
**CITY OF SAN ANTONIO
OFFICE OF THE CITY AUDITOR**

**DEVELOPMENT SERVICES DEPARTMENT
AUDIT OF SOUTHERN EDWARDS PLATEAU
HABITAT CONSERVATION PLAN
PROJECT NO. AU23-008
NOVEMBER 28, 2023**

**KEVIN W. BARTHOLD, CPA, CIA, CISA
CITY AUDITOR**



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Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the Development Services Department (DSD), specifically the Southern Edwards Plateau Habitat Conservation Plan (SEP-HCP). The audit objectives, conclusions, and recommendations follow:

Determine if the SEP-HCP is in compliance with habitat conservation for endangered species.

The Conservation Plan is in compliance with the U.S. Fish and Wildlife Services conservation requirements for endangered species. Annual reports are presented to the Coordinating Committee for proper consideration and approval. SEP-HCP applications are properly reviewed and approved. Additionally, enrollment requirements are completed for approved applications.

Additionally, application and mitigation fees are correct and reconcile. Finally, program expenses are allowable and adequately supported.

We make no recommendations to DSD management; consequently, no management responses are required. Management's acknowledgement of these results is in Appendix C on page 9.

Background

The Southern Edwards Plateau Habitat Conservation Plan (SEP-HCP) is an interlocal plan to conserve endangered species in coordination with Bexar County. The U.S. Fish and Wildlife Service (USFWS) approved the conservation plan in December 2015 and in January 2016, a joint 30-year Incidental Take Permit was issued to the City of San Antonio (COSA) and Bexar County. This permit authorizes a limited amount of incidental taking of nine federally listed endangered species (the Covered Species) within the jurisdictions of Bexar County and surrounding counties. For a map of the area covered by the plan, refer to Appendix A on page 7.

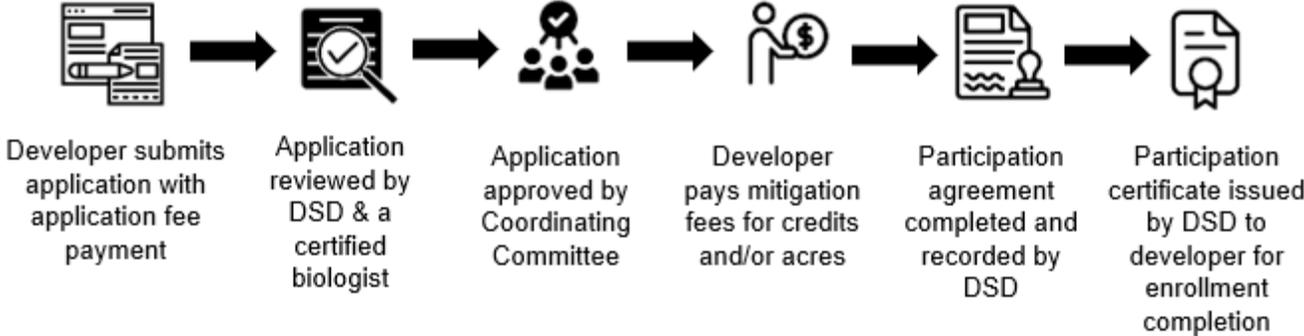
The covered species that are included as part of this program are:

- Golden-cheeked Warbler (GCW)
- Black-Capped Vireo (BCV)
- Covered Karst Invertebrates:
 - Government Canyon Bat Cave Spider
 - Madla Cave Meshweaver
 - Braken Cave Meshweaver
 - Government Canyon Bat Cave
 - Rhadine exilis (a beetle with no common name)
 - Rhadine infernalis (a beetle with no common name)
 - Helotes Mold Beetle

The SEP-HCP is a voluntary, alternative method of achieving compliance with the Endangered Species Act (ESA). Participating in the Plan helps promote regional conservation, streamlines endangered species permitting, and acts as mitigation insurance for the development projects. If development causes environmental damage, participation in SEP-HCP can expedite the time it takes to address the damage and resume development versus not participating and having to work with USFWS (which could potentially take up to seven years).

Exhibit 1 on the following page summarizes the SEP-HCP application and enrollment process. Application fees are \$2,500 and mitigation fees are dependent on the number of acres covered and/or preservation credits purchased.

Exhibit 1: Application and Enrollment Process



Source: Compiled by audit team

The program has approved and enrolled 36 applications since inception. During FY 2023, six enrollments were completed, and fees received were approximately \$149,000.

DSD SEP-HCP staff handle the program’s day to day activities such as application review, while DSD Fiscal staff handle program revenues and expenses. Additionally, DSD (via Bexar County) contracts with a biologist to provide biological information on each application concerning potential endangered species habitats within the property area. The biologist also prepares an annual report for the USFWS. Furthermore, there is a Coordinating Committee that consists of both COSA and Bexar County staff to carry out essential functions such as final application and annual report approval. Finally, DSD Inspectors monitor development projects and inform SEP-HCP staff if there are any issues with non-compliance.

Audit Scope and Methodology

The audit scope included the compliance, expense allowability, applications, and reporting for the SEP-HCP for fiscal years 2022 and 2023.

We interviewed DSD and Fiscal personnel and conducted walkthroughs over the application and enrollment process, fee collection and reconciliation, and plan expenses. We also reviewed relevant documentation. Our primary criteria for this audit included the SEP-HCP Interlocal Agreement (ILA) with Bexar County, the ordinance authorizing the ILA, the USFWS Incidental Take Permit, the Conservation Plan, and the biologist consulting contract.

We assessed internal controls relevant to the audit objective. This included a review of the criteria listed above, applications, and annual reports. Additionally, as part of our testing procedures we examined the following areas:

- Confirmed applications were supported with required documentation, received committee approval, and enrollment requirements were completed.
- Determined SEP-HCP credits and acres were accurate and adequately maintained.
- Confirmed the biologist contract and required annual reports were approved by the coordinating committee.
- Confirmed action was taken when noncompliance by applicants occurred.
- Determined application and mitigation fees were appropriately paid, recorded, allocated, and reconciled.
- Verified program expenses were allowable, and adequately supported.
- Confirmed the seed funds received to establish the program were being repaid.

We relied on computer-processed data in SAP to review and confirm invoice payments, transfers, and fees collected. 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 confirming program expenses were allowable and adequately supported. 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 Recommendation

DSD is properly managing the SEP-HCP in accordance with the Interlocal Agreement (ILA) with Bexar County, the USFWS Incidental Take Permit, and the Conservation Plan. We reviewed the required annual reports for FY 2021 and 2022 and confirmed they contained the necessary elements¹ and were approved by the coordinating committee.

We also reviewed the seven applications enrolled during FY 2022 and 2023. We confirmed required items were completed by the applicants and each application was presented to the coordinating committee for approval. Examples include a proposed development plan, land surveys, and evidence of covered species in the development area. We also verified those seven applicants completed all enrollment requirements. Examples include a Memorandum of Participation and a Participation Certificate that are recorded with Bexar County.

Additionally, we confirmed fees were appropriately paid, recorded, and reconciled. We reviewed seven enrolled applications and verified application and mitigation fees totaling \$689,318 were paid and had adequate support. In addition, we obtained the FY 2023, third quarter reconciliation and verified it against SAP. We also verified program expenses were allowable and adequately supported. We obtained a sample of six invoices for FY 2022 – 2023 totaling \$87,536 and verified expenses were allowable and had adequate supporting documentation.

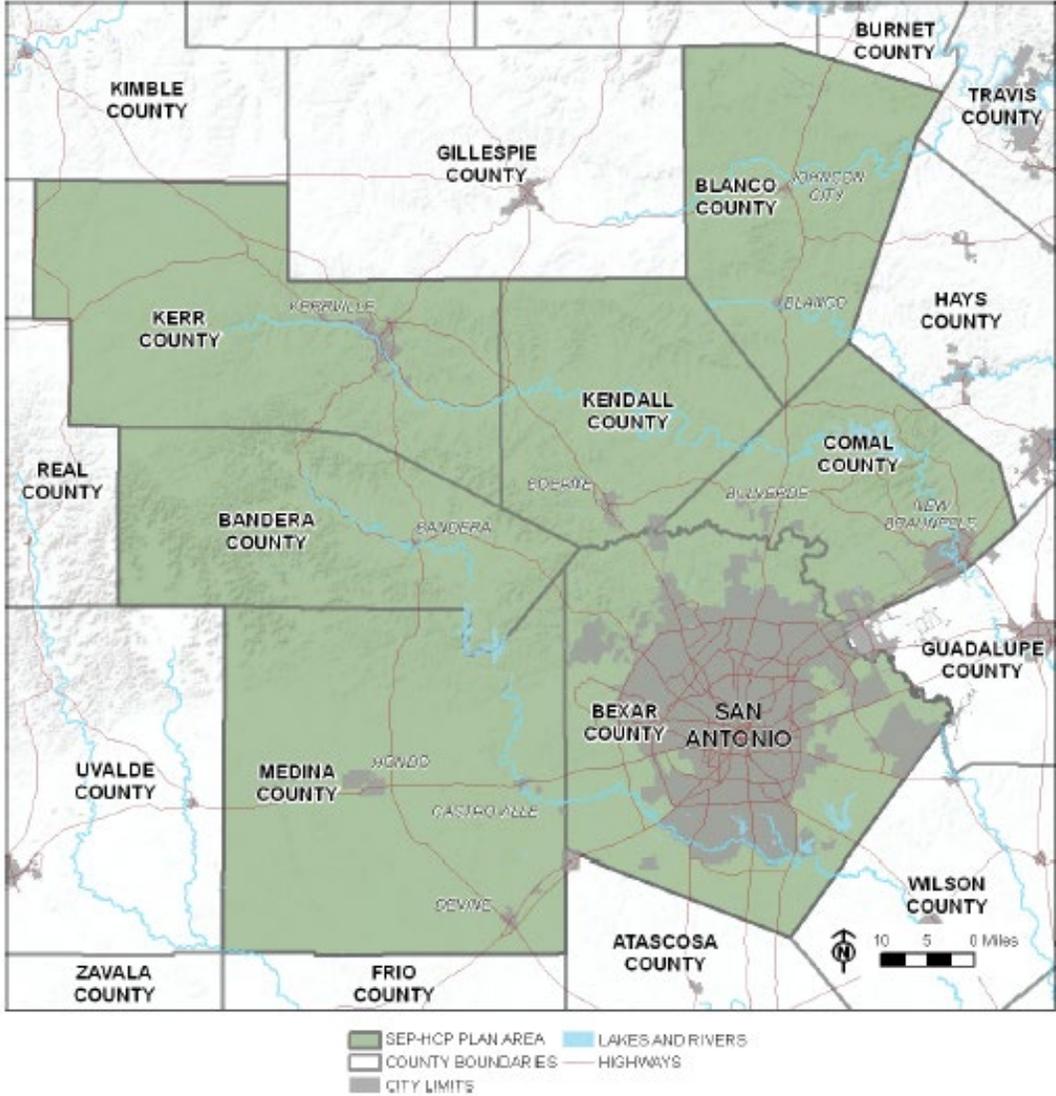
Furthermore, we confirmed appropriate action was taken for applicants in breach of the Conservation Plan. We reviewed two instances of non-compliance during FY 2023 and confirmed they had proper documentation and fees were established for the breach of contract.

Finally, the SEP-HCP Program has started repaying the funds received to establish the program. The repayment plan is for five years spanning from FY 2022 - 2026. The audit team confirmed repayments have been made for FY 2022 and 2023.

¹ As part of USFWS permit requirements DSD must submit an annual report prepared by a certified biologist which includes a summary of participation in the SEP-HCP, a copy of the credits and acres ledger, and a summary of the financial status.

Appendix A – Supplementary Information

SEP-HCP Plan Area



Appendix B – Staff Acknowledgement

Abigail Estevez, CPA, CIA, CISA, Audit Manager

Yadira Valenzuela, Auditor in Charge

Jeffrey Barrs, Auditor

Sabrina Saldaña, Auditor

Appendix C – Management Acknowledgement



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

November 16, 2023

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

RE: Management's Acknowledgement of its Review of Development Services Department
Southern Edwards Plateau Habitat Conservation Plan Audit

Development Services 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.

Development Services Department:

- Fully Agrees
- Does Not Agree (provide detailed comments)

Sincerely,



Michael Shannon
Director
Development Services Department

11/16/2023

Date



Roderick Sanchez
Assistant City Manager
City Manager's Office

11/17/2023

Date