Independent Accountant's Report
On Applying Agreed-Upon Procedures

City of Santa Fe
Management and City Council

We have performed the procedures enumerated below, which were agreed to by the City of Santa Fe (the "City"), solely to assist the City with respect to determining if the City fulfilled its obligation to the citizens of Santa Fe regarding the issuance of $30,300,000 of general obligation bonds to acquire land for, and to improve public parks, trails and open spaces for recreational purposes. The related documentation and activities covered the period from March 4, 2008 to June 30, 2014, and included 2008 and 2010 General Obligation Bond Covenants and Arbitrage Agreements and the 2008 Park Bond Implementation Plan. The following objectives were addressed:

a) Did the City fulfill its obligation to the citizens of Santa Fe regarding the original wording put before the voters on March 4, 2008?

   i. Shall the City of Santa Fe issue up to $30,300,000 of general obligation bonds to acquire land for, and to improve, public parks, trails and open spaces for recreational purposes?

b) Was the 2008 Parks Bond Implementation Plan materially implemented?

   i. Were changes approved?

c) A final accounting of what was spent for each project has been requested, including details. Did the City provide a final accounting?

d) Were relevant City policies and procedures followed? Were expenditures including salaries expense within parameters of policies and procedures?

e) Were there adequate internal controls in place to ensure monies were spent appropriately? How can internal controls be improved?

f) Were relevant City, State, and Federal Laws followed, including ADA if specified in project?

Based on the testing performed through the procedures identified below, no specific exceptions were found relating to the broad statement presented to the voters. As it related to procedures performed to address the remaining objectives, REDW did find instances where the 2008 Parks

Bond Implementation Plan was not materially implemented and changes were not approved. Additionally, a final accounting was not provided with details to properly assess completion of the projects. REDW also found instances where there were no policies and procedures or policies and procedures were not followed and adequate internal controls were not in place. Due to the nature of testing on a sample basis, REDW cannot assert that all laws were followed; however, for the items tested no exceptions were found as a result of applying the procedures identified below.

Overall Management's Response

Your audit of our 2008 Park Bond program and your recommendations for improving it is much appreciated. We read your report carefully and found that your findings and recommendations aptly address the situation as we know it.

From the start, the 2008 program represented a departure from the way the City had traditionally managed capital improvement projects. Until then, these projects were bid out to private contracts, with City project managers supervising the quality of their work and shepherding the projects through the City's existing processes. When the economic recession gripped the local economy and gross receipts taxes plummeted, however, the City tapped the 2008 bond program to avoid laying off hundreds of workers. The circumstances allowed little time to plan and set up the new system. The new policies and procedures to administer the capital program in this new, much more hands-on, way went up even as the at-risk workforce was switched to the bond program. Project plans, which usually included a great level of design and scope detail, were deemed complete and made part of the program even at their conceptual stage. To put the workforce to work immediately and keep the program moving forward without interruption, a general "suspense" account was set up to easily account for the workers' time and allow the project managers to subsequently determine which specific project accounts should be charged. The new way of working was launched parallel to the City's standard project management system and was never institutionalized, as everybody expected the need for it to be temporary.

As we know now, the hastily drawn ad hoc system that was put place in 2008 stayed in place. The workforce that was kept on board by the 2008 program is also still with the City undiminished. The 2008 program has become the standard for how the City manages the capital projects that are implemented with City forces.

REDW's audit provides a helpful independent appraisal of this system. The city readily accepts its findings and recommendations. It is taken as a constructive critique of the system that the City relies on to manage capital force account projects and as a clear roadmap of the changes that have to be made to ensure its efficiency, effectiveness, and transparency.

The City's management is responsible for the entity's accounting records and supporting documentation as it relates to compliance with the 2008 and 2010 park bonds.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1) *Implementation Plan Changes, Park Visit and Budget Adjustment Procedures:* We obtained the "Draft 4" version of the implementation plan dated October 31, 2007, which was approved by City Council on June 25, 2008, and performed the following procedures:

   a) Requested all changes made to the plan to agree them to supporting documentation for approvals.

   b) Researched voter laws and read relevant documentation from the Attorney General on requirements for how to fulfill duties to the Public based on the bond wording.

   c) Determined if the criteria as defined in the original bond language was met.

   d) We selected a sample of 25 projects that included parks, trails, projects and cancelled projects to include 10 random and 15 judgmental (REDW selected 8 projects that appeared to have salary expenses with no service and material expense or an excessive amount of salaries compared to service and materials. The City of Santa Fe selected 7 projects).

      i. If expenditures were made for improvements we verified that they were completed by visiting the site and observing the improvement; including ADA improvements.

      ii. We determined if budget allocations and reallocations (including cancelled projects) were approved as required by the Santa Fe City Code Chapter XI Budget & Finance, 11-4 Budget Adjustments. We:

         a. Compared the project total amounts between the master plan, which outlined a range of suggested improvements and the implementation plan which outlined the recommended improvements, to identify any total cost differences.

         b. Verified that the approved original budgeted amounts set for each project agreed to the implementation plan and the master plan.

         c. Compared the breakout costs from the implementation plan to the summary of revenue and expenditures prepared by the Finance Department by project to identify differences between planned and actual costs.

         d. Compared the original budget from the implementation plan to the total funding approved through the budget adjustment process to identify differences.

         e. Tested that all budget adjustments and transfers were supported by an approved Budget Adjustment Request (BAR) form, based on approval thresholds identified in the Santa Fe City Code Chapter XI Budget & Finance, 11-4 Budget Adjustments. We then compared those changes against the visual

inspection of the projects to determine if the scope identified in the implementation plan was completed.

f. Compared the implementation plan to the summary of revenue and expenditures prepared by the Finance Department to ensure that all projects were listed.

Findings and other recommendations

Changes to the Implementation Plan and Cost Overruns

Condition: The implementation plan for bond funded projects was never finalized and no formal revisions were made to the scope of work for any project. We determined during the park visits, that the scope of work identified in the implementation plan was not completed as approved by the governing body comprised of the City Council and the City Manager for 14 of the 25 projects tested. Of the 14 identified as not completed according to the implementation plan, three appeared to be mostly completed, eight were partially completed and three were not completed at all. Four of five projects identified with ADA improvements identified in the implementation plan appeared completed; however, the plan was not specific as to what improvements should be completed.

As compared to the original budget identified in the implementation plan:

- The cost of 21 of 25 projects tested exceeded the original budget.
- The cost of 10 of 25 projects tested exceeded the original budget for contracted work.
- The cost of 23 of 25 projects tested exceeded the original budget for in-house work.

For the 25 projects tested, total original planned expenditures from the implementation plan were overspent by $917,811 and in-house performed work was overspent by approximately $2 million. Subsequent budget adjustment requests were approved; however, changes to scope of work were not included in the requests and therefore were not approved.

Effect: The implementation plan, including costs and planned improvements, was presented and approved by Council. Subsequent reporting to Council only included budget adjustments and did not include changes to the scope of work. Projects were not completed as listed in the implementation plan and there was no comprehensive documentation to support changes.

Cause: The implementation plan was never finalized and there were no policies and procedures to address how the implementation plan was to be executed; how changes to the plan were to be documented, implemented and approved; how work were to be monitored for scope of work or cost changes; or results of the completed project were to be communicated.

Criteria: The Draft 4 version of the implementation plan dated October 31, 2007, which was approved by City Council on June 25, 2008.

Recommendation: The City should consider completing an analysis of all projects to determine if any significant improvements still need to be completed. Policies and procedures should be created and formally adopted to address how projects are to be approved, updated for changes, and monitored to ensure work is completed.

Management's Response: Accepted. A formal program close out report should be the last step in a proper project management system. The City relies on the standard city-private contractor close out procedure to close out individual projects and, in the aggregate, bond programs. It has never instituted a comparable procedure for projects and/or programs where the City served as both the supervisor and contractor. To improve how projects are approved, updated for changes and monitored for completeness, the City will immediately institute a formal closeout procedure for each project. This will consist of a formal and written sign-off of a completed project by the City Manager or his/her designee. This procedure will be applied retroactively to all the projects in the 2008 program and presented as a final status and assessment report to the City Council by December 31, 2015 or when the last project in the 2008 program is completed, whichever occurs first. when

Budget Adjustment Requests

Condition: During our testing of Budget Adjustment Request (BAR) forms, we identified several instances where the form was not properly completed to indicate approvals required by the Santa Fe City Code. Additionally, the information provided to City Council for approval of budget adjustments only included funding changes and did not include information to indicate that any changes would be made to the scope of work.

For 25 BAR forms tested we determined that:

- Eight BAR forms tested were not completed to evidence that the City Council approved the request; however, they were included in the Council packet for approval.
- One BAR form indicated that City Council approval was not required; however, the BAR amount was over $50,000 and therefore their approval was needed.
- Four BAR forms did not include all required authorizations.

13/25 *Effect:* Budget Adjustment Requests were not properly completed to indicate that all authorizations were obtained as required by the Santa Fe City Code.

Cause: City personnel did not complete the BAR forms as required. Additionally, all relevant supporting documentation was not included with the BAR to indicate proper approvals were obtained.

Criteria: The Santa Fe City Code Chapter XI Finance & Budget, Section 11-4 Budget Adjustments Paragraph C., states that the governing body shall approve budget increases or decreases in revenue or transfers-in or in expenditures, expenses or transfers-out, that reflect increases or decrease in the budget that are over fifty thousand dollars ($50,000).

Budget adjustments approved by the city manager and the governing body shall be included by fund in quarterly budget resolutions approved by the governing body comprised of the City Council.

Recommendation: A process should be implemented to ensure that City personnel complete all required sections of the BAR forms and attach all supporting documentation including the resolution detail, City Council minutes indicating approval, and other relevant information as needed.

Management's Response: Accepted. The City already requires all budget adjustment requests (BARs) to be supported by a completed form and supporting documentation, including related City Council resolutions and minutes, before funds are transferred between business units, funds, and major capital projects. This requirement was not imposed on the 2008 park bond projects because the entire park bond program was treated as a general business unit. In this way, fund transfers between projects within the program were not seen as full transfers, although some project managers relied on BARs to track transfers between projects. At the time, this represented a new, more expeditious way of doing business. It was left an ad hoc approach, however, and never fully promulgated in the organization. As a result, there were inconsistencies in the BAR's that emanated from the program. To correct this, the City will immediately begin requiring a complete BAR with supporting documentation and Council resolution and minutes, and signoff by the City Manager or his designee before funds are transferred between bond projects.

Other recommendations

- On future plans similar to the park bond projects, the status should be clearly documented whether it is a draft or final version.
- On future plans similar to the park bond projects, a change process should be developed and documented to ensure that all changes are captured (changes to project scope of work, cancelled projects, etc.) and updated in the plan for reference.
- A monitoring and reporting process should be developed with established criteria and timelines (i.e. monthly or quarterly), with positions responsible identified. Information communicated should at minimum include project scopes, timelines and costs with status of completion and any changes needing approval. All project documentation should be maintained in a project file for ease of retrieval.
- A process to close projects should be developed. This should include evaluation of the outcome and whether the completion of the project met expectations, including financial reporting to City Council and the City Manager to ensure that public funds were spent appropriately. Close procedures should include a site visit by the project manager to ensure all planned work was completed. The project manager's visit should be documented including signoff on completed work and documentation of work not completed as planned.
- Implementation plans and/or scopes of work should have enough detail for individuals not familiar with the project to verify that the work was completed. This is critical when there are existing items of a similar nature at the park prior to the completion of the improvements. This would alleviate any issues from turnover of staffing, where new staff would have to follow through on verification due to multi-year planning and projects.
- Project names should follow consistent naming conventions throughout the course of the project on all documentation (full names versus abbreviations or alternate names), some of the issues identified include the following:
    - Genoveva Chavez vs. GCCC
    - Northwest Quad vs. NWQ
    - Acequia Trail vs. St. Francis/Cerrillos Pedestrian Crossing vs. St. Francis Crossing

Management's Response: All six recommendations are accepted in their totality and will be immediately implemented.

2) *Final Accounting Procedures:* Final accounting for each project was not completed timely by the Finance Department or ever provided to Parks and Open Space Advisory Committee (POSAC) as originally requested by the scope of work. Final accounting was not provided to the REDW audit team until after our on-site fieldwork was completed; therefore, no testing was done on this data. As an alternative procedure we obtained five project summaries prepared by the Public Works department in December 2013 and examined each. We compared the Parks Advisory Committee (PAC) Recommendation which listed out what the committee recommended be completed at the location to the actual improvements made at the location and the cost.

Findings and other recommendations

Final Accounting for Projects

Condition: A final accounting was not prepared within the requested timeframe for each project, and was not prepared in a format that would allow for comparison of the original scope of work identified in the implementation plan to the work completed and related costs. For the five project summaries examined we determined that:

- Four projects had costs of actual work performed that exceeded the projected cost in the implementation plan.
- Two projects had work completed that was different from the original scope identified in the implementation plan.
- Three projects had work completed that exceeded the original scope.

Effect: City stakeholders were unable to determine if projects were completed as requested and within the budgeted costs.

Cause: There was no process to prescribe the format and information to include in the final accounting to allow for a comparison of work identified in the implementation plan to work completed and the associated costs.

Criteria: Project close out (or final accounting) documentation should be prepared to compare original costs and plans to what was actually done. This would ensure that projects are reviewed for proper completion and analysis and if projects were not completed as planned, changes were documented.

Recommendation: A process should be implemented to close out projects. This process should include the required format and information needed to compare budgeted costs and planned work to actual costs and work completed. A timeline for completing the project close out should also be documented in the policy including who this information should be presented to.

Management's Response: A formal close out procedure is vital to any proper project management system, especially when the City workforce serves as both project manager and contractor such as the 2008 park bond projects. Until 2008 when it decided to implement the bond program primarily with City workers, the City had relied on the standard project manager-contractor relationship to lead all projects to final close out, with the contractor submitting a request for final payment after a final inspection is completed by the City. This procedure is well established and rehearsed in the organization. This is not the case for City force account projects. The City will immediately begin implementing a formal close out procedure for all force account projects. This procedure will include a comparison of budgeted costs and planned work to actual costs and work completed.

Other recommendations:

- A formal procedure should be developed to guide personnel of the steps involved in the project management process to include the following with guidelines for monitoring and signing off on completed work, which may be in the form of a schedule of values with percentage of completion or an inspection checklist for each project that identifies original scope areas and status of completion:
  - Professional services
  - Contracted work
  - Work performed by City personnel

Management's Response: Accepted in its totality and will be immediately implemented, starting with a training and communication program to guide the staff through the new procedure, form, and reporting standards.

3) *Vendor Expenditure Procedures:* From the sample of 25 projects identified in item 1 above, we obtained a listing of all expenditures paid through park bond proceeds and extracted all vendor expenditures to verify that monies paid for contract labor followed City policies, and City, State and Federal law, especially as in regards to nepotism or conflicts of interest. From the expenditures identified, we selected a judgmental sample of 25 vendor expenditures posted to the general ledger between October 2008 and December 2014. To stratify the sample, we selected six vendors with accumulated costs greater than $100,000 and 16 with less than 100,000. We tested for the following:

   a) Procurement procedures were followed, including approvals and requirements outlined in the City's Purchasing Guidelines.

   b) Purchase requisition and purchase order were properly approved, and receiving documents were signed for receipt of goods or certification to indicate completion of the work.

   c) If the transaction was associated with a reclassification journal entry, support was maintained to indicate that reclassification was needed and appeared reasonable.

   d) If potential conflicts of interest were identified, employee properly disclosed according to City's Code of Ethics for compliance with nepotism and conflict of interest policies. To assess for conflicts we compared employee addresses to vendor addresses and also checked for similar last names between vendor and City employees to investigate further.

Findings and other recommendations

Compliance with the City's Purchasing Manual

Condition: One of the 25 vendor transactions tested for professional services in the amount of $23,809.36 did not comply with the City's Purchasing Manual's requirement to obtain three written quotes.

Effect: The City may not have received the best price as required in the Purchasing Manual since only one quote was obtained.

Cause: Personnel did not follow the requirements outlined in the City's Purchasing Manual, because they were following the State of New Mexico procurement code which does not require three quotes for this size of professional services contract.

Criteria: The City's Purchasing Manual section 4.1.6 Procurement Requirements, states that "purchases of tangible personal property and services, including professional services that exceed $5,000 but not more than $50,000, require at least three written quotes".

Recommendation: The City's Purchasing Manual should be dated for proper revision tracking and assessed to determine if changes should be made to align with the State of New Mexico procurement requirements. Alternatively, the City should ensure that the Purchasing Manual is followed.

Management's Response: Accepted. The City follows a duly approved Purchasing Manual that, while aligned with that of the State of New Mexico, sets out its own standards and procedures in accordance with its home-rule city status. The City requires all procurements to abide by the city of Santa Fe Purchasing Manual, whether individual or project-related. This manual has been under revision for the past couple of years, as some aspects of require updating to conform to the new market place and modern best practices. The City will expedite the revision process and present an updated proposal to the City Council for its approval by September 30, 2015.

Project Completion Procedures

Condition: For 18 of 25 vendor transactions tested there was not documentation to determine if goods were properly received or services properly completed prior to payment.

- Seven of 25 invoices had scheduled values and percentage of completion to show what stage the project was in related to the billing, but it did not include a reference to an inspection completed by a project manager to verify that the work was completed prior to payment.
- Three of 25 invoices did not have scheduled values and percentage of completion to show what stage the project was in related to the billing and did not include a reference to an inspection completed by a project manager to verify that the work was completed prior to payment.
- Five of 25 invoices were for goods only; however, no receiving ticket was on file to indicate goods were inspected upon receipt.

Effect: The goods or services that were paid for by the City may not have been received or completed.

Cause: Although the current process requires City personnel to note exceptions for goods not received or work not performed, there is no documented verification of good received or work performed. It is unclear if the employee actually completed the verification.

Criteria: The current policy does not address what documentation is needed to support that items were received and verified or work was performed. It was not clear on the invoices tested if employees were actually verifying that the items were received or completed the verification.

Recommendation: An inspection form should be required for all projects to ensure work was completed as specified. It should include a schedule of values and percentage of completion which can be signed off to indicate work performed and date of inspection. This form should be completed prior to authorization of payment. Receiving documentation should be submitted with invoices approved for payment with indication that items were verified upon receipt. Alternatively, verification could be documented on the invoice to indicate goods were inspected upon receipt.

Management's Response: Accepted. Proper checks and balances should be in place for all construction projects, bond-funded or otherwise. This is particularly important for projects being implemented by City workforce. The City will immediately begin implementing a procedure that will ensure all of the elements of a plan are completed as specified and goods received as requisitioned. The implementation effort will include the introduction of a new form, staff training, and posting requirements. In addition, receiving documentation will be required to be submitted with invoices approve for payment with indication that items were verified upon receipt.

Other recommendations:

- In order to complete testing of vendor transactions, we received information from multiple sources in order to obtain complete procurement documentation. A process should be established to maintain documentation to support procurement procedures in a central location to ensure consistent information and ease of retrieval.
- According to the City's Purchasing Manual, departments are not required to maintain or submit receiving documents to Accounts Payable with invoices for payment. A formal process should be implemented to consistently document that goods were verified. This could include maintaining copies of receiving documents with the invoice and payment documentation with verifications documented.
- The City should consider expanding the conflict of interests procedures included in the City's Code of Ethics to include a process for vendors to disclose potential conflicts and a process to communicate new vendors to employees to facilitate identifying possible conflicts of interest. A process should also be implemented to track potential conflicts to include a procedure to follow up on disclosed conflicts.
- The Purchasing Manual should include effective and revision dates.

Management's Response: Accepted in its totality and will be immediately implemented, starting with a training and communication program to guide the staff through the new procedure, form, and reporting standards.

4) *Salaries and Benefits Expenditures Procedures:* There were no capabilities to allow the City to run a report of all salaries and benefit costs charged to bond projects by employee. As an alternative procedure, we obtained a report for the period of October 23, 2009 through December 26, 2014, of all employees paid with wages posted to a suspense account, which was a temporary holding place for expenditures related to employee salaries and benefits until they could be allocated to specific funds, based on the period from when the suspense account was in effect. From this report we selected a sample of 25 employee payroll entries. Due to difficulty in obtaining relevant information needed to test employee salaries charged to the park bonds the sample was reduced to five. Of the five employees selected we were able to determine that only three of the five were actually charged to the park bond funds. For the three employees we tested that:

a) Salaries were for direct labor on approved projects only, and no salaries were paid for ongoing operations, or maintenance which was not allowed to be charged to the bond funds.

b) Employee job responsibilities were in line with work done (for example not paying for an administrative secretary's salary as a direct cost).

c) Maintenance workers were not paid.

d) Pay rates were properly supported and approved.

Findings and other recommendations

Employee Wages Charged to Bond Funds

Condition: The City used a suspense account as a temporary holding place for expenditures related to employee salaries and benefits and subsequently allocated the time to specific park bond funds through a manual batch journal entry; however, the employee time was not consistently documented to support what time was allocated and that the time was for direct labor on bond funded projects. For the three employees tested:

- One employee appeared to have duties beyond park bond projects, but all time was charged to the suspense account for every pay period between October 23, 2009 to December 26, 2014; however we could not verify if all time was charged to bond funded projects or not.
- One employee's timesheet was not signed or approved; therefore, we were unable to determine that the employee's time was verified as accurate prior to payment of wages from the bond fund.
- One employee had multiple approved pay rates within the same period included in their personnel file. We were able to verify that the employee was paid the correct rate.
- One employee's position was not correct in the suspense account detail which had them listed as a library technician instead of a parks maintenance worker.

- Two employees had been paid for comp time for the pay period tested which was charged to the park bond; however, we could not verify that the comp time was based on direct labor for a park bond funded project.
- One employee's time was not allocated to the correct bond funds based on the projects listed as worked on included on the time detail.
- One salaried employee had an additional 0.50 hours charged to the bond fund.

Effect: Due to the process in place to hold expenditures in a suspense account and subsequently allocate it to bond funds, time could not be consistently verified as accurately charged to the bond funds.

Cause: A process was not in place to outline how bond proceeds may be used to pay employee wages or how to properly document and support employee time for payroll allocation. The use of a suspense account to charge time complicated the process which resulted in an allocation of salaries and benefits to bonds that could not be supported easily.

Criteria: The New Mexico State Board of Finance Rule on Bond Project Disbursements 2.61.6.8 G (6) - Operating expenses – states that "unless expressly provided for by statute, bond proceeds may not be used to pay for operating expenses (e.g. salaries and in-house labor)". Additionally, New Mexico Attorney General Opinions 2010-04 states, "required use of funds for the purposes specified in the ordinance passed by the governing body for issuing the bonds, the notice of election on the bond issuance and in the question posed on the ballot. It is not bound by representations of district officials and employees regarding the use of bond proceeds that are not reflected in the resolution, notice and ballot question."

Recommendation: A formal policy should be developed to specify what wages are allowed to be charged to bond funds. Procedures should be implemented to include how time records are to be maintained to support what projects are worked on, and a process for monitoring employee time to ensure that time worked on each project was accurate with approvals from supervisors. Employee time should be charged directly to the funds and not maintained in a suspense account. Timesheets should properly reflect allocations for costs to specific projects for review and signature by supervisors and division directors. Alternatively, personnel could be assigned to specific crews that only work on certain types of projects (i.e. bond funded). Additionally, the latest formally adopted Finance Manual from December 1993 should be updated to reflect payroll procedures to support these efforts.

Management's Response: Accepted. The City established a suspense account for the park bond program in 2008 as a means of expediting the process so it could quickly put the City workforce to work. This practice was put in place on an *ad hoc* basis until recently. The City eliminated the practice of using a suspense account for project accounting when the auditors identified it as a significant internal control issue. The City has now begun to charge staff time directly to the projects as it occurs with reconciliation done each pay cycle. We will support this change with a planned communication and training program for all of the staff involved, including projects managers, payroll, and department administration.

Other recommendations:

A process should be implemented to assure that only labor costs related to bond capital projects is charged to bond funds, which should include procedures that verify all labor costs were related to capital expenditures and not maintenance.

Management's Response: Accepted in its totality and will be immediately implemented. Although this requirement is already in place, the City will immediately launch a training and communication program to make clear to staff what labor costs can be charged to a bond project.

Changes to work plan

Due to the unorganized and incomplete condition of the documentation provided there were several items in the original scope of work that could not be addressed within the budget allotted. Below is a summary of those items. These tests could still be completed if the City felt it would be beneficial, and documentation was prepared, gathered and verified as complete in advance, and additional funding was allocated. The items removed or samples reduced were selected based on the overall value to the project and where documentation were not going to be available in an auditable format.

1. Formal changes to the implementation plan Draft 4, after City Council approval, were not tested since there was none documented.
2. Final accounting was not tested since it was not provided until the end of the audit and was not completed in a format that allowed for comparison to the implementation plan.
3. All 25 employees were not able to be selected to verify that salaries were for direct labor only on approved projects with responsibilities in line with work completed. There was no comprehensive or consistent tracking of what employees worked on. Additionally, there were no reports available that could be used to verify employee time since employee time was charged through a journal entry process each pay period. Supporting documentation in these journal entry packets consisted of approximately 100 pages of detail where it was difficult to locate the employee selected for testing. This sample was reduced to three employees.
4. A report was not available to determine who was paid out of the park bond monies; therefore, we were unable to verify that salaries were for direct labor on approved projects only with responsibilities in line with work completed. Based on discussions with various personnel, park bond monies were not spent on direct labor only.
5. E-1 system capability analysis was unable to be performed due to lack of available time.

6. There were not adequate controls to ensure monies were spent appropriately and a lack of supporting documentation available for us to perform audit procedures. Throughout the report we incorporated recommendations on where controls should be implemented or improved.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records or 2008 or 2010 General Obligation Bond expenditures or internal control. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City of Santa Fe and is not intended to be and should not be used by anyone else.

Albuquerque, New Mexico
March 30, 2015