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# **CITY OF SAN ANTONIO**

## **OFFICE OF THE CITY AUDITOR**



Audit of Office of Sustainability Energy Efficiency Fund

Project No. AU17-016

October 20, 2017

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 Sustainability, specifically the Energy Efficiency Fund (Fund). The audit objective, conclusions, and recommendation follow:

**Determine if oversight of the Energy Efficiency Fund is adequate to include allocation of funds and monitoring of performance metrics.**

Oversight of the Energy Efficiency Fund is adequate to include the allocation of funds and monitoring of performance metrics. In addition, the sustainability projects were allowable, adequately supported, and properly approved. Rebates were properly obtained for qualified projects and allocated to the Fund. Finally, Fund expenditures were appropriately used for sustainability initiatives.

However, the methodology to allocate costs savings from departments to the Fund was not consistent. Departments were transferring costs savings to the Fund prior to project completion and delaying allocation to the Fund for other completed projects resulting in an over allocation of \$45,000 to the Fund. In addition, consultant assessments did not match the cost savings being transferred to the Fund. Finally, OS allocated \$10,000 to the Fund for a project that was cancelled.

We recommend the Director of the Office of Sustainability:

Revise existing Standard Operating Procedures (SOP) to reflect a clear methodology for allocating cost savings that will be consistently applied to all sustainability projects. This SOP should be approved by OS, Office of Management and Budget, and Finance. OS should reallocate approximately \$10,000 back to the department that did not receive cost savings for the cancelled project. Finally, OS should reallocate the \$45,000 cost savings received prior to project completion to match the timeframe departments started to save energy from the completed projects.

Office of Sustainability Management agreed with the audit findings and has developed positive action plans to address them. Management's verbatim response is in Appendix B on page 5.

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## Background

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The Office of Sustainability (OS) is responsible for optimizing utility efficiency and savings at City-owned properties. Properties include office buildings, warehouses, recreation centers, health clinics, and police and fire stations.

In 2009, OS received approximately \$32 million “stimulus” funds through the federal stimulus program to engage in a wide range of sustainability initiatives. Subsequently, OS created the Energy Retrofit Program (Program) to be an ongoing energy conservation effort that would yield long-term energy and water savings to City-owned property. The main financial mechanism designed to capture savings from all energy efficiency projects was the “Energy Efficiency Fund” (Fund). The Fund was seeded by using \$4.6 million of the stimulus funds and designed to receive utility savings from completed conservation projects as well as any incentives and rebates from CPS Energy or SAWS. The utility savings is recognized from a reduction in departmental energy consumption due to more efficient equipment installation. The savings are then transferred from the departmental budget to the Fund.

The Fund is maintained and monitored by OS staff to ensure savings from conservation projects are reinvested in future projects. The completed conservation projects have included HVAC units, lighting, pool pumps, and transformers. For fiscal year 2015, OS staff oversaw the completion of 29 projects that saved the City approximately \$298,000 in utility costs annually. In fiscal year 2016, OS staff oversaw the completion of 13 projects that saved approximately \$102,000 in utility costs annually.

## Audit Scope and Methodology

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The audit scope included fiscal year 2015 through December 2016 and included all completed projects funded by the Energy Efficiency Fund (Fund).

We conducted interviews and walkthroughs with key Office of Sustainability (OS) personnel to obtain an understanding of the retrofit energy program operations. We used OS's policies and procedures as criteria for our test work. In addition, we interviewed Office of Management and Budget personnel to obtain an understanding of the process taken to allocate cost savings from departmental budgets to the Fund.

We selected a random sample of 25 out of 42 completed sustainability projects from fiscal year 2015 and 2016 to verify each project was allowable, adequately supported, and properly approved. In addition, we verified OS applied for and received energy rebates from CPS Energy that were applicable to a project. Finally, we verified the cost savings from completed sustainability projects were accurately allocated from department budgets to the Fund.

We selected a judgmental sample of 25 OS department expenditures in SAP to determine if they were allowable. We obtained the support documentation for the expenditures from SAP to verify they were related to developing sustainability efforts within the City of San Antonio.

We verified OS performance metrics were being monitored and the metrics were appropriately measuring the performance of the Fund. We reviewed support documentation to verify the metrics were accurately reported.

We relied on computer-processed data in the SAP and Primelink<sup>1</sup> systems to validate project expenses and proper approvals. 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 verifying expenditure support documentation in SAP and cost savings allocated from departments to the fund. 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.

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<sup>1</sup> Primelink is a project management tool

## Audit Results and Recommendations

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### A. Inconsistent Allocated Cost Savings

The Office of Sustainability (OS) allocated cost savings inconsistently from departments to the Energy Efficiency Fund (Fund). We tested a random sample of 25 sustainability projects. We identified various methodologies used to allocate cost savings to the fund.

We identified 16 projects where cost savings were allocated to the fund prior to completing the project. Six out of the 16 projects cost savings were allocated for an entire year even though the projects were not complete for the entire year. We also determined OS allocated inaccurate partial year savings. Finally, allocation of savings for 7 projects did not begin until several months after project completion. The allocation inconsistencies resulted in the Fund netting approximately \$45,000 from departments before they were entitled.

A consultant assessment which details the scope of work to support the allocation of costs savings did not match the departmental transfers to the Fund for eight projects. As a result, we determined the costs savings were not accurate. We also identified the allocation of approximately \$10,000 in cost savings to the Fund for a project that was cancelled.

Finally, the Office of Management and Budget (OMB) adjusted the allocation of cost savings due to departmental budget constraints for seven projects.

This occurred because OS does not have a consistent methodology for allocating cost savings from departmental budgets to the Fund. As a result, the cost savings are not accurate or consistent which affects the reliability of the department performance measures.

### Recommendations

The Director of the Office of Sustainability should revise existing Standard Operating Procedures (SOP) to reflect a clear methodology for allocating cost savings that will be consistently applied to all sustainability projects. This SOP should be approved by OS, Office of Management and Budget, and Finance. OS should reallocate approximately \$10,000 back to the department that did not receive cost savings for the cancelled project. Finally, OS should reallocate the \$45,000 cost savings received prior to project completion to match the timeframe departments started to save energy from the completed projects.

## **Appendix A – Staff Acknowledgement**

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

## Appendix B – Management Response



# CITY OF SAN ANTONIO

P.O. Box 839866  
SAN ANTONIO TEXAS 78283-3966

September 25, 2017

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

RE: Management's Corrective Action Plan for the Audit of Energy Retrofit Program

The Office of Sustainability has reviewed the audit report and has developed the Corrective Action Plans below corresponding to report recommendations.

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
1	<p><b>Inconsistent Allocated Cost Savings</b></p> <p>The Director of the Office of Sustainability should revise existing Standard Operating Procedures (SOP) to reflect a clear methodology for allocating cost savings that will be consistently applied to all sustainability projects. This SOP should be signed by OS, Office of Management and Budget, and Finance. OS should reallocate approximately \$10,000 back to the department that did not receive cost savings for the cancelled project. Finally, OS should reallocate the \$45,000 cost savings received prior to project completion to match the timeframe departments started to save energy from the completed projects.</p>	3	Accept	Golda Obinzu/Energy Manager	December 2017

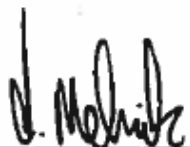
**Action plan:** The Office of Sustainability wants to preserve the viability of the Energy Efficiency Fund to ensure its success of implementing energy projects and recapturing cost savings and rebates to be reinvested into future projects. To achieve this, OS will implement the following measures:

- Revise the existing SOP to reflect a clear methodology for allocating cost savings that will be consistently applied to all sustainability projects.
- Review SOP with OMB and Finance and obtain approvals/signatures.
- Work with OMB and Finance to reallocate \$10,000 back to the Fire Department which did not receive cost savings for the cancelled energy projects.
- Work with OMB and Finance to reallocate the \$45,000 cost savings received prior to project completion to match the timeframe departments started to save energy from the completed energy projects.

We are committed to addressing the recommendations in the audit report and the plan of actions presented above.

Sincerely,

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Doug Melnick  
Chief Sustainability Officer  
Office of Sustainability

9/25/2017

Date



Roderick Sanchez  
Assistant City Manager  
City Manager's Office

9-26-17

Date