

# City of Santa Fe Internal Audit Function

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**Presentation to Audit Committee**

**April 3, 2025**



# Introduction to Moss Adams

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The City retained Moss Adams to serve as the designated Internal Auditor and conduct projects focusing on:

- Risks
- Internal controls
- Efficiency and effectiveness
- Best practices
- Compliance

Work is completed under appropriate industry standards (IIA, GAGAS, AICPA)

# Why Internal Audit?

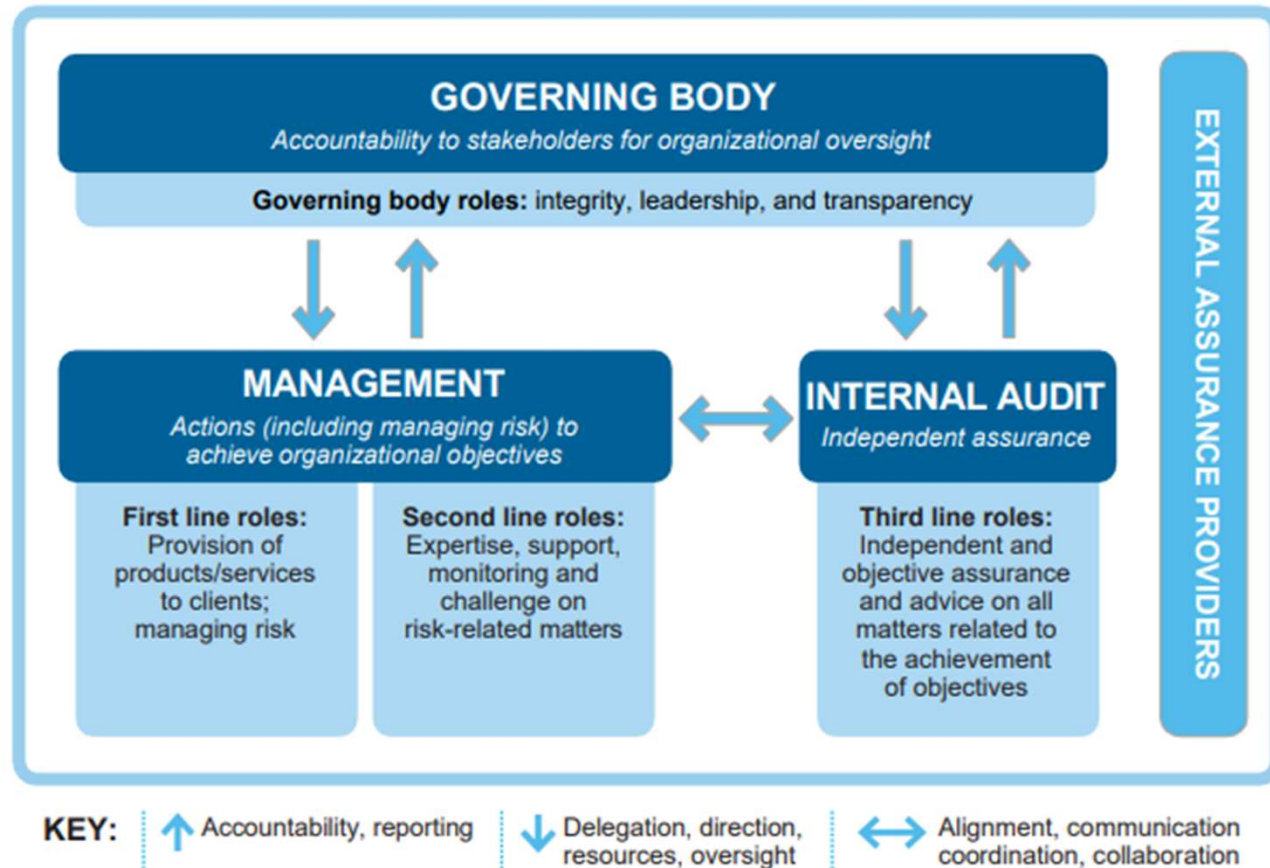
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- Different perspective than external financial audit
- Objective and independent
- Prioritize opportunities for reducing risks, strengthening controls, and enhancing performance
- Goes beyond just the finance department
- Best practices
- Alignment with strategic goals



# Role of Internal Audit

## The IIA's Three Lines Model



Source: IIA



# Establishing the City's Internal Audit Program

## Key Success Factors: Communication and Collaboration

### Understand goals/objectives

- Seek input from a variety of stakeholders
- Define goals & objectives
- Establish measurable performance metrics

### Educate & Communicate

- Define roles and responsibilities
- Establish communication plan
- Develop and carryout governance training
- Educate personnel on purpose, benefits, and expectations

### Establish Program Baseline (Completed)

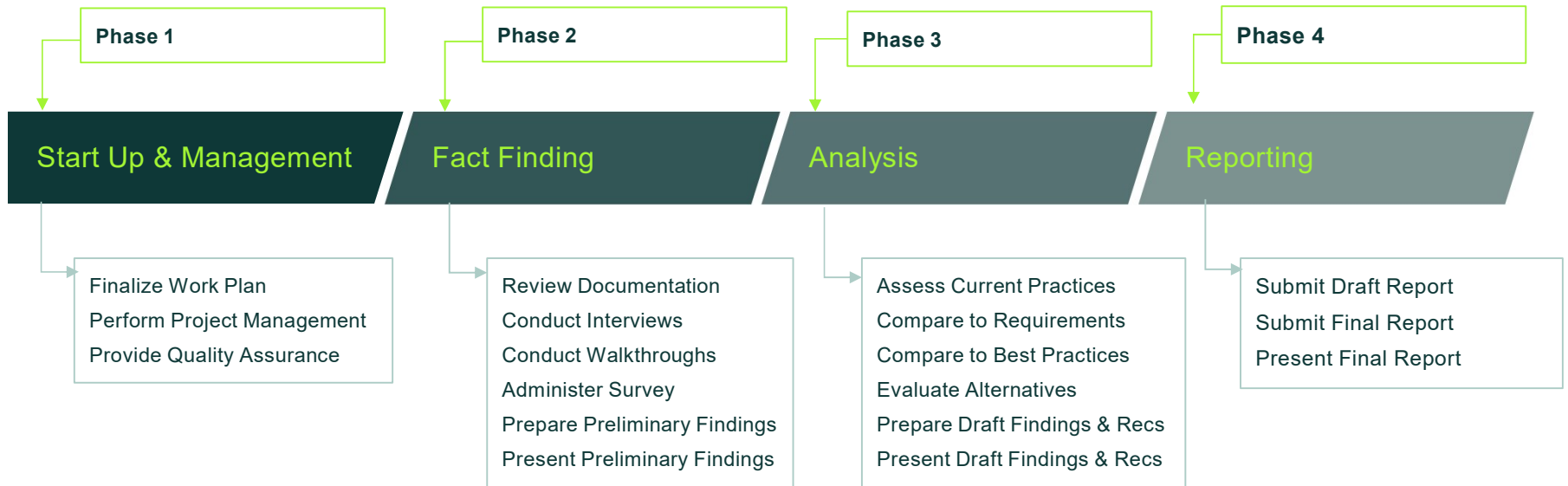
- Conduct Entity-wide Risk Assessment
- Develop internal audit plan
- Obtain approval for plan

### Carryout Program (In progress)

- Schedule projects
- Conduct internal audits, in accordance with approved plan
- Report on results
- Track findings and recommendations
- Check-in on program performance
- Report to governance regularly



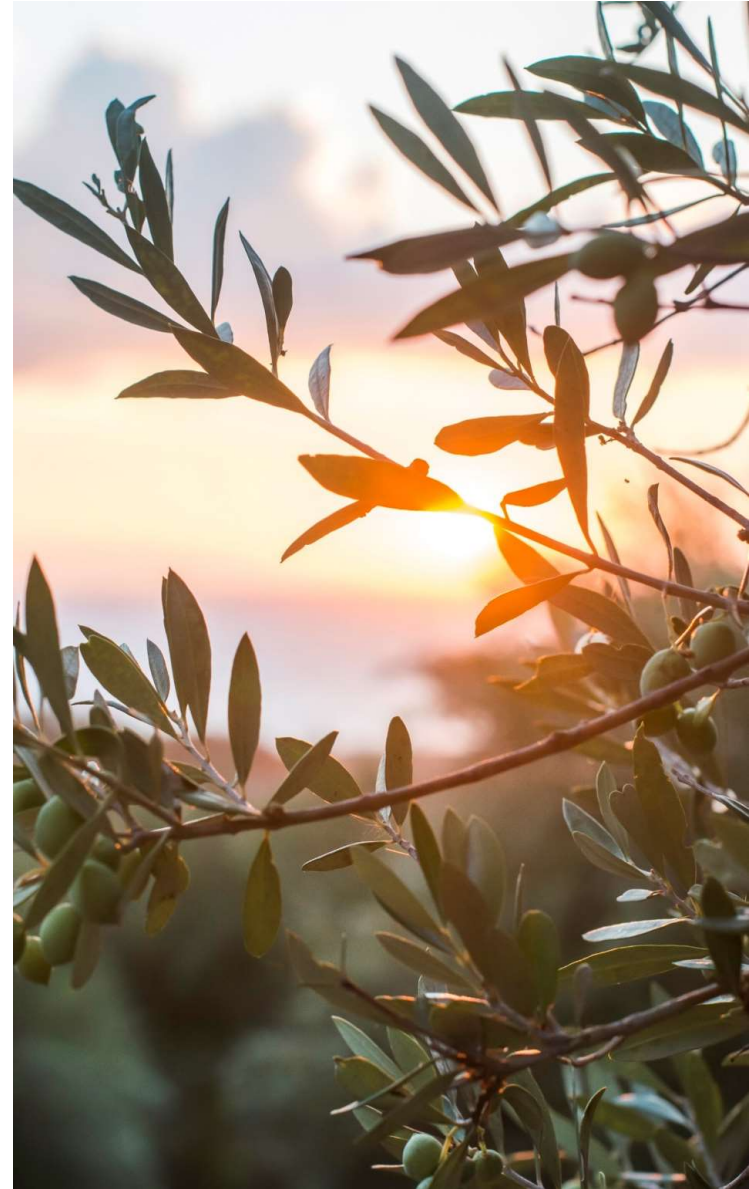
# Internal Audit Approach



# Internal Audit Background

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- Projects performed each fiscal year based on Audit Program determined by Audit Committee
  - Ordinance does not require a certain number of projects per year
- Moss Adams provides recommended Audit Program to Audit Committee for review, discussion, and finalization
- Project priorities originally stemmed from Enterprise Risk Assessment and Internal Control Review
- Ensuing projects determined based on other internal and external risk factors identified throughout the fiscal year



# Internal Audit Background (cont.)

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- Recommendations resulting from internal audits to be presented to the City's Audit Committee for recommendation to the City Manager, Finance Committee and Governing Body.
- Similar to other Cities that we work with, there are opportunities for improvement across departments
- Each City deals with own issues (staffing shortages, budget cuts, technology issues, behind on external audits, etc.), and we help to remedy the situation by providing potential solutions



# Internal Audit Risk Rating Terminology

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- Projects generally present Findings on a risk scale (High, Moderate, or Low)
  - High: City exposed to a high degree of combined risks. Recommendations should be implemented immediately (preferably within three months) to address areas with the most significant impact or highest likelihood of loss, misappropriation, or damage related to the City's assets.
  - Moderate: City exposed to a moderate degree of combined risks. Recommendations should be implemented timely (preferably within six months), to address moderate risks and strengthen or enhance efficiency in internal controls on areas with moderate impact and likelihood of exposure.
  - Low: City not likely exposed to significant losses. However, they should be addressed to improve efficiency and effectiveness of operations. Recommendations should be implemented within 12 months.




# Internal Audit Projects FY 25

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**1. Follow Up on Previous Audits (carryover project from FY 23-24):**

Follow up on previous findings from past internal audits. (12 weeks, \$20,000)

**2. Month and Year-End Close Internal Control Review:** Assess the internal controls in place over the City's month and year-end closing activities. (12-16 weeks, \$35,000)

 **3. Fraud, Waste, and Abuse (FWA) Training/Review:** Provide training to City employees about fraud and support to the City over their FWA program. (4 weeks, \$10,000)

**4. Policy Update Support:** Review and provide feedback on financial policies and procedures as they are updated. (as needed, \$5,000-\$8,000/policy)


**5. Procurement Operational Review:** Assess procurement operations, including alignment with City goals, policies, and industry best practices (12-16 weeks, \$45,000)





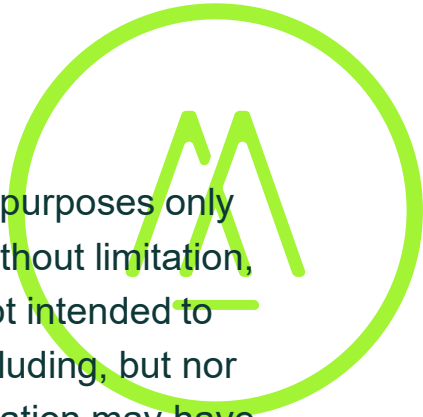
## Internal Audit Projects FY 26

- 1. Grants Management Operational Review:** Assess the City's grants management function to identify opportunities for improvement (16 weeks, \$50,000)
- 2. Cash Balances Internal Audit:** Assess the City's internal controls over cash, handling, management and reporting (12-16 weeks, \$40,000)
- 3. Risk Management Operational Review:** Assess the City's risk management functions, including reviewing staffing, structure, and processes (16 weeks, \$35,000)
- 4. Recruitment Process Review:** Review and evaluate the efficiency and effectiveness of the recruitment lifecycle and process to identify opportunities for improvement (12-16 weeks, \$35,000)



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