



CITY OF SAN ANTONIO

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June 4, 2025

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SUBJECT: Audit Report of the EDD greater:SATX Service Agreement

Mayor and Council Members:

We are pleased to send you the final report of the EDD greater:SATX Service Agreement. This audit began in November 2024 and concluded with an exit meeting with department management in May 2025. Management's verbatim response is included in Appendix B of the report. The Economic Development 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

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

ECONOMIC DEVELOPMENT DEPARTMENT
AUDIT OF GREATER:SATX SERVICE AGREEMENT
PROJECT NO. AU25-013
JUNE 4, 2025

BUDDY VARGAS, CPA, CIA, CFE
CITY AUDITOR



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Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the Economic Development Department (EDD), specifically the greater:SATX (gSATX) service agreement. The audit objective, conclusion, and recommendations follow:

Determine if the service agreement with greater:SATX is monitored, and performance measures are properly supported and accurate.

Overall, EDD's service agreement with gSATX is appropriately monitored. EDD has appropriate procedures and monitoring controls in place to ensure that gSATX is compliant with its service agreement requirements such as insurance policies and an audit of their financial statements. In addition, EDD is effectively monitoring for required gSATX reporting which includes monthly status reports; Business, Retention, and Expansion (BRE) meeting reports; and Foreign Direct Investments (FDI) reports.

Additionally, EDD has procedures in place to monitor the Small, Minority, Women-Owned Business Enterprises (SMWBE). Furthermore, quarterly payments made to gSATX did not exceed the agreement amount.

However, the audit team identified an area in which controls could be improved over performance metric verification. Currently, EDD is not sufficiently validating gSATX performance metrics because gSATX does not provide sufficient support documentation for validation. Nevertheless, EDD has established procedures to validate information from available resources.

We provided a recommendation to management to strengthen controls and resolve the identified issue. EDD management agreed with the audit finding and has developed a positive action plan to address the issue. Management's verbatim response is in Appendix B on page 8.

Background

The Economic Development Department (EDD) and greater:SATX (gSATX) work together to maximize business expansion within the San Antonio region, specifically with the City of San Antonio (CoSA). gSATX is a partnership whose mission is focused on leading the development and diversification of the San Antonio regional economy through the location and expansion of quality employers and job-producing investments.

The gSATX service agreement is a performance-based agreement with the City of San Antonio and is effective from January 1, 2024, to December 31, 2024, with two, one-year extensions. The first one-year extension and 2025 Scope of Work was approved by City Council on April 3, 2025.

Under this service agreement, EDD provides gSATX with two fundings totaling \$829,250. The first funding, totaling \$635,000, is for local and domestic recruitment and retention services in alignment to the performance. This funding is disbursed quarterly in alignment with the performance goal percentage attained relative to each metric set out within the performance scorecard. The second funding, totaling \$194,250, is for Foreign Direct Investment (FDI) services.

Yearly, gSATX creates an operational plan and performance goals. EDD utilizes these performance goals and creates a CoSA performance scorecard. The gSATX operational plan and EDD performance scorecard are presented to City Council for approval before performance goals are finalized and payment to gSATX begin. The Assistant EDD Director is responsible for managing and reviewing these performance metrics. Additionally, the EDD service agreement monitoring team is responsible for monitoring the gSATX service agreement and ensuring that quarterly performance metrics are met.

Once a business has committed to creating jobs in San Antonio, the business may be established and monitored by gSATX as incentive or non-incentive. Incentive businesses have contract agreements with the City of San Antonio that require them to provide information and data to validate that the business is meeting its contractual obligations. These agreements are monitored by EDD's compliance team. Non-incentive businesses do not have a contract agreement and are not required to provide information or data. However, EDD attempts to validate non-incentive business data (e.g., number of employees hired) through news releases and other sources that may be provided voluntarily by a business. From January 2024 to September 2024, gSATX secured and reported 19 wins, of which only 1 is tied to an incentive contract agreement with the City.

Audit Scope and Methodology

The audit scope was from January 2024 to December 2024. This included the gSATX service agreement and fiscal year 2024 performance metrics.

To gain an understanding of EDD operations, we interviewed EDD and gSATX personnel and conducted walkthroughs of the gSATX program, performance metrics, EDD's compliance team, and payment processing. The gSATX service agreement, quarterly performance reports, and standard operating procedures (SOPs) were 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 reviewed:

- Contract Administration Plan (CAP), policies and procedures, and fiscal year 2023 audited financial report conducted by an independent auditor to confirm service agreement compliance and monitoring.
- gSATX insurance policies and service agreement deliverables to determine if gSATX was compliant with its service agreement.
- Performance metric validation to determine if complete and accurate metrics have been met and payment was accurate.

We relied on computer-processed data in SAP to validate payments paid from the City to gSATX. We also relied on the gSATX Salesforce system to validate project data. 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

Overall, EDD is appropriately monitoring the gSATX service agreement. We reviewed gSATX insurance certificate and the FY 2023 audited financial statement report and determined gSATX was in compliance with the service agreement requirements. We also confirmed that gSATX's service agreement requirements such as the submission of monthly status reports; Business, Retention, and Expansion (BRE) meeting reports; and Foreign Direct Investment (FDI) reports meet requirements.

Finally, EDD has procedures in place to monitor the Small, Minority, and Women-Owned Business Enterprises (SMWBE). We reviewed a sample of 3 businesses from January 2024 to September 2024 and determined they were accurately supported. We also reviewed quarterly payments made to gSATX and confirmed payments did not exceed the service agreement total amount of \$635,000 for local and domestic recruitment and retention services.

However, the audit team identified an area in which controls could be improved related to the lack of support documentation to determine the accuracy of payment based on performance metrics.

A. Performance Metric Validation

We could not determine the completeness and accuracy of performance metrics reports due to lack of support documentation. EDD is not sufficiently validating gSATX performance metrics because gSATX does not provide sufficient source documentation support for validation. This is often a result of a business' preference to keep documents confidential that may be deemed proprietary. EDD has established procedures to validate information to the extent possible based on available resources. For example, EDD staff research relevant websites and news articles to confirm the number of reported jobs created.

We reviewed a sample of 3 quarters of reported performance metrics from January 2024 to September 2024. We determined that gSATX submitted the required performance metrics scorecard for each quarter reviewed. Within each quarter, we reviewed 6 performance metrics which included a sample of 36 businesses. Source documentation supporting these 6 performance metrics is not provided. Although gSATX provided information for 5 performance metrics, it was in the form of meeting notes, which is insufficient to support actual performance.

Furthermore, businesses that have been supported by gSATX services using resources are categorized as "wins", which are included in the performance metrics data. Between January 2024 to September 2024, there were 19 businesses categorized as wins: 1 incentive agreement and 18 non-incentive businesses. gSATX does not have a contract agreement with non-incentive businesses to provide documentation to support performance metrics reported. Additionally, businesses may also claim that this information is of a proprietary nature. Of the 18 non-incentive businesses reviewed, 10 did not disclose information.

gSATX collaborates with businesses that have the potential to generate employment opportunities within San Antonio, documenting their activities and outcomes, which provides valuable intelligence for essential performance metrics. However, according to the current service agreement, compensation is based on performance. Without proper validation of performance, the City may not be receiving the agreed upon services and gSATX may not be compensated the accurate service agreement amount.

Recommendation

The EDD Director establishes procedures to ensure gSATX provides sufficient document support to validate performance metrics. In addition, subsequently develop procedures and controls to periodically validate performance metrics. Finally, the EDD Director should consider reviewing and revising the criteria for the performance-based service agreement with gSATX to reasonably reflect actual business practices.

Appendix A – Staff Acknowledgement

Mark Bigler, CPA – Utah, CISA, CIA, Audit Manager
Sabrina Saldaña, Auditor in Charge
Kaycie Requejo, Auditor
Jeffrey Barrs, CPA, CFE, Auditor
Susan VanHoozer, CISA, CIA, Auditor

Appendix B – Management Response



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

May 21, 2025

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

RE: Management's Corrective Action Plan for Audit of EDD greater:SATX Service Agreement

The Economic Development Department has reviewed the audit report and has developed the Corrective Action Plan below corresponding to the report recommendation.

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
A	Performance Metric Validation The EDD Director establishes procedures to ensure gSATX provides sufficient document support to validate performance metrics. In addition, subsequently develop procedures and controls to periodically validate performance metrics. Finally, the EDD Director should consider reviewing and revising the criteria for the performance-based service agreement with gSATX to reasonably reflect actual business practices.	6	Accept	Brenda Hicks-Sorensen, Economic Development Director	Validation Plan – June 13, 2025 Implementation with Q2 2025 Report – July 31, 2025 CY 2026 Contract Considerations – December 31, 2025
	Action plan: The Economic Development Department (EDD) appreciates the City Auditor's Office review of the greater: SATX (gSATX) Service Agreement. EDD agrees with the assessment and recognizes opportunity to improve the validation of performance metrics. The gSATX Executive Committee approved a per capita rate for all regional partners, including the City of San Antonio, starting in FY 2026. This would shift the contract away from a performance-based service contract to a service contract with quarterly reports and payments.				

Audit of Economic Development Department
greater:SATX Service Agreement

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

Sincerely,



Brenda Hicks-Sorensen, CEcD

Director

Economic Development Department



Alex Lopez

Assistant City Manager

City Manager's Office

May 21, 2025

Date

5/22/2025

Date