

# Lessons Learned

From Budget to ACFR to Audit  
Donna Sandoval, CGFM, CISA, CISM



# What do we mean by lessons learned?

- Good Practice with any large project
- It is both the good and the bad – the roses and the thorns
- The process can help you plan and strategize for the next time
- Budget, ACFR and Audit are large projects that could be improved by using this concept

# What was the original criteria for success?

- Meet the deadlines
- Accuracy
- Efficiency
- Plan proactively for questions
- Resolve findings or obstacles

# Causes for Audit Findings

- Poorly designed policies and procedures
- Poorly implement policies and procedures
- Lack of training
- Staff Turnover
- Unexpected Events

# The Five Cs of Audit Findings

- Criteria
- Condition
- Cause
- Consequences
- Corrective Action

# What should be included in a corrective action plan?

- Assign a responsible person
- Actionable
- Comprehensive
- Timeline

# Ineffective Controls Over Financial Reporting



**Criteria:** Properly designed controls over financial reporting prevent and detect misstatements in the financial statements and accompanying notes to the financial statements to ensure they are materially accurate.

**Condition:** The XX government incorrectly reported the earnings distribution payable and related expense of the Cash Flow Portfolio.

**Cause:** The xx government did not appropriately update the XX report from the prior year's amounts causing an understatement of both amounts on the Cash Flow Portfolio financial statements.

**Consequences:** The Cash Flow Portfolio Statement of Net Position and the Statement of Changes in Net Position were materially misstated.

**Corrective Action?**

# Federal Expenditures and SEFA Preparation

**Condition:** During our test work and procedures over major programs and the Schedule of Expenditures of Federal Awards (SEFA) we noted the following:

- A formula error on the SEFA resulted in a \$1,558,737 overstatement of expenditures. The error identified during our procedures impacted the selection of major programs for testing.
- As part of our procedures over completeness of the SEFA, we identified one program in which the amount reported on the SEFA did not agree to the underlying general ledger detail, with a variance of \$110,604.
- A material adjustment was necessary to properly report payroll related expenditures. The adjustment between funds was \$2.3 million.

**Criteria:** 2CFR section 200.510(b), the auditee must prepare a SEFA, the federal awards expended must be in accordance with 2 CFR section 200.502.

# SEFA Preparation (cont.)

**Cause:** Lack of thorough management review of SEFA preparation and lack of communication between grants management and financial statement teams.

**Consequences:** Noncompliance with OMB requirements. The SEFA provided for audit contained inaccuracies that impacted major program selection and could have led to potential misstatements or inadequate disclosures in the financial statements.

**Corrective Action:** The DFAS Accounting Team will develop and incorporate additional verifications into the draft SEFA preparation process and will enhance the review process to include a methodology for identifying and communicating significant adjustments. Grant Administrator June 2025.

# Budgetary Compliance

**Condition:** During our review of the legally adopted FY24 budget, we noted nine funds that had expenditures greater than the established budget.

**Criteria:** Per NMAC 2.2.2.10.R(1)(a), if actual expenditures exceed budgeted expenditures at the legal level of budgetary control, that fact shall be reported in a finding and disclosed in the notes to the financial statements.

# Budgetary Compliance (cont.)

**Cause:** Timing of submission of the annual clean-up bill.

**Consequences:** Noncompliance with state statutes.

**Corrective Action:** The city will incorporate the clean-up resolution to adjust fiscal year appropriations for certain funds and programs to provide for actual expenditures within the annual budget schedule. The city will approve budgetary adjustments prior to the submission of the city's ACFR to the Office of the State Auditor.

# Corrective Action for Financial Reporting

- ACFR Timeline - break that huge project into small bits
- Monthly reconciliation and review of trial balance
- Meeting with your team and departments or divisions
- Year-End deadlines
- Completion of Funds; timeline for milestones
- Audit PBCs list; internal control

# Corrective Action for Budget Finding

- Deadlines for proposed budget to city council or state legislature
- Quarterly projections for current year
- Budget Deadlines working with department/divisions
- Changes coming: construction coming online; decreases in revenue
- New Ideas: reduce expense: vacant positions, contracts; new revenue
- Preparing for questions and/or budget hearings

# Other Findings

- Does anyone want to share findings and how you resolved them?
- What kind of obstacles
- If we can't resolve the finding how could we lessen the impact?

# Questions?

[donnasandoval@cabq.gov](mailto:donnasandoval@cabq.gov)