



State of New Mexico
OFFICE OF THE STATE AUDITOR

For Immediate Release
February 26, 2016

Contact: Justine Freeman
(505) 476-3819

State Auditor Releases City of Santa Fe's Park Bond Special Audit

Finds \$2 million was used improperly on park maintenance and operations

SANTA FE, NM – Today, State Auditor Tim Keller released the City of Santa Fe's special audit concerning the 2008 parks and trails bond projects. Last year, the State Auditor exercised its legal authority to require a special audit of the City's use of \$30 million in bond expenditures. The audit was conducted by the independent audit firm Atkinson & Co. and overseen by the Office of the State Auditor (OSA).

"Santa Feans now have a meaningful, independent accounting of how the park bonds were used," stated State Auditor Tim Keller. "In the midst of an economic downturn and potential layoffs at the city, leaders shifted the bond money for park activities, against state and federal bond requirements. This is a cautionary tale about how budget pressure can lead to putting bond tax exempt status in jeopardy."

In 2011, the City Council approved the use of in-house labor to work on park projects. However, the City was legally prohibited from using bond proceeds for non-capital expenses. Although the work was related to park projects, the special audit found that about \$2 million in bond expenditures were improperly used for maintenance or other operating expenses (non-capital expenses) including payroll and golf course maintenance. As a result, a number of parks did not receive all of the improvements that were originally planned and the bond's tax exempt status may have been put at risk.

The audit resulted in additional findings concerning weaknesses in how the bond proceeds were handled. Additionally, the report found:

- Procurement testing of tangible goods and services revealed about \$11,000 (computer equipment, printer cartridges, small supplies, etc.) in unallowable non-payroll costs.
- City staff followed the proper procedures in obtaining approval from the City Council and its Committees for significant decisions on the parks projects and changes to the parks budget and plans (including changes that differed from the recommendations of the Parks and Open Space Advisory Commission).
- The City has an unspent balance of \$803,178 in remaining bond funds from the bond issuances.

Moving forward, the OSA will require the city's annual auditor to test compliance, some of which has already begun, regarding the new procedures as part of the annual audit process. Ensuring adherence to the special audit recommendations are critical to ensuring that these types of problems do not occur in the future, and would help to preserve the tax exempt status of bonds.

A letter from OSA to the City and the special audit are available here:
http://osanm.org/audit_reports/detail/10123