
CITY OF SAN ANTONIO

OFFICE OF THE CITY AUDITOR



Follow-Up Audit of Finance Department
San Antonio eProcurement System (SAePS) Controls

Project No. AU14-F05

February 10, 2015

Kevin W. Barthold, CPA, CIA, CISA
City Auditor

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted a follow-up audit of the recommendations made in the Audit of the Finance Department's Purchasing Division San Antonio eProcurement System (SAePS) controls. The audit objective and conclusion follow:

Determine if the Finance Department (Finance) successfully implemented action plans to address prior audit recommendations relating to SAePS controls?

Yes, Finance has successfully implemented action plans that address all recommendations from the previous audit.

The action plans implemented include Finance redesigning the process for providing users with SAePS access. In addition, Finance updated the City's Procurement Policy and Procedures Manual to reflect current procurement business processes associated with SAePS. The Finance Department also implemented additional procurement processes to track and monitor "after the fact" purchases. Finally, stronger business process controls were implemented to ensure the internal catalogue pricing is accurate.

The Finance Department Management's verbatim response is in Appendix B on page 6.

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Background

In December of 2012, the Office of the City Auditor completed an audit of the Finance Department's Purchasing Division. The objectives of the audit were as follows:

Determine if purchasing controls within the SAePS application are adequate?

The Office of the City Auditor concluded that purchasing controls within SAePS application were not adequate and issued recommendations for improvement in some areas. Specifically, Purchasing did not have adequate controls to monitor user access, prevent shoppers from circumventing the SAePS system, and ensure internal catalogue pricing is accurate. Additionally, Purchasing did not update the City's Procurement Policy and Procedures Manual to reflect changes due to the implementation of SAePS.

Audit Scope and Methodology

The audit scope was limited to the recommendations made in the original report and corresponding action plans and included reviewing data from fiscal year 2014.

To obtain an understanding of the department's improved processes we interviewed staff and observed controls. We reviewed the City's Procurement Policy and Procedures Manual to verify that it was updated to include reference to SAePS business processes.

We reviewed controls implemented by Purchasing designed to eliminate segregation of duties issues. We tested user access by obtaining a list of all SAePS users and corresponding roles and authority to verify appropriate segregation of duties.

We tested the accuracy of pricing items in the internal catalogue. To test accuracy, we compared the price of an item in the catalogue to the agreed upon contract price. Additionally, we verified that the City was reimbursed for items that were billed at a price higher than the contract terms.

We relied on computer-processed data from the department's SAePS procurement system. Our reliance was based on performing direct tests on the data rather than evaluating the systems' 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 follow-up 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 audit results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objectives. Our audit included tests of management controls that we considered necessary under the circumstances.

Prior Audit Recommendations and Status

A. SAePS Users Have Conflicting Roles and Inappropriate Access

Finance Director should implement monitoring procedures that will assist to identify and limit roles in SAePS to users' specific business needs. The Director should also restrict the processing of purchase orders in SAP to authorized users.

Status: Implemented

The Finance Department redesigned the processes in place for providing SAePS users with system access. The process now includes preventive and monitoring controls that assist to identify and limit conflicting roles. The audit office tested all current users and their access and determined all users had proper authority for their business needs.

B. SAePS Guidance Not Included in Procurement Policies

Finance Director should update the City's Procurement Policy and Procedures Manual and AD 1.6 Purchasing Procedures to reflect current procurement business processes associated with SAePS.

Status: Implemented

The Finance Department has updated the City's Procurement Policy and Procedures Manual to reflect current procurement processes associated with SAePS. The audit office confirmed the online version of the City's Procurement Policy and Procedures manual referenced SAePS processes.

C. City "Shoppers" Can Circumvent the Solicitation Process in SAePS

Finance Director should ensure that the "after the fact" procurements are tracked and properly communicated to department directors so they can deter this type of process. Also, ensure quotes from Historically Underutilized Businesses are utilized for procurements between \$3,000 and \$50,000.

Status: Implemented

The Finance Department implemented additional procurement processes to track and monitor "after the fact" purchases. They now label all "after the fact" purchases within the SAePS system. Additionally, they require the Director of a department to submit an approved memo explaining the reason for creating an "after the fact" purchase. Finally, the Finance Department trained and placed procurement specialist within several departments so that they could assist with the procurement process.

D. Internal Catalogue Controls Not Adequate to Ensure Accurate Pricing

Finance Director should implement stronger business process controls, such as more frequent review of contractual items, to ensure the internal catalogue pricing is maintained accurately. Additionally, request reimbursement of funds from the vendor for those items purchased above the contract price.

Status: Implemented

The Finance Department has implemented stronger business process controls to ensure the internal catalogue pricing is accurate. Currently, all new contract prices are reviewed to verify they agree to the internal catalogue pricing. Additionally, a quarterly review is performed of internal catalogue items on a statistical basis. The audit office tested 40 internal catalogue items and determined that all the items were accurately priced. Finally, we confirmed that the City was reimbursed for items that were determined to be over the contract price from the original audit, in the amount of \$15,000.

Appendix A – Staff Acknowledgement

Buddy Vargas, CFE, Audit Manager
Danny Zuniga, CPA, Auditor in Charge

Appendix B – Management Response



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

January 13, 2015

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

RE: Management's Corrective Action Plan for AU14-F05 Follow-Up Audit of Finance San Antonio
eProcurement System (SAePS) Controls

Finance 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.

Department:

☒ Fully Agrees (provide detailed comments)

☐ Does Not Agree (provide detailed comments)

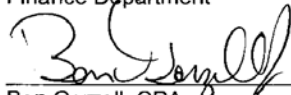
Sincerely,



Troy Elliott, CPA
Director
Finance Department

1/14/2015

Date



Ben Gorzell, CPA
Chief Financial Officer
City Manager's Office

1/22/2015

Date