



City of Santa Fe Corrective Action Plan

“When our reform agenda is complete, the city’s financial oversight and management will be substantially improved: We will be better protected against the risk of fraud, more efficient for the City employees working within the system, and—most important—worthy of the public’s trust.” – Mayor Alan Webber

1. Risk Assessment + Up to 10 Audits Next Fiscal Year

Audits matter because—as we have seen with the McHard Report—they provide an honest look at what our City needs to do to perform at the highest level.

We are outsourcing our internal audit functions to an independent, outside firm. They will start with a risk assessment and a recommendation—based on that risk assessment—for up to 6 audits in 6 different areas as needed.

Based on the work we’ve done in the weekly management meetings on the McHard Report and the recommendation of the Finance team, I’m calling for three forensic-style audits:

- One forensic audit that examines a range of functions, from travel reimbursements to utility billing payments, vendor lists, W9s, and personnel actions such as unexplained pay rate increases;
- One compliance audit, to see how well we follow both external standards and internal controls; and,
- One performance audit, which examines specific programs for efficiency.

And then, of course, our Comprehensive Annual Financial Review (the annual audit), which we will deliver on time.

2. Implement the ERP Modernization Project

The City’s operations, policies and technology—all of which are decades out of date—are putting the City at an unnecessary risk of fraud and, equally important, making it harder and more frustrating for Santa Fe residents to interact with their City.

It’s costing us money, time, and good will, and standing in the way of our goal to be the most user-friendly City in the country.

No plan to rebuild our finances would be complete or serious without including the ERP implementation at the top of our list of priorities.

3. Create a Professional Management Culture

We can have the best technology in the world, the most up-to-date policies based on the best practices known to the industry—but if we don't learn to actively manage our employees, we'll continue to fail in our attempts to change the City of Santa Fe.

We need to undertake improvements across the spectrum of management: supporting our employees growth and development; training them in an organized, focused way to the expectations of their positions; giving them consistent feedback on their performance, and holding them accountable for results.

In the past, our employees have felt—not incorrectly—that when something like the McHard Report comes out, they are held accountable or embarrassed or blamed for the problems without ever having had the active management they need and deserve to be successful. Support and accountability have to go hand-in-hand, and from now on, they will.

4. Fill Key Positions

People matter – we can't get where we're going unless we have the right people on the team.

We started with a talent review of our high-level exempt employees and moved from there to a hiring process to fill open spots.

Within the Finance Department, the key positions we need to fill include the Chief Financial Officer (or Finance Director), the Controller, and the Assurance Officer. The last two are new positions created specifically to address the issues identified in the McHard Report. More on that below.

5. Re-Organize the Finance Department

The Finance Department was not geared to accomplish the tasks or longer-term goals we need it to accomplish.

That's changing.

We've created two new positions: The Controller, who will oversee the annual audit, day-to-day financial reporting, and regulatory compliance; and an Assurance Officer, who will work in-depth on regulatory compliance and perform ongoing internal evaluation of financial processes and procedures—helping ensure that we don't end up with another critical audit.

When the re-organization is complete, our financial analysts will be working in pods, focused on providing a high-level of financial customer service to the City's departments.

6. Develop Financial Internal Controls

Internal controls make sure that employees all follow the same procedures, methodology, and framework for handling, processing, and safeguarding the City's financial assets. They are critical to preventing fraud, producing accurate and transparent reports, developing strategic planning for future major investments,

and earning and maintaining the public's trust.

We have actively undertaken—and will continue—a control policy writing and re-writing process, to ensure these rules are in place.

We've also stepped up our training—and that will continue to be something we actively manage and oversee.

7. Present More Frequent, More Transparent Public Reports

Public reports on the status of our finances—our revenues, expenditures, investments, and economic outlook, are important to earning the public's trust and proving that we are handling the City's business and the taxpayers' dollar in a responsible way. They are also a disincentive to fraud or abuse.

Previously, for all practical purposes, we would report only when we were absolutely required to: once a year, for the annual audit.

Now we provide a quarterly financial report, in person and on paper, to the Finance Committee, taking their questions and feedback on the financial situation of the City.

With the addition of the Controller, our goal is to move to monthly reports.

8. Overhaul and Reform Citywide Accounts Receivable Processes

The City has dozens of revenue intake sites—in-person, over the phone, and increasingly, online. They range from water payments to permitting fees to parking tickets and more.

In the past every department or site has essentially developed its own methods, policies, tools, and workarounds to their jobs.

There was no overarching policy or procedures guiding the practice of revenue collection.

Now, the Finance Department has closely evaluated cash-handling practices and created a uniform cash-handling policy. This policy has been implemented at every site. In addition, over the last six weeks more than 100 staff have been given training on the new policy.

9. Track Capital Assets According to Best Practices

As the McHard Report noted, we don't track capital asset inventory with anything near the rigor we should.

That means we could potentially lose track of physical assets—cars, computers, furniture, equipment—across departments. It makes us vulnerable to theft or to buying things we don't need—an unnecessary waste of taxpayer dollars.

We are in the process of developing a fixed asset property control plan—with inventory monitoring and tracking by specific, designated staff, overseen by the CFO, that will address this weakness specifically.

10. Review and Rebuild IT Internal Controls & Systems

Like most of our policies across the City, our IT controls and policies are out of date. IT interacts with and impacts every department and every function of our City—a trend that will only become more relevant as we move to “appify” the City and move more of our processes online.

The City in the past invested in systems it never installed, allowed too many employees to have access to functions they didn’t need and lacked rigorous internal monitoring of rights, access, and actions taken on our systems. These represent real risks for fraud, theft, and abuse.

The combination of the ERP implementation, which will give us the tools, and a more effective management and oversight of IT policies and practices, which will ensure that we are putting the tools to use, can correct this problem, but only if we make it a priority.

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