



CITY OF SAN ANTONIO

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January 15, 2015

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SUBJECT: Follow-up Audit Report of Economic Development Department SBEDA Contract Compliance Monitoring

Mayor and Council Members:

We are pleased to send you the final report of the Follow-up Audit of Economic Development Department SBEDA Contract Compliance Monitoring. This audit began in August 2014 and concluded with an exit meeting with department management in December 2014. Management's verbatim response is included in Appendix B of the report. The Economic Development Department 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

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CITY OF SAN ANTONIO
OFFICE OF THE CITY AUDITOR



Follow-Up Audit of Economic Development Department

SBEDA Contract Compliance Monitoring

Project No. AU14-F02

January 15, 2015

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 recommendations made in the Audit of the Economic Development Department's (EDD) SBEDA Contract Compliance Monitoring requirements dated October 25, 2013. The audit objective and conclusion follow:

To determine if the Economic Development Department successfully implemented action plans to address prior audit recommendations relating to SBEDA contract compliance monitoring.

Yes, EDD has successfully implemented action plans that address all recommendations from the previous audit.

The prior audit observations included working toward completing the development and implementation of the monitoring process, the lack of formal procedures for the review of user access, the need to improve subcontractor payment confirmations, and the lack of training for departmental CCMS users prior to granting system access.

EDD Management's verbatim response is in Appendix B on page 6.

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Background

In October of 2013, the Office of the City Auditor completed an audit of the Economic Development Department (EDD) SBEDA Contract Compliance Monitoring. The objective of the audit was as follows:

Are contracts with SBEDA requirements adequately monitored for compliance?

The Office of the City Auditor issued a report that found the formal process for monitoring contracts with SBEDA requirements not fully developed or implemented. EDD lacked formal policies and procedures for the review of user access in CCMS. Additionally, EDD needed to continue vendor outreach training to help improve the confirmation of subcontractor payments. Finally, the audit office found that departmental CCMS users had not received training prior to granting access, and did not retain training records.

Audit Scope and Methodology

The audit scope was limited to the recommendations made in the original report and corresponding action plans related to EDD's SBEDA monitoring processes from November 2013 through September 2014.

To obtain an understanding of the department's processes, we interviewed staff and observed controls. We reviewed 3 months of EDD's non-compliance reports and supporting documentation to determine if EDD is monitoring for SBEDA compliance on a monthly basis.

We examined the annual review of CCMS user roles and privileges conducted by EDD. Additionally, we reviewed active users for appropriate level of access. Finally, we reviewed all users of CCMS with account creation dates from January 2014 through August 2014 to determine if they attended required user training.

We obtained and reviewed support documentation of training conducted for subcontractors related to the confirmation of vendor payments. Testing criteria included the SBEDA ordinance, and applicable administrative directives.

We relied on computer-generated data in the CCMS and SAP systems to identify a population of CCMS users along with their roles and privileges to perform our testing. Our reliance was based on performing direct tests on the data rather than evaluating the systems' 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.

We conducted this follow-up 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.

Prior Audit Recommendations and Status

A. SBEDA Contract Compliance Monitoring Process

The Director of EDD continues working toward completing the development and implementation of the SBEDA monitoring process.

Status: Implemented

EDD has completed the development and implementation of the SBEDA contract compliance monitoring process. EDD's monitoring process includes generating a monthly non-compliance report. This report is reviewed and non-compliance results are communicated to the originating department. In addition, the EDD director informs the department to submit letters of non-compliance to vendors with recurring compliance issues. EDD has also implemented penalties and sanctions when applicable. We reviewed 3 months of non-compliance reports to verify EDD consistently monitors for non-compliance on a monthly basis.

B. CCMS User Access

The Director of EDD should develop formal procedures to periodically review user roles in CCMS at least annually.

Status: Implemented

EDD has developed and implemented formal procedures to periodically review user access and privileges of the CCMS system. EDD annually reviews CCMS to ensure that all active users have the appropriate user access, and separated employees' access is removed.

C. Confirmation of Payments in CCMS

The Director of EDD should continue outreach and training for subcontractors and consider revising current procedures to ensure subcontractors are confirming payments.

Status: Implemented

EDD has implemented monthly vendor outreach training sessions of CCMS to help ensure that subcontractors are able to confirm payments within CCMS. In addition, EDD has also created a form that firms can utilize to confirm subcontractor payments manually rather than in CCMS.

D. Training

The Director of EDD should require training for all departmental users of CCMS before system access authorization. Additionally, EDD staff should retain evidence of trainings attended by users.

Status: Implemented

EDD has implemented required training sessions that all departmental users must attend prior to granting system access. In addition, EDD also retains training sign in sheets, which documents user's attendance.

Appendix A – Staff Acknowledgement

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

Appendix B – Management Response



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

December 15, 2014

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

RE: Management's Corrective Action Plan for the Follow-Up Audit of Economic Development Department SBEDA Compliance Monitoring.

Economic Development Department has reviewed the audit report and provided its comments to the auditors. As there are no recommendations for management, no management responses are required.

Economic Development Department:

Fully Agrees (provide detailed comments)

Does Not Agree (provide detailed comments)

Sincerely,

Rene Dominguez
Director
Economic Development Department

9/6/15

Date

Carlos Contreras
Assistant City Manager
City Manager's Office

1/7/15

Date