# CITY OF SAN ANTONIO

P.O. Box 839966
SAN ANTONIO TEXAS 78283-3966

April 23, 2014

**Julián Castro**
Mayor

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Councilman, District 1

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Councilwoman, District 2

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Councilwoman, District 3

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Councilman, District 7

**Ron Nirenberg**
Councilman, District 8

**Joe Krier**
Councilman, District 9

**Mike Gallagher**
Councilman, District 10

SUBJECT: Audit Report of the Office of Military Affairs Fiscal Operations

Mayor and Council Members:

We are pleased to send you the final report of the Office of Military Affairs Fiscal Operations. This audit began in October 2013 and concluded with an exit meeting with department management in March 2014. Management's verbatim response is included in Appendix B of the report. The Office of Military Affairs management and staff should be commended for their 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,

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

Distribution:
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Carlos Contreras, Assistant City Manager
Ben Gorzell, Chief Financial Officer
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# CITY OF SAN ANTONIO

# OFFICE OF THE CITY AUDITOR

Audit of Office of Military Affairs

Fiscal Operations

Project No. AU14-020

April 23, 2014

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

# Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the Office of Military Affairs (OMA), specifically fiscal operations. The audit objectives, conclusions, and recommendations follow:

**To determine if fiscal operations, including grants, are administered in accordance with Federal, State, and Local requirements.**

Yes, overall fiscal operations including grants are administered in accordance with Federal, State, and Local requirements. OMA has managed over $4.2 million dollars in grant funding for the past seven years and has a process in place to secure future grant funding. In addition, OMA submits performance reports and grant deliverables completely and accurately. Finally, OMA staff has processes in place to review for allowable grant expenditures and to ensure expenditures are reimbursed to the City.

However, we observed areas in need of improvement. We found a lack of formal written internal policies and procedures and insufficient asset tracking. In addition, OMA is reporting match expenditures on a budgeted basis rather when actually incurred. Finally, OMA did not obtain authorization for travel in accordance to Travel Administrative Directive 8.31.

We recommend that the Director of OMA:

- Develop and implement formal written policies and procedures for grants management in accordance to Administrative Directive 8.10, to include but not limited to asset tracking and matching requirements.

- Implement procedures in accordance with Travel AD 8.31.

OMA's Management's verbatim response is in Appendix B on page 7.

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# Background

The Office of Military Affairs (OMA) was established in January 2007 with support of a grant from the Department of Defense's (DoD) Office of Economic Adjustment (OEA). The purpose of the grant was to develop a growth management plan in response to the growth brought about by the 2005 Base Realignment and Closure (BRAC). In 2008 OMA introduced this Plan which has been used to help fulfill OMA's mission to work with the military to sustain and enhance mission readiness, to develop and institutionalize relationships between the community and military on issues of common concern, and to prepare the community for challenges and opportunities associated with a future BRAC.

Since 2007, OMA has continued to receive most of its funding from the DoD's Office of Economic Adjustment. Over the past 7 years, the department has received five grants totaling roughly $4.2 million dollars with the city contributing an additional $578,000 in grant matches. These funds were used to develop and implement the Camp Bullis and Lackland Air Force Base Joint Land Use Studies (JLUS) as well as support and implement Bexar County's Randolph Air Force Base JLUS. In addition, these grants have funded studies to identify ways to help both Joint Base San Antonio and the City reduce cost and improve efficiencies through shared services.

## Audit Scope and Methodology

The audit scope included fiscal years 2012 and 2013 and covered the 3 most recent grants received by the Office of Military Affairs.

To obtain an understanding of the department's processes, we interviewed staff and observed controls. Testing criteria included grant contracts, federal circulars A-133 and A-87 as well as the City's Administrative Directives.

We reviewed grant expenditures for compliance with the local and federal purchasing guidelines. We reviewed invoices and payroll records to verify that expenditures were supported, allowable, and incurred during the period of availability. We also verified compliance with suspension and debarment requirements. In addition, we evaluated the sufficiency of inventory controls over grant assets.

We also reviewed all travel expenditures incurred during FY 2013 for compliance with grant requirements and the City's Administrative Directive 8.31. We also reviewed the grant initiation, setup, and closeout process.

We reviewed reimbursement requests to determine if they were accurately calculated, properly supported and submitted timely. In addition, we reviewed grant matching expenditures to determine compliance with grant requirements.

We reviewed performance reports for completeness, accuracy, and timeliness. The audit office reviewed documents obtained from OMA's grant files as well as City Council and Military Transformation Task Force Committee Minutes to confirm existence of key items noted in the performance reports.

We relied on computer-processed data in SAP, the City's financial accounting system, to validate grant expenditures and reimbursements. Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

The audit team also obtained grant documents from the U.S. Government E-Grants Information System to support records obtained from SAP and the grant files maintained by the Office of Military Affairs. This System does not interface with any City of San Antonio systems and no systems rely on its information. Controls for the Grants Management website are maintained by the granting agency, and we did not conduct procedures to test the application or general controls of this system

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our

audit results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objectives. Our audit included tests of management controls that we considered necessary under the circumstances.

# Audit Results and Recommendations

## A. Grants Management Administrative Directive 8.10

OMA is not in compliance with Grants Management Administrative Directive 8.10. We found a lack of formal written internal policies and procedures and insufficient asset tracking. OMA is also reporting match expenditures on a budgeted basis rather than when they are actually incurred.

### Internal Policies and Procedures

The Office of Military Affairs does not have formal written internal policies and procedures established for grants management. The City's Administrative Directive, AD 8.10, requires all departments administering grants to maintain, review, and update their respective departmental policies and procedures related to grants management. Formalized internal policies and procedures helps ensure grants are managed in accordance with federal and local requirements and consistency of operations.

### Tracking of Grant Assets

OMA did not track assets purchased with grant funds in accordance with Federal and Local requirements. We could not determine the funding source for 33 assets that were reviewed. OMA did not include required information such as acquisition date, cost, source of funding and description. In addition, we identified 7 assets totaling $4,067 purchased with grant funds that were not recorded in SAP's Fixed Assets module for tracked property.

Federal Circular A-133 requires grantees maintain records that contain specific information including but not limited to an asset's funding source, acquisition date, cost, location, and description. Also, Administrative Directive 8.10 requires departments to track any grant assets with a useful life greater than one year in SAP's Fixed Assets module. Incomplete asset records may lead to the misuse of grant purchased assets.

### Grant Matching Requirements

Grant matching expenditures are reported on a budgeted basis rather than actual incurred expenses. We reviewed a total of 10 reimbursement requests submitted between FY 11 and FY 13 totaling $976,000 for compliance with grant matching requirements. Seven of the ten requests reviewed were based on budgeted amounts. Although reimbursement requests were submitted using budgeted match amounts, final reimbursement requests were adjusted to reflect actual match expenses incurred.

Federal Circular A-133 and Administrative Directive 8.10 require that program cost be paid before reimbursement is requested. Inaccurate reporting of grant match requirements leads to the overstating or understating of the actual match,

which may result in denied reimbursement requests or may lead to the City having to return grant funds.

**Recommendation**
OMA Director develop and implement formal written policies and procedures for grants management in accordance to Administrative Directive 8.10 to include but not limited to the items mentioned above.

### B. Travel Administrative Directive 8.31

OMA is not in compliance with Travel Administrative Directive 8.31. We reviewed all FY 13 travel and training expenditures totaling $14,000. Although expenditures tested appeared reasonable, OMA did not obtain the required authorization for travel.

The City's Administrative Directive, AD 8.31, requires that travelers obtain prior authorization to travel by submission of the Travel Authorization form to their supervisor. Prior authorization of trips helps ensure that only reasonable and necessary travel expenses are incurred for City business.

**Recommendation**
OMA Director implement procedures in accordance with Travel AD 8.31.

# Appendix A – Staff Acknowledgement

Buddy Vargas, CFE, Audit Manager
Cristina Stavley, Auditor in Charge
Lawrence Garza, Auditor

# Appendix B – Management Response

**CITY OF SAN ANTONIO**

P.O. Box 839966
SAN ANTONIO TEXAS 78283-3966

March 11, 2014

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

RE: Management's Corrective Action Plan for Office of Military Affairs, Fiscal Operations Audit

The Office of Military Affairs has reviewed the audit report and has developed the Corrective Action Plans below corresponding to report recommendations.

| Recommendation | | | | | |
|---|---|---|---|---|---|
| # | Description | Audit Report Page | Accept, Decline | Responsible Person's Name/Title | Completion Date |
| 1 | **Grants Management Administrative Directive 8.10**<br><br>OMA Director develop and implement formal written policies and procedures for grants management in accordance to Administrative Directive 8.10 to include but not limited to the items mentioned above | 5 | Accept | Frank Sherman, Project Manager | April 2014 |

| Recommendation | | | | | |
|---|---|---|---|---|---|
| # | Description | Audit Report Page | Accept, Decline | Responsible Person's Name/Title | Completion Date |
| | **Action plan: The Office of Military Affairs (OMA) is developing written policies and procedures covering all aspects of grant management. A preliminary draft of the formal policies and procedures required by AD 8.10 has already been completed to include procedures for ensuring proper methodology is used for recording grant match requirements. In regard to tracked assets, all grant funded assets are accounted for and previously missing tracking data (cost, date acquired, and fund source) has already been recorded for 27 of the 33 assets with information on 6 assets still being researched.** | | | | |
| 2 | **Travel Administrative Directive 8.31**<br><br>OMA Director implement procedures in accordance with Travel AD 8.31. | 5 | Accept | Robert Murdock, Director | Completed |
| | **Action plan: Prior to the audit the Office of Military Affairs (OMA) had received verbal approval for travel; however, the AD 8.31 required written authorization was not completed. OMA has already implemented procedures whereby travel authorization is coordinated and approved in accordance with the AD.** | | | | |

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

Sincerely,

Robert M Murdock — 10 APR 14

Robert Murdock
Director
Office of Military Affairs

Date

M. C. — 4-11-14

Jeff Coyle
Director
Intergovernmental Relations

Date

4/11/14

Carlos Contreras
Assistant City Manager
City Manager's Office

Date

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