



# CITY OF SAN ANTONIO

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November 16, 2007

City Auditor  
San Antonio, Texas

RE: Management's Corrective Action Plan for the Audit of the SAP Procurement to Pay Process

City Management, Finance, and the Purchasing & Contract Services Departments have reviewed the audit report and have developed the Corrective Action Plans below corresponding to report recommendations.

Recommendation					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
A 1.	<b>Controls over the procurement process in SAP need enhancement.</b>	4			
	<ul style="list-style-type: none"> <li>• Implement additional security and control features in SAP in order to detect any changes made to purchase orders after they have been approved.</li> </ul>		Accept	Janie B. Cantu, Purchasing Director Hugh Miller, ITSD Director	April 1, 2008
	<ul style="list-style-type: none"> <li>▪ Activate controls in SAP that require an approval to issue a purchase order against an annual contract.</li> </ul>		Accept	Janie B. Cantu, Purchasing Director Hugh Miller, ITSD Director	January 1, 2008
	<ul style="list-style-type: none"> <li>▪ Activate budgetary constraints to ensure department budget dollars are available prior to initiating contracts and making purchases.</li> </ul>		Accept	Troy Elliott, Assistant Finance Director Hugh Miller, ITSD Director	October 1, 2009
	<ul style="list-style-type: none"> <li>• Activate controls to restrict users from using general ledger codes that do not align with materials master codes.</li> </ul>		Accept	Janie B. Cantu, Purchasing Director Hugh Miller, ITSD Director	February 1, 2008
	<ul style="list-style-type: none"> <li>▪ Users should be adequately trained in order to reduce the number of errors and time spent purchasing goods and/or services.</li> </ul>		Accept	Janie B. Cantu, Purchasing Director	January 1, 2008

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**Action plan:**

- SAP keeps track of all changes to purchase orders including those made after the original release/approval. SAP would be configured to require all changes to be approved within the department that originally released/approved the purchase order. A PO change will cause the original approval to be revoked and will return the PO to the workflow approval process, in the same manner as requisitions are handled. A memo requesting that ITSD configure the system as recommended will be submitted for follow up action.
- SAP can be configured to require release/approval of all purchase orders regardless of whether they reference a contract or not. Therefore, annual contract Purchase Orders will be released in the same manner as regular purchase orders. A memo requesting that ITSD configure the system to provide for the approval will be submitted for follow up action.
- With the implementation of SAP additional budgetary controls are available. Currently, there are several effective mitigating controls outside of SAP that are utilized to monitor Departmental Budgets, such as Departmental and Office of Management and Budget monthly financial reviews. The Finance Department also recently reorganized and created a dedicated Financial Reporting Group to monitor and report monthly the City's financial results. The addition and implementation of SAP's Availability Control will further strengthen controls. Availability Control is targeted to be implemented for Capital Projects and Grants Management during fiscal year 2008 and during fiscal year 2009 for operational funds.
- Currently, SAP ties a specific G/L number with a material master record. Changing the G/L on the requisition is possible and has caused misalignment of material group codes and G/L numbers. To prevent this from occurring, it is recommended that the G/L field be made "read-only". This will allow the field to populate automatically with the G/L derived from the material master record selected by the requisitioner. On occasion, departments change the G/L number when the derivation of the G/L and material do not match or when a line item does not have a sufficient budget to cover the amount of the purchase. This action is taken because there is no provision at the department level for the transfer of budgeted funds between accounts. A memo instructing ITSD to make the G/L field "read-only" is being prepared for follow up action. This recommended change will not prevent a requisitioner from misstating the item being purchased on the requisition. It will only prevent the requisitioner from being able to change a G/L that is not connected with the item being purchased.
- Although training was provided during the initial SAP implementation, personnel and other changes over the last couple of years have resulted in untrained staff being assigned roles. Purchasing and ITSD are now providing mandatory training for staff members that possess the six procurement related SAP roles. Additionally, staff are being tested to ensure that they understand their roles and to minimize errors.
- Purchasing and ITSD reviewed all of the procurement roles and the department staff assigned these roles. Department Directors were asked to review the roles and to ensure that appropriate staff held the roles and to request their attendance at the mandatory training. Those who did not attend the training and pass the tests will have the roles taken away from them. This is now the requirement for future assignment of roles and can only be granted upon passing the test or approval of the Purchasing & Contract Services Director. Our efforts have resulted in reducing the 1,500 procurement related roles held by staff by 397. Additional reductions are being finalized through the training and testing that will be completed by the end of November.

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	<p><b>B 2. The need for a segregation of functions involved in the procurement process requires additional management attention</b></p> <ul style="list-style-type: none"> <li>▪ Work with user departments to reassign SAP roles such that no single individual has a combination of roles that would constitute a segregation of responsibilities risk.</li> </ul>		Accept	<p>Troy Elliott, Assistant Finance Director</p> <p>Hugh Miller, ITSD Director</p>	September 30, 2008
<p><b><u>Action plan:</u></b></p> <p>➤ The City's SAP system was placed into production on October 1, 2004. In preparation for the implementation, roles were designed in order to control conflicts and issues associated with segregation of duties. A Segregation of Duties (SOD) tool provided by the systems integrator was provided to define and detect conflicts between roles and the individuals possessing the roles. Mitigating controls were evaluated and determined to be acceptable in instances where conflicts were identified. Since the implementation date of SAP, personnel have changed job positions, relocated to different departments and additional roles have been provided or removed from personnel. Although mitigating controls exist they have not been formally documented.</p> <p>In order to further mitigate conflicts arising from segregation of duties, the Finance Department and Information Technology Services Department are in the process of developing plans to improve upon existing segregation of duties. The plans include the selection and implementation of a SOD software tool to monitor and facilitate the management of SAP roles, provision and removal of SAP Roles, and identify potential conflicts between roles and positions. ITSD has undergone a process to evaluate SOD software packages and are anticipating selecting a package and City Council Action in the upcoming months. In addition, the Purchasing Department has under gone an extensive study of Procurement Roles and has analyzed the design of existing roles, identified potential conflicts, recommended improvements to current business processes and reduced the number of existing conflicts.</p>					

While City staff is in general agreement with this audit's findings and recommendations, the following supplemental information is provided to identify other actions that the City has undertaken related to the audit topics.

## TRAINING/SAP ROLES

1. It was determined that the number of users with procurement related SAP roles was higher than necessary. Department Directors were provided a list of SAP procurement users for review and a role definition/segregation of duties conflict table to assist them in recommending changes (deletions/revisions). As a result, the number of staff holding these associated roles has been reduced significantly.
2. Mandatory training has been provided to staff holding the 6 procurement related roles. Attendees were required to pass a competency test to retain the roles. The required training and test will continue into the future.
3. ITSD and Purchasing are planning additional training covering various SAP topics which is intended to reduce the number of errors and staff time spent purchasing goods and services.
4. Focus group meetings were held with department staff to discuss the types of issues and errors that have been occurring.
5. New security procedures are in place regarding approval of procurement related roles. Roles are not provisioned until certification of training has been received by the SAP Security Administrator. The Director of Purchasing & Contract Services must approve any procurement roles requested if the mandatory training and testing has not been completed.
6. The City is purchasing Segregation of Duties ("SOD") software that will monitor and facilitate the management of SAP roles, provision and removal of roles and identify potential conflicts between roles and positions.

## SHARED SERVICES


The need to adopt a Centralized Services organizational structure for Finance and Purchasing functions is being reviewed for implementation. Many of the issues identified and the lack of consistency in both financial and procurement activities could be reduced substantially with both departments directing those activities within individual departments. Consistency, competency and compliance with policies and procedures would result from adopting this concept. With procurement issues specifically, staff member in departments holding critical purchasing roles would eliminate many of the problems that have been encountered because they would be reporting directly to Purchasing & Contract Services. Once again, this would save staff time, minimize errors and help in training.

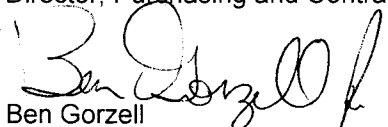
## OTHER COMMENTS

Page 6 of the Audit Discussion section identifies the City's loss of contractually offered prompt payment discounts totaling \$85,000 in FY 2006. While staff acknowledges that inadequate training of approvers and procurement users may have contributed minimally to this problem, other issues related to payment approval arise regularly which may cause department staff to miss the vendor's time period for discounts, such as vendor performance problems and holding payment on partial receipt until the full order is received, among others which we consider legitimate reasons.

We are committed to addressing the recommendations in the audit report and the plan of actions presented above – we appreciate your office's assistance in our own process review of this important City function. Please contact us if you have any questions or need further information.

Sincerely,

*plus  
11/16/04*  
  
Janie Cantu, C.P.M.  
Director, Purchasing and Contract Services

  
Ben Gorzell  
Director, Finance

  
Hugh Miller, CTO  
Director, Information Technology Services