



CITY OF SAN ANTONIO

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November 19, 2012

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SUBJECT: Follow-up Audit Report of Fire Department's Office of Emergency Management, Homeland Security Reimbursements

Mayor and Council Members:

We are pleased to send you the follow-up audit report of Fire Department's Office of Emergency Management Homeland Security Reimbursements. This audit began in July 2012 and concluded with an exit meeting with department management in October 2012. Management's verbatim response is included in **Appendix B** of the report. The Fire Department should be commended for its 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,

A handwritten signature in black ink, appearing to read "Kevin W. Barthold".

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

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CITY OF SAN ANTONIO
OFFICE OF THE CITY AUDITOR



Follow-up Audit of the Fire Department
Office of Emergency Management

Homeland Security Reimbursements

Project No. AU12-018F01

November 19, 2012

Kevin W. Barthold, CPA, CIA, CISA
City Auditor

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted a follow-up audit of the audit recommendation and management corrective action plans made in the San Antonio Fire Department's (SAFD) Office of Emergency Management (OEM) Homeland Security Reimbursements audit report dated September 9, 2010. Our audit objective for this follow-up audit follows:

Has OEM management effectively implemented actions to address the prior audit recommendation?

We determined that OEM has partially implemented actions to address the prior recommendation. OEM improved grant asset tracking and inventory controls. OEM has also developed policies and procedures for grants management. While OEM has implemented steps to improve its management of grants, excessive time still elapsed prior to OEM posting grant expenditures and requesting reimbursement from the State. We determined that 18 of the 25 (72%) expenditures tested were submitted after the required 30 days. On average, four months elapsed prior to OEM submitting reimbursement requests for expenditures. Additionally, 6 out of the 25 (24%) expenditures tested were posted to grants 60 days or later. Finally, not all OEM fiscal staff has received the appropriate training related to grants management.

We recommend the SAFD Fire Chief

- Implement and communicate procedures to ensure that all Fire Divisions submit Homeland Security grant expenditures and supporting documentation to OEM timely.
- Ensure that all staff tasked with grants management receive the proper training.

OEM management's verbatim response is in **Appendix B** on page 5.

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Background

In September 2010, the Office of the City Auditor completed an audit of the San Antonio Fire Department's (SAFD) Office of Emergency Management (OEM) Homeland Security Reimbursements. The objective of that audit was as follows:

Are controls in place to ensure that expenditures are properly tracked and submitted for federal and state reimbursement?

The Office of the City Auditor issued a report that identified the absence of formal written internal policies and procedures, excessive elapsed time prior to requesting reimbursement for grant expenditures and insufficient tracking of grant assets.

Audit Scope and Methodology

The audit scope was limited to the recommendation and corrective action plans made in the original report. The audit methodology consisted of reviewing OEM's policies and procedures, expenditures submitted for reimbursement, tracking of grant assets, and training received by OEM staff. We also conducted interviews with OEM personnel.

We selected grant expenditures from the Urban Areas Security Initiative (UASI) and State Homeland Security Program (SHSP) 2009¹ grant period for expenditure reimbursement testing. We used a statistical attribute sampling methodology to obtain a random population of 25 expenditures totaling \$233,091, requested for reimbursement. We reviewed the expenditure requests for reimbursement for timely submission, accuracy, and proper documentation support. We also reviewed for the timely recording of the expenditures to the appropriate grant.

We performed the follow-up audit in accordance with guidance from the Institute of Internal Auditors' (IIA) Professional Practices Framework (Practice Advisory 2500.A1-1) and other procedures that we considered necessary. IIA standards require that we establish a follow-up process to monitor and ensure that management has effectively implemented actions or that senior management has accepted the risk of not taking actions. We performed our testing during July and August 2012.

¹ Grant award periods span two and a half years and transcend the City's fiscal year periods. Therefore, transactions that occurred during FY 2012 were from 2009 grants.

Prior Recommendation and Results

Prior Recommendation

We recommend the Fire Chief implement Administrative Directive 8.10, “Financial Management for Grants” by developing formal written internal policies and procedures for grants management to help ensure compliance with federal state, and local guidelines.

Status: Partially Implemented

OEM has taken steps to address the issues identified in the prior audit report. Specifically, OEM developed formal written internal policies and procedures for grants management that address two main areas, Program and Financial Management. OEM also made improvements to staffing in an effort to improve the management of grants. For example, OEM hired a Department Fiscal Administrator and assigned additional personnel to process grant expenditures and reimbursements. Additionally, a Management Analyst was hired and given the responsibility of inventory control and tracking grant assets. During testing, we determined that grant asset tracking and inventories were conducted appropriately.

Although OEM has implemented improvements to the grant process, excessive time still elapsed prior to requesting reimbursements from the State. We determined that 18 of the 25 (72%) expenditures tested were submitted after the required 30 days. On average, four months elapsed prior to OEM submitting reimbursement requests for expenditures. Additionally, 6 of the 18 were overdue 7 months or later.

We also determined that OEM did not record grant expenditures to the appropriate grant within SAP on a timely basis. Specifically, 6 out of the 25 (24%) expenditures tested were posted to grants 60 days or later.

Finally, not all OEM fiscal staff had received the appropriate training related to grants management. We reviewed training records of all six employees who were involved with the fiscal aspect of the grant process. We determined that only three employees had received training on Administrative Directive 8.10 and five employees had received training related to the SAP Grant Module.

Recommendation

The SAFD Fire Chief should implement and communicate procedures to ensure that all Fire Divisions submit Homeland Security grant expenditures and supporting documentation to OEM timely. The Chief should also ensure that all staff tasked with grants management receive the proper training.

Appendix A – Staff Acknowledgement

Brian K. Williams, MBA, CIA, CFE, CRMA, CGAP, Audit Manager
Buddy Vargas, MBA, CFE, Auditor in Charge

Appendix B – Management Response



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

November 13, 2012

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

RE: Management's Acknowledgement of the Fire Department's, Office of Emergency Management, Homeland Security Reimbursements Follow-Up Audit.

- Fully Agree (provide detailed comments)
- Agree Except For (provide detailed comments)
- Do Not Agree (provide detailed comments)

The Fire Department has reviewed the follow-up audit report and has developed the Corrective Action Plans below corresponding to the report recommendation.

Recommendation					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
	The SAFD Fire Chief should implement and communicate procedures to ensure that all Fire Divisions submit Homeland Security grant expenditures and supporting documentation to OEM timely. The Chief should also ensure that all staff tasked with grants management receive the proper training.	3	Accept	Lawrence Trevino Battalion Fire Chief	October 2012

Appendix B – Management Response (continued)

Action plan:

The Office of Emergency Management agrees with this recommendation. The Office of Emergency Management staff has decreased the average turnaround time for grant reimbursement from 10 months, which was documented in the original September 2010 audit down to 4 months. The City of San Antonio's Emergency Manager has communicated this issue to the operations liaison in charge of submitting the documentation required for grant reimbursement. Effective August 15, 2012, in an effort to ensure the 30 day deadline is met for submitting items for reimbursement, we have realigned procedures for travel and training requests to be submitted to Fiscal staff every quarter. This will allow time for Fiscal staff to request State permission prior to any travel and training with estimated costs. Prior to this change, the State required that all documentation and certificates be submitted with a final cost for training and incurred overtime. Also, any delay caused by training certificates not being received by the vendor in a timely manner will be documented in each folder.

Effective September 1, 2012, the fiscal division has refined the checklist that is attached to each purchase to ensure that all required documentation is submitted correctly to reduce the amount of time it takes to submit for State reimbursement. A monthly checklist has been created as of September 1, 2012 as well, for all Fiscal staff to sign off on each month to ensure that all monthly reimbursable items such as travel, overtime, salaries and phone bills are submitted in a timely manner. Also, biweekly meetings have been set up with the Fiscal staff and the Emergency Manager to ensure that all new processes are working beginning November 1, 2012.

The Office of Emergency Management agrees with the training recommendation. All personnel that are involved in the procurement process, to include the initiation of purchases to the final request for State reimbursement of funds, have been trained on AD 8.10 "Financial Management of Grants" on September 21, 2012. This training was presented by the Finance Department and acknowledgement forms have been signed and placed in personnel files.

In an effort to increase Fiscal accountability and control over the entire grant procurement process, a reorganization of tasks was put in place for personnel that did not report to the Department Fiscal Administrator. Effective October 1, 2012, the State permission and reimbursement phases of the procurement process have been reassigned to Fiscal staff that will be responsible for submitting these requests in a timely manner. Also, the Finance Department has granted the Office of Emergency Management permission to submit language to possibly revise the AD 8.10 "Financial Management of Grants" on the 30 day turnaround required for all items to be submitted for reimbursement. We will be submitting language to request an additional 15-30 days to submit for reimbursement for travel and overtime expenditures due to challenges with receiving all payroll documentation in a timely manner.

We are committed to addressing the recommendations in the audit report and the plan of actions presented above.

Sincerely,



Lawrence Trevino,
Battalion Fire Chief
Fire Department

11/13/12
Date

Appendix B – Management Response (continued)



Charles N. Hood
Fire Chief
Fire Department

11/14/12
Date



Erik J. Walsh
Deputy City Manager
City Manager's Office

11/14/12
Date