



City of San Antonio

Agenda Memorandum

File Number:
{{item.tracking_number}}

Agenda Item Number: 5

Agenda Date: October 10, 2023

In Control: Audit Committee

DEPARTMENT: Office of the City Auditor

DEPARTMENT HEAD: Kevin Barthold

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Acceptance of the Office of the City Auditor Report AU23-011 Audit of EDD Prosper West Contract.

SUMMARY:

Determine if parties are in compliance with the economic development agreement between the City and Prosper West.

BACKGROUND INFORMATION:

Background

The Small Business Division within the Economic Development Department (EDD) facilitates small business development and growth through various programs and services. This division works closely with various partners, such as Prosper West San Antonio (PWSA), to support small businesses. PWSA is a nonprofit community organization and is comprised of a coalition of

community members working together to make San Antonio's Westside a more prosperous place for families and small businesses. The City of San Antonio (COSA) has an agreement with PWSA to grant funds to promote local economic development and to stimulate business and commercial activity.

To accomplish this, PWSA provides consultative services directly to small businesses and acts as a liaison by connecting small businesses to outside providers for various types of assistance. Under this agreement, EDD provides PWSA with two different fundings. The first funding is a total of \$258,668 in General Funds to be utilized by PWSA for operational support. The second funding is a total of \$100,000 in Economic Development Incentive Funds (EDIF) to be utilized by PWSA for providing financial assistance to small businesses through the Small Business Loan and Grant Program. In 2020, EDD was designated as the department responsible for the management and monitoring of this agreement.

Scope and Methodology

The audit scope covered the EDD and PWSA contract compliance from FY 2022 through March 2023. We reviewed key contractual terms for compliance. Additionally, we reviewed supporting documentation for the loans and grants issued to verify guidelines had been followed. Additionally, we reviewed supporting documentation to verify PWSA was matching 50% of the General Funds disbursed by the City. We also reviewed expenses to determine their allowability and to verify all General Funds had been utilized by the end of the contract. Furthermore, we reviewed certificates of insurance to verify PWSA had obtained the proper insurance coverage.

Conclusions

EDD is not monitoring key provisions of the economic development agreement between the City and PWSA, and PWSA is not in compliance with key areas of the agreement. The loans and grants available to businesses were not accurately reported, one grant was issued to an ineligible business, not all loans and grants were distributed, there was a lack of documentation for the use of loans and grants and remaining funds are not being returned to the City.

PWSA has not met the required 50% match of funds. Also, general funds were used for unallowable expenses. Additionally, PWSA is not accounting for City funding per the contract and not meeting the contractual requirement regarding the submission of audited financial statements. Finally, PWSA is not in compliance with contractual insurance requirements.

We made recommendations to improve these opportunities. Management agreed with the recommendations and developed positive corrective action plans.

ISSUE:

This item is presented for acceptance by the Audit Committee.

FISCAL IMPACT:

NA

ALTERNATIVES:

None

RECOMMENDATION:

Staff recommends acceptance of this report.