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# **CITY OF SAN ANTONIO**

## **OFFICE OF THE CITY AUDITOR**



Audit of Information Technology Services Department

Contract Administration

Project No. AU23-024

October 5, 2023

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 an audit of the Information Technology Services Department (ITSD), specifically contract administration. The audit objectives, conclusions, and recommendations follow:

**Determine if ITSD vendor contracts for equipment and services are monitored and deliverables are being met.**

While ITSD has adequate controls in place to monitor for deliverables, controls over contract administration require improvement. We determined that periodic reviews of performance are adequate to ensure that equipment and services are received. In addition, we determined that contract budgets are created, monitored, and contracts are set up correctly in SAP, the City's financial management system. Further, payments to vendors are monitored and in accordance with their respective contract. However, we found that a lack of clear expectations and requirements for contract administration resulted in inadequate controls over contract administration plans, insurance, and Small Business Economic Development Advocacy (SBEDA) monitoring.

We recommend that the Chief Information Officer:

- Develop policies and procedures for departmental contract monitoring with clear expectations and responsibilities and establish monitoring controls to ensure expectations are met. Additionally, implement controls to ensure that contract administration plans are developed for all executed contracts.
- Establish controls to ensure that all contracts (including Department of Information Resources contracts) contain sufficient insurance requirements commensurate with the contract's risk.
- Establish controls to ensure that ITSD contracts are set up correctly in the City Contract Management System at contract execution and that they are assigned to the correct individual and are properly monitored.

ITSD 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 7.

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## Background

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The Information Technology Services Department (ITSD) provides technology services for the City of San Antonio (COSA) to include acquisition, implementation, and oversight of hardware and software solutions. To provide some of these services ITSD contracts with various vendors for equipment and services for the reliable and responsive operation of City business.

Procurements can vary widely from equipment such as laptops and monitors; to facilities maintenance services; to software planning, creation, and implementation. These services and equipment are generally acquired in one of two ways: through the Texas Department of Information Resources (DIR) or through City-issued contracts. Procuring through the DIR allows the City to obtain the cost benefits of negotiations by the State by leveraging its purchasing power to negotiate better discounts and save time in procuring needed services while maintaining compliance with state and local procurement laws and regulations, including the ability to procure locally. For fiscal year 2023, City Council authorized procurements up to \$61 million from the DIR, of which approximately half is designated for ITSD. This authorization is shared city-wide but managed by ITSD. City-issued contracts are procurements by the City of San Antonio for needed equipment and services.

ITSD manages these contracts through assigning ownership to various managers throughout the department (contract owners). These contract owners are the responsible individuals for ensuring contracts comply with stated terms; performance is monitored; and deliverables are being met, and are provided on-time, and within budget. This includes maintaining relationships with vendors, developing contract administration plans, and monitoring services provided. An ITSD Contract Manager is responsible for creating consistency in administration, coordinating contract management, and providing consultation and assistance to contract owners.

For fiscal year (FY) 2022, ITSD paid approximately \$30 million for contractual services. FY 2023's adopted budget includes approximately \$34 million for IT contractual services.

## Audit Scope and Methodology

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The audit scope was October 1, 2020 through January 31, 2023.

To gain an understanding of internal controls over contract administration we interviewed various department personnel including contract managers and ITSD fiscal staff. Additionally, we conducted reviews of applicable policies and procedures and department documentation. Further, we reviewed information system reports from the SAP and the Supplier Relationship Management (SRM) systems. Testing criteria included City of San Antonio Administrative Directives over procurement, the COSA purchasing manual, and applicable contracts.

We assessed internal controls relevant to the audit objective. This included a review of contract administration plans. Additionally, we reviewed insurance requirement monitoring, Small Business Economic Development Advocacy (SBEDA) monitoring, and existence of relevant bond documentation. Additionally, we reviewed controls over vendor performance and fiscal controls over contract budgets and payments.

We relied on computer-processed data in SRM and SAP to obtain vendor contract details, assess payments under contracts, and review budget reports. 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.

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

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ITSD is monitoring to ensure that deliverables are met and payments to vendors are accurate. For a sample of 10 contracts, we obtained evidence that contract monitors reviewed performance by the vendor. We were able to confirm that performance had been reviewed and products/services were appropriately rendered. Additionally, we verified, for the same sample, that contract budgets had been developed and were being monitored. Finally, we obtained a sample of payments for equipment/services rendered and verified that support documentation existed, expenses were eligible, and prices are in accordance with the contract.

### A. Contract Monitoring

While contract owners are monitoring for performance and payment under the contract, responsibilities for specific contract administration tasks are not always clearly delineated within ITSD.

For example, ITSD may obtain a single DIR contract that can provide several different products and/or services under different statements of work or quotes for services. However, responsibility for administration of the over-arching DIR contract is unclear and monitoring to ensure such tasks are completed has not been implemented.

We obtained a sample of 10 contracts and determined that no contract administration plans (CAPs) had been created for any of the contracts, whether DIR or City-Issued. According to the COSA Procurement Manual, the contracting officer of the managing department should develop a CAP for the contract. However, no oversight exists to ensure that CAPs are developed at contract execution.

Without clear responsibilities, administrative tasks can go unmonitored, which creates risk of financial and/or operational loss should vendors fail to perform, or unanticipated events occur.

### Recommendations

The Chief Information Officer should develop policies and procedures for departmental contract monitoring with clear expectations and responsibilities. Additionally, implement controls to ensure contract administration plans are developed for all executed contracts.

## **B. Insurance Monitoring**

ITSD is not adequately monitoring insurance requirements. In addition, insurance requirements for DIR contracts are not consistent with City-issued contracts.

We obtained a sample of eight contracts. Of the contracts sampled, one did not have the proper insurance coverage.

Additionally, DIR contract language requires insurance only when the vendor is required to perform work on site or when using employer vehicles to conduct work on behalf of customers. As a result, the services and products generally procured by COSA, such as software and electronics, are provided uninsured as many of COSA's purchases do not meet this standard. However, when similar types of products or services were procured by the City, COSA required vendors carry insurance. While the DIR contractors did provide insurance certificates when asked during the audit, the standard language, as written, could create risk to the City.

While the DIR process mitigates some risks associated with procurement by passing those responsibilities to the State of Texas, insurance requirements may not be sufficient (when compared to City requirements) and could expose COSA to increased risk.

### **Recommendation**

The Chief Information Officer should establish controls to ensure that all contracts (including DIR contracts) contain sufficient insurance requirements commensurate with the contract's risk.

## **C. SBEDA Monitoring**

SBEDA monitoring for IT contracts was not consistent.

We reviewed the City Contract Management System (CCMS) for two non-consecutive months for two contracts that had SBEDA provisions. Of the contracts reviewed, one contract had not been monitored for SBEDA compliance.

According to the SBEDA Policy and Procedure Manual, originating departments should ensure all prime contractors submitting correct invoices are paid within 30 days and all subcontractors are paid within 10 calendar days of prime contractors' receipt of payment from the City. However, one contract was assigned to the incorrect individual, which resulted in monitoring not occurring.

Without adequate monitoring, SBEDA goals may not be properly monitored, and contractors may not comply with contract provisions.

### **Recommendation**

The Chief Information Officer should establish controls to ensure that ITSD contracts are set up correctly in CCMS at contract execution and that they are assigned to the correct individual and are properly monitored.



## **Appendix A – Staff Acknowledgement**

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Mark Bigler, CPA, CISA, CFE, Audit Manager  
Nastasha Leach, CIA, CRMA, CGAP, IT Auditor in Charge  
Javier Castillo, IT Auditor

## Appendix B – Management Response

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### CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

July 3, 2023

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

RE: Management's Corrective Action Plan for Audit of ITSD Contract Administration

ITSD has reviewed the audit report and has developed the Corrective Action Plan below corresponding to the report recommendation.

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
1	<b>Contract Monitoring</b> Develop policies and procedures for departmental contract monitoring with clear expectations and responsibilities and establish monitoring controls to ensure expectations are met. Additionally, implement controls to ensure that contract administration plans are developed for all executed contracts.	3	Accept	John Rodriguez Assistant Director	Complete

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	<p><b><u>Action plan:</u></b>  As stated in the Executive Summary section of the Audit Report, the Office of the City Auditor maintains that adequate controls are in place to monitor for deliverables. Further, it was determined by the Office of the City Auditor that periodic reviews of performance are adequate to ensure that equipment and services are received. Additionally, the Office of the City Auditor maintains that contract budgets are created, monitored, and contracts are set up correctly in SAP. Payments are monitored and in accordance with their respective contracts. All of the above-mentioned elements are evidence of effective contract monitoring.</p> <p>ITSD has updated roles, responsibilities, policies, and procedures for departmental contract monitoring with clear expectations and responsibilities.</p> <ul style="list-style-type: none"> <li>- ITSD Chief Contracting Officer- John Rodriguez, Chief Operations, Infrastructure <ul style="list-style-type: none"> <li>o IT Enterprise Contract Manager- Jorge Garcia</li> <li>o AARRS Contract Manager- Audie Cavazos</li> <li>o IT Aviation Contract Manager- Vacant, In Process of Filling</li> </ul> </li> </ul> <p>ITSD is implementing controls to ensure contract administration plans are developed for all executed contracts at contract execution, to include the administration of the over-arching DIR contracts.</p> <p>In late 2022, ITSD began the process of developing contract administration plans in response to the Administrative Directive which outlines the requirement for contract administration plans to be developed by contract owners. As of July 3, 2023, the team has completed 38 contract administration plans. ITSD expects to have approximately 250 contract administration plans, which incorporates all executed contracts, in place by the end of calendar year 2024.</p> <p>ITSD fully expects to be in compliance with the future requirement to have a CAP for all contracts.</p>				
	<p><b>Insurance Monitoring</b></p> <p>Establish controls to ensure that all contracts (including DIR contracts) contain sufficient insurance requirements commensurate with the contract's risk.</p>	4	Accept	John Rodriguez Assistant Director	Complete

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	<p><b><u>Action Plan:</u></b>  ITSD does increase Insurance requirements for professional services work procured from DIR vendors and has required DIR vendors to modify their DIR contract coverage to address risk associated with onsite or remote access services touching the City's facilities or network.</p> <p>ITSD will establish controls to ensure and validate that all contracts, including DIR contracts that relate to the sale of products which do not require on-site assistance such as the purchase of IT computers and peripherals, licenses and / or subscription-based services, contain insurance requirements sufficient when compared to City requirements for the type of service being procured.</p>				
	<p><b>SBEDA Monitoring</b></p> <p>Establish controls to ensure that ITSD contracts are set up correctly in CCMS at contract execution and that they are assigned to the correct individual and are properly monitored.</p>	4	Accept	<p>John Rodriguez</p> <p>Assistant Director</p>	03/31/2024
	<p><b><u>Action plan:</u></b></p> <p>ITSD staff will work with EDD staff to review contract inventory in CCMS to ensure that applicable contracts have a designated owner in CCMS.</p>				

We are committed to addressing the recommendation in the audit report and the plan of action presented above.

Sincerely,

  
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Craig Hopkins  
Chief Information Officer  
Information Technology Services

23 Aug 2023  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Ben Gorzell  
Chief Financial Officer  
City Manager's Office

9/28/2023  
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Date