



**State of New Mexico
City of Santa Fe**

**SINGLE AUDIT REPORT AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**
For the Year Ended June 30, 2025

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INTRODUCTORY SECTION



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State of New Mexico
City of Santa Fe
Table of Contents
June 30, 2025

	Page
INTRODUCTORY SECTION	
Table of Contents	5
Official Roster.....	6
 REPORTS ON INTERNAL CONTROL AND COMPLIANCE SECTION	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	8
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance; and on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.....	10
Schedule of Expenditures of Federal Awards	14
Notes to the Schedule of Expenditures of Federal Awards	20
Schedule of Findings and Questioned Costs	21
Other Disclosures	35

State of New Mexico
City of Santa Fe
Official Roster
June 30, 2025

<u>Name</u>		<u>Title</u>
	<u>Mayor</u>	
Alan M. Webber		Mayor
	<u>City Council</u>	
Signe I. Lindell		Mayor Pro Tem, District 1
Alma Castro		District 1
Carol Romero-Wirth		District 2
Michael Garcia		District 2
Pilar F.H. Faulkner		District 3
Lee Garcia		District 3
Jamie Cassutt		District 4
Amanda Chavez		District 4
	<u>City Manager</u>	
John Blair		City Manager
	<u>Finance Department</u>	
Emily Oster		Finance Director
Alexis Lotero		Assistant Finance Director
Josefa Bolden		Controller
Travis Dutton-Leyda		Chief Procurement Officer
Andrew Hopkins		Budget Officer
Melanie Sharpe		Payroll Officer
Matt Bonifer		Accounting Officer



REPORTS ON INTERNAL CONTROL AND COMPLIANCE SECTION



INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Joseph M. Maestas, P.E., CFE, New Mexico State Auditor
The Mayor and Members of City Council
Office of Management and Budget
City of Santa Fe
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of the City of Santa Fe (the “City”), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated January 16, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-001 and 2025-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that are required to be reported per Section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of findings and questioned costs as items 2025-003, 2025-004 and 2025-005.

City's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, L.L.C.
Albuquerque, New Mexico
January 16, 2026



CARR, RIGGS & INGRAM, L.L.C.

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INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE; AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Joseph M. Maestas, P.E., CFE, New Mexico State Auditor
The Mayor and Members of City Council
Office of Management and Budget
City of Santa Fe
Santa Fe, New Mexico

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Santa Fe, New Mexico’s (the “City”) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2025. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-006 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of the City, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 16, 2026, that contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of the City's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, based on our audit, the procedures performed as described previously, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, L.L.C.
Albuquerque, New Mexico
February 9, 2026

State of New Mexico
City of Santa Fe
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

Federal Grantor or Pass- Through Grantor / Program Title	Grant/Pass Thru Number
U.S. Department of Housing and Urban Development	
CDBG - Entitlement Grants Cluster	
Community Development Block Grants/Entitlement Grants	B24-MC-35-003
<hr/>	
Subtotal - CDBG - Entitlement Grants Cluster	
<hr/>	
Total U.S. Department of Housing and Urban Development	
<hr/>	
U.S. Department of the Interior	
<i>Direct Programs</i>	
Water Recycling and Desalination Construction Program	R22AP00630-00
<hr/>	
Tot U.S. Department of the Interior	
<hr/>	
U.S. Department of Justice	
<i>Direct Programs</i>	
Violence Against Women Program	15JOVW-23-GG-00591-STOP
Congressionaally Recommended Awards -	
Fire Department Mobile Health Grant	15PBJA-24-GG-00325-BRND
<hr/>	
Tot U.S. Department of the Interior	
<hr/>	
U.S. Department of Transportation	
<i>Direct Programs</i>	
COVID-19 Airport Improvement Program #54	SAF-SWG-3-35-0037-054-2021
COVID-19 Airport Improvement Program #55	SAF-SWG-3-35-0037-055-2021
COVID-19 Airport Improvement Program #57	SAF-SWG- 3-35-0037-057-2021
Airport Improvement Program #60	SAF-SWG-3-35-0037-060-2022
Airport Improvement Program #62	SAF-SWG-3-35-0037-062-2024
Airport Improvement Program #63	SAF-SWG-3-35-0037-063-2024
Airport Improvement Program #65	SAF-SWG- 3-35-0037-065-2024
<hr/>	
Subtotal Airport Improvement Program	
<hr/>	
Federal Transit Cluster	
Federal Transit Formula Grants - Ridefinder Transit Enhancement	NM-2024-004-00
Federal Transit Formula Grants - Ridefinder Transit Enhancement	NM-2025-009-00
<hr/>	
Subtotal Federal Transit Cluster	
<hr/>	
<i>Passed through the New Mexico Highway and Transportation Department</i>	
Highway Planning and Construction	D20091
<i>Passed through the New Mexico Department of Transportation</i>	
Highway Planning and Construction	S100370
Highway Planning and Construction	S100470
Highway Planning and Construction	S100660
Highway Planning and Construction	S100650
Highway Planning and Construction	S100770
Highway Planning and Construction	D20091
<hr/>	
Subtotal Highway Planning and Construction Program	
<hr/>	

Assistance Listing Number	Federal Expenditures	Program/ Cluster Subtotal	Funds Provided to Subrecipients	Noncash Assistance
14.218	\$ 746,751		\$ 660,213	
		746,751		
	746,751		660,213	-
15.504	662,753	-	-	-
	662,753	-	-	-
16.588	52,844	-	-	-
16.753	270,695	-	-	-
	323,539	-	-	-
20.106	48,571			
20.106	1,569,554			
20.106	502,256		-	-
20.106	266,822			
20.106	153,114			
20.106	134,129			
20.106	289,605		-	-
		2,964,051		
20.507	1,389,910		-	-
20.507	2,559,070		-	-
		3,948,980		
20.205	273,392		-	-
20.205	14,191			
20.205	232,599			
20.205	768,828			
20.205	172,039			
20.205	1,906			
20.205	64,162			
		1,527,117		

State of New Mexico
City of Santa Fe

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2025

Federal Grantor or Pass- Through Grantor / Program Title	Grant/Pass Thru Number
Recreational Trails Program	S100800
<i>Passed through the New Mexico Highway and Transportation Department</i>	
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	D20091
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	01-AL-64-090
<i>Passed through the New Mexico Department of Homeland Security & Emergency Management</i>	
Interagency Hazardous Materials Public Sector Training and Planning Grants	HMEP-2024-00-00
Total U.S. Department of Transportation	
U.S. Department of the Treasury	
<i>Direct Program</i>	
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	1505-0271
<i>Passed through the New Mexico Environmental Department</i>	
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	
Total U.S. Department of the Treasury	
Environmental Protection Agency	
<i>Passed through the New Mexico Environment Department</i>	
CWSRF Cluster	
Capitalization Grants for Clean Water State Revolving Funds	EPM2323102
Subtotal - CWSRF Cluster	
Total Environmental Protection Agency	
U.S. Department of Health and Human Services	
<i>Passed through the North Central New Mexico Economic District Non-Metro Area Agency</i>	
National Family Caregiver Support, Title III, Part E	2024-25-60026
Aging Cluster	
Special Programs for the Aging: Title III Part B, Grants for Supportive Services and Senior Centers Services & Senior Centers	2024-25-60026
Special Programs for the Aging: Title III Part C-1, Nutrition Services	2024-25-60026
Special Programs for the Aging: Title III Part C-2, Nutrition Services	2024-25-60026
Nutrition Services Incentive Program (NSIP)	2024-25-60026
Subtotal Aging Cluster	
Total U.S. Department of Health and Human Services	

Assistance Listing Number	Federal Expenditures	Program/ Cluster Subtotal	Funds Provided to Subrecipients	Noncash Assistance
20.219	5,126			
20.505	63,996		-	-
20.608	35,709		-	-
20.703	31,161		-	-
	8,576,140		-	-
21.027	3,034,552		1,172,741	-
21.027	99,999		-	-
	3,134,551		1,172,741	-
66.458	180,000		-	-
		180,000		
	180,000		-	-
93.052	76,786		-	-
93.044	65,791		-	-
93.045	110,000		-	-
93.045	60,000		-	-
93.053	115,292		-	-
		351,083		
	427,869		-	-

State of New Mexico
City of Santa Fe

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2025

Federal Grantor or Pass- Through Grantor / Program Title	Grant/Pass Thru Number
Corporation for National Community Service	
<i>Passed through the New Mexico Aging & Long Term Services Department</i>	
Foster Grandparent/Senior Companion Cluster	
Foster Grandparent Program	23SFDNM0002
Subtotal Foster Grandparent/Senior Companion Cluster	
Retired and Senior Volunteer Program	19-624-4000-00014
Total Corporation for National Community Service	
Executive Office of the President	
<i>Passed through the New Mexico Department of Public Safety</i>	
High Intensity Drug Trafficking Areas Program	NMDPS/DFA - IGSA00002 - 25790004000IGSA
Total Executive Office of the President	
U.S. Department of Homeland Security	
<i>Passed through the New Mexico Department of Homeland Security and Emergency Management</i>	
Homeland Security Grant Program	EMW-2023-SS-00015 (F2406)
<i>Subtotal - U.S Department of Homeland Security</i>	
Total U.S. Department of Homeland Security	
Total Federal Financial Assistance	

Assistance Listing Number	Federal Expenditures	Program/ Cluster Subtotal	Funds Provided to Subrecipients	Noncash Assistance
94.011	37,434		-	-
		37,434		
94.002	18,193		-	-
	55,627		-	-
95.001	21,840		-	-
	21,840		-	-
97.067	160,277		-	-
	160,277		-	-
	160,277		-	-
	\$ 14,289,347		\$ 1,832,954	\$ -

State of New Mexico
City of Santa Fe
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

1. **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards ("Schedule") includes the federal grant activity of the State of New Mexico, City of Santa Fe (the "City") and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. **Loans**

The City did not expend federal awards related to loans or loan guarantees during the year.

3. **Indirect Cost Rate**

The City did not elect to use the de minimis indirect cost rate allowed by the Uniform Guidance.

4. **Federally Funded Insurance**

The City has no federally funded insurance.

Reconciliation of Schedule of Expenditures of Federal Awards to Federal Grant Revenue

Governmental Funds	
Federal operating grant revenue	\$ 5,377,101
Federal capital grant revenue	1,146,865
Enterprise Funds	
Federal operating grant revenue	6,913,031
Federal capital grant revenue	662,753
Total federal grant revenue	14,099,750
Prior year federal expenditures reported in 2025 SEFA	189,597
Total federal expenditures	\$ 14,289,347

State of New Mexico
City of Santa Fe
Schedule of Findings and Questioned Costs
June 30, 2025

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditor’s report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| c. Noncompliance material to the financial statements? | No |

Federal Awards:

- | | |
|---|------------|
| 1. Type of auditor’s report issued on compliance for major programs | Unmodified |
| 2. Internal control over major programs: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | No |

4. Identification of major programs:

Assistance Listing

Numbers

20.106
20.507
20.205

Federal Program

Airport Improvement Program
Federal Transit Formula Grants
Highway Planning and Construction

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee? | No |

State of New Mexico
City of Santa Fe
Schedule of Findings and Questioned Costs
June 30, 2025

SECTION II – FINANCIAL STATEMENT FINDINGS

2025-001 (2024-001) – Controls over Construction in Process (Material Weakness)

Condition: The City's process for tracking construction in process (CIP) was not designed properly to ensure completed projects are capitalized and added to the capital asset subledger in a timely manner.

Criteria: The COSO Internal Control Integrated Framework provides guidelines for designing and implementing a system of internal controls that incorporates five necessary components of internal controls. These five components consist of the control environment, risk assessment, control activities, information and communication, and monitoring. Systems and control activities should be in place to evaluate ongoing construction projects to ensure they are capitalized and depreciated when put in service.

Cause: The City experienced significant turnover in its finance department during the 2020 and 2021 fiscal years. As such, many of the individuals responsible for ensuring the proper accounting treatment of CIP and completed projects were lost. Further, there was a time delay in the establishment of a new finance team and no established process inherited to ensure proper accounting treatment.

Effect: The City had a backlog of CIP project costs, some dating back to 2020, that had to be extensively re-evaluated to ensure proper capitalization and depreciation of completed projects.

Auditor recommendation: The City should have mechanisms in place that ensure the finance department is up to speed with the status of ongoing projects and when projects are completed/are ready to be moved to a depreciable category. Additionally, the status of CIP projects should be reviewed by the finance department on a periodic basis throughout the fiscal year to identify and adjust for completed projects in a timely manner.

Views of Responsible Officials and Planned Corrective Action: The City agrees with this finding. The City did not have the necessary staffing or tools in place from FY2020 to FY2024 to ensure that construction in process (CIP) was tracked, reviewed and reconciled timely. The City's process for tracking CIP was limited in functionality and did not ensure completed projects were capitalized timely, which resulted in a backlog of completed projects that remained in CIP after the date that they were placed in service.

In FY2024 the City designated an Accounting Manager in the Finance Department as the primary position responsible for oversight of Capital Assets and CIP. This position was vacant for portions of FY2024 and FY2025 due to a retirement and several recruitments. Ultimately, late in FY2025 the City was fortunate to hire an experienced capital asset accountant who had previously done capital asset accounting for a large municipality.

Currently Excel worksheets are the primary tool used for tracking CIP expenditures and capital assets with data that is derived from the Munis accounting system. The magnitude and complexity of the City's capital asset management needs require specialized software. The City owned the Munis Capital Assets module, but it was not implemented because it was not configured to match the business need.

State of New Mexico
City of Santa Fe
Schedule of Findings and Questioned Costs
June 30, 2025

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

2025-001 (2024-001) – Controls over Construction in Process (Material Weakness) (Continued)

Views of Responsible Officials and Planned Corrective Action: (Continued)

In the last quarter of FY2025 the Controller began a project to implement the Capital Assets module in the Munis ERP system. The Accounting Manager is now the functional lead for the project. This module will help track and monitor capital expenditures by project, from planning to completion, and provide detailed functionality to help manage capital processes such as depreciation, additions and deletions, and retirements. Munis workflows will notify Finance Department Capital Assets staff when a project is complete, or other significant milestones are reached. This will establish direct communication between the field and Finance about the status of CIP. The implementation of the Capital Assets module in Munis is in progress and is expected to be completed by 6/30/26.

Responsible Official: Controller and Capital Asset Accounting Manager

Timeline and Estimated Completion Date: June 30, 2026

State of New Mexico
City of Santa Fe
Schedule of Findings and Questioned Costs
June 30, 2025

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

2025-002 (2024-002) – General Ledger Corrections (Material Weakness)

Condition: The following inaccuracies in the Munis general ledger were not identified and corrected by the City in a timely manner, leading to the need for error corrections to beginning fund balance and net position:

- Adjustments to unearned revenue for error corrections of \$311,645 in Fund 545, \$802,218 in fund 240 and \$300,000 in fund 520, respectively.
- Adjustments in the amount of \$3,787,776 for the proper breakout of the Affordable Housing Trust Fund into its own fund.
- Adjustments in the amount of \$8,595,195 for the proper breakout of the Opioid Fund into its own fund.
- Gross Receipt Tax error correction from FY19-FY20 in the amount of \$18,022,229.
- Adjustment to Fund 230 to correct beginning fund balance in the amount of \$275,519 due to a transfer in prior year not previously captured.
- Adjustment between Fund 230 and 231 to correct beginning fund balance in the amount of \$66,420 due to an accrual in the prior year recorded in the incorrect fund.

Criteria: The COSO Internal Control Integrated Framework provides guidelines for designing and implementing a system of internal controls that incorporates five necessary components of internal controls. These five components consist of the control environment, risk assessment, control activities, information and communication, and monitoring. An integral part of designing proper control activities is implementing and maintaining a process to review the general ledger software for completeness and accuracy on a periodic basis.

Cause: The City was behind on audits and its financial closing process for an extended period of time prior to fiscal year 2025. This led to the inability to capture many adjustments in a timely manner in the City's general ledger system, which becomes closed to adjustment after a certain period of time.

Effect: The City adjusted for the items described above in fiscal year 2025 through fund balance and net position.

Auditor recommendation: The City's accounting and financial management team should continue to stay caught up on monthly and annual closing procedures. During these processes, the City should remain cognizant of items requiring adjustment and reversal to prevent instances such as those noted above in the future.

Views of Responsible Officials and Planned Corrective Action: The City agrees with the finding. For a period of time, the City did not complete a timely close of its financial records, which was resolved starting in fiscal year 2024. As a result of the prior delays in the closing process, a comprehensive general ledger reconciliation of all funds was not consistently performed. This reconciliation process began during fiscal year 2025, supported by the improved financial condition of the City and the recent hiring and retention of qualified staff in key financial positions.

State of New Mexico
City of Santa Fe
Schedule of Findings and Questioned Costs
June 30, 2025

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

2025-002 (2024-002) – General Ledger Corrections (Material Weakness) (Continued)

Views of Responsible Officials and Planned Corrective Action (Continued):

Many of the discrepancies noted were primarily the result of accounting entries recorded in prior fiscal years. Through research and analysis performed by the Finance Department, a clearer understanding of these historical entries was obtained, allowing management to appropriately rectify the issues. The items identified in the finding were identified and corrected by management during fiscal year 2025 and communicated to the auditors during the audit.

Additionally, during fiscal year 2025, the Finance Department identified an existing ordinance requiring the establishment of a separate fund for the Affordable Housing Trust Fund (AHTF). In coordination with the Office of Affordable Housing, the City initiated a project to reconcile historical activity and segregate AHTF transactions from other activity previously recorded in the Community Development Fund.

To prevent similar issues in the future, the City will continue to enhance and formalize its internal controls and monitoring procedures over general ledger activity. These measures include increased and documented reviews of general ledger accounts, full fund reconciliations performed annually, and ongoing research and follow-up on items such as unchanged or unusual account balances. Additionally, staff will continue to receive guidance and reminders regarding proper posting procedures, account classifications, and compliance with established accounting policies to promote consistency and accuracy in financial reporting.

Responsible Official: Finance Director, Accounting Officer, Controller, and General Ledger Accounting Manager

Timeline and Estimated Completion Date: June 30, 2026

State of New Mexico
City of Santa Fe
Schedule of Findings and Questioned Costs
June 30, 2025

SECTION III – FEDERAL AWARD FINDINGS

2025-006 (2023-006) – Equipment and Real Property Management (Material Weakness over Internal Controls over Compliance) (Repeated/Modified)

Federal Program Information

Federal Award Title and ALN: Airport Improvement Program, 20.106
Federal Awarding Agency: Department of Transportation, Federal Aviation Administration
Federal Award ID Number: SAF-SWG-3-35-0037-054-2020, SAF-SWG-3-35-0055-054-2020, SAF-SWG-3-35-0037-057-2020, SAF-SWG-3-35-0037-060-2020, SAF-SWG-3-35-0037-062-2020, SAF-SWG-3-35-0037-063-2020, SAF-SWG-3-35-0037-065-2020
Federal Award Year: 2021, 2022, 2024

Condition: The City’s approved annual inventory was not complete. There was no information to identify the funding source of the equipment and/or property.

Management’s Progress on Repeat Findings: The City did not make progress on this finding during FY25.

Criteria: Per 2 CFR 200.303(a), the non-federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Per 2 CFR 200.313(d)(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Cause: Turnover in related positions resulted in delays in making revisions to the listing to incorporate information on Federal participation in the purchases.

State of New Mexico
City of Santa Fe
Schedule of Findings and Questioned Costs
June 30, 2025

SECTION III – FEDERAL AWARD FINDINGS (Continued)

2025-006 (2023-006) – Equipment and Real Property Management (Material Weakness over Internal Controls over Compliance) (Repeated/Modified)

Questioned Cost: None.

Effect: The City could dispose of federally funded equipment without following federal guidelines.

Auditor recommendation: The auditor recommends the City enhance the design of its control activities and create a tool to assist in tracking and maintaining equipment purchased with federal funds. Additionally, the employees responsible for the inventory should be trained to ensure understanding of the Uniform Guidance requirements relevant to equipment and real property management. Periodic review should also be designed to evaluate compliance with relevant requirements.

Views of Responsible Officials and Planned Corrective Action: The City agrees with this finding. In FY25, The City contracted with a vendor to assist the Airport with federal compliance and provide training for Airport staff on relevant Uniform Guidance requirements. The vendor's scope of work included helping with developing and documenting policies and standard operating procedures related to equipment management.

Additionally, in late FY25, the Airport Department added a Grant Accountant position which is responsible for reconciling grant expenditures monthly. The Grant Accountant is also tasked to work with the Airport Heavy Equipment Mechanic to ensure that the inventory listing includes the funding source used for the purchase (i.e. federal or non-federal).

In CY26 the Finance Director, the Accounting Officer, and the Grants team will work with the Airport team to improve internal controls over equipment purchased with federal funds. Based on the policies developed for the Airport, additional tools will be developed to facilitate tracking and maintaining equipment purchased with federal funds. These tools will be developed to ensure that an accurate physical inventory contains the information required by the Uniform Guidance is conducted at year-end.

Responsible Official: Finance Director, Airport Manager, Airport Heavy Equipment Mechanic, Accounting Officer, Grants Manager.

Timeline and Estimated Completion Date: June 30, 2026

State of New Mexico
City of Santa Fe
Schedule of Findings and Questioned Costs
June 30, 2025

SECTION IV – SECTION 12-6-5 NMSA 1978 FINDINGS

2025-003 – Budgetary Compliance (Other Noncompliance)

Condition: The following funds were over-expended during the fiscal year 2025:

Fund	Fund Description	Budgeted Expenditures	Actual Expenditures	(Over) Budget
210	Capital Equipment Reserve	\$ 52,706	\$ 52,751	\$ (45)
211	Franchise Fee	-	2	(2)
214	Public Campaign	-	66	(66)
216	Gross Receipts Tax	585,442	623,992	(38,550)
222	Fire Environmental Services	-	203	(203)
224	Opioid	-	605	(605)
242	Affordable Housing Trust	-	4,314,208	(4,314,208)
250	Historic Preservation Grant	-	34	(34)
254	Public Facilities Purchase	-	13	(13)
257	Land Development	-	250	(250)
310	CIP Reallocation	-	50	(50)
340	CIP Land	-	162	(162)
930	UNSICKLV	-	84	(84)
950	Suspense	-	4	(4)

Criteria: City funds are to be budgeted by the local governing body and submitted to the State of New Mexico Department of Finance and Administration - Local Government Division for approval. Once adopted, any claims or warrants in excess of approved budget are in violation of New Mexico Statute - 6- 6, 1978. In addition, NMAC 2.2.2.10 (R) (1) requires an audit finding if actual expenditures exceed budget expenditures at the legal level of budgetary control.

Effect: Non-compliance with statutes regarding budgetary control.

Cause: Necessary budget adjustments were not completed prior to fiscal year end.

Auditor's Recommendation: The City should review total actual expenditures at the end of the fiscal year to the approved budget and submit budget adjustments to the New Mexico Department of Finance and Administration when appropriate.

Views of Responsible Officials and Planned Corrective Action: The City agrees with this finding. Using the current systems, it is challenging to monitor all funds, especially at fiscal year-end, when unanticipated expenditures or transfers arise for which the need for budget availability was not previously identified.

State of New Mexico
City of Santa Fe
Schedule of Findings and Questioned Costs
June 30, 2025

SECTION IV – SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

2025-003 – Budgetary Compliance (Other Noncompliance) (Continued)

Views of Responsible Officials and Planned Corrective Action: (Continued)

The largest discrepancy, for fund 242 Affordable Housing Trust Fund (AHTF), relates to a correction of an error in the presentation of the AHTF in previous years. Since at least the inception of the Munis ERP system in FY2020 the financial activity of the Affordable Housing Trust Fund (AHTF) was combined with other activity in the Community Development Grants Fund (Munis Fund 240) and presented as one fund in the City's financial statements. Other activities unrelated to the AHTF are also accounted for in the Community Development Fund.

In FY2025 the Finance Department and the Office of Affordable Housing began a project to reconcile and separate the activity of the AHTF from other transactions recorded in the Community Development Grant Fund. The Affordable Housing Trust Fund was established in 2007 by City ordinance 26-3. The AHTF is often referred to as a fund, including in the ordinance, and many stakeholders had the expectation that it was being accounted for as a separate fund. The Finance Director reviewed the ordinance during FY2025 and determined that the activity of the AHTF should be presented in the financial statements as a separate fund.

In the City's financial statements for the year ended June 30, 2025 the AHTF is presented as a separate fund, and in fiscal year 2026 (FY26) the process to establish a separate fund for the AHTF in Munis is underway. The FY2025 budget for the activity of the AHTF was established in Fund 240 Community Development Grant Fund. The AHTF portion of the budget was not moved over to the new separate AHTF fund 242 Affordable Housing Trust until after the FY2025 budget was finalized because the new fund had not yet been created in Munis.

Because of the NMDFA year-end deadline (July 31) requirement, and the timing of the July Council and City committee meeting schedules, budgetary compliance issues may result due to insufficient time to process budget amendments.

The second discrepancy, for fund 216 Gross Receipts Tax Fund, relates to GRT admin fees that were higher than anticipated. GRT admin fees came in higher than what was budgeted because actual GRT received was higher than what was budgeted. Due to the two-month lag between when GRT is earned and when the State distributes GRT to the City, the information that actual admin fees were more than what was budgeted in FY25 was received too late to process a budget amendment to increase budget authority. The GRT distribution for June was not received until late August, after the DFA deadline for budget adjustments (July 31).

Relating to fund 216 and the other funds identified in this finding, sometimes adjustments, such as depreciation expense and allocation of bank fees, are made during the audit prep process after the end of the fiscal year and after the DFA deadline for budget adjustments (July 31). For FY2025 the small budget overages, \$250 or less, are due to a year-end entry that allocated bank fees across all City funds.

State of New Mexico
City of Santa Fe
Schedule of Findings and Questioned Costs
June 30, 2025

SECTION IV – SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

2025-003 – Budgetary Compliance (Other Noncompliance) (Continued)

Views of Responsible Officials and Planned Corrective Action: (Continued)

The implementation of a more robust year-end close process including a hard close of the GL, as well as the monthly closing processes, ensure that information is recorded in Munis timelier, which allows for more accurate monitoring of the budget. The City is also implementing new budget software, Questica/EUNA, which will help modernize the budgeting process and will facilitate timelier budget-to-actuals monitoring including quarterly and monthly budget projection reports. The implementation of the Questica/EUNA modules for operating budget and personnel budget is in progress and is expected to be complete in February 2026. After Questica/EUNA is implemented the Budget Division plans to begin implementing additional monitoring of the budget during the fiscal year, including reviewing budget to actual reports on a quarterly basis to identify discrepancies that may require budget adjustments

Responsible Official: Accounting Officer and Budget Officer

Timeline and Estimated Completion Date: June 30, 2026

State of New Mexico
City of Santa Fe
Schedule of Findings and Questioned Costs
June 30, 2025

SECTION IV – SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

2025-004 (2021-020) – Cash Appropriations in Excess of Available Cash Balances (Other Noncompliance) (repeated/modified)

Condition: The City budgeted deficits in excess of available cash balances in the following funds:

	Budgeted Deficit - Cash Appropriations	Beginning Year Cash & AR Available	Cash Appropriation in Excess of Available
Governmental Funds			
Major Funds			
The 1/2% Gross Receipts Tax Fund	(12,818,031)	(7,226,995)	(12,818,031)
Non Major Funds			
Bond Acquisition Fund	(1,454,507)	1,318,465	(136,042)
Capital Improvement Projects (CIP)			
Community Development	(2,086,901)	734,964	(1,351,937)
Enterprise Funds			
Non Major Funds			
Municipal Recreation Complex	(4,309,615)	2,722,156	(1,587,459)

Management Progress on Repeat Findings: The City did not make progress on prior year corrective action plan.

Criteria: Section 2.2.2.10. (Q) and (R), NMAC, state that budgeted expenditures cannot exceed budgeted revenues in an amount more than prior year cash balance and any applicable federal receivables.

Effect: If budget deficits are not monitored closely, it could result in a funding shortfall.

Cause: The City did not identify that the budgeted deficits in the funds listed above were not covered by the prior balance of cash and federal receivables.

Auditor's Recommendation: The City should review and monitor future budgets for budgeted deficits that are not covered by ending cash and federal receivables as of the start of the fiscal year. Additionally, the City should review for adequate coverage of budget deficits as part of the budgeting process throughout the fiscal year.

Views of Responsible Officials and Planned Corrective: The City agrees with this finding. Regarding the ½% Gross Receipts Tax Fund (Fund 365), there were several issues impacting the budget and beginning of the year cash balance. The Fund 365 budget for FY2025 was built using a debt service schedule spreadsheet.

State of New Mexico
City of Santa Fe
Schedule of Findings and Questioned Costs
June 30, 2025

SECTION IV – SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

2025-004 (2021-020) – Cash Appropriations in Excess of Available Cash Balances (Other Noncompliance) (repeated/modified) (Continued)

Views of Responsible Officials and Planned Corrective: (Continued)

It was discovered in the last month of FY2025 that one of the outstanding debt series was not included in the formulas on the spreadsheet, and as a result one of the debt payments was missing. Due to the error in the spreadsheet the established FY2025 budget for debt service was short by about three million dollars.

Additionally, and also impacting Fund 365, an error in the GRT revenue allocations from FY2019 and FY2020 was identified by management during the early stages of the FY2025 audit. The prior year allocation of GRT revenues between Fund 365 and Fund 216 was found to be inverted, with the amount that should have gone to Fund 365 going to Fund 216. This resulted in the need to restate the beginning cash and fund balances for both funds. The restatement increases cash and fund balance in Fund 365 by over eighteen million dollars. When the restatement is taken into consideration the beginning of the year cash balance in Fund 365 is sufficient to cover the cash appropriations made from the fund in FY2025.

The City agrees that conducting periodic reviews for adequate coverage of budget deficits throughout the fiscal year would be helpful. The City is implementing new budget software, Questica/EUNA, which will help modernize the budgeting process and will facilitate timelier budget-to-actuals monitoring including quarterly and monthly budget projection reports. The reporting capabilities of the Questica/EUNA system will help the budget team conduct periodic reviews for adequate coverage of budget deficits. This will allow deficits and issues to be identified earlier, allowing time for entries to be made to resolve the deficits before the end of the fiscal year.

Responsible Official: Budget Officer

Timeline and Estimated Completion Date: June 30, 2026

State of New Mexico
City of Santa Fe
Schedule of Findings and Questioned Costs
June 30, 2025

SECTION IV – SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

2025-005 – Stale Dated Checks (Other Matter)

Condition: The City had outstanding checks on two of their bank reconciliations at June 30, 2025 which included checks over a year old. The common bank account had 1,331 outstanding checks totaling \$244,178, and the general liability bank account had 12 outstanding checks totaling \$65,751. The City has not cancelled these items.

Criteria: New Mexico Statutes, Section 6-10-57 A, NMSA, 1978 compilation, requires local public bodies to cancel or void any checks that are unpaid for one year after it is written. 6-10-57 C NMSA, 1978 states that the face amount of warrants cancelled shall revert and be credited to the fund against which it was drawn.

Effect: The City's cash balance may be misstated by the amount of the stale checks, and is not in compliance with Section 6-10-57 A, NMSA, 1978.

Cause: The City is aware of the requirement and has been working on reviewing and reissuing stale-dated payments.

Auditor's Recommendation: We recommend that the stale dated checks be voided as soon as possible and that a procedure to track and void stale dated checks be implemented into bank reconciliation procedures.

Views of Responsible Officials and Planned Corrective Action: The City agrees with this finding. The Controller Division started working on the list of stale-dated checks in the 4th quarter of FY2025. The payee type was used to identify whether a particular payee is a vendor or a non-vendor so that we can review and confirm the address and reissue the payment. The outstanding checks are primarily comprised of vendors and refunds. The refunds primarily consist of utility account balances and deposits for use of City facilities. For those that are vendors, we are voiding and reissuing payments through the Munis A/P module. For non-vendors we are having to contact each payee to confirm their address. This is a time-consuming manual process. The A/P Supervisor is actively working on the list of stale-dated checks, and a staff member from the Public Utilities Department is reviewing the stale-dated utility refunds. Any payments that cannot be reissued by the City will be sent to the State of New Mexico Office of Unclaimed Property. The project is expected to be complete by the end of FY2026.

Responsible Official: Controller and A/P Supervisor

Timeline and Estimated Completion Date: June 30, 2026

State of New Mexico
City of Santa Fe
Schedule of Findings and Questioned Costs
June 30, 2025

SECTION V – PRIOR YEAR AUDIT FINDINGS

2024-001 – Controls over Construction in Process – Repeated/Modified

2024-002 – General Ledger Corrections – Repeated/Modified

2024-003 – Reimbursement Requests – Resolved

2024-004 - Activities Allowed, Allowable Costs over Payroll – Resolved

2024-005 – Equipment and Real Property Management – Repeated/Modified

2024-006 – Subrecipient Monitoring - Resolved

2024-007 (originally 2021-017) – Pledged Collateral – Resolved

2024-008 (originally 2021-020) – Cash Appropriations in Excess of Available Cash Balances – Repeated/Modified

EXIT CONFERENCE

The contents of this report and its schedules were discussed on February 9, 2026. The following individuals were in attendance:

Representing the City of Santa Fe:

Michael J. Garcia	Mayor
Diane Rubin	Chair – Audit Committee
Brian Moya	Interim City Manager
Andrea Phillips	Deputy City Manager/Interim Finance Director
Matthew Bonifer, CPA	Accounting Officer
Erika Lujan	Grant Manager

Carr, Riggs & Ingram, L.L.C.:

Alan D. “A.J.” Bowers, CPA, CITP	Partner
Eric Spurlin, CPA, CITP	Partner

AUDITOR PREPARED FINANCIALS

Carr, Riggs & Ingram, L.L.C. assisted in the preparation of the GAAP-basis financial statements and footnotes of the City from the original books and records provided to them by the management of the City. The responsibility for the financial statements remains with the City.