



Agenda

DATE July 6, 2016 TIME 4:05 PM

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CITY OF SANTA FE AUDIT COMMITTEE MEETING
CONVENTION CENTER ADMINISTRATIVE CONFERENCE ROOM
Wednesday, July 6, 2016, 2:00 P.M. to 4:00 P.M.

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF CONSENT CALENDAR
5. APPROVAL OF MINUTES
June 9, 2016 (*Item 1*)
6. CONSENT CALENDAR
 - a. External Audits - Completed Audits within the Last 4 Years with Open Findings (**Liza Kerr**) (*Item 2*)
 - b. External Audits - Schedule and Status (**Liza Kerr**) (*Item 3*)
 - c. Internal Audits - Completed Audits within the Last 4 Years with Open Findings (**Liza Kerr**) (*Item 4*)
 - d. Internal Audits - Schedule and Status, (**Liza Kerr**) (*Item 5*)
7. EXTERNAL AUDIT MATTERS
 - a. Discussion on audit committee review of audit's process
 - b. BDD 2015 Financial Operations Audit (Provided to committee for review assignment, and discussion in May) (*Item 6*)
8. REVIEW OF FINANCIAL REPORTS AND OTHER FINANCIAL MATTERS FROM CITY
 - a. Financial update (**Oscar Rodriguez**)
 - b. Buckman Direct Diversion Operations Audit 2015 (**Teresita Garcia**)
9. FURTHER DISCUSSION ON INDEPENDENCE ISSUES AND ORDINANCES
 - a. Update on revised Audit Committee Ordinance (**Clark de Schweinitz**)
 - b. Update on revised Internal Audit Ordinance (**Clark de Schweinitz**)
10. INTERNAL AUDIT MATTERS (**Liza Kerr**)
 - a. Genoveva Chavez Community Center Update
11. UNFINISHED BUSINESS
12. NEW BUSINESS
None at this time
13. PUBLIC COMMENT – (5 MINUTES)
14. NEXT MEETING DATE
Wednesday, August 3, 2016
15. ADJOURNMENT

Persons with disabilities in need of accommodations,
contact the City Clerk's office at 955-6520 five (5) working days prior to the meeting date.

SUMMARY INDEX
CITY OF SANTA FÉ AUDIT COMMITTEE
July 6, 2016

ITEM	ACTION TAKEN	PAGE(S)
1. CALL TO ORDER		
2. ROLL CALL	Quorum Present	1
3. APPROVAL OF AGENDA	Approved as presented	1-2
4. APPROVAL OF CONSENT CALENDAR	Approved as presented	2
5. APPROVAL OF MINUTES		
• June 9, 2016	Approved as amended	2
6. CONSENT CALENDAR LISTING	Listed	2
a. External Audits - Completed Last 4 Years		
b. External Audits - Schedule and Status		
c. Internal Audits - Completed Last 4 Years		
d. Internal Audits - Schedule and Status		
7. EXTERNAL AUDIT MATTERS		
a. Review of audit's process	Discussion	2-3
8. REVIEW OF FINANCIAL REPORTS		
a. Financial Update	Not Considered	3
b. BDD Operations Audit 2015	Discussion	3-4
9. INDEPENDENCE ISSUES AND ORDINANCES		
a. Revised Audit Committee Ordinance		
b. Revised Internal Audit Ordinance	Discussion	4-5
10. INTERNAL AUDIT MATTERS		
a. Genoveva Chávez Community Center Update	Discussion	5-9
11. UNFINISHED BUSINESS	Discussion	9-10
12. NEW BUSINESS	None	10
13. PUBLIC COMMENT	None	10
14. NEXT MEETING DATE:	August 3, 2016	10
15. ADJOURNMENT	Adjourned at 3:47 p.m.	10

MINUTES OF THE
CITY OF SANTA FÉ
AUDIT COMMITTEE

July 6, 2016
2:00 p.m. – 4:00 p.m.

1. CALL TO ORDER

A regular meeting of the City of Santa Fé Audit Committee was called to order by Mr. Clark de Schweinitz, Chair on this date at approximately 2:00 p.m. in the Convention Center Administrative Conference Room, Santa Fé, New Mexico.

2. ROLL CALL

Roll call indicated the presence of a quorum as follows:

Members Present:

Clark de Schweinitz, Chair
Carolyn Gonzales, CPA
Hazeldine Romero [arriving later]
Cheryl Pick Sommer

Members Absent:

[One vacancy]

Others Attending:

Liza Kerr, Internal Auditor
Carl Boaz, Stenographer

NOTE: All items in the Committee packet for all agenda items are incorporated herewith to these minutes by reference. The original Audit Committee packet is on file in the Audit Department.

3. APPROVAL OF AGENDA

Member Gonzales moved to approve the agenda as presented. Member Sommer seconded the motion and it passed by unanimous voice vote. Member Romero was not present for the vote.

4. APPROVAL OF CONSENT CALENDAR

Member Gonzales moved to approve the Consent Calendar as presented. Member Sommer seconded the motion and it passed by unanimous voice vote. Member Romero was not present for

the vote.

5. APPROVAL OF MINUTES - June 9, 2016

Chair de Schweinitz noted on page 3 line 163, should read "he indirectly had communicated with the Finance Committee about it..." He explained that he had not spoken directly with the Chair, but rather heard through Ms. Kerr and another person that the Finance Committee wanted to hear more.

Member Gonzales noted on page 3 line 171, she didn't know she had said a bullet point list for things, but she knew they did talk about a basic template that they used.

Chair de Schweinitz agreed, that they would need to develop a template when they do these future reviews.

Member Gonzales said she had brought one with her.

Member Romero arrived at this time.

Chair de Schweinitz noted on page 8 on line 368 it should read, "Chair de Schweinitz asked who pays for the extra work [adding] if the state auditor requests more." Additionally, on line 370, it should read, "Ms. Garcia said it was the state audit who okay's that, and it pays and then bills the city." Those were all the amendments.

Member Sommer moved to approve the minutes of May 11, 2016 as amended. Member Gonzales seconded the motion and it passed by unanimous voice vote.

6. CONSENT CALENDAR LISTING

- a. **External Audits - Completed Audits within the Last 4 Years with Open Findings (Liza Kerr)**
- b. **External Audits - Schedule and Status (Liza Kerr)**
- c. **Internal Audits - Completed Audits within the Last 4 Years with Open findings**
- d. **Internal Audits - Schedule and Status**

7. EXTERNAL AUDIT MATTERS

- a. **Discussion on Audit Committee Review of Audit's Process**

Chair De Schweinitz asked if they should discuss the draft of the template at this time.

Member Gonzales agreed. She explained she had created a basic template, because there would be some unknowns regarding what they would want to report. There were places for the date of the report, the audited entity/ department, the date of the audit, findings/comments, and recommendations. She said she thought it covered what they were trying to achieve as a committee.

Member Sommer suggested that findings might be changed to Comments from the Committee, then recommendations.

Member Gonzales said they wanted to be cautious about how they expressed their input and concerns, since they really just wanted to be able to share their concerns.

Chair de Schweinitz pointed out that in theory they could be called before the Finance Committee anyway.

Member Gonzales said, regarding the conversation on bullet points, that they could just give basic bullet points. It could be that they would have no recommendations but would just basic information they could point out from the Audit.

Member Gonzales said the document would be their template, to be used by whomever was doing the review, it would be the standard format they would use. She asked if they needed to pass it.

Chair de Schweinitz said they should add "Santa Fe Audit Committee" at the top. He asked if whoever did the review should sign it, but after some discussion, the committee decided against signatures, since the document would technically be from the committee as a whole.

Member Sommer said it was her understanding that they would fill it out at committee, and then be done with it at the end of the meeting.

Member Gonzales suggested whoever did the audit could fill it in, then present it at the meeting, and they could add any additional comments at the meeting.

Member Sommer suggested it could be typed afterward.

Member Gonzales said she would make the suggested changes and email it out to the committee.

b. BDD 2015 Financial Operations Audit (Provided to Committee for review assignment, and discussion in May)

Chair de Schweinitz stated they had copies of it. He noted there was a lot going on around the issue at that time. He asked if perhaps two people should be assigned to it to put it into its context.

Member Gonzales agreed it was quite long.

Chair de Schweinitz reminded the committee they were just assigning it that day.

Member Romero offered to review it, but explained it would be difficult for her to collaborate, as she would be out of town. Member Gonzales offered to take the audit as well, and it was noted that she could add any of her comments or findings when the audit was presented.

Chair de Schweinitz said the committee had discussed inviting the two new Councilors to the meeting where this audit would be presented.

Ms. Kerr said she would discuss the protocol with Councilor Dominguez. The issue of a quorum arose, as if a quorum of Councilors was present, it would have to be considered an open meeting. After some discussion, the committee and staff agreed it would be appropriate to only invite the new Councilors.

Chair de Schweinitz agreed to contact Councilor Villarreal.

Member Sommer said she would invite Councilor Harris.

Ms. Kerr said she would also follow up with the Judge about the new appointee.

8. REVIEW OF FINANCIAL REPORTS AND OTHER FINANCIAL MATTERS FROM CITY

a. Financial Update (Oscar Rodriguez)

Mr. Rodriguez was not present.

b. Buckman Direct Diversion Operations Audit 2015 (Teresita Garcia)

Ms. Garcia was not present. A board member asked why Ms. Garcia had been listed to present the audit, when they had only just received the audit.

Ms. Kerr said it was because they had just received it. It was her intention that Ms. Garcia could be present to make comments prior to the committee's analysis, in case she had anything to note.

Chair de Schweinitz said Ms. Garcia had sent out an email that he might still have. He said he would share with Member Romero some figures that Ms. Garcia had given him.

9. FURTHER DISCUSSION ON INDEPENDENCE ISSUES AND ORDINANCES

a. Update on revised Audit Committee Ordinance (Clark de Schweinitz)

b. Update on revised Internal Audit Ordinance (Clark de Schweinitz)

Chair de Schweinitz asked Ms. Kerr if she had an opportunity to talk with Ms. Brennan.

Ms. Kerr said she had met with her but she did not have time to talk about the ordinance. She said she would resend the information with a reminder that the Committee was waiting on it.

Chair de Schweinitz said they needed to know if she was going to move it along or not, but it seemed like nothing had happened with it for a while. He said at another committee meeting, he heard a conversation that sounded like ordinances were difficult for the staff member who deals with them.

Member Gonzales asked who the ordinance sponsor was.

Chair de Schweinitz said they didn't have one yet. Ms. Brennan wanted to speak with Mr. Rodriguez and the City manager to see if they were in general agreement with it. He agreed that they should be able to comment on it. It had been about two months' prior that Ms. Brennan had reported that. She didn't think they would have trouble finding a sponsor, but because they were shifting some of the relationship of the committee with that of the City Manager, for example, she wanted to check with him. He said if nothing had happened by the next Committee meeting, perhaps the members should go visit him themselves.

10. INTERNAL AUDIT MATTERS (Liza Kerr)

a. Genoveva Chávez Community Center Update

Ms. Kerr said things were "really starting to pop over there." She had spent about six weeks just analyzing the data, which was necessary because the planning part was the most arduous part of facing an audit like this one. She then interviewed about ten employees, and was able to identify some other issues that she wanted to research. The way she would approach it is that it would need to be broken into several different audits. One of the audits would be a report on cash handling. She had heard things that led her to believe she needs to interview every cashier there. She would try to do that within the next week, and figure out what was happening with the cash.

Chair de Schweinitz asked Ms. Kerr to explain why she was so hesitant to talk about it. She had told him that it could potentially be confidential if it involved personnel issues.

Ms. Kerr said there were aspects that were confidential due to personnel issues. She was just about ready to write a report on the next part of the audit, which was physical security. She had tried to pick a time when the Director was not there and did a walk about. People there had discussed the problems they saw, and said they had talked with the management about it numerous times, but nothing had been done. The most difficult way to get in was through the front door. She described her experience at the facility, where she was able to enter through a side door that had been propped open, which allowed her to bypass the front desk entirely, with no questions asked. She had walked around the perimeter and the fence and had looked for places where people could get through. She didn't find much evidence of that, but as she reached the back of the center, on the east side, where therapy pools were, she noticed a gate in the chain link fence was open. She went through it and tried every door, and the door to the pool was unlocked, so she again got into the facility and no one had challenged her. She said that was a hazard for little children

and a hazard on many levels.

Ms. Kerr noted that the doors with dangerous chemicals and the door to the therapy pool had been locked. The door to the basketball courts was open and in her interviews was told people entered freely through that door. She was told by multiple people that they were allowed to do so. She didn't know if that was true, but the door was open. She also walked around the inside of the facility trying doors, and noted that the door to the boiler room had been propped open. She said due to everything she had seen, she felt that it deserved its own report, and soon, so that they could start addressing those issues. She mentioned some of the issues to management, and had encountered deniability, and lack of accepting responsibility for it, which would go into the report. She also would have a debriefing session with them and include the lack of ownership and accountability at the management level. She said nearly all of the people she had interviewed reported security to be an issue; that they had reported it and that management had done nothing to resolve the issues. She had similar findings with the false alarm audit.

Member Gonzales asked if she had interviewed management.

Ms. Kerr said she had interviewed them about some issues, but not necessarily about this issue. She had been told by management that all the doors had been changed to dummy locks because of an issue with a volunteer having keys to the whole building. Employees she had interviewed said that was simply not true. She verified that during her walk-through. That week, in a conversation, management had admitted that some were not dummy locks. She explained a dummy lock meant there was no way to get in without a keyed entry.

Member Gonzales asked what other audits Ms. Kerr planned to do.

Ms. Kerr said the next one she wanted to get done quickly was one regarding the use of volunteers at the GCCC. There were many different areas and they all used volunteers. She explained that some were full-time, and worked in all parts of the facility. She said after speaking with people at the facility, many places, like the Natatorium, for example, used volunteers for all of the swim meets. There was no city policy in place. There were waivers that volunteers were supposed to sign, but management was not even aware of the waivers. But ignorance of policies was not an acceptable excuse. There needs to be more ownership for those issues. She found that it was in every area that people claimed wasn't in their purview. Risk management would need to write a volunteer policy. She had already spoken with Barbara Boltrek, who was working on the policy. Volunteers would need to sign a waiver, and anyone working with children would need a background check, but she wasn't sure how that would flow over into activities like swim meets. She wasn't sure how to proceed with something like that, and suggested perhaps she would contact the City of Albuquerque. The whole process had started because someone with a criminal background had been working with children, and they had never done a background check or had a signed waiver.

Member Gonzales asked what percentage were regular volunteers, as compared to something like volunteers for a swim meet.

Ms. Kerr said Matt from the pool said that a lot of the swimmers there were regular volunteers. There were all kinds of swim meets there, and many of the participants in some activities volunteered to help at

other events. There was one person they just brought in who was a retired City employee who was a facility-wide volunteer. The rest were just event-specific.

Committee members discussed creating a policy, and stated it seemed that Ms. Kerr's job was just to point out the issues, but the GCCC needed to have a policy which adequately protected the City. If anything happened, the City would be held liable.

Ms. Kerr explained that there were different levels of volunteers, such as an event-type volunteer versus a facility volunteer. She needed the criteria for different types of volunteers that might be working with children.

Member Gonzales suggested they could register if they wanted to be a volunteer with the City in order to be on the approved list.

Member Romero pointed out that something like that was the responsibility of whomever was writing the policy. Ms. Kerr was only responsible for the finding.

Member Sommer said Ms. Kerr was not the person to try to determine whether certain types of volunteers could do certain activities. She said it was Ms. Kerr's job to perceive that something was an issue, and the City would decide based on their risk tolerance what action might need to be taken.

Ms. Kerr said the policy coming from Risk Management was high level. She thought it said that all volunteers working with children must have a background check. The primary example of an issue with that was volunteers at a swim meet because so many were needed.

The Committee discussed the fact that it would be up to the City to decide what types of volunteers needed certain clearance.

Ms. Kerr said the next issue was with referees and monitors. They were not volunteers and were paid through purchase orders instead of contracts. She said Judith Amer had shared a memo a few years prior regarding this very issue which stated they needed to be on a contract. She thought it would open up the bigger issue of purchasing. Purchasing and procurement was where she thought the stem of the whole problem would be found. What they told her was that routine purchasing procedures are not being followed. For example, they don't get bids for purchases under \$5,000, they just issue a purchase order to whomever. She explained that purchases over \$5,000 needed to go to Council. She thought that would be the biggest issue at the GCCC, so she would do that audit last.

Chair de Schweinitz said Ms. Kerr had mentioned previously that GCCC had a decline in revenue and were running in the red, and he believed one reason they had a lot of usage was that people weren't paying. He gave the basketball players who entered through a side door without paying as an example.

Ms. Kerr said regarding the financial analysis, that it was difficult to prove what was not there. She had tried to look at the revenues that were coming in and compare it to the expenses. She said declining revenues and increasing expenses could be evidence for the issues. They didn't track expenses by area. She explained that revenue was given by line item, but nearly all expenses were included under salaries.

Member Gonzales said she should still be able to pull out which expenses were unusual since it has been in place for so many years. Those inconsistencies should be apparent.

Ms. Kerr said she could look at tournaments and leagues data in terms of revenue and expenses. She had been looking at the data for weeks, looking for a way to pull that information out. She thought it would be easier, as it had been for other entities in the past, but everything was just clumped together. The data was very non-specific. She could try to compare numbers from other years, but it would be thousands of line items.

Member Gonzales suggested she could focus on the areas that changed greatly.

Ms. Kerr said she had looked at revenue and expense and looked for things like 10%, \$100,000, or \$50,000, and nothing was jumping out. Most of the information tracked. She gave as example the loss of income for the previous year was for the natatorium but the pool had been closed for three months. She said everything she had found made sense.

Member Gonzales asked if Ms. Kerr had compared year to year for years where the facility was continuously open.

Ms. Kerr said she had. Revenue was decreasing slightly but nothing significant. She said all the employees were under the impression that the center was doing better and better because there were more and more people there.

Member Gonzales asked if they tracked the people who come through the front door. She asked if Ms. Kerr had compared those numbers.

Ms. Kerr said she did not compare them, as to the best of her knowledge they did not track these numbers.

Member Gonzales asked if she had taken the total revenue for a year, and the total number of recorded entries that came through the front door and paid, and then compared that throughout the years.

Ms. Kerr said she couldn't find how many people had paid to use the facility. She could only find the daily deposit.

Committee members agreed that the number of people using the facility needed to be a finding. Chair de Schweinitz said that was especially true if the Center was claiming that more people were using the facility.

Ms. Kerr said she was trying to find information about facility use by looking at events like the Triathlon and comparing the number of people who participated in the event to the revenue from that event to get a feel for whether the numbers lined up. She was doing this with leagues and tournaments as well. She described how the facility manager would request and distribute checks for vendors, referees, etc. The City has stopped that practice, but the Center facility manager has been doing it for five to ten years. They weren't doing it as of a few months prior, but they had been for years before that. She said she could get

copies of the checks and see where they had been deposited, but she hadn't gotten that far yet.

Chair de Schweinitz made comments about the culture at the Center.

Ms. Kerr said she was trying to determine the rationale for the culture there. So many employees were discussing the culture of the Center, but she couldn't put something in a report if she couldn't prove it. She could include statements made by employees, but she might have to interview all of them if she was going to use that information in her audit.

Member Gonzales said part of the audit process was interviews and discussions. She always asked people she interviewed if there was something they wanted to tell her or something she should know about the audit.

Ms. Kerr said there were other things that she couldn't discuss with the Committee but the facility was beautiful and it was pretty busy.

11. UNFINISHED BUSINESS

Chair de Schweinitz brought up the Lodgers' Tax issue. He asked where Ms. Kerr was with that 2015 audit.

Ms. Kerr said the draft report had gone to the Finance Department on May 6 from Barraclough and Associates. He had sent multiple requests to her, and she had forwarded them and copied Mr. Rodriguez and Ms. Garcia but had not received a response. She had spoken with Ms. Garcia, who said she wasn't pleased with the way it was put together because several of the Lodgers had not responded, and said they needed to pick a whole new sample. Ms. Kerr disagreed that it needed to be redone. She thought the fact that the lodgers hadn't responded would just go in the audit report, and might result in a more stringent ordinance. Ms. Garcia was waiting to hear from the Legal Department before she went any further. She also spoke with other staff members, but nothing was being done. She had received an email from Ms. Garcia the previous week, that said she would get to it the next day, but she hadn't heard back. Ms. Kerr speculated that Ms. Garcia wanted Mr. Tapia to address each of the findings and to have a response prepared rather than processing the report first.

Chair de Schweinitz said it had been a recurring theme with some other audits getting stuck in the finance department. He said it was hard to know exactly what to do, but they should fashion something by their next meeting.

Member Gonzales suggested they send something to the Finance Committee that included a list of delinquent audits due to a lack of attention by the Finance Department. It is their job to make sure these move along, especially since the findings were less useful if they were not released for years. She suggested they give it another 30 days, and then let them know.

Ms. Kerr said she had sent a request after the previous meeting about clearing findings from that meeting. Mr. Tapia had responded to her, but said he would be out of the office until August.

12. NEW BUSINESS

None at this time.

13. PUBLIC COMMENT – (5 MINUTES)

None at this time.

14. NEXT MEETING DATE

Wednesday, August 3, 2016

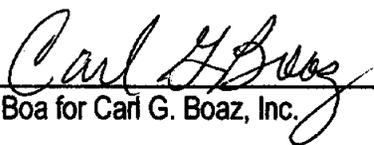
15. ADJOURNMENT

Member Romero moved to adjourn the meeting. Member Gonzalez seconded the motion and it passed by unanimous voice vote. The meeting was adjourned at 3:02.

Approved by:


Clark de Schweinitz, Chair

Submitted by:


Carl Boa for Carl G. Boaz, Inc.