



FINAL REPORT

City of Santa Fe
FOLLOW-UP ON PREVIOUS INTERNAL AUDITS

May 7, 2025

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I. EXECUTIVE SUMMARY

Moss Adams LLP (Moss Adams) was contracted by the City of Santa Fe (the City) to perform an evaluation of the City’s follow-up efforts to correct findings from previous internal audits. The review was originally part of the fiscal year 2024 internal audit program, but the City desired to push the review to the fiscal year 2025 internal audit program. The review took place between September 2024 and February 2025. The evaluation focused on assessing whether the City has sufficiently addressed findings from the following prior internal audits:

- [Procurement and Accounts Payable Internal Audit](#) (September 2019)
- [Leases Internal Audit](#) (April 2020)
- [Public Utilities Division Internal Audit](#) (March 2021)
- [Police Department Evidence Unit Internal Audit](#) (June 2021)
- Human Resources and Payroll Internal Audit (February 2022)

The purpose of this engagement was not to reperform the initial internal audits or perform detailed testing of each area, but to assess whether the corrective actions (if any) taken by the City, to address prior findings, effectively addressed the issues previously identified.

The review of the City’s previous internal audit findings was completed under the consultancy standards of the American Institute of Certified Public Accountants (AICPA). As such, this work was not an audit of internal controls that resulted in a formal opinion or other form of assurance.

The primary conclusion from this review is that the City had made substantial progress in resolving findings from previous internal audits but has an opportunity to continue to address remaining findings. Of the 33 findings from previous internal audits reviewed, as of the time of this review the City had resolved 17 findings, made progress to resolve 10 findings, and had not made progress on six findings. Suggested priorities to address over the next six to 12 months are the findings listed in the table below with a “Progress Made” or “No Progress” status. See Section III in this report for the full breakdown of outstanding and resolved findings.

Finding from Previous Internal Audits	Status Rating
1. Procurement and Accounts Payable	
1. Stringent approval requirements create procurement inefficiencies and incentives to go around controls	No Progress
2. Purchase order process and invoice approval controls could be strengthened	Finding Resolved
3. Automation and additional analysis needed for bidding, contracting, and accounts payable processes	Finding Resolved



Finding from Previous Internal Audits	Status Rating
4. Improved documentation would better support competitive procurement evaluation	Finding Resolved
5. Broadening the City's reach in bid posting	No Progress
6. Director level P-Card purchases approved by subordinates	No Progress
7. Opportunities to develop bulk purchasing contracts and improve cross-departmental purchasing	No Progress
8. Duplicate vendor and employee vendor analysis	No Progress
9. Proposed procurement manual and associated training	Finding Resolved
2. Leases	
1. Lease management	Finding Resolved
2. Lease payments	No Progress
3. Public Utilities Division	
1. Contractor reliance with outdated software	Progress Made
2. Advanced billing implementation delays	Progress Made
3. Customer account adjustments	Progress Made
4. System access	Progress Made
5. Customer write-offs	Finding Resolved
6. Actions to collect and write-off adjustments	Progress Made
7. Cash handling – collections and deposits	Progress Made
8. Orphan and legacy accounts	Finding Resolved
9. Unallocated funds/customer refunds	Progress Made
10. Billing cycle checklists	Progress Made
4. Police Department Evidence Unit	
1. Evidence management policies and procedures	Progress Made
2. Packing and property manuals	Finding Resolved
3. Chain of custody	Finding Resolved
4. Annual comprehensive review	Finding Resolved
5. Evidence ready for destruction	Finding Resolved
5. Human Resources and Payroll	
1. User access management – super users	Finding Resolved
2. Policies and procedures	Finding Resolved



Finding from Previous Internal Audits	Status Rating
3. Disciplinary/complaints/grievance process training	Finding Resolved
4. User access management – access forms	Finding Resolved
5. Direct deposit changes and enrollments	Progress Made
6. Pay rate changes	Finding Resolved
7. PERA payments	Finding Resolved



II. BACKGROUND, SCOPE, AND METHODOLOGY

A. BACKGROUND

Moss Adams became the City's internal auditor effective November 2023. Upon becoming the City's internal auditor, it was recommended to the Audit Committee to review previous internal audits that the City underwent prior to Moss Adams becoming the internal auditor to gauge what progress the City had made from previous reports.

B. SCOPE AND METHODOLOGY

The scope of our review included an evaluation of the City's past internal audit findings from the following internal audits, to assess whether the City has sufficiently addressed the findings:

- Procurement and Accounts Payable Internal Audit (September 2019)
- Leases Internal Audit (April 2020)
- Public Utilities Division Internal Audit (March 2021)
- Police Department Evidence Unit Internal Audit (June 2021)
- Human Resources and Payroll Internal Audit (February 2022)

For each previous internal audit assessed, we conducted a review of outstanding internal audit findings, which included but was not limited to:

- Reviewing new policies and procedures created to address internal audit findings.
- Examining relevant documentation in support of the process of addressing internal audit findings.
- Performing control walkthroughs to observe any new processes or controls in place to address prior internal audit findings.

In support of our review, the matrix in Section III provides results and includes:

- Findings (original findings from the past internal audits)
- Review Procedures (the procedures we performed to assess whether the City sufficiently addressed findings)
- Current Status Detail (the detailed results of our review)
- Status Rating (the overall status of each finding, presented as either Finding Resolved, Progress Made, or No Progress)
 - Finding Resolved represents findings where the City appeared to have adequately resolved the original finding
 - Progress Made represents findings where the City had made some progress to resolve the finding but still has more work to do to fully resolve the original finding



- No Progress represents findings where the City had not made progress to resolve the finding or where the City was unable to provide the requested documentation for an assessment to be performed



III. FOLLOW-UP REVIEW

Prior Internal Audit Finding		Review Procedures	Current Status Detail	Status Rating
A. Procurement and Accounts Payable				
1	Stringent approval requirements create procurement inefficiencies and incentives to go around controls	We selected a sample of five purchases made in June 2024, and requested the supporting documentation to assess whether required approvals were obtained prior to the purchase of the goods/services. We also requested updated job descriptions for Department Directors, the updated approval matrix, and evidence that the approval matrix is embedded in the City's PO system.	The City was unable to provide support for any of these requests. Therefore, we were unable to assess whether the prior internal audit finding had been resolved.	No Progress
2	Purchase order process and invoice approval controls could be strengthened	We requested evidence of the City's most recent P-Card training to assess whether management's response about conducting trainings appeared valid.	We were provided with the P-Card Policy and management stated that employees had signed and acknowledged this document. After viewing the most recent P-Card training, the finding appears to be remediated.	Finding Resolved
3	Automation and additional analysis needed for bidding, contracting, and accounts payable processes	We requested an update on the status of automating the procurement process to assess whether management's response about automating part of the procurement process appeared valid.	The City utilizes Munis Bid Central within the Munis along with the Monday software to track purchases throughout the procurement process. The City provided screenshots from these systems to demonstrate the use of these systems during the procurement process. After viewing the support, the finding appears to be remediated.	Finding Resolved
4	Improved documentation would better	We requested documentation for the most recent bid evaluation to assess whether	The City provided a request for proposal evaluation from March 5, 2024, and this evaluation included scoring evaluations and written assessments	Finding Resolved



	Prior Internal Audit Finding	Review Procedures	Current Status Detail	Status Rating
	support competitive procurement evaluation	management’s response about updating bid documentation addressed the finding.	for each of the two proposers. After viewing this request for proposal evaluation, the finding appears to be remediated.	
5	Broadening the City’s reach in bid posting	We requested evidence of where online competitive procurement advertisements are currently being listed to assess whether management’s response about posting all solicitations online addressed the finding.	The City was unable to provide support for this request. Therefore, we were unable to assess whether the prior internal audit finding had been resolved.	No Progress
6	Director level P-Card purchases approved by subordinates	We requested evidence of City Manager approval and AP review of selected Department Director’s P-Card statements from June 2024 to assess whether the City addressed the finding.	The City was unable to provide support for this request Therefore, we were unable to assess whether the prior internal audit finding had been resolved.	No Progress
7	Opportunities to develop bulk purchasing contracts and improve cross-departmental purchasing	We requested evidence of the intranet location where existing price agreements are retained. We also requested evidence of the analytics supporting purchasing activities. Both requests were designed to assess whether the prior management response was implemented and if so, that it addressed the finding.	The City was unable to provide support for this request Therefore, we were unable to assess whether the prior internal audit finding had been resolved.	No Progress
8	Duplicate vendor and employee vendor analysis	We requested evidence of the City’s follow-up actions to assess whether the City	The City was unable to provide support for this request. Therefore, we were unable to assess whether the prior internal audit finding had been resolved.	No Progress



Prior Internal Audit Finding		Review Procedures	Current Status Detail	Status Rating
		identified improper payments pertaining to the finding.		
9	Proposed procurement manual and associated training	We requested the updated Procurement Manual and evidence of the training conducted after the Governing Body adopted the updated Procurement Manual to assess whether the prior finding had been addressed.	The City provided the updated Procurement Manual and included screenshots of trainings performed to address procurement processes. After viewing the support, the finding appears to be remediated.	Finding Resolved
B. Leases				
1	Lease management	We requested the inventory of existing Governmental Accounting Standards Board Statement No. 87 (GASB 87) leases from MUNIS and the policies and procedures that the City developed to comply with GASB 87. These requests were designed to assess whether the prior management response was implemented and if so, that it addressed the finding.	Management provided the inventory of existing leases and contracts applicable for GASB 87 recognition. Management also provided policies and procedures that the City developed to comply with GASB 87. After viewing the support, the finding appears to be remediated.	Finding Resolved
2	Lease payments	We requested evidence of the terms and collections review from June 2024, documentation for how the City ensures that lease revenues are posted to appropriate accounts, a copy of the form that the City developed for lessees to fill out when making payments at the Cashier's Office, and evidence of the Treasury Officer's	The City was unable to provide the support requested. Therefore, we were unable to assess whether the prior internal audit finding had been resolved.	No Progress



	Prior Internal Audit Finding	Review Procedures	Current Status Detail	Status Rating
		monthly receivables review from June 2024. All of these requests were designed to assess whether the prior management response was implemented and if so, that it addressed the finding.		
C. Public Utilities Division				
1	Contractor reliance with outdated software	We requested a status update for implementation of the new billing system to assess whether the prior management response was implemented and if so, that it addressed the finding.	City Council approved a new billing system on March 31, 2021. The Governing Body approved the contract with the third-party contractor, N. Harris/Advanced, on September 25, 2024. Since then, the third-party consultant was let go and a majority of the assistance needed for the current utility billing system is handled in house by the Information Technology and Telecommunications (ITT) Department. Management informed us that a new billing system software has still not been implemented, but a large planning process is currently being implemented for the utility billing modernization project and business process support for the Public Utilities Department. After viewing support, the City is still working to fully remediate this finding.	Progress Made
2	Advanced billing implementation delays	See #1 above.	See #1 above.	Progress Made
3	Customer account adjustments	See #1 above.	See #1 above.	Progress Made
4	System access	We requested documentation of the most recent yearly system access review to assess whether the prior management response was implemented and if so, that it addressed the finding.	Management informed us that they are using an ITT Department form and currently perform a one-year review to ensure access to the system is up to date. However, the City was unable to provide support for this request. Therefore, we were unable to validate whether the City fully remediated the finding.	Progress Made



	Prior Internal Audit Finding	Review Procedures	Current Status Detail	Status Rating
5	Customer write-offs	We requested the write-off policies and procedures for uncollectable debt and the templates developed for write-off requests to assess whether the prior management response was implemented and if so, that it addressed the finding.	We were provided with a draft write-off policy that was yet to go through review by the City's Legal Department. We were also provided with a Governing Body-approved packet for write-off that was approved on June 12, 2024. After viewing support, the finding appears to be remediated.	Finding Resolved
6	Actions to collect and write-off adjustments	We requested a status update for debt collection and write-off policies and procedures to assess whether the prior management response was implemented and if so, that it addressed the finding.	Management informed us that more than 20 policies were still pending review and approval by the Legal Department since July 2022. Based on this status update, the City is still working to fully remediate this finding.	Progress Made
7	Cash handling – collections and deposits	We requested evidence of cash deposits for each day from the week of June 10, 2024. We also requested evidence of the permanent role created to help Accounting Technicians and evidence of the most recent review of the Cashier Office Policy. These requests were designed to assess whether the prior management response was implemented and if so, that it addressed the finding.	<p>We were provided with evidence of cash deposits for each day for the selected week. After viewing support, this portion of the finding appears to be remediated.</p> <p>Management also informed us that the position of Public Utilities Division (PUD) Manager is the permanent role established on February 27, 2024 to help Account Technicians. The PUD Manager was in the process of creating a Financial Analyst position to help Account Technicians in the Cashier Office with daily reconciliations and assume the responsibilities of monthly reconciliations from the PUD Manager. After viewing support, this portion of the finding appears to be remediated.</p> <p>Finally, we requested the most recent review of the Cashier Office Policy; however, the City was unable to provide support. Therefore, we were unable to validate whether the City fully remediated the finding.</p>	Progress Made



	Prior Internal Audit Finding	Review Procedures	Current Status Detail	Status Rating
8	Orphan and legacy accounts	We requested evidence of write-offs for orphan and legacy accounts to assess whether the prior management response was implemented and if so, that it addressed the finding.	We were provided with a write-off packet for orphan and legacy accounts. After viewing support, the finding appears to be remediated.	Finding Resolved
9	Unallocated funds/customer refunds	We requested documentation of attempts to return funds to customers along with any policies and procedures created to address customer refunds, stale checks, or unclaimed funds. We also requested evidence of review of the stale dated checklist for June 2024. All of these requests were designed to assess whether the prior management response was implemented and if so, that it addressed the finding.	We were provided with a list of credit balances that the City is trying to return to customers. The City stated that they have no contact information for these customers in many cases. We were also provided with a draft policy for refunds. Management informed us that they have not received a stale dated list of checks from the AP Department since August 2019. Because the City does not have contact information for customers, the City should follow the initial audit recommendation, which was to forward these funds to the state as unclaimed property.	Progress Made
10	Billing cycle checklists	We requested the formal policy related to the billing process, and the billing checklist completed the week of June 17, 2024. These requests were designed to assess whether the prior management response was implemented and if so, that it addressed the finding.	<p>The City informed us that they do not have a policy related to the billing process. A policy will be created when the City moves to its new billing system, which should be completed in the next 14 months. Based on this status update, the City is still working to fully remediate this finding.</p> <p>We were provided with the billing checklist for the week of June 17, 2024. After viewing support, this part of the finding appears to be remediated.</p>	Progress Made
D. Police Department Evidence Unit				
1	Evidence management	We requested the reviewed policy, which should contain policies and procedures on evidence collection, processing,	Management informed us that the draft policy was completed and was being formatted and finalized by the Policy/Accreditation Unit. Once complete, it will go through legal review. We did not receive a copy of this	Progress Made



	Prior Internal Audit Finding	Review Procedures	Current Status Detail	Status Rating
	policies and procedures	and destruction, to assess whether the prior management response was implemented and if so, that it addressed the finding.	policy to review. Therefore, we were unable to validate whether the City fully remediated the finding.	
2	Packing and property manuals	We requested the most recent Packaging Manual that was in use to assess whether the prior management response was implemented and if so, that it addressed the finding.	The City provided a copy of the most recent Packaging Manual. This manual addressed the most common types of property and evidence encountered in the field, and contains photos and directions that are clear, concise, and easy to follow. After viewing support, the finding appears to be remediated.	Finding Resolved
3	Chain of custody	We requested evidence that return receipts are attached to the record, evidence of a MobileOnQ record and internal audit trail, and evidence of the most recent evidence handling and chain of custody training. These requests were designed to assess whether the prior management response was implemented and if so, that it addressed the finding.	Management informed us that all Evidence Staff receive on-the-job training on evidence handling and custody training from the uploaded handbook. The handbook is referenced by Evidence Staff on a regular basis to keep their process consistent. In addition, all Evidence Staff are required to complete formal training with the International Association of Property and Evidence, and when eligible, to complete the certification process. We were also provided with evidence that return receipts are attached to the record, that there is a MobileOnQ record and internal audit trail, and of the most recent handling and chain of custody training. After viewing support, the finding appears to be remediated.	Finding Resolved
4	Annual comprehensive review	We requested the timeline and current status of getting the annual audit implemented to assess whether the prior management response was implemented and if so, that it addressed the finding.	Management informed us that getting dispositions from the District Attorney's Office for older cases remains a challenge and is still in process. Lists of cases eligible for disposal are being generated to request a court order for a "blanket disposal" order. Police Department staff are processing dispositions and disposing of items eligible for disposal. They stated that they will likely be able to conduct an annual audit for all evidence held and submitted with the new FileOnQ system, as those items have been logged and stored under the new process. After reviewing the response from management, the finding appears to be remediated.	Finding Resolved



	Prior Internal Audit Finding	Review Procedures	Current Status Detail	Status Rating
5	Evidence ready for destruction	We requested documentation of the first evidence audit in January 2024 to assess whether the prior management response was implemented and if so, that it addressed the finding.	We were provided with the Property/Evidence Section Inspection from January 29, 2024. After review, the documentation appears to be in order and the appropriate signatures were provided to document review and approval. After viewing support, the finding appears to be remediated.	Finding Resolved
E. Human Resources and Payroll				
1	User access management – super users	We requested a documented super user access listing, the quarterly Munis Human Capital Management (HCM) user list that was sent to the Human Resources (HR) Director and Finance Director for Q2 2024, and evidence of a completed electronic form for requested access from June 2024. These requests were designed to assess whether the prior management response was implemented and if so, that it addressed the finding.	Management informed us that the ITT Department has developed a new electronic form that will explain what access is being requested and require approval by the Department Director, HR Director, and ITT leadership. This will be evaluated and access will be given accordingly. Management also informed us that ITT has completed a full audit and removed access for anyone who did not have an approved form. We reviewed the documented process for providing super user access, a quarterly Munis HCM user listing for Q2 2024, and evidence of a completed user access approval form from June 2024. After viewing support, the finding appears to be remediated.	Finding Resolved
2	Policies and procedures	We requested the most recent version of the standard operating procedures that details HR processes to assess whether the prior management response was implemented and if so, that it addressed the finding.	Management informed us that the City has the rules and regulations adopted by the Governing Body, administrative policies adopted by the City Manager, Collective Bargaining Agreements (CBAs) for the three City unions, and also standard operating procedures, guidelines and processes. Management stated that all employees are made aware of these rules and regulations at the time of hire, promotion, or when there is a change to policy. Management also informed us that HR is currently working on training materials. Management provided us with the most recent version of the standard operating procedures. After viewing support, the finding appears to be remediated.	Finding Resolved



	Prior Internal Audit Finding	Review Procedures	Current Status Detail	Status Rating
3	Disciplinary/complaints/grievance process training	We requested a copy of the policy on mandatory employee trainings to assess whether the prior management response was implemented and if so, that it addressed the finding.	Management informed us that new hires receive rules and regulations, administrative policies, and CBAs upon hire. As part of orientation, they cover these items and employees sign and acknowledge the documents. Management has also instituted a virtual training option. HR has developed templates to promote consistency and compliance with rules. HR has also expanded training to include many new HR-related topics. We reviewed the draft policy on mandatory employee trainings. After viewing support, the finding appears to be remediated.	Finding Resolved
4	User access management – access forms	We requested a documented super user access listing, the quarterly Munis HCM user list that was sent to the HR Director and Finance Director for Q2 2024, and evidence of a completed electronic form for requested access from June 2024. These requests were designed to assess whether the prior management response was implemented and if so, that it addressed the finding.	Management informed us that ITT has developed a new electronic form that will explain what access is being requested and require approval by the Department Director, HR Director, and ITT leadership. This will be evaluated and access will be given accordingly. Management also informed us that ITT has completed a full audit and removed access for anyone who did not have an approved form. We reviewed the documented process for providing super user access, a quarterly Munis HCM user listing for Q2 2024, and evidence of a completed user access approval form from June 2024. After viewing support, the finding appears to be remediated.	Finding Resolved
5	Direct deposit changes and enrollments	We requested documented policies and procedures detailing how employee bank account information is changed to assess whether the prior management response was implemented and if so, that it addressed the finding.	The City provided us with emails detailing procedures that require employees to provide their driver's license to ensure their identity. These emails also state that banking changes will only be accepted in person during normal business hours and occasionally through email, but only with a copy of the employee's driver's license. The City stated that they do not have any actual policies covering this process, but they will use these provided emails as a working procedure. Although the City has developed processes to address the internal audit finding, it should formalize these direct deposit change and enrollment processes via documented policies and procedures that would be accessible to all necessary employees.	Progress Made
6	Pay rate changes	We requested documented policies and procedures detailing the pay rate change	Management informed us that HR has a detailed process to manage pay rate changes. This process requires approvals from the Division Director, Department Director, HR Analyst, HR Director, Budget Office, Finance	Finding Resolved



	Prior Internal Audit Finding	Review Procedures	Current Status Detail	Status Rating
		process to assess whether the prior management response was implemented and if so, that it addressed the finding.	Director, and City Manager/Deputy City Manager (approvals), then the HR Analyst for re-review of work, and the HR Administrator Senior for quality control, audit, and posting. Management also informed us that there is also a quality review check before payroll closes to review all changes for the given pay period. We requested documented policies and procedures that capture the items from the recommendations, and the City provided a draft Employee Pay Rate Changes Policy, which captures the items from the recommendations. After viewing support, the finding appears to be remediated.	
7	PERA payments	We requested evidence of when PERA payments were remitted for both pay periods in June 2024 to assess whether the prior management response was implemented and if so, that it addressed the finding.	The City provided us with evidence that PERA payments were remitted for both pay periods in June 2024. After viewing support, the finding appears to be remediated.	Finding Resolved



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