
  - And when fraud risk is identified, we perform incremental procedures at the highest level of risk.
- As part of our commitment to sustaining audit quality, we recognize nothing remains static. We are committed to continually improving the quality, consistency, and efficiency of our audits, enabled by our technology, including our approach to fraud risk.

# Audit and professional services fees

We have summarized the fees paid or payable to our firm relating to the audit of the City financial statements and the fees for all other professional services for FY2021 audit.

Service	FY2021 Audit Fees
Audit	\$1,699,051

## Payment of fees – Audit and all other professional services

Professional standards require that fees for any previously rendered professional service provided more than one year prior to the date of the current year audit report have been paid.

# Independence communications

The following are circumstances or relationships that, in our professional judgment, may reasonably be thought to bear on independence, and to which we gave significant consideration, in reaching the conclusion that independence has not been impaired.

Relationship	Description of relationship and relevant safeguards, if applicable	Fees (for services)
None		

# Inquiries

## The following inquiries are in accordance with AU-C 260

### Are those charged with governance aware of:

- Matters relevant to the audit, including, but not limited to, violations or possible violations of laws or regulations?
- Any significant communications with regulators?
- Any developments in financial reporting, laws, accounting standards, corporate governance, and other related matters, and the effect of such developments on, for example, the overall presentation, structure, and content of the financial statements, including the following:
  - The relevance, reliability, comparability, and understandability of the information presented in the financial statements
  - Whether all required information has been included in the financial statements, and whether such information has been appropriately classified, aggregated or disaggregated, and presented?

### Do those charged with governance have knowledge of:

- Fraud, alleged fraud, or suspected fraud affecting the Company?
  - If so, have the instances been appropriately addressed and how have they been addressed?

### Additional inquiries:

- What are those charged with governance's views about fraud risks in the Company?
- Who is the appropriate person in the governance structure for communication of audit matters during the audit?
- How are responsibilities allocated between management and those charged with governance?
- What are the Company's objectives and strategies and related business risks that may result in material misstatements?
- Are there any areas that warrant particular attention during the audit and additional procedures to be undertaken?
- What are those charged with governance's attitudes, awareness, and actions concerning (a) the Company's internal controls and their importance in the entity, including oversight of effectiveness of internal controls, and (b) detection of or possibility of fraud?
- Have there been any actions taken based on previous communications with the auditor?
- Has the Company entered into any significant unusual transactions?
- Whether the entity is in compliance with other laws and regulations that have a material effect on the financial statements?
- What are the other document(s) that comprise the annual report, and what is the planned manner and timing of issuance of such documents?
- Have any subsequent events occurred that might affect the financial statements?



# Supplemental Information

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Diversity, Equity, and Inclusion  
Audit quality and transparency

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# Diversity, Equity, and Inclusion

## Accelerate 2025: Driving Meaningful Change



**Chair and CEO  
Paul Knopp**

**“Diversity, Equity and Inclusion are foundational to KPMG’s purpose, values and strategy. I have witnessed incredible change and significant progress throughout my 37-year career, but it has not been nearly enough—as a society, as a profession and as a firm.”**



**Chief DEI Officer  
Elena Richards**

**“We believe we have a responsibility to make KPMG a place where all of our people can grow and thrive, and are committed to that vision. Our vision.”**

### Our 2025 Goals



- › 50 percent of our Partners and Managing Directors from under-represented groups, including a doubling of Black representation
- › 50 percent increase of Black and Hispanic/Latinx representation in our workforce
- › Significant increase in representation from under-represented groups in client and firmwide leadership roles

Read our first U.S. Diversity, Equity & Inclusion Transparency Report: [read.kpmg.us/diversity](https://read.kpmg.us/diversity)

# Audit quality and transparency

## 2020 Audit quality report

- Highlights the steps we have taken in 2020 to evolve and enhance our audit practice and our firm
- Provides an overview of how we are strengthening our culture, continuing to invest in our people, and the new technologies that will enable our workforce



## 2020 Transparency report

- Provides more granular detail on our commitment to continually enhance audit quality
- Outlines KPMG LLP's structure, governance and approach to audit quality
- Discusses how the firm aligns with the requirements and intent of applicable professional standards



Reports and supplements available at:  
[read.kpmg.us/auditquality](https://read.kpmg.us/auditquality)

# Questions?

For additional information and audit committee resources, including National Audit Committee Peer Exchange series, a Quarterly webcast, and suggested publications, visit the KPMG Audit Committee Institute (ACI) at [www.kpmg.com/ACI](http://www.kpmg.com/ACI)

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