



# CITY OF SAN ANTONIO

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October 18, 2022

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Mayor

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Councilwoman, District 6

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Councilman, District 9

**Mario Bravo**  
Councilman, District 1

**Dr. Adriana Rocha Garcia**  
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**Jalen McKee-Rodriguez**  
Councilman, District 2

**Teri Castillo**  
Councilwoman, District 5

**Manny Peláez**  
Councilman, District 8

SUBJECT: Audit Report of the Follow-up Audit of Finance Vendor Master File

Mayor and Council Members:

We are pleased to send you the final report of the Follow-up Audit of Finance Vendor Master File. This audit began in October 2021 and concluded with an exit meeting with department management in July 2022. Management's verbatim response is included in Appendix B of the report. Finance 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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Judy Treviño, Audit Committee Member

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# **CITY OF SAN ANTONIO**

## **OFFICE OF THE CITY AUDITOR**



Follow-Up Audit of Finance Vendor Master File

Project No. AU21-F02

October 18, 2022

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

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## Executive Summary

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As part of our annual Audit Plan approved by City Council, we conducted a follow-up audit of the recommendations made in the prior audit of Finance Vendor Master File dated March 4, 2020. The objectives for this follow-up audit are:

**Determine if prior audit recommendations are successfully implemented and working as intended. Additionally, determine if adequate controls are in place for the transmission and storage of vendor data.**

The Office of the City Auditor had previously made three audit recommendations. Additionally, per Finance Management request, the audit team reviewed the controls surrounding vendor data transmission and storage.

Finance implemented user access reviews and modified SAP roles accordingly to comply with the least privilege principle.

However, two action plans were not fully implemented. Comprehensive policies and procedures have not been developed to reflect currently accepted practices for vendor master maintenance. Additionally, Finance has not developed procedures to detect and investigate all issues identified in the previous audit.

Furthermore, there were opportunities to develop controls over vendor data transmission and security.

Finance Management agreed with the audit findings and has developed positive action plans to address them. Management's verbatim response is in Appendix B on page 8.

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## Background

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On March 4, 2020, the Office of the City Auditor completed an audit of the Finance Vendor Master File. The objective of the audit was as follows:

**Determine if proper internal controls are in place to ensure the City's Vendor Master File is reliable and disbursements are accurate.**

The Office of the City Auditor concluded there were opportunities to improve the change management process. Previously, adequate documentation to support vendor record changes was not maintained. In addition, potential issues with vendor records such as blank required fields and duplicate vendor records were identified. Lastly, user access was not appropriate for users with access to vendor maintenance roles. As a result, the following recommendations were made:

- Develop comprehensive policies and procedures to reflect currently accepted practices for vendor master maintenance. Additionally, implement risk-based procedures for documentation requirements for the different types of changes.
- Perform data analysis procedures to detect and investigate potential issues with vendor records. Additionally, evaluate required vendor fields. Finally, establish a process that enables employees to query payroll vendors prior to creation to avoid record duplication.
- Perform periodic user access reviews and modify SAP roles accordingly to comply with the least privilege principle.

Finance management agreed with the conclusions and developed action plans to address the audit recommendations.

## Audit Scope and Methodology

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The audit scope included the recommendations and corrective actions plans made in the original report for the time frame from March 2020 through October 2021. Additionally, the scope included the Division's controls in place for the transmission and storage of vendor data.

We interviewed Division staff to obtain an understanding of change management, file maintenance, SAP user access, and transmission/storage of vendor data. Testing criteria included Department User Guides and City Administrative Directives.

We assessed internal controls relevant to the audit objective. This included a review of written policies and procedures, authorization practices, verifications, and ongoing monitoring.

As part of our testing procedures, we reviewed a sample of vendor changes to confirm they were supported with adequate source documentation and were properly validated by the Division. Furthermore, we reviewed the policies and procedures to determine whether they had been updated to address all change types and required supporting documentation per the prior audit recommendation.

Additionally, we reviewed the Vendor Master File (VMF) to confirm issues identified in the previous audit were corrected. We also performed a review to determine whether reviews of the VMF are performed by the Division to address potential issues.

Furthermore, we reviewed SAP user access listings for vendor maintenance roles to confirm access was appropriate. Lastly, we reviewed controls over vendor data transmission and storage to determine whether they were adequate.

We relied on computer-processed data in the SAP and FileNet to validate the accuracy of vendor records. Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. Our direct testing included comparing vendor records to supporting vendor documents. 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 performance 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 findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Prior Audit Recommendations and Status

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### A. Change Management

#### *Prior Recommendations:*

The Deputy Chief Financial Officer should develop comprehensive policies and procedures to reflect currently accepted practices for vendor master maintenance. Additionally, implement risk-based procedures for documentation requirements for the different types of changes.

#### **Status: Not Implemented**

The Division has not updated or developed comprehensive policies and procedures to reflect currently accepted practices for vendor master maintenance. The audit team reviewed the policies and procedures and confirmed updates had not been made since the previous audit.

As a best practice, policies and procedures should be periodically reviewed and updated to reflect current practices.

#### **Recommendations**

The Deputy Chief Financial Officer should ensure the Division:

- Update policies and procedures to reflect currently accepted practices and documentation requirements, and
- Train employees on updated policies and procedures

### B. File Maintenance

#### *Prior Recommendations:*

The Deputy Chief Financial Officer should perform data analysis procedures to detect and investigate potential issues with vendor records. Additionally, evaluate required vendor fields. Finally, establish a process that enables employees to query payroll vendors prior to creation to avoid record duplication.

#### **Status: Partially Implemented**

#### File Revisions

The Division has investigated and addressed issues identified in the previous audit (such as blank required fields, duplicate records, and one-time payment vendors that remained active). We reviewed the VMF as of December 2021 and confirmed the following issues were investigated/resolved where necessary:



- 138 vendors with blank required fields
- 62 duplicate vendor records
- 319 active remit vendors not linked to an active vendor
- 353 one-time payment vendors that remained active
- 118 employees with fields matching a vendor record

For example, blank required fields were filled out, duplicate records were blocked, and one-time payment vendors were blocked.

#### File Analysis Performance

The Division has begun investigating potential issues with vendor records. The audit team reviewed supporting documentation and SAP change reports to confirm issues identified were addressed. However, the process is performed on an ad-hoc basis and does not address all issues identified in the previous audit.

For example, reviews were performed for active remit vendors not linked to an active trade vendor and one-time payment vendors that remained active, but the remaining categories (as referenced in the bulleted list above) were not investigated.

*Administrative Directive 8.3 Accounts Payable* states Finance shall proactively search and provide reports for review of vendor data and initiate corrective actions as needed to standardize data entry. If the vendor master file is not properly maintained, there is an increased risk for incomplete vendor records and inappropriate disbursements.

### **Recommendations**

The Deputy Chief Financial Officer should establish and document a process to periodically investigate and address issues such as:

- blank required fields,
- duplicate vendor records,
- active remit vendors not linked to an active vendor,
- one-time payment vendors that remained active, and
- employees with fields matching a vendor record

### **C. SAP User Access**

#### *Prior Recommendation:*

The Deputy Chief Financial Officer should perform periodic user access reviews and modify SAP roles accordingly to comply with the least privilege principle.

**Status: Implemented**

The Division has begun monitoring SAP user access. The audit team obtained support to confirm the user access listing was reviewed by the Division during September 2021 and access was adequate at the time of the user access review. Additionally, the audit team reviewed the user access listing as of December 2021 and confirmed access was appropriate based on user's current job functions in 8/8 cases.

### **Recommendations**

None

## New Audit Recommendation

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### D. Data Transmission & Security

During planning stages of the audit, Finance Management requested the audit team review the controls surrounding vendor data transmission and storage. Per this request the audit team reviewed the incoming vendor data process and reviewed access listings for vendor data channels. As a result, the audit team concluded adequate controls are not in place for transmission and storage of data. Specifically:

- Incoming vendor data is not encrypted or received via a secure channel. SSNs, addresses, bank information, etc. are routinely received via email without any security controls.
- There is no process in place to review and modify access to vendor data channels (such as email, phone, and fax). The Division was unable to recall when the voicemail pin was last changed. Additionally, 6/15 COSA employees did not require access to the email; access has since been revoked.
- Deviations for alternate vendor intake processes and delegation of vendor validation are not documented as approved in the Division's policies and procedures.

Per *Administrative Directive 7.3A Data Security*, departmental data owners must implement cost effective internal controls, safeguards, and/or countermeasures to protect data. Currently, the Division lacks controls to adequately limit access to vendor data. Without adequate controls in place, there is the possibility for vendor data misuse and/or unauthorized vendor record changes.

### Recommendations

The Deputy Chief Financial Officer in collaboration with the Chief Information Officer should:

- Develop a secure method for vendor intake, particularly where personally identifiable information is involved,
- Establish a periodic process to review and modify access to vendor data channels, and
- Evaluate deviations from the normal vendor intake and validation process and document accepted practices in the Division's policies and procedures.

## **Appendix A – Staff Acknowledgement**

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Buddy Vargas, CPA, CIA, CFE, Audit Manager

Abigail Estevez, CPA, CIA, CISA, Auditor in Charge

## Appendix B – Management Response



### CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

August 22, 2022

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

RE: Management's Corrective Action Plan for the Follow-up Audit of the Finance Vendor Master File

Finance 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
A	<b>Change Management</b> The Deputy Chief Financial Officer should ensure the Division: <ul style="list-style-type: none"> <li>Update policies and procedures to reflect currently accepted practices and documentation requirements and</li> <li>Train employees on updated policies and procedures</li> </ul>	3	Accept	Suzanne Guerra, Financial Operations Administrator & Veronica Carrillo Assistant Director Finance Dept.	December 2022
	<b>Action plan:</b> Finance concurs with the recommendation to develop documentation requirements and provide training for vendor master processes. Financial Operations will develop an Administrative Directive to reflect currently accepted practices for vendor master maintenance, which will be finalized by December 2022. In addition, Financial Operations will develop communications and training that will be provided to stakeholders by end of this calendar year. As a best practice, Finance will undertake a periodic review of the Vendor Master Record Administrative Directive document.				

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
B	<p><b>File Maintenance</b></p> <p>The Deputy Chief Financial Officer should establish and document a process to periodically investigate and address issues such as:</p> <ul style="list-style-type: none"> <li>• blank required fields,</li> <li>• duplicate vendor records,</li> <li>• active remit vendors not linked to an active vendor,</li> <li>• one-time payment vendors that remain active, and</li> <li>• employees with fields matching a vendor record</li> </ul>	3	Accept	Suzanne Guerra, Financial Operations Administrator & Veronica Carrillo Assistant Director Finance Dept.	March 2023
<p><b>Action plan:</b></p> <p>To respond to the COVID-19 impact on housing, the Financial Operations Division redirected its resources to assist with the Emergency Housing Assistance Program. The division created and revised more than 65,000 Covid-related rental assistance trade and remits records over the course of the pandemic. The brunt of these efforts occurred during the audit period, delaying the annual vendor master file maintenance in calendar year 2021. By comparison, Finance has just over 42,700 records not related to Covid currently active in the vendor master file.</p> <p>Financial Operations concurs that we should undertake annual vendor master file maintenance and has done so since 2014. We typically conduct annual maintenance efforts in the first quarter of calendar years, but the Covid response delayed the 2021 maintenance until December.</p> <p>We also concur that the maintenance process be documented, including any exceptions to normal processes, and have included this information in the Vendor Master Administrative Directive. We agree that annual maintenance and quarterly reviews of one-time payment vendors be conducted on a regular and documented schedule.</p> <p>Financial Operations has not conducted reviews to compare employee records with vendor records due to limited tools. Finance concurs with the recommendation and will work with ITSD and the City Auditor's Office to identify a data analytics tool or to run reports on our behalf that will enable this review.</p>					

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
D	<b>Data Transmission &amp; Security</b> The Deputy Chief Financial Officer in collaboration with the Chief Information Officer should: <ul style="list-style-type: none"> <li>• Develop a secure method for vendor intake, particularly where personally identifiable information is involved,</li> <li>• Establish a periodic process to review and modify access to vendor data channels, and</li> <li>• Evaluate deviations from the normal vendor intake and validation process and document accepted practices in the Division's policies and procedures.</li> </ul>	6	Accept	Suzanne Guerra, Financial Operations Administrator & Veronica Carrillo Assistant Director Finance Dept.  Kevin Goodwin, Deputy Director of ITSD	Short-Term Action: December 2022  Long-Term Action: 2025
<b>Action plan:</b>  Finance and ITSD are evaluating DocuSign for a short-term solution for the secure intake of sensitive information. The long-term solution will be to implement enhanced supplier enablement self-service and data validation capabilities as part of the SAP system upgrade beginning in 2023.  Finance concurs that a periodic process be established to review and modify access to vendor data channels, including the Vendor Support Outlook account, phone number and fax number. We have addressed this recommendation in the Vendor Master Administrative Directive. During field work for the Vendor Master Data Follow-Up Audit, we undertook this review at the request of the City Auditor.  Finance also concurs with the recommendation to evaluate and document deviations from the normal intake and validation process as well as to document accepted practices. We have addressed this recommendation in the Vendor Master Administrative Directive.					

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

Sincerely,

  
 Troy Elliott, CPA  
 Deputy Chief Financial Officer  
 Finance Department

8/9/2022  
 Date

R. Craig Hopkins Jr.  
Craig Hopkins  
Chief Information Officer  
Information Technology Services Department

22 Aug 2022  
Date

Ben Gorzell Jr.  
Ben Gorzell Jr, CPA  
Chief Financial Officer  
City Manager's Office

9/15/2022  
Date