
CITY OF SAN ANTONIO
OFFICE OF THE CITY AUDITOR



Audit of Economic Development Department
Small Business Economic Development Advocacy Compliance

Project No. AU22-011

December 20, 2022

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 Economic Development Department (EDD), specifically Small Business Economic Development Advocacy (SBEDA) compliance. The audit objectives, conclusions, and recommendations follow:

Determine if contracts with SBEDA requirements are adequately monitored for compliance.

Overall, contracts with SBEDA requirements are adequately monitored for compliance. EDD has effective controls that ensure the information, such as contract data, payments, and certifications, in the City Contract Management System (CCMS) are complete and accurate.

In addition, EDD has effective procedures that ensure users have adequate training in the use of the CCMS system. EDD also has effective controls to ensure users have appropriate system access.

However, we observed administrative opportunities for improvement in regard to adhering to the SBEDA ordinance related to non-compliant contractors and maintaining sufficient supporting documentation of monitoring efforts of non-compliance.

EDD Management agreed with the audit finding and has developed a positive action plan to address it. Management's verbatim response is in Appendix B on page 6.

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Background

The mission of EDD is to stimulate the city's economy. The Small Business Office (SBO), a division of EDD, promotes the development and growth of small, minority, and women-owned businesses (S/M/WBEs) through various programs and services as they are vital to the city's economic health. The SBEDA Program was established with the intent to promote greater availability, capacity development, and contract participation by S/M/WBEs in City contracts.

The current SBEDA Program ordinance was passed and became effective in July 2016. This ordinance covers city solicitations and contracts, as well as funding/developer agreements, with a value over \$50,000 in the following categories: Construction, Architectural and Engineering, Professional Services, Other Services, and Goods and Supplies.

The SBO is responsible for implementing and enforcing the SBEDA program. When necessary, City departments will create a solicitation information document and submit the document to the SBO for their review, if valued over \$50,000. After their review, the SBO will recommend a SBEDA tool(s) and tool value for each solicitation based on vendor availability in the community tied to the specified scope of work. The SBEDA tool(s) will translate to a percentage of total work that must be completed by SBEDA eligible S/M/WBEs, which is a contractual requirement for the awarded prime contractor.

For monitoring compliance, all prime contractors and subcontractors participating on a City of San Antonio (CoSA) contract with SBEDA requirements must utilize the City Contract Management System (CCMS). Non-compliance reports are generated every other month, and the SBO reports non-compliant contracts to their originating department. It is ultimately the responsibility of the originating department to ensure the prime contractors of their contracts stay in compliance with the SBEDA requirements.

CCMS is also used to report payments to all contractors, and all contractors should confirm the existence and accuracy of the payments. Communications can be sent between the prime contractor and subcontractor(s) to address any issues/disputes that arise.

Audit Scope and Methodology

The audit scope included the SBEDA contracts and financial information for FY 2021 through FY 2022.

To establish our testing criteria, we reviewed the SBEDA Ordinance and the SBO's Policies & Procedures. In addition, we interviewed EDD staff members to obtain an understanding of the department's processes and to identify controls related to CCMS.

As part of our testing procedures, we tested the interface between SAP/SAePS and CCMS for contracts with a value over \$50,000 to verify the accuracy of the automatic integration of data as it pertains to contract data, contract payments, SBEDA goals, and contractor certifications.

Furthermore, we reviewed Non-Compliance Reports to identify non-compliant contracts to determine if monitoring efforts were in accordance with the SBEDA ordinance to include sufficient supporting documentation.

We reviewed training records to determine if appropriate training for CCMS usage is provided for new employees and new contractors. Lastly, we reviewed current CCMS users to confirm CoSA users are assigned appropriate access.

We relied on computer-processed data in CCMS to validate the existence of the SBEDA contracts and the accuracy of the contract data and SBEDA goals. Our reliance was based on performing direct tests on the data rather than evaluating the system's general controls. We do not believe that the absence of testing general 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.

Audit Results and Recommendations

EDD has effective controls that ensure the data in CCMS is complete and accurate, which includes contract data, contract payments, SBEDA terms/goals, and contractor certifications.

We tested the interface between SAP/SAePS and CCMS and determined it was working as intended. Additionally, we reviewed a sample of 25 contracts and determined the contract data and SBEDA terms in CCMS were complete and accurate. Additionally, we sampled 25 contractors and determined their certifications in CCMS were accurate.

Finally, EDD has effective procedures that ensure users have adequate knowledge for the use of the CCMS system and appropriate system access. EDD is providing training when needed to new contractors. We selected a sample of 25 CCMS users and determined that, overall, the users received appropriate system training. Lastly, we reviewed a sample of 25 CCMS users and determined that users were assigned the appropriate level of access based on their job position.

However, we identified opportunities related to monitoring for non-compliance.

A. Non-Compliance Monitoring

EDD and City Departments do not maintain sufficient supporting documentation of their monitoring efforts when contractors are non-compliant. We selected a sample of 24 non-compliant contracts from October 2021 through June 2022 and reviewed for document support of the city's monitoring efforts. We determined 16 out of 24 contracts did not include sufficient documentation of the required communication with the contractor.

The SBEDA Program Ordinance requires EDD and the City Department to notify contractors of their non-compliance. The contractor should be contacted and given 15 calendar days to provide a plan to resolve the non-compliance issue. When the plan is received, the contractor is given an additional 15 days to resolve their non-compliance issue. If the contract remains non-compliant at this point, EDD and the City Department must notify the contractor of the determination of non-compliance via certified mail.

There is a lack of execution of monitoring efforts when contractors are non-compliant. Additionally, there is not a policy that requires monitoring efforts to be documented and retained. According to EDD, communication efforts are occurring regarding non-compliance. However, documentation of communication efforts is not maintained. During the audit, EDD has modified originating department's user

roles to ensure users have the ability to upload compliance-related documentation into the system.

EDD and City Departments' lack of supporting documentation of monitoring efforts may result in the inaccurate assessment of compliance of SBEDA goals and may increase liability to the City.

Recommendation

The EDD Director and City Departments should ensure controls are established to adhere with the SBEDA ordinance for contractors that are not in compliance. In addition, minimum requirements for documenting and retaining the City's monitoring efforts should be established.

Appendix A – Staff Acknowledgement

Buddy Vargas, CPA, CIA, CFE, Audit Manager
Michael Gutierrez, Auditor in Charge
Megan Dodd, Auditor

Appendix B – Management Response



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

November 17, 2022

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

RE: Management's Corrective Action Plan for Audit of EDD Small Business Economic Development Advocacy Compliance

The Economic Development Department has reviewed the audit report and has developed the Corrective Action Plans below corresponding to report recommendation.

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
A	Non-Compliance Monitoring The EDD Director and City Departments should ensure controls are established to adhere with the SBEDA Ordinance for contractors that are not in compliance. In addition, minimum requirements for documenting and retaining the City's monitoring efforts should be established.	4	Accept	Brenda Hicks-Sorensen, Director	January 13, 2023

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Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	<p>Action plan: The Economic Development Department (EDD) appreciates the City Auditor's Office review of the Small Business Economic Development Advocacy (SBEDA) compliance process. EDD is pleased with the City Auditor's assessment that contracts with SBEDA requirements are adequately monitored for compliance. Further, EDD agrees with the assessment that certain administrative processes, such as the capturing and organization of documentation for monitoring efforts initiated by City originating departments, can be improved.</p> <p>While EDD is charged with overall implementation of the SBEDA ordinance, we rely on our partners, which are the originating departments, to monitor their specific contracts for SBEDA compliance. To facilitate these efforts, we are addressing the recommendations by modifying originating department user roles in the City Contract Management System (CCMS). As of October 28, 2022, this modification allows staff in originating departments who are responsible for SBEDA compliance monitoring to upload documents pertaining to monitoring efforts into the specified contract file in CCMS. Policy guidance will be provided to contracting monitoring staff in originating departments through an SOP to ensure they are properly trained on the new system functionality and will reiterate their role in executing SBEDA compliance. In addition, the SBEDA Policy and Procedures Manual has incorporated this new functionality under originating departments responsibility.</p> <p>Ensuring SBEDA compliance is central to the success of the program. To date, 20 of the 24 contracts reviewed by the City Auditor's Office are in compliance. EDD is in communication with the originating departments to cure the remaining four compliance issues. Per the FY 2021 SBEDA Annual Report, the City is meeting the 41.2% industry-wide aspirational goal for minority and woman-owned business at 47.5%, which is the primary goal to achieve. EDD is pleased with the City Auditor's positive assessment and will continue to strive for additional ways to improve effectiveness and efficiency.</p>				

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

Sincerely,


 Brenda Hicks-Sorensen
 Director
 Economic Development Department

December 5, 2022
Date


 Alex Lopez
 Assistant City Manager
 City Manager's Office

12/5/2022
Date