



# City of Santa Fe, New Mexico

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## MEMORANDUM

**Date:** September 4, 2025

**To:** Governing Body, Finance Committee

**From:** Andrea Phillips, Deputy City Manager *AKP*

**RE:** Approval of Revised FY 2026 Internal Audit Project Plan

### BACKGROUND:

The City has engaged a contractor to serve as the Internal Auditor for many years. Different from external audit, the internal audit function includes independent performance and management audits, financial audits, attestations, and advisory/special investigations. The scope of their duties is outlined in Santa Fe City Code 2-22. An Audit Committee comprised of five members representing attorneys, auditors and other professionals oversees the work of both internal and external audit functions. Moss Adams, which has been recently acquired by Baker Tilly, is serving as the City's current Internal Auditor. The firm was selected through a competitive procurement process and is on a four-year professional services contract that began in 2023. To date, the firm has conducted several audit projects including:

- Month and Year End Close Internal Controls Review (in completion stage)
- Follow up on Previous Audits (May 7, 2025)
- Fraud, Waste and Abuse Training (Spring 2025)
- Citywide Internal Controls Review (October 14, 2024)
- Enterprise Risk Assessment (June 4, 2024)
- Procurement Operational Review (May 13, 2024)
- Review of policies and procedures (ongoing)

For FY 2026, \$150,000 is budgeted within the City Manager's Office for internal audit projects, which is a decrease from the \$190,000 that was originally anticipated in the contract. Due to evolving needs within the City and the revised budget, staff worked with the Baker Tilly team to propose a revised FY 2026 plan.

While still important projects to undertake, the Finance Department has made progress on cash balances and grants management. These projects should be considered at a later date. More pressing currently is a further review of the city's recruitment process, including compensation philosophy, and additional work on the city's procurement process. Other proposed projects include an operational review of the Risk and Safety Management Office, and ongoing policy review and support. The Revised Internal Audit Plan for FY 2026 was reviewed and unanimously approved at the Audit Committee meeting on September 4, 2025 and will be presented to Finance Committee and Governing Body for approval.

### ACTION REQUESTED:

Approve Revised FY 2026 Internal Audit Plan for \$150,000 with Baker Tilly.

### ATTACHMENTS:

Presentation slides on FY 2026 Internal Audit Plan.