



CITY OF SAN ANTONIO

P.O. Box 839966
SAN ANTONIO TEXAS 78283-3966

November 3, 2025

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SUBJECT: Audit Report of Human Resources Temporary Employee Contracts

Mayor and Council Members:

We are pleased to send you the final report of the Human Resources Temporary Employee Contracts. This audit began in June 2024 and concluded with an exit meeting with department management in June 2025. Management's verbatim response is included in Appendix B of the report. Human Resources management and staff should be commended for their cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this report with you individually at your convenience.

Respectfully Submitted,

Buddy Vargas, CPA, CIA, CFE
City Auditor
City of San Antonio

Distribution:

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

HUMAN RESOURCES
AUDIT OF TEMPORARY EMPLOYEE CONTRACTS
PROJECT NO. AU24-021
NOVEMBER 3, 2025

BUDDY VARGAS, CPA, CIA, CFE
CITY AUDITOR



Table of Contents

Executive Summary 2

Background 3

Audit Scope and Methodology 4

Audit Results and Recommendations 5

 A. Contract Monitoring 5

 B. Training 6

 C. Request Approval Documentation 7

Appendix A – Staff Acknowledgement..... 8

Appendix B – Management Response 9

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of Human Resources (HR), specifically the Temporary Employee Contracts. The audit objective, conclusion, and recommendations follow:

Determine if temporary employee contracts are adequately monitored and key terms are complied with.

HR has effective controls in place to confirm compliance with temporary employee job qualification requirements. Furthermore, we determined HR is appropriately reviewing temporary employee extensions. However, the audit team identified areas in which existing controls could be improved over contract monitoring, training, and request approval documentation.

Insurance coverage and invoice requirements are not adequately monitored. Training provided does not address all key contractual requirements. The retention of temporary employee request approval documentation can be improved. Lastly, departments are not paying invoices timely.

We provided recommendations to HR and Finance management to strengthen controls and resolve identified issues. 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 9.

Background

Human Resources (HR) seeks to align employees with the City's organizational strategy and provide high-quality services by attracting and retaining qualified workers. When departments lack sufficient personnel, HR coordinates with staffing agencies to supply temporary employees for specific labor needs.

To accomplish this, the City of San Antonio (City) executed contracts with four staffing agencies in FY 2022. The contracts began December 2021, with two one-year renewal options, expiring in December 2026. These contracts collectively may cost up to \$20 million, which is allocated to each applicable department over the contract term. Between October 1, 2023, and September 30, 2024, total expenditures for Staffing Agencies were as follows:

Staffing Agency Cost

Staffing Agency	FY 2024 Expenditures
Tri-Starr Personnel, LLC	\$5,583,723
Dilligas Corp	\$1,269,460
Labor On Demand, Inc	\$876,578
Human Capital International, LLC	\$534,435
Grand Total	\$8,264,196

Source: SAP

City departments are responsible for submitting requests for temporary employees as needed. Once a request is submitted, HR evaluates the request to confirm the assignment duration is reasonable, the request remains within budget constraints, and the justification is valid. Upon approval, staffing agencies are then responsible for providing qualified candidates who meet the minimum qualifications outlined in the City's job description, have undergone background checks, have tested negative for controlled substances, and have had their identity verified through an I-9 form.

The respective department is responsible for managing temporary employee selection, onboarding, monitoring of work performance, and review of total hours worked per pay period. Staffing agencies then invoice the departments for each assigned temporary employee. Temporary employee rates include a markup ranging from 27% to 40% as compensation for costs incurred by the staffing agencies. Additionally, it is the department's responsibility to notify HR upon temporary employee's separation for proper offboarding.

HR is responsible for overseeing staffing agencies' compliance with key contractual requirements such as insurance coverage and Small Business Economic Development Advocacy (SBEDA) subcontracting goal progress. Furthermore, HR receives monthly reports from staffing agencies detailing assigned temporary employees and conducts quarterly onsite audits to verify that adequate screening processes have been followed by the staffing agencies.

Audit Scope and Methodology

The audit scope period covered October 2023 through September 2024 and consisted of the temporary employee approval/qualification process, staffing agency invoicing, contract monitoring efforts, and provisioning and deprovisioning process for temporary employees.

To gain an understanding of department operations, we interviewed HR and city department personnel, conducted walkthroughs over temporary employee administration, contract compliance, and fiscal monitoring. Staffing agency contracts, temporary employee request process procedures, and the Non-City Employee Provisioning Guide served as our primary criteria for this audit.

We assessed internal controls relevant to the audit objective. This included a review of the criteria above. In addition, as part of our testing procedures we examined the following areas:

- Adequacy of contract administration plans,
- Confirmation of compliance related to temporary employee qualifications,
- Completeness of onboarding documentation,
- Accuracy of temporary employee invoices through review of time reports, and
- Confirmation that provisioning and deprovisioning of temporary employees was handled appropriately.

We relied on computer-processed data in SAP to validate the accuracy of temporary employee expenditures and employment status. Our reliance was based on performing direct tests on the data rather than evaluating the system's 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 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 and Recommendations

HR has adequate controls in place to confirm compliance with temporary employee job qualification requirements. We confirmed HR conducts quarterly audits of staffing agencies. Specifically, we reviewed Quarter 2 of FY 24 and Quarter 3 of FY 24 audit results for each of the four staffing agencies (for a total of 8 audit reports) and confirmed a sample of temporary employees were reviewed by HR. Additionally, in collaboration with HR we performed site visits at the four staffing agencies and reviewed personnel files for a total sample of 50 temporary employees. We confirmed background checks, 19's and drug testing were completed by staffing agencies for all 50 temporary employees.

Furthermore, we determined HR is appropriately reviewing temporary employee extensions. We identified 28 temporary employees whose assignments exceeded a 9-month duration. Per review, of these 28 temporary employees HR and the respective departments provided adequate justification for these extended assignments.

However, the audit team identified areas where controls could be improved over contract monitoring; department training; and request approval documentation.

A. Contract Monitoring

While Contract Administration Plans (CAPs) are currently in place for each of the four staffing agency contracts, insurance coverage and invoice requirements are not adequately monitored.

A.1 Insurance

Staffing agencies are not meeting insurance requirements. The audit team reviewed insurance certificates for FY 24 and determined that 2 of 4 staffing agencies did not have all required insurance types and, as a result, did not meet the necessary coverage amounts. Additionally, 1 of 4 staffing agencies did not have the City listed as an additional insured. Per each of the staffing agencies' contracts section 10, they are required to provide insurance coverage with the appropriate amounts and types of insurance. The City risks potential liability due to the staffing agencies' lack of appropriate insurance coverage.

While HR had previously identified this issue and follow-up was confirmed, updated insurance certificates from staffing agencies were not received.

A.2 Invoice Elements

Invoices are not submitted in accordance with contractual requirements. As part of our testing procedures, we reviewed expenditures for a sample of 50 temporary employees totaling \$38,300 across the four staffing agencies during FY 2024.

While expenditures were adequately supported by time sheets, we determined 3 of the 4 staffing agencies are not including required invoice elements. Additionally, 2 of 4 agencies did not list hours worked by date on their invoices. Section 4.2 of the staffing agency contracts outlines required invoice elements. Examples include the:

- City department's point of contact,
- Name of the temporary employee,
- Hours worked by date and for the period,
- Rate of pay (broken down by regular rate and overtime rate, if any),
- Markup rate applicable, and
- Total owed.

These missing invoice elements can make invoice review difficult and may result in incorrect payment for temporary employee services. While departments are responsible for invoice review and approval, HR is responsible for contract monitoring for compliance. Currently, HR does not have adequate monitoring controls for invoice compliance.

A.3 Payment Timeliness

Departments are not paying invoices timely. We reviewed 5,276 payment dates during FY 2024 and determined 344 payments (6.5%) were past due. Of these 344 payments, 14 were over six months late.

Administrative Directive 8.3 Accounts Payable states that payments are due within 30 days of final invoice submission. However, departments are not paying invoices in a timely manner. Late payments can result in a disruption of services and negatively impact the City's reputation.

Recommendation

A.1 HR Director ensure existing controls for monitoring insurance are executed as intended and the contract administration plans are updated to include monitoring efforts taken in cases of non-compliance.

A.2 HR Director train staffing agencies on proper invoice submission.

A.3 Chief Financial Officer ensure existing controls over payment timeliness review and processing are being executed as intended.

B. Training

Although training is currently provided to HR representatives that support departments, training provided does not address all key contractual requirements. Furthermore, the training is not inclusive of department personnel that are responsible for temporary employees and invoice review. Further details are provided below.

City Holidays

Temporary employees are working City holidays. We reviewed invoices for 50 temporary employees and determined 6 worked on a City holiday. Section 3.13 of the staffing agency contracts states temporary employees should not work holidays unless specifically approved in writing by their supervisor beforehand. However, we were unable to determine whether approval

was granted for these holidays worked. Temporary employees working on holidays could be unauthorized work.

Paid Time Off (PTO)

Staffing agency contract section 3.20 states any benefits shall be the agencies responsibility and at the agencies sole cost to include PTO pay-out. While the audit team did not identify instances of PTO pay-out requested for reimbursement during our review of 39 invoices, departments would benefit from training to prevent unallowable staffing costs.

Markup Rates

Incorrect markup rates were assessed on invoices. We reviewed invoices for 50 temporary employees and determined that 2 temporary employees had incorrect markup rates assessed. Per staffing agency contract section 4.1 markup rates ranging between 27% and 40% may be assessed based on the type of temporary employee category. However, the two instances we identified had markups of 20% and 26% assessed, which are not outlined in the contracts. In effect, incorrect markup rates were applied and paid to staffing agencies.

Recommendation

HR Director review and revise existing training to incorporate key contractual requirements, increase frequency of training, and be more inclusive of pertinent department personnel city-wide.

C. Request Approval Documentation

Approvals for all sampled temporary employee requests could not be confirmed. As part of our audit testing, we requested *Temporary Employee Request Forms* for a sample of 50 temporary employees assigned to the City as of July 2024. Of the 50 temporary employees reviewed, approvals for 5 temporary employees could not be confirmed. For example, one request form listed an assignment end date of May 2024, however, the temporary employee was still active as of July 2024.

The HR Temp Employee Request Process procedure requires that a request form be submitted for each new request or extension. However, there isn't a centralized system to track requests. While HR serves as the final approver, requests are received from various departments and they each maintain their respective forms. Although final approval is documented in a spreadsheet by HR, due to the lack of unique identifier and the process being decentralized, we were unable to trace the request to the final approval. Lack of a centralized system can lead to duplication of efforts due to the inability to validate approvals.

Recommendation

HR Director establish retention requirements and develop a centralized system to maintain supporting documentation for temporary employee requests.

Appendix A – Staff Acknowledgement

Abigail Estevez, CPA, CIA, CISA, Audit Manager
Rudy Carrasco, Auditor in Charge
Ty Myers, Auditor

Appendix B – Management Response



CITY OF SAN ANTONIO

P.O. Box 839966
SAN ANTONIO TEXAS 78283-3966

June 27, 2025

Buddy Vargas, CPA, CIA, CFE
City Auditor
San Antonio, Texas

RE: Management's Corrective Action Plan for Audit of Human Resources Temporary Employees

The Human Resources and Finance Departments have reviewed the audit report and have developed the Corrective Action Plan below corresponding to the report recommendations.

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
A.1	Insurance HR Director ensure existing controls for monitoring insurance are executed as intended and the contract administration plans are updated to include monitoring efforts taken in cases of non-compliance.	5	Accept	Sharon Frey, Human Resources Administrator	October 2025
Action plan: Human Resources monitors temporary agency contracts in accordance with their respective contract administration plans. Based on those monitoring efforts, agencies were notified when it was determined that appropriate insurance certificates had not been provided. Staff has been retrained. In the future, additional insurance monitoring will take place during the quarterly onsite agency visits.					
A.2	Invoice Elements HR Director train staffing agencies on proper invoice submission.	5	Accept	Sharon Frey, Human Resources Administrator	June 2025
Action plan: Invoices have been correctly paid based on timesheets submitted. However, the Human Resources Department provided all staffing agencies retraining on the required invoice elements during the third quarter onsite visits. Accurate invoices will ease departmental review and expedite payment.					

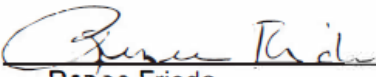
Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
A.3	Payment Timeliness Chief Financial Officer ensure existing controls over payment timeliness review and processing are being executed as intended.	6	Accept	Victoria Roeder, Assistant Finance Director	September 30, 2025
	Action plan: The Finance Department agrees with the recommendation to strengthen the controls over payment timeliness review and processing related to temporary employment agencies. We reviewed the 344 payments which includes the 14 that were more than six months past due. The primary causes for the delay in payments included inaccurate or lack of supporting documentation from the temporary service providers and timely entering and matching of purchase orders, goods receipts and invoices into the financial system. To strengthen the controls and process related to the temporary employment agencies, the Human Resources Department has retrained the agencies on required invoice elements. In the future, invoices received that are not correct or do not contain the required supporting documentation may be returned to the vendors for resolution which will appropriately reset the clock. The Finance Department has retrained Department personnel responsible for the payment process on the procedures and required supporting documentation to timely process employment agency payments.				
B	Training HR Director review and revise existing training to incorporate key contractual requirements, increase frequency of training, and be more inclusive of pertinent department personnel city-wide.	6	Accept	Sharon Frey, Human Resources Administrator	December 2025
	Action plan: While invoices have been paid appropriately as supported by timesheets, Human Resources recognized the benefit of expanded training. In addition to existing training that Human Resources provides to Employee Relations staff, training has been provided to Department Fiscal Administrators regarding all contract provisions.				
C	Request Approval Documentation HR Director establish retention requirements and develop a centralized system to maintain supporting documentation for temporary employee requests.	7	Accept	Sharon Frey, Human Resources Administrator	July 2025

Audit of Human Resources
Temporary Employee Contracts

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	<u>Action plan:</u> Human Resources maintains a tracking system for all temporary agency requests and extensions. Beginning in July 2025, Human Resources now also centrally retains the supporting documents for each request. The retention requirement for temporary agency requests is 2 years. In April of 2020, Human Resources established a centralized agency temp request process, which replaced the established process of each department going directly to a temp agency. Since that time, HR has made improvements to increase efficiency including creation of a tracking system. That tracking system was refined in FY25 Q4 to be more centralized and maintain supporting documentation for temporary agency requests. Staff has been trained on the retention requirements and tracking system.				

We are committed to addressing the recommendation in the audit report and the plan of action presented above.

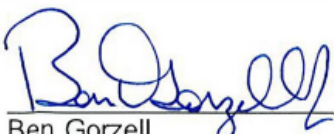
Sincerely,


 Renee Frieda
 Director
 Human Resources Department

10/20/25
 Date


 Troy Elliott
 Chief Financial Officer
 Finance Department

10/20/25
 Date


 Ben Gorzell
 Chief of Financial and Administrative Services
 City Manager's Office

10/20/2025
 Date