



CITY OF SAN ANTONIO

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October 16, 2025

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Mayor

Sukh Kaur

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Councilman, District 2

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Councilman, District 4

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Councilwoman, District 8

Misty Spears

Councilwoman, District 9

Marc Whyte

Councilman, District 10

SUBJECT: Audit Report of Finance Treasury Access and Authorization Controls

Mayor and Council Members:

We are pleased to send you the final report of the Audit of Finance Treasury Access and Authorization Controls. This audit began in October 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. Finance 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**

FINANCE DEPARTMENT
AUDIT OF TREASURY ACCESS AND
AUTHORIZATION CONTROLS
PROJECT NO. AU25-016
OCTOBER 16, 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 Finance, specifically Treasury Access and Authorization Controls. The audit objective, conclusions, and recommendations follow:

Determine if access to treasury accounts (depository and trust accounts) is properly managed to include authorizations and user access controls.

The Finance Department is adequately managing treasury account payments; has adequate controls over investment purchases and withdrawals and debt service disbursements; and has adequate controls to meet training requirements for Investment Officers. We confirmed check, wire, and ACH payments, as well as investment purchases and withdrawals and debt service disbursements, are being adequately managed to include appropriate approvals and supporting documentation. In addition, Investment Officers are performing required training in accordance with the Texas Public Funds Investment Act.

However, controls could be improved over access and authorization controls and Vendor Master File maintenance for treasury operations vendors. Access to the City's treasury accounts is not adequately monitored to ensure timely deprovisioning of Frost Treasury Connect system users and applicable banking institutions. In addition, Vendor Master File records for treasury operations vendors are outdated.

We provided recommendations to management to strengthen controls and resolve identified issues. Finance 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 8.

Background

Overview

City of San Antonio “City” treasury operations and associated accounts are managed by the Finance Department. Treasury operations involve the management of money and financial risks to ensure the City has the money it needs to manage its day-to-day business obligations, while also developing its long-term financial strategy and policies. The City uses a variety of accounts to assist in these operations. The Finance department works with Frost Bank, as the primary banking institution for depository accounts, along with eight additional institutions maintaining the applicable trust, investment, debt service, and collateral accounts to ensure that each account maintains the appropriate balance for City operations.

The following provides a summary of the different treasury operations processes:

- Day-to-day operations include collecting deposits and processing payments. Payment methods include check, ACH, and wire transfers. Approvals are required for each type of payment and require one or more approvals by an Authorized Signer.
- Investments are purchased to ensure availability of funds to meet cash flow requirements, safeguard and preserve principal, maintain liquidity, security diversification, and maximize yield. Short-term investments are those investments of excess City funds within the City’s operating account that are highly liquid investments and may be withdrawn by the City for immediate use. These include money market mutual funds and government investment pools. Long-term investments are those investments of excess funds that are intended to provide the City with the highest yield and are held until maturity.
- The City issues bonds and other debt obligations to obtain funding for City capital projects. City Council authorizes debt issuances via City ordinances. Debt service payments are made semiannually for each outstanding issuance as invoices are received from paying agent banks that in turn pay bondholders.

Institution Access and Training

Across the institutions, there are a total of 7 designated Investment Officers and 9 Authorized Signers. The designated Investment Officers are authorized to initiate investment purchases on behalf of the City, while Authorized Signers are authorized to initiate transfers of funds from City accounts. Requests for user provisioning and deprovisioning are processed as received.

All newly hired designated Investment Officers must obtain investment training within the first 12 months of employment. In addition, follow up training is required for designated Investment Officers every two years in accordance with the Texas Public Funds Investment Act.

Audit Scope and Methodology

The audit scope was from October 2023 through March 2025. It included approval authorization controls (both system access and individuals with signing authority), investment officer training, money movement processes, and vendor master file account accuracy.

To gain an understanding of department operations, we interviewed Finance personnel and performed walkthroughs over treasury operations processes, user permissions, and reconciliations between the financial institutions and SAP. The City Administrative – 7.8d Access Control, Texas Government Code Chapter 2256 – Public Funds Investment, City Charter – Section VII Finance, Frost Bank Depository Banking Services and Lockbox Services Agreement (Frost Bank Agreement), and Investment Policies were our primary criteria for this audit.

In addition, as part of our testing procedures we examined the following areas:

- Reviewed supporting documentation to determine if individuals are provisioned and deprovisioned appropriately to applicable accounts.
- Confirmed if access/roles within each institution is appropriate.
- Verified if training was performed upon assignment of role and periodically thereafter.
- Reviewed payment approvals to determine if payments are processed appropriately and by authorized individuals.

We relied on computer-processed data in SAP to obtain listing of payments and verify payment accuracy. Additionally, we relied on Frost Treasury Connect “FTC” to obtain user permission reports, account statements, and transaction approvals. 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

Finance adequately manages treasury account payments to include appropriate approvals and supporting documentation. We reviewed a sample of 25 payments for each of the three payment methods (check, wire, and ACH for a total of 75), totaling \$2,177,367,431. We determined all 75 payments had approvals made by authorized signers, adequate supporting documentation, and appropriate segregation of duties existed between the preparer and approver(s) of the payment.

Additionally, Finance has adequate controls over investment purchases, investment withdrawals, and debt service disbursements. We reviewed a sample of:

- 25 long term investment purchases totaling \$547,446,036,
- 10 short term investment withdrawals totaling \$877,757,409, and
- 10 debt service disbursements totaling \$14,349,488.

We determined each of the sampled transactions had adequate supporting documentation, amounts on the supporting documentation matched the amounts documented within FTC, and approvals were made by appropriate individuals prior to transaction processing.

Finance also had adequate controls as it pertains to designated Investment Officer training. We confirmed required training for both Investment Officers hired during FY 2024 was completed within the first 12 months of their position. In addition, we confirmed 6 of 6 designated Investment Officers hired prior to FY 2024 completed 8 hours of training within the past 2 fiscal years. All 8 designated Investment Officers met training requirements set forth by the Texas Government Code, Chapter 2256.

In addition, Finance also maintains the minimum required amount of funds in collateral accounts. We reviewed statements for both collateral accounts for 4 days and confirmed that both accounts are fully secured in case of default as required by the Federal Deposit Insurance Corporation "FDIC".

However, the audit team identified areas where controls could be improved over authorization and access controls as well as vendor master file maintenance.

A. Access and Authorization Controls

Access to the City's treasury accounts is not adequately monitored to ensure timely deprovisioning of users to FTC and applicable banking institutions.

We reviewed 56 users with active access to FTC and determined 2 individuals with access were separated from the City. On average, these individuals had been separated for 11 months as of the time of our review. In addition, we reviewed 26 users with a disabled account status within FTC and confirmed 8 were deactivated from FTC untimely. On average, these users had been separated for 16 months as of the time of our review.

In addition, we reviewed individuals listed as Authorized Signers, Investment Officers, and those with statement access to all 9 banking institutions. We determined there were 8 individuals across 4 institutions with unauthorized access. While removal of access was requested by Finance for 6 of 8 of these individuals, the institutions did not remove access as requested.

Lastly, job titles for Authorized Signers as listed in the Frost Bank Agreement are outdated and do not reflect current authorized City of San Antonio job titles. Specifically, 2 individuals set up as Authorized Signers do not have their job titles listed within the Frost Bank Agreement.

Per Administrative Directive 7.8d – Access Control, access to City accounts must be disabled upon separation of the employee. Additionally, the Frost Bank Agreement should accurately list job titles of Authorized Signers. Monitoring controls over access to FTC and applicable banking institutions are inadequate. This has resulted in unauthorized users having access to City accounts which could result in unauthorized transactions.

Recommendation

Chief Financial Officer should modify authorization and user access controls to ensure:

- Timely deprovisioning of access to City accounts,
- Access reviews are performed on a periodic basis, and
- Job titles listed for Authorized Signers within the Frost Bank Agreement are updated periodically for accuracy.

B. Treasury Operations Vendor Master File Maintenance

Vendor Master File “VMF” records for treasury operations vendors are outdated. We reviewed 10 treasury operations vendors in the VMF to determine whether the vendors were active and the payment information (e.g., bank account routing information) was accurate. We determined one vendor was not set up in the VMF. In addition, we determined 3 vendors had payment information within the VMF that did not match supporting payment documentation, and therefore was inaccurate.

As a best practice, information within the VMF should be complete and accurate. Updates were not reflected within the VMF regarding the treasury operations vendors. While payments are not made for these vendors through SAP and are instead made directly through Frost Bank by letter request, this resulted in outdated payment information being reflected within the VMF. In effect this could lead to payment errors.

Recommendation

Chief Financial Officer should update the VMF to include accurate information for treasury operations vendors as applicable.

Appendix A – Staff Acknowledgement

Abigail Estevez, CPA, CIA, CISA, Audit Manager
Loretta Faxlanger, CFE, Auditor in Charge
Ty Myers, Auditor

Appendix B – Management Response



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

September 9, 2025

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

RE: Management's Corrective Action Plan for Audit of Finance Treasury Access and Authorization Controls

The Finance Department has reviewed the audit report and has 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	Access and Authorization Controls Recommendation Chief Financial Officer should modify authorization and user access controls to ensure: • Timely deprovisioning of access to City accounts and • Access reviews are performed on a periodic basis, and • Job titles listed for Authorized Signers within the Frost Bank Agreement are updated periodically for accuracy.	6	Accept	Margaret U. Villegas, Assistant Finance Director	June 2025

Audit of Finance Department
Treasury Access and Authorization Controls

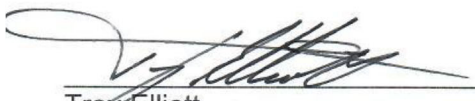
Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	<u>Action plan:</u> The Finance Department's Financial Management Division utilizes, Frost Bank's Treasury Connect module (FTC) for online access for viewing account statements, remote deposits, lockbox activity, and disbursement of funds. The two individuals that were separated from the City and the eight individuals deactivated untimely resided in City departments whose access to FTC was limited to view only access and/or remote deposit access dependent on their roles and responsibilities within their respective City Departments. These individuals did not have access to disburse City funds. Disbursement of City funds through FTC is limited to central Finance staff and requires two users with segregated roles and responsibilities – one user who enters the disbursement request and a separate user who approves the disbursement request. The Finance Department's Financial Management Division will strengthen the existing process by: 1. Proactively confirming on a semi-annual basis with Departmental Fiscal Administrators the status of individuals who have access to FTC. 2. On a semi-annual basis will confirm with Frost Bank that their list of authorized individuals is accurate and up to date. 3. Explore an automated process with the Human Resources Department and Information Technology Services Department to provide notifications of employee separations or transfers for deprovisioning of access to FTC. Additionally, the City utilizes treasury accounts with various institutions to provide trust, investment, and banking services. Access for managing these accounts is limited to central Finance staff who require approval from Authorized Signers for disbursement and redemption of funds. The internal audit identified eight individuals across four institutions with unauthorized access. Of the eight, the two individuals that were separated from the City for which notice was not provided to the respective financial institutions, did not have access to disburse funds and have since been removed. One individual had view only access with the Bank of New York to monitor collateral levels. The second individual had access to conduct investment trades with Fidelity but did not have access to fund the trades. Dual authorization is required to fund investment trades. For the remaining six individuals, the City Finance Department had previously and correctly coordinated with the financial institutions to remove them as authorized signers and terminate their access upon their separation from the City. The financial institution have now corrected their records. Any future requests due to changes in Authorized Signers will require confirmation in writing from the financial institutions. In addition to requiring dual authorization for disbursement of funds, additional controls are in place to prevent any unauthorized disbursement of funds from authorized or unauthorized signatories on the depository accounts. Lastly, the City has coordinated with Frost Bank to update the titles of Authorized Signers listed in the current Frost Bank Depository Agreement and will update Frost Bank in the future when there are additional title changes.				

Audit of Finance Department
Treasury Access and Authorization Controls

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	Treasury Operations Vendor Master File Maintenance				
B	Recommendation Chief Financial Officer should update the VMF to include accurate information for treasury operations vendors as applicable.	6	Accept	Margaret U. Villegas, Assistant Finance Director	December 2025 & October 2027
Action plan: The Financial Management Division is coordinating with the Vendor Maintenance team and Financial Institutions to update the Vendor Maintenance File. This is expected to be completed by December 2025. The City is currently in the process of upgrading the City's SAP financial system and will explore opportunities to transition this manual process to a fully automated process. The upgrade is anticipated to be completed in fiscal year 2027.					

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

Sincerely,



 Troy Elliott
 Chief Financial Officer
 Finance Department

9/9/2025

 Date



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

9/24/2025

 Date