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



Audit of The Office of Innovation  
Operations

Project No. AU22-023

August 2, 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 Office of Innovation, specifically Innovation Operations. The audit objectives, conclusions, and recommendations follow:

**Determine if the Innovation operations/contracts are managed effectively to include the substantiation of performance results and the use of relevant methodologies and frameworks.**

Overall, Innovation operations/contracts are managed effectively to include the substantiation of performance results and the use of relevant methodologies and frameworks. The Office of Innovation has procedures that ensure charters or agreements are developed for projects, external partners have submitted appropriate deliverables, and internal partners have received communications regarding the results of completed projects.

In addition, the Office of Innovation has controls that ensure expenses are appropriate and external partners with revenue-generating contracts submit accurate payments. Lastly, the Office of Innovation has procedures that ensure the performance measures reported in the annual budget reports are accurate and adequately supported.

We make no recommendations to the Office of Innovation Management; consequently, no management responses are required. Management's Acknowledgement of these results is in Appendix B on page 5.

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## Background

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The mission of the Office of Innovation is to put the City at the forefront of innovation by challenging the status quo, finding creative solutions, and continuously improving City services. The primary functions of the Office of Innovation are to improve City operations, manage special projects, and lead major initiatives.

Within the Office of Innovation, there are four teams comprised of 12 employees:

1. Performance Excellence

Performance Excellence's goal is to improve City operations at lower costs by serving as internal consultants to City departments and working closely with senior management to recommend strategies for improvement. Additionally, Performance Excellence manages the Innovation Academy, a program aimed at training City staff and developing them into problem solving consultants embedded throughout various departments.

2. Smart Cities

Smart Cities' vision is to leverage new and emerging technologies and data to improve the quality of life for residents. Smart Cities manages the SmartSA Partnership which is comprised of partners such as CPS, SAWS, VIA, and the San Antonio Housing Authority to ensure the City is taking a community-oriented approach toward building a city of the future.

3. Research & Development

Research & Development's primary focus is utilizing scientific analysis, small-scale trials, and grant funding to help departments gather insights for wiser decisions and more equitable, efficient operations. This team manages the R&D League, which is comprised of cross-sector partners such as the University of Texas at San Antonio, USAA, and Southwest Research Institute to investigate new ideas.

4. Digital Inclusion

Digital Inclusion's primary focus is to collaborate with internal and external stakeholders on initiatives and projects involving a focus on digital infrastructure, access to devices, and digital literacy.

The above teams execute their goals primarily by establishing projects, which consist of high-profile consulting engagements, and programs, which consist of recurring operational undertakings. Partnerships and relationships are established with various City departments and outside agencies. These partnerships are formalized via interlocal agreements, contracts, and/or project charters which outline responsibilities and deliverables.

## Audit Scope and Methodology

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The audit scope included department projects/programs, project processes and methodologies, performance measures, and revenues and expenses for FY 2021 through FY 2022.

We interviewed Innovation staff members to obtain an understanding of the responsibilities of each of the department's four teams, the standard operating procedures that guide each team, and the programs and projects each team is involved in.

We reviewed previously conducted surveys to determine whether community feedback was being utilized in program operations. Additionally, we reviewed team projects to confirm charters or agreements were developed, deliverables were received from external partners, and results were communicated to internal partners. We also reviewed completed projects to verify monitoring efforts were conducted.

Furthermore, a 24/7 Report was reviewed to confirm performance measures were reasonable and adequately supported. Revenue payments and expenses were tested to verify revenue payments were in accordance with their agreement and expenses were allowable. Lastly, minutes from the Grant Committee meetings were reviewed to verify oversight of grant funding was in place.

We assessed internal controls relevant to the audit objective. This included a review of project charters, interlocal agreements, contracts/work orders with both internal and external partners, and final project reports/deliverables.

We relied on computer-processed data in SAP to validate the existence and accuracy of incoming payments from revenue-generating contracts and the allowability of expenses. 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 reviewing the details of incoming payments from revenue-generating contracts and expenses. 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

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The Office of Innovation has procedures that ensure a charter or an agreement is developed for each project, appropriate deliverables are received from external partners, and the results of completed projects are communicated by Innovation to internal partners. We reviewed a sample of 15 projects and determined a charter or an agreement was created for each engagement, deliverables received from external partners were adequate, and completed project results were communicated to internal partners.

Additionally, the Office of Innovation has controls that ensure department expenses are appropriate and payments received from external partners with revenue-generating contracts are accurate. We reviewed a sample of 25 expenses and determined that expenses were allowable, reasonable, and adequately supported. In addition, we reviewed an annual revenue statement from a revenue-generating contract and determined that the four quarterly revenue payments were in accordance with contractual requirements.


Lastly, the Office of Innovation has procedures that ensure the performance measures reported in the annual budget reports are accurate. We reviewed the four Performance Measures reported in the FY 2023 Adopted Budget report and determined that all four performance measures were accurate and sufficiently supported.

## **Appendix A – Staff Acknowledgement**

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Buddy Vargas, CPA, CIA, CFE, Audit Manager  
Abigail Estevez, CPA, CIA, CISA, Audit Manager  
Michael Gutierrez, Auditor in Charge  
Rudy Carrasco, Auditor

## Appendix B – Management Acknowledgement

  
**CITY OF SAN ANTONIO**  
SAN ANTONIO TEXAS 78283-3968

July 19, 2023

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


RE: Management's Acknowledgement of its Review of Innovation Operations


The Office of Innovation has reviewed the audit report and provided its comments to the auditors. As there are no recommendations for management, no management responses are required.

The Office of Innovation:

Fully Agrees

Does Not Agree (provide detailed comments)

Sincerely,  
  
\_\_\_\_\_  
Brian Dillard  
Chief Innovation Officer  
Office of Innovation

  
\_\_\_\_\_  
John Peterek  
Assistant to the City Manager  
City Manager's Office

25 July 2023  
Date

7/25/2023  
Date