



FINAL REPORT

City of Santa Fe
CITYWIDE INTERNAL CONTROLS REVIEW

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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 internal controls framework. The review took place between December 2023 and July 2024. The internal controls review focused on assessing select key controls in areas deemed important to protecting the City's assets and resources as well as processing and reporting timely financial information.

The purpose of an internal controls review is not to identify findings that require immediate remediation, given detailed internal control testing is not performed as part of the review to assess the cause, effect, and associated risks of issues identified. Rather, the purpose is to identify whether internal controls appear to be designed effectively. The results of the internal controls review should be utilized as a roadmap for the City to identify areas where further internal audit resources should be deployed to test the effectiveness of controls and the associated risks of potential issues identified, and to identify management priorities and focus areas. The results presented in this report should be used as a management and internal audit tool going forward.

The review of internal controls 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. Moss Adams reviewed the City's internal controls for design but did not test those controls for operating effectiveness. Specific areas where controls were reviewed included:

- Accounts Receivable
- Cash Management
- Financial Reporting, Close, and Reconciliations
- Fixed Assets and Asset Management
- Inventory
- Information Technology (IT) General Controls
- Overall Control Environment
- Payroll and Timekeeping
- Purchasing and Accounts Payable
- Revenue and Billing

The City appeared to have internal controls developed for many functions, and the City was in the process of implementing internal controls for other functions. Some examples of commendable activities that, based on the review performed, appeared to have well-designed internal controls, include:

- Accounts receivable aging report reviews
- Finance Department reviews and approvals for journal entries
- Completion of the year-end closing checklist as part of the financial close process
- Asset disposal form reviews and approvals
- Completion of inventory cycle counts



- IT onboarding/offboarding controls for newly hired/terminated employees
- Employee timecards adjustment approvals
- Purchase requisition and purchase order reviews and approvals
- Completion of cardholder agreements for new purchasing cardholders
- Approval for purchasing exceptions, such as emergencies or sole source

Similar to most cities, there is an opportunity to strengthen policies, procedures, processes, and training. Gaps in internal controls of varying degrees were discovered in many of the functions reviewed.

The primary conclusion from this review is that the City has an opportunity to improve internal controls and strengthen processes and procedures. Suggested priorities to address over the next 12 to 18 months include, but are not limited to:

- Cash Management
 - Control Objective B3: Performing cash monitoring controls and surprise cash counts across various City departments
 - Control Objective B4: Reviewing monthly bank reconciliations
- Financial Reporting, Close, and Reconciliations
 - Control Objective C1: Developing comprehensive policies and procedures
 - Control Objective C4: Performing timely reconciliations and reviews of accounts
- Fixed Assets and Asset Management
 - Control Objective D3: Conducting annual fixed asset inventory counts across the City
- Purchasing and Accounts Payable
 - Control Objective H3: Executing the three-way match process, which entails matching the information on the purchase order, the invoice, and the receiving documentation



II. BACKGROUND, SCOPE, AND METHODOLOGY

A. BACKGROUND

The City of Santa Fe is the capital of New Mexico. The City is governed by eight City Councilors, with two elected officials from four geographic districts, and a Mayor elected from the City at large. As of fiscal year 2024, the City had 1,612 budgeted positions across seven primary departments: Community Development, Community Health and Safety, Finance, Human Resources, Information Technology and Telecommunications (ITT), Public Utilities, and Public Works. The Finance Department is comprised of the following offices:

- Budget
- Central Purchasing
- Fleet
- Payroll
- Grants
- Treasury
- Controller

The City uses multiple software systems pertaining to financial processes including the following:

- Tyler Munis (Munis): The City's financial accounting, fixed asset management, and purchasing software
- E1: The City's inventory tracking and customer billing software
- Kronos: The City's timekeeping and attendance software

B. SCOPE AND METHODOLOGY

The scope of our internal controls review included a high-level evaluation of the City's key internal controls to determine the general adequacy of internal controls and identify areas warranting more in-depth review in the future.

The scope of the internal controls review included the following functional areas:

- Accounts Receivable
- Cash Management
- Financial Reporting, Close, and Reconciliations
- Fixed Assets and Asset Management
- Inventory
- IT General Controls
- Overall Control Environment
- Payroll and Timekeeping
- Purchasing and Accounts Payable
- Revenue and Billing



For each functional area assessed, we conducted a review of key controls, which included:

- Identifying control objectives in specific areas and controls that would satisfy each control objective
- Reviewing policies and procedures
- Examining relevant documentation in support of select key controls
- Performing control walkthroughs to observe the design of key controls and understand workflow processes
- Obtaining an understanding of the characteristics of each relevant control activity (who performs it, how often it is designed to operate, whether it is designed to mitigate fraud, whether it is a manual or automated control, and whether it is a preventive, detective, or corrective control)
- Assessing whether the controls in place would prevent or detect errors
- Providing recommendations on key controls that need to be implemented or changed

The work performed included interviews with personnel involved in managing functions, processing key accounting transactions, and handling physical assets in the following departments:

- Finance
- ITT
- Public Works

In support of the internal controls review, the matrix provided in Section III provides results by the:

- Control objective
- Control issue
- Corresponding recommendation
- Likelihood of occurrence
- Impact of occurrence

Likelihood of occurrence is defined as the probability of a negative event occurring. Impact of occurrence is defined as the level of significance if a negative event occurs. Risk levels of low, moderate, or high were used to rate the likelihood of occurrence and impact of occurrence for each control issue.

Beyond those controls that have been noted within this report as an issue, additional controls were reviewed without exception. Departments were selected to provide a broad understanding of the City's control environment. Key controls with exception conditions are reported in this document.



III. INTERNAL CONTROLS REVIEW

	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
A. Accounts Receivable					
1	The City-wide policies and procedures for billing and collection of Accounts Receivable (A/R) are well-documented and current.	The City does not have policies and procedures in place for the A/R function which does not allow for a strong internal control environment and/or help to promote accountability.	<p>The City should formally document its A/R processes via a City-wide policy and procedures, which should be developed to include items such as:</p> <ul style="list-style-type: none"> • A/R management, including A/R tracking and reporting, aging analysis, and reporting on delinquent accounts • Systems access controls related to A/R management systems, to ensure proper segregation of duties • Allowance for doubtful accounts establishment, recording of bad debt expenses, and criteria for estimate development • Handling refunds and account credits, including required documentation and approvals • Guidance to departments for developing their specific billing and collection policies and procedures, to ensure consistency and enhance revenue capture • The criteria used to determine when a past due/delinquent account will be sent to a collection agency, and how revenue-collecting service providers will be engaged and monitored • When account write-offs can occur, what approvals are required, and how 	High	Moderate



	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
			<p>write-offs/account adjustments must be documented and controlled</p> <p>Additionally, departments such as, Parking and Utilities, that are responsible for collecting funds on the City's behalf should have department-specific procedures documented to ensure that billing and collection activities are performed consistently and in a controlled manner.</p>		
2	The Customer Service Director at the Utility Department reviews and approves any A/R adjustments greater than \$500.	During our review of seven adjustments greater than \$500, we found that one of seven had not been approved by the Customer Service Director. Based on conversations with the Customer Service Director, the error was due to an oversight of the department.	<p>Although we only identified one instance where the Customer Service Director did not review an adjustment greater than \$500, the City needs to stress the importance of fully implementing this process. Not having the Customer Service Director review increases the risk of an unauthorized billing adjustment that might incorrectly state a customer's balance owed to the City or a receipt may be misappropriated, an inappropriate adjustment might be made to the related customer's account, and it would not be identified.</p> <p>The City should develop a process where the preparer of an account adjustment over \$500 adds a special moniker such as a stamp, symbol, or highlight to call attention that the Customer Service Director needs to review and approve this adjustment.</p> <p>The City should also develop a monthly process where the Customer Service Director runs a report of all billing adjustments for the month to assess the</p>	Low	Moderate



Control Objective		Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
			<p>reasonableness of the adjustment activity and to ensure that there are no unapproved adjustments being processed. The Customer Service Director should then physically or electronically sign and date the report to document evidence of their review.</p> <p>These processes should be included and documented within the A/R policies and procedures that are detailed in control #1 above.</p>		
B. Cash Management					
1	All City departments that are collecting cash payments from customers are authorized to do so and are accountable for understanding and adhering to the City's Cashier Office Policy.	Based on interviews, the Animal Services Department is not supposed to collect cash, but periodically, they do collect cash from customers, which creates a risk that cash is not being handled in accordance with the City's Cashier Office Policy.	The City should update its Cashier Office Policy to clearly identify which departments and/or sites are permitted to collect cash from customers. For departments or sites that currently collect cash but should not be (such as Animal Services), the Cashier Office should work directly with these sites to identify whether the departments should be authorized to collect cash or not. All departments that collect cash should be held accountable for understanding and adhering to the Cashier Office Policy to ensure all cash collections are properly controlled.	Low	Moderate



	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
2	Requests to access the City's bank accounts are supported by a formal request and approval process.	Currently, bank account access requests are conducted informally via email, which might make it difficult to track who has access and whether access to a bank account is supported and approved.	<p>To help formalize the City's bank accounts access/approvals, the City should create a Bank Account Access Request form that an employee prepares and an appropriate level of management (such as the Controller or Finance Director) reviews and approves the bank account access request. This form should include information such as:</p> <ul style="list-style-type: none">• Employee name and title• Account(s) that the employee needs access to• Reason for why the employee needs access for each account• Whether access is permanent or temporary (include estimated access end date if temporary) <p>The City should then either physically or electronically file the reviewed and approved forms to help track which employees have authorized access to the City's bank accounts.</p> <p>The City should also perform a periodic review of bank account access permissions to confirm that only authorized individuals have access and to assess whether access permissions should be updated. This review should be performed at least annually.</p>	Moderate	Moderate
3	The Treasury Office performs regular monitoring controls over the cash management function, such as surprise cash counts.	The City does not have any formal structure for overall cash monitoring controls such as a routine cash balance analysis and the Treasury Office does not perform surprise	The Treasury Office should implement overall cash monitoring controls such as routine cash balance analysis and	High	High



	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
		<p>cash counts. Defined cash monitoring controls help to promote a strong internal control environment with increased accountability and oversight over cash management.</p>	<p>surprise cash counts to help build a stronger internal control environment.</p> <p>The cash balance analysis could include looking at balances by department or fund to perform a reasonableness assessment and to help determine whether any anomalies or irregularities warrant additional investigation. The Treasury Office should perform this analysis routinely, such as monthly or quarterly, to address potential issues quickly.</p> <p>Surprise cash counts at the City's departments or sites that collect cash from customers or have a petty cash fund will provide several positive outcomes for the City, including:</p> <ul style="list-style-type: none">● Increased oversight for the cash management process● Ability to determine whether departments or sites are adhering to the Cashier Office Policy● Identification of discrepancies that may have been caused by mistake or on purpose● Increased accountability for employees who collect cash or expend petty cash funds● Ability to identify any process inefficiencies in the cash collection process and take corrective action to improve efficiency <p>The Treasury Office should randomly conduct these cash counts and should document the steps taken during each</p>		



	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
			count along with the results of each count.		
4	The City's monthly bank reconciliations are completed timely. Once reconciliations are completed, an employee within the Controller's Office reviews the reconciliations, and the Controller approves the reconciliations.	During our review of five bank reconciliations, we did not find any evidence that the reconciliations were reviewed and approved, which increases the risk of having incomplete or inaccurate bank reconciliations. Additionally, the January 2024 bank reconciliation had not been completed at the time of our review (May 2024). Not performing bank reconciliations timely increases the risk of inaccurate financial reporting of cash balances and unresolved variances and outstanding items not being resolved timely.	<p>The City should stress the importance of completing bank reconciliations timely (within about 30 days from month end) to best address any potential issues that require investigation and to keep the City's accounts balanced.</p> <p>The Controller should also review the monthly bank reconciliations to assess whether the reconciliations were completed properly and to assess whether any adjustments require follow up. After performing their review, the Controller should then document their approval on the bank reconciliation and include the date of approval.</p>	High	High
5	At the end of each month, the Controller's Office reviews and reconciles the cash deposits that Loomis (cash transport company) picked up during the month.	Although the City completed the deposits for the five months that we reviewed, the Controller's Office did not review or reconcile the cash deposits that Loomis picked up to the monthly bank statement. Having this layer of review helps to verify that the cash deposits were made accurately and correctly to the proper bank account.	Similar to Cash Management control #4 above, the City should implement processes to have an employee within the Controller's Office review and reconcile the cash batches that are deposited via Loomis. The Controller's Office should obtain and retain the deposit slips to aid with the reconciliation. The Controller's Office should then reconcile the deposit slips with the monthly bank statement to trace each deposit batch to the correct deposit date and amount. If the Controller's Office identifies any variances, they must document the variance and perform research, as needed. After performing this review and reconciliation, the person performing the work should document	High	Moderate



	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
			their review via Munis, email, or physical sign-off.		
C. Financial Reporting, Close, and Reconciliations					
1	The City-wide policies and procedures for financial reporting, close, and reconciliation are well-documented and current.	The current financial reporting, close, and reconciliation policies and procedures, which include the City of Santa Fe FY23 Year End Close and the City of Santa Fe GASB 87 Adoption Memo (November 2023), are not comprehensive or complete, as they do not address all key functional areas of the financial reporting, close, and reconciliation process. Specifically, the City's financial reporting, close, and reconciliation policies and procedures do not address key areas including chart of accounts setup, timelines and responsibilities for month-end and year-end close, financial monitoring and reviews, and reconciliation processes.	<p>The City should formally document its financial reporting, close, and reconciliation processes via a comprehensive City-wide policies and procedures, which should be developed to include items such as:</p> <ul style="list-style-type: none"> ● Chart of accounts setup and General Ledger maintenance ● Fund accounting and reporting ● Cost allocation, classification, and tracking ● Month-end and year-end detailed closing procedures, including timelines, responsibilities, and details ● Financial monitoring and reviews ● Reconciliations, including details on specific accounts, variance analysis, segregation of duties, responsibilities, reviews, and approvals ● Financial reporting, including frequency, trend analysis, City Council reporting, and management oversight ● Audit coordination and oversight, and monitoring of findings 	High	High
2	The chart of accounts is reviewed and updated regularly, and the Budget Officer reviews	The existing chart of accounts has not been significantly updated to better and more easily organize the City's accounts, which would help	During our interview phase of the project, the City made us aware that they are currently undergoing a thorough review of its chart of accounts to organize the accounts in a manner that is more	High	Moderate



	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
	and approves chart of accounts change requests.	<p>allow for more consistent financial reporting.</p> <p>Additionally, we found that there was no evidence of any review of the chart of accounts changes during our review period. The City is at an increased risk of invalid or inaccurate additions or changes without having regularly reviews of the chart of accounts.</p>	<p>conducive to the City’s accounting and reporting environment.</p> <p>After the City overhauls its current chart of accounts, they should reinforce the chart of accounts change review process via the updated financial reporting, close, and reconciliation policies and procedures.</p>		
3	Departments have a management-level employee review their department’s journal entries prior to sending to the Finance Department for posting.	Departments do not review departmental journal entries prior to sending to the Finance Department for posting, which creates additional work and research for the Finance Department, since the Finance Department might not have departmental knowledge and expertise.	<p>Although the Finance Department reviews journal entries prior to posting, they do not always have the departmental knowledge or expertise to verify whether a journal entry has been prepared accurately. Thus, departments should designate a management-level employee to review their department’s journal entries prior to sending the entries to the Finance Department for posting. When reviewing these journal entries, the department management-level employee should verify:</p> <ul style="list-style-type: none"> ● All parts of the account string are correct ● The amount is correct ● The supporting documentation provides sufficient evidence to corroborate that the journal entry is appropriate and correct. <p>If the department identifies any issues with the journal entry resulting from the review, they should correct the journal entry prior to sending the entry to the Finance Department. The reviewer</p>	High	Moderate



	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
			<p>should then document their approval within Munis, which will signify to the Finance Department that the department has reviewed the journal entry.</p>		
4	<p>Regular account reconciliations are performed and reviewed timely.</p>	<p>Account reconciliations (such as cash, accounts payable, long-term debt, and capital assets) are performed and reviewed annually ahead of the financial audit instead of more frequently like monthly or quarterly, which might not allow for timely identification and resolution of potential variances.</p> <p>Additionally, during our review of four account reconciliations, we could see that the reconciliations were prepared, but there was no evidence that the Finance Department reviewed and approved the reconciliations. Without having this review in place, there is increased risk that the reconciliations are incomplete and inaccurate along with lack of verification that variances were investigated, as needed, and resolved.</p>	<p>The City should consider performing account reconciliations more frequently (especially for cash accounts) for a few reasons:</p> <ul style="list-style-type: none"> • Monthly or quarterly reconciliations will allow the City to identify and correct errors or discrepancies timely, which can prevent larger issues from arising. • Regular reconciliations can help verify that financial statements are accurate and reliable, which is important for decision-making and compliance purposes. • By reconciling accounts more frequently, the City can streamline the year-end closing process and reduce the workload on staff during this busy time. • Regular reconciliations can help the City identify and mitigate risks related to fraud, errors, and other financial issues. <p>The Finance Department should also assign responsibility for reviewing all reconciliations prepared for completeness and accuracy. This review should occur within about one week from the date of preparation, and the reviewer</p>	High	High



	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
			should document evidence of their review via Munis, email, or physical sign-off.		
5	The City performs routine variance analysis of financial accounts to identify potential errors or unusual activity.	Currently, the City relies on its external auditor to analyze its accounts during the annual financial audit. The lack of internal routine analysis of financial accounts throughout the year could result in issues and inaccuracies not being identified timely.	<p>The City should implement a monthly or quarterly account analysis process to identify potential errors or unusual activity more quickly. This analysis can be set up to look at historical trends of accounts to help identify whether the current period warrants any additional investigation.</p> <p>The City should designate an employee to conduct this analysis each month or quarter as well as an employee (such as the Accounting Supervisor or Controller) to review and approve the analysis.</p>	High	Moderate
D. Fixed Assets and Asset Management					
1	The City has a well-defined and adhered to process to tag fixed assets when they are received.	Currently, the City has a decentralized approach to receiving fixed assets. During our interviews and review of asset additions, it seemed that each department had their own way of tagging their fixed assets instead of following a more structured City-wide process. Without consistent process for tagging City fixed assets, there is the risk that assets could not be tagged and identified as City property, which can lead to the risk of misappropriation.	<p>The City's Fixed Asset Accounting and Procedures Manual explains the City-wide asset tagging process. The City should evaluate whether the Fixed Asset Accounting and Procedures Manual still has applicable and relevant processes. If the processes are still applicable and relevant, the City should conduct a training with applicable staff from departments to discuss the City-Wide asset tagging process. This training should include:</p> <ul style="list-style-type: none"> ● Documents needed to obtain an asset tag ● Where to obtain an asset tag ● Where to place an asset tag ● When to place an asset tag 	Moderate	Moderate



	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
			<p>The training should be a refresher for departments to align current processes and to discuss potential issues that departments have with the asset tagging process.</p> <p>If the processes within the Fixed Asset Accounting and Procedures Manual are not applicable anymore, the City should thoroughly update the manual to reflect current processes or the processes that the City wishes to implement. Any updates should be communicated to all employees involved in the fixed asset management process to help ensure roles and responsibilities are clear.</p>		
2	The City reviews depreciation calculations to help ensure accuracy.	The City does not perform an independent review of these depreciation calculations that are performed by an outside consultant, which might lead to potential miscalculations or errors.	The Finance Department should implement a control to timely review for completeness and accuracy the calculations that are prepared by the City's outside consultant. This review should occur within about one week from the date of preparation, and the reviewer should document evidence of their review via Munis, email, or physical sign-off.	High	Low
3	Fixed asset physical inventories are conducted annually, by appropriate individuals, and any variances or issues are identified and reported.	<p>According to the City's Fixed Asset Accounting and Procedures Manual, "each department director will be responsible for conducting the physical inventory" for their department, which is held annually in June.</p> <p>Our two selected departments (the Police and Fire Departments) did not conduct an annual fixed asset</p>	<p>The City's Fixed Asset Accounting and Procedures Manual explains the physical annual inventory process, so the City should conduct a training with applicable staff from departments to discuss the annual inventory process. This training should include:</p> <ul style="list-style-type: none"> ● When to complete the count ● Documents needed to complete the count 	High	High



Control Objective		Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
		inventory count in June 2023, which does not allow for the accurate tracking and accountability for assets and might lead to an increased risk of loss or theft.	<ul style="list-style-type: none"> • What to verify during the count such as asset location, description, tag number, and condition • What to do if an asset cannot be located • What to do if an asset is not included on the inventory listing provided by the Finance Department • Where to obtain an asset tag • Where to place an asset tag • When to place an asset tag <p>The training should be a refresher for departments to align current processes and to discuss potential issues that departments have with the inventory process.</p> <p>The physical inventory should be conducted by individuals that are not responsible for the physical custody of the asset (which could be a Finance Department employee or other).</p> <p>The Finance Department should set a defined timeline for completing the annual inventory and departments should be held accountable for adhering to that timeline.</p>		
E. Inventory					
1	The Accounting Manager reviews the inventory entries that the Financial Analyst prepares.	The Accounting Manager does not review the inventory entries for purchases of inventory, which might lead to inaccurate or unsupported entries. This might cause inventory balances to be incorrect for	The City should create a control where the Accounting Manager reviews and approves the inventory entries that the Financial Analyst prepares within the E1 inventory system. The Accounting Manager should review the supporting	High	Moderate



Control Objective		Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
		operational and financial reporting purposes.	documentation for the entries and compare this information to the entries themselves to verify whether the data looks complete and accurate prior to posting. The Accounting Manager should document their review and approval within E1.		
2	Division Managers approve Work Order Forms, which track inventory usage, and also retain evidence of the approved Work Order Form.	For one of seven Work Order Forms that we selected from a listing of Work Orders, the City was unable to find and provide the Work Order Form, which is used to document the work performed, inventory utilized, and the approvals obtained. Thus, we were unable to determine whether a Division Manager approved the missing Work Order Form selected.	<p>The City should evaluate current processes in place for document retention pertaining to approved Work Order Forms and clarify where these approved forms must be retained (such as within E1, a shared electronic folder, and/or in a physical file). The City should then send a memo to all employees involved in this process to clarify the retention requirements and to assign responsibility for overseeing the Work Order Form retention process.</p> <p>Having these retention processes better defined and documented will help to ensure that the City retains approved Work Order Forms, which in turn, will allow the City to better track and document its inventory usage.</p>	Low	Low
F. Overall Control Environment					
1	Financial reports sent to the Finance Committee are comprehensive and easy to understand.	Currently the financial reports that are being sent to the Finance Committee are compiled on the cash basis of accounting instead of being prepared on the modified-accrual basis to better reflect and compare to the City's audited financial statements.	When sending reports to the Finance Committee, the Finance Department should change the accounting method used to develop the financial reports from the cash basis to the modified-accrual basis of accounting. The Finance Director or Controller should oversee the process of making this conversion to verify that	High	Moderate



	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
			<p>the process is completed as smoothly and accurately as possible. Updating to the modified-accrual basis will make the financial reports more comparable to the City's audited financial statements, which will help the City to make better informed financial analyses and decisions.</p>		
G. Payroll and Timekeeping					
1	<p>Employee supervisors pre-approve their employees to work overtime, and the approval is consistently documented.</p>	<p>Section 5.10 of the City's Timekeeping Ethics Policy requires that "all overtime work must be pre-approved by the employee's supervisor." However, based on interviews performed, the City does not have a consistent process in place to document the pre-approval of overtime or a process for verifying that the pre-approval was obtained. If overtime is being worked without obtaining pre-approval, there is a risk of unwarranted hours being paid and potential budget overages.</p>	<p>The City could update the current Timekeeping Ethics Policy to modify the wording regarding the overtime preapproval requirement based on operational and departmental limitations. On the other hand, to help improve the overtime preapproval documentation process and to ensure that documentation of the pre-approval will be available upon request, the City should consider the following:</p> <ul style="list-style-type: none"> ● Manual Overtime Request Forms: The City can use a manual overtime request form that requires employees to fill out the form with the overtime details, including the date, time, reason, and supervisor's approval. The supervisor then approves or denies the request based on the department's needs at the time. ● Electronic Overtime Request Forms: The City can use an electronic overtime request form that is available on the City's intranet or Human Resources (HR) portal. Employees can fill out the form with the overtime details, and the form is 	High	Moderate



	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
			<p>automatically sent to the supervisor for approval. The supervisor can approve or deny the request electronically.</p> <ul style="list-style-type: none"> • Time and Attendance Software (Kronos): The City can research whether Kronos has an overtime request and approval feature that allows employees to electronically submit overtime requests and supervisors to electronically approve or deny the requests. • Email Approval: The City can require employees to send an email to their supervisor requesting overtime approval. The supervisor can then reply to the email with an approval or denial. <p>After deciding which process to implement, the City should:</p> <ul style="list-style-type: none"> • Update its Timekeeping Ethics Policy to include the new process. • Provide a memo or training to employees and supervisors to explain the new process. 		
2	The Payroll Manager, or designee, reviews the bi-weekly payroll earnings reconciliation to help ensure accuracy.	The Payroll Manager, or designee, does not review these bi-weekly payroll reconciliations, which entails comparing amounts from the payroll register to the check register to identify variances. Not performing this review might lead to potential miscalculations or errors.	The Payroll Manager, or designee, should implement a control to review the bi-weekly payroll reconciliations performed. The review should verify that the reconciliation is complete and accurate. This review should occur within about one week from the date of preparation, and the reviewer should document evidence of their review via Munis, email, or physical sign-off.	High	Moderate



	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
3	The Payroll Manager reviews the Separation Action Report to verify that all final payments to employees are accurate.	One of the seven selected terminating employee payouts that we reviewed did not include Payroll Manager review of the Separation Action Report, which shows the employee's job history with the City and their final salary. This report is run out of Munis each pay period to show employees who have terminated from the City. Without a full review of this report, an employee's final payout may be processed with errors.	Although we identified only one instance where the Payroll Manager did not review a Separation Action Report, the City needs to stress the importance of fully implementing this control. The City should implement a process where the processor of final payments to employees must have the reviewed and signed Separation Action Report to authorize payment processing. The Payroll Manager should provide this report to the payment processor (i.e., the Payroll Supervisor or other payroll employee aside from the Payroll Manager) either electronically or physically.	Low	Low
4	Each pay period, the Payroll Manager reviews the "Employees Not Processed" report, and the Payroll Supervisor reviews a report showing all employees who worked over 80 hours in the pay period to ensure accuracy.	For the six months that we reviewed, neither report indicated evidence of review and approval. The "Employees Not Processed" report helps to show active employees who were not included in the payroll period. The report showing employees who worked over 80 hours helps to assess whether the time entered for these employees was accurate given that 80 hours is the standard number of hours in a pay period. Not completing these reviews could result in payroll errors not being identified timely and inefficiencies after processing to correct errors.	Although the Payroll Manager and Payroll Supervisor may have reviewed their respective payroll report, both employees should document evidence of their reviews and approvals to demonstrate that the review took place and that any potential issues were investigated and resolved, if applicable. Both employees should document evidence of their review via Munis (or Kronos if applicable), email, or physical sign-off.	High	Low



	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
H. Purchasing and Accounts Payable					
1	The City periodically reviews the vendor master list and reviews vendor information after the ITT Department sets up new vendors or changes vendor information.	The City does not perform periodic reviews of the vendor master list or have a formal process for performing an independent review after the ITT Department sets up new vendors or changes vendor information in Munis. This can lead to incorrect or outdated vendor information. Additionally, this could lead the City to work with fictitious vendors or make payments to vendors with incorrect or fraudulent information.	<p>At least annually, the City should review its vendor master list to verify whether the vendors appear to be legitimate City vendors and whether any vendors can be removed from the list if the City no longer uses their services. The City should designate an employee within the Central Purchasing Office to perform this review, and the employee should document their review along with any action items required resulting from the review.</p> <p>After the ITT Department sets up a new vendor or changes vendor information, an employee within the Central Purchasing Office should perform a review to verify that the vendor information is complete and accurate and that all new vendors are appropriate. Performing this review will also help to ensure that the purchasing process can run smoothly later when the City purchases goods or services from these vendors. The employee performing this review should document their review by adding a note within the vendor file in Munis or by making a vendor addition/change workbook to track when they completed their reviews.</p>	High	Moderate
2	The City periodically analytically reviews purchasing activity by department to identify potential unusual purchases or anomalies.	The City does not perform any purchasing activity review, which could lead to missed opportunities to investigate potential unusual purchases or anomalies.	The City should design a process to review, at least semi-annually, purchasing activity, which might include the following steps:	High	Moderate



	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
			<ul style="list-style-type: none"> • Generate an Excel workbook from Munis for the period under review to include all purchasing transactions. • Create a pivot table to review purchases by department and review for any unusual spikes in purchasing activity or dollar amounts. • Create a pivot table to review purchases by vendor and review for any unusually large number of transactions and large dollar amounts or any unusual vendors. • Research any items that warrant further investigation. • The analysis preparer should then email their supervisor alerting them that they completed the analysis and should include any action items resulting from the analysis. 		
3	<p>The City performs a three-way match between the purchase order, vendor invoice, and receiving documentation to ensure that vendor invoices are supported by, and consistent with, a properly approved purchase order and that the goods/services were received.</p>	<p>Currently, the City does not perform a three-way match for purchases, which is not consistent with the Three-Way Match Memo from July 2019. It might also lead to inaccurate or incomplete purchases of goods as the receiving documentation was not compared to the purchase order or invoice.</p>	<p>As the City already has a comprehensive design for the three-way match process, the City should conduct a training with relevant employees to refresh their understandings of this process along with their roles and responsibilities to help make this control effective. This training should include:</p> <ul style="list-style-type: none"> • Definition of Three-Way Match: A definition of the three-way match process, which involves matching the purchase order, receiving report, and invoice to ensure that the invoices ties to a properly approved purchase order and the goods or services received match the amount invoiced. 	High	High



	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
			<ul style="list-style-type: none"> ● Importance of Three-Way Match: An explanation of why the three-way match process is important, including how it helps prevent fraud, errors, and overpayments. ● Process Steps: A detailed overview of the three-way match process, including the steps involved in matching the purchase order, receiving report, and invoice. ● Common Issues: Common issues that can arise during the three-way match process, such as discrepancies between the purchase order, receiving report, and invoice, and how to research and resolve them. ● Munis Requirements: Any Munis requirements for conducting the three-way match process, including the use of specific tools within Munis. 		
4	For purchase card (P-Card) purchases, a department manager pre-approves items to be purchased.	Based on interviews performed, there is not a consistent process in place requiring department managers to pre-approve P-Card purchases, prior to their direct reports incurring expenses.	<p>The City should add a process for P-Card purchases to be pre-approved by an appropriate employee within each department. The pre-approval should be documented within Munis to align with current procurement processes. These pre-approvals serve to increase financial control over purchases, help to prevent fraud or P-Card misuse, and help to improve transparency.</p> <p>Also, as part of the pre-approval process, either the requestor or approver should check their department's budget availability prior to making the purchase to verify whether the department has</p>	Moderate	Moderate



	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
			sufficient funds for the purchase. This budget verification should also be documented within Munis.		
5	Monthly, the Procurement Analyst reviews the P-Card transaction report from Wells Fargo.	During our review of six months of P-card transaction reports, we did not find any evidence of review and approval.	Although none of the reports reviewed from FY2024 showed evidence of review and approval, the Procurement Analyst has implemented this control starting in FY2025. They should continue to conduct and document these reviews to help strengthen the City's monitoring controls and to document and investigate potential issues within this report.	Low	Low
I. Revenue and Billing					
1	The City's Parking Division efficiently and effectively provide customer invoices to all customers.	During our interviews, we learned that the Parking A/R Accountant has to manually type and send about 600 invoices via email each month since there is not an automated way to send invoices in E1, which is the system that the City uses for billing customers.	The City should consider implementing a more modern customer billing system or inquire whether Munis has customer billing capabilities. Upgrading to a more modern system will help to better automate the monthly billing process, which will help limit the potential for human error. Upgrading to a new system will also free up the A/R Accountant to perform other responsibilities.	High	Moderate
2	For the Utilities Division, billers will review various billing reports (such as the "High Low" or "Mismatch" reports) weekly for inconsistencies and anomalies before sending invoices to customers.	During our review of 14 High Low and Mismatch reports, seven had no evidence of billers' reviews and approvals. Without documentation to formally indicate that the billers sufficiently completed this review, there could be risk that a review did not occur and potential issues were not identified and researched.	Although billers may have reviewed the billing reports that we reviewed, these billers should document evidence of their reviews and approvals to demonstrate that the review took place and that any potential issues were investigated and resolved, if applicable. Billers should document evidence of their review via Munis, email, or physical sign-off.	High	Moderate



	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
3	For the Parking Division, the A/R Accountant prepares invoices monthly, and a second Accountant reviews the invoices before being sent to customers.	During our review on monthly invoices over six months, there was no evidence of Accountant review and approval. Without documentation to formally indicate that the Accountant sufficiently completed this review, there is risk that the review did not occur and potential issues were not identified and investigated. The risk of errors in the originally prepared invoices is also high given the manual process of the A/R Accountant preparing the invoices, which makes the independent review even more important.	Although the Accountant may have reviewed the invoices that we reviewed, they should document evidence of their review and approval to demonstrate that the review took place and that any potential issues were investigated and resolved, if applicable. The Accountant should document evidence of their review via Munis, email, or physical sign-off.	High	Moderate



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