
CITY OF SAN ANTONIO

OFFICE OF THE CITY AUDITOR



Audit of Economic Development Department

SBEDA Goal Setting

Project No. AU16-011

December 13, 2016

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

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the Economic Development Department Small Business Economic Development Advocacy (SBEDA) Program. The audit objectives, conclusions, and recommendations follow:

Determine if the SBEDA goal setting process is inclusive of relevant data and accurately documented?

The SBEDA goal setting process is inclusive of relevant data and accurately documented. The Economic Development Department (EDD) has policies, procedures, and controls in place to ensure the accuracy of relevant data and sufficient documentation to support the goal setting process and SBEDA program.

In addition, EDD has established outreach efforts such as training and awareness programs which assist and inform small businesses to compete for City contract opportunities.

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

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Background

Small, minority and women-owned business enterprises (S/M/WBEs) are vital to the City of San Antonio's economic health, to general business expansion and to the community at large. To support S/M/WBEs and address the findings from a 1992 disparity study documenting the underutilization of S/M/WBEs, the City established the Small Business Economic Development Advocacy (SBEDA) Program, which provides tools to promote the utilization of S/M/WBEs on City contracts. In 2011, City Council approved major amendments to the SBEDA Program, which included the creation of a goal setting committee that reviews relevant data and recommends specific SBEDA tools to best target utilization of S/M/WBEs at both the prime contractor and subcontractor level.

The Small Business Office (SBO), a division of Economic Development Department (EDD), is responsible for the implementation and compliance monitoring of the SBEDA program. Per the SBEDA Program, SBO reviews all solicitations and projects, on contract-by-contract basis, valued over \$50,000 in the construction, architectural and engineering, professional services, goods and supplies, and other services industry categories. The analysis of goals and incentives is based upon the vendor data in the Central Vendor Registry¹ (CVR), the scope of services for the particular solicitation and comparative historic utilization, to which a recommendation is provided from SBO to the Goal Setting Committee (GSC). The GSC consists of representatives from the City Manager's Office, Transportation and Capital Improvement, Finance, Economic Development, and the originating departments along with two appointed citizen members that vote to accept or modify the SBO recommendations. The GSC also sets the annual aspirational² and segmented annual aspirational³ goals for each industry category to set benchmarks for measuring the actual utilization of S/M/WBEs on an annual basis.

For a business to qualify for the SBEDA program, it must be headquartered or demonstrate a significant business presence within the San Antonio Metropolitan Statistical Area and be certified with the South Central Texas Regional Certification Agency.

¹ Centralized vendor registration system is an electronic system wherein the City requires all prospective respondents and subcontractors that are ready, willing and able to sell goods or services to the City to register.

² Annual aspirational goal is the non-mandatory percentage goal for overall S/M/WBE prime and subcontract participation in City of San Antonio contracts

³ A segmented annual aspirational goal is a non-mandatory application of multiple goals for participation within annual aspirational goals for S/M/WBE subcontracting goals on individual City contracts.

Audit Scope and Methodology

The audit scope included the SBEDA goal setting process for Fiscal Year 2015 through May 2016.

We interviewed staff to obtain an understanding of the SBEDA program and controls in place over the SBEDA goal setting process. We also reviewed the SBEDA ordinance and SBO policies and procedures to gain an understanding of the SBEDA goal setting process.

We confirmed the execution of existing procedures which support the SBEDA goal setting process such as GSC meetings and reviewed GSC documentation for the inclusion of appropriate annual aspirational and segmented annual aspirational goals.

We reviewed 26 solicitation packets for the month of May 2016 to determine if relevant information and data was included and aligned with the SBEDA program. In addition, we reviewed for the existence of outreach efforts which provide resources and educate small business on how to take advantage of business opportunities with the City.

We relied on computer-processed data in the centralized vendor registration system (CVR) to calculate the FY 2015 annual aspirational and segmented annual aspirational goals and the affirmative procurement initiatives⁴ (APIs) recommended by the SBO. We recalculated FY 2015 and May 2016 goals to determine if goals were inclusive of relevant data and accurately documented. 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 comparing SBEDA requirements to SBO and SBEDA documentation and CVR data. 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.

⁴ Affirmative procurement initiatives refer to the various S/M/WBE program tools and solicitation incentives that are used to encourage greater prime and subcontract by S/M/WBE.

Audit Results and Recommendations

A. SBEDA Goal Setting Process

Economic Development Department (EDD) staff has effective, formal policies and procedures in place which support the SBEDA goal setting process. In addition, EDD has procedures and controls to ensure relevant data is accurate and sufficiently documented. Finally, EDD has established outreach efforts which assist small businesses to compete for City contract opportunities.

We determined policies and procedures such as the program overview, eligibility of program, department responsibilities, annual aspirational and segmented annual aspirational, goal setting committee, and the solicitation review supported the SBEDA Program.

The Small Business Office (SBO) reviews contract solicitations prepared by City departments and recommend Affirmative Procurement Initiatives for each solicitation. We reviewed 26 solicitation packets for the month of May 2016 and determined individual project goals were accurate, inclusive of relevant data, sufficiently documented and aligned with the annual aspirational goals. In addition, we recalculated Fiscal Year 2015 annual aspirational and segmented annual aspirational goals and determined relevant data was included and goals were accurately calculated. We also determined the data and methodology supported the overall City SBEDA goals.

EDD has established and implemented outreach efforts such as training and awareness programs which assist small businesses to compete for City contract opportunities. The SBO provides training through one on one meetings with small businesses. In addition, the SBO makes businesses aware of contract opportunities with the City by attending vendor orientations, conferences, and distributing correspondence which support the SBEDA program.

Recommendations

None

Appendix A – Staff Acknowledgement

Buddy Vargas, CFE, Audit Manager
Cecilia Gonzalez, Auditor in Charge

Appendix B – Management Acknowledgement



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

November 14, 2016

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

RE: Management's Acknowledgement of its Review of Economic Development SBEDA Goal Setting.

The Economic Development 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.

Economic Development Department:

☒ Fully Agrees

☐ Does Not Agree (provide detailed comments)

Sincerely,

Handwritten signature of Rene Dominguez in black ink.

Rene Dominguez
Director
Economic Development Department

11/16/16
Date

Handwritten signature of Carlos Contreras in black ink.

Carlos Contreras
Assistant City Manager
City Manager's Office

11/28/16
Date