



Agenda

DATE 6/18/14 TIME 10:29a

SERVED BY Liza Kerr

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CITY OF SANTA FE
SPECIAL TASK FORCE PARK BOND AUDIT
Admin. Conference Room, Convention Center
Wednesday June 25, 2014 – 3:00 P.M. to 5:00 P.M.

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF MINUTES: (10 minutes 1-4) May 28, 2014
5. PUBLIC COMMENT
 - (15 minutes) Open
6. NEW BUSINESS:
 - None
7. OLD BUSINESS:
 - (10 minutes) Discussion of draft summary report for POSAC as prepared by Finance
 - (20 minutes) Discussion of other materials and presentations from prior meetings
 - (60 minutes) Objectives and Scope
8. OTHER MATTERS FROM THE TASK FORCE
 - (15) Next Steps (i.e. approval process, RFP, etc.)
9. NEXT MEETING DATE:
 - TBD
10. 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.

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CITY OF SANTA FÉ PARKS BOND AUDIT TASK FORCE
June 25, 2014

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7. OLD BUSINESS		
a. Draft Summary report for POSAC	Skipped	2-3
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c. Objectives and Scope	Discussion	3-8
8. OTHER TASK FORCE MATTERS		
a. Next Steps (approval Process, RFP)	Not Discussed	8
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MINUTES OF THE
CITY OF SANTA FÉ
AUDIT COMMITTEE

June 25, 2014
3:00 p.m. – 5:00 p.m.

1. CALL TO ORDER

A meeting of the City of Santa Fé Parks Bond Audit Task Force was called to order by Ms. Kerr, Convener, on this date at approximately 3:00 p.m. in the Admin Conference Room, Convention Center, Santa Fé, New Mexico.

2. ROLL CALL

Roll call indicated the presence of a quorum as follows:

Members Present:

Liza Kerr, Internal Auditor, Task Force Leader
Anna Hansen, POSAC
Eric Martínez, Public Works Department
Hazeldine Romero
Marc A. Tupler, Audit Committee

Members Absent:

Patti Bushee, Councilor
Teresita García, Finance Department

Others Attending:

Carl Boaz, Stenographer
Bette Booth, POSAC

3. APPROVAL OF AGENDA

Ms. Hansen moved to approve the agenda as published. Mr. Tupler seconded the motion and it passed by unanimous voice vote.

4. APPROVAL OF MINUTES: June 11, 2014

Ms. Hansen said on page 4, 5th paragraph, the Implementation Plan was not so much approved by POSAC as recommended by staff and POSAC and approved by Council.

Ms. Kerr saw her point but said what was in the minutes was what Ms. Garcia said.

Mr. Tupler suggested asking her when she arrived.

Ms. Hansen moved to approve the minutes with that clarification. Mr. Tupler seconded the motion and it passed by unanimous voice vote.

Ms. Hansen commented that the statement on page 4, 5th paragraph was not a true statement, nevertheless. It should have said that it was recommended by staff and POSAC and approved by Council.

5. PUBLIC COMMENT

Ms. Booth said POSAC had elections at the last meeting and she became chair again. The POSAC passed a motion formally asking that the questions raised by POSAC and Finance Committee be included in the scope. They were the same questions.

The other thing that was important to look at was in the minutes where it (Implementation Plan?) was approved.

At the last meeting, they talked a lot about vocabulary. It would be important to use the same terms they use in an audit.

Also she commented about operational expenses. She understood that City supervisors were being paid but the City had the work done in contracts and they had the local team doing them. All smaller parks projects were done by the local team. Then there were short term, part-time folks hired for work in parks in the summer. She asked if the City maintenance workers were paid out of the bond. The local team, as far as she knew only worked on parks bond projects.

Mr. Martínez said he couldn't speak on their behalf.

Ms. Booth said anyone who worked in Parks would be able to say who headed the team and could clarify who the team members were.

6. NEW BUSINESS

There was no new business.

7. OLD BUSINESS

A. Discussion of Draft Summary Report for POSAC as prepared by Finance

Ms. Garcia was not present so this item was skipped.

B. Discussion of Other Materials and Presentations from Prior Meetings

There was no need for further discussion on this item.

C. Objectives and Scope

Ms. Booth's response on objectives and scope was in the packet following the minutes.

Ms. Kerr said she and Ms. Romero met several times after the last meeting to go through the present version of scope and identify work to be done and the work plan, and recommendations. They tried to include the questions from POSAC and also some from the first meeting. For the objectives, they made a compliance list and an objectives list which were almost the same so they merged them.

Ms. Romero said on page 2 they needed to delete the compliance section which was still there. Those were now in the objectives.

Objectives:

The Task Force agreed A was okay.

Objective B should answer if the 2008 Parks Bond Implementation Plan was materially implemented. It was left vague deliberately as the auditors would test that.

Mr. Tupler thought management should be answering the question. He asked if an audit firm would even answer that question.

Ms. Kerr said they would.

Ms. Romero agreed. They would test it to see if a sample of them showed they were done.

Ms. Kerr added that it should answer if, through all of the reallocations, they were done legally. Any contract over \$50,000 had to be approved. Ms. Garcia had a spreadsheet to show how much was allocated through the year and if it exceeded the limits, they could trace the approval from Council minutes.

Ms. Hansen said they also could compare it to budget.

Mr. Tupler said that made sense but wondered if they would be able to answer the question.

Mr. Tupler said regarding "materiality" what to do if they found policy issues that were small.

Ms. Kerr said that was a great observation. They would visually need to verify the accomplishments of the project at that park.

She changed objective B to "Master Plan Materially Implemented."

Ms. Kerr said Objective C was whether the City provided a final accounting of it. If the City didn't, it would be a finding.

Ms. Hansen thought it didn't need to say that POSAC asked for a final accounting. The Task Force changed C to say, "A final accounting of what was spent for each project had been requested, including details of what was done. Did the City provide a final project accounting?"

D was accepted.

E - Mr. Tupler said they needed to know why the monies were spent appropriately.

F - Mr. Tupler said the auditor could be given a list of the relevant City, State and Federal Laws that were to be followed but it should not be in the RFP.

G - Should specifically use the letter drafted by Legal and issued by Finance dated 11/14/2011.

H - Ms. Kerr asked if the AG Opinion No. 10-04 was applicable to the 2008 Bond issue.

Ms. Romero thought it definitely was.

Ms. Kerr and Mr. Tupler agreed it was applicable.

The Task Force discussed details about this objective to arrive at what was truly needed. Ms. Kerr understood it was just direct labor charged to the bond. The document was drafted by Judi Amer. She wrote it and signed it and took credit for it. The City Attorney signed it because Dr. Morgan couldn't. She thought the objective could be asked if direct labor costs were allowable.

Mr. Tupler said the definition of direct cost should be included. He reasoned that they were just asking the auditor to verify the direct costs if they didn't have a question on direct costs being allowable.

Ms. Romero noted that the memo didn't come from Legal. Ms. Booth thought it was written to justify those costs.

Scope

Ms. Kerr asked if everyone was clear on the dates for the audit scope. The St. Francis underpass was excluded on the resolution because it wasn't done.

The covenants and arbitration agreements were okay.
Section iii should say "2008 Parks Bond Implementation Plan."

Section iv would say: Minutes of and packets related to City Council, Finance Committee, Public Works, POSAC or BTAC meetings or any other City meetings that authorized changes to or clarification of

the Park Bond Implementation Plan including but not limited to:

B. Work Plan:

1. Verify that changes to 2008 Parks bond Implementation Plan, i.e. budget allocation and reallocations were approved.

2. Verify balances from final accounting to general ledger.

3. Select sample of 25.

D. MRC, including Marty Sanchez Golf course.

Ms. Kerr said this was taking the data and making a judgment call on it. So they could be judgmental. Fraud was captured more with random sample. There were 56 projects and 70 with trails.

She suggested a sample of 10 unless indications of fraud were found and then an increase of sample.

Mr. Tupler asked if they would they know which definition of fraud was used.

Ms. Kerr said fraud usually shows intent to divert funds. She could include it. She also wanted to include the locations for suspected conflict of interest from Ms. Booth.

In section iv, they would verify the projects were done at the park specified and verify that all ADA requirements were met. The auditors could determine the ADA threshold requirements.

Mr. Martínez said that would be a big burden on staff and take a lot of time to address. He thought it had no financial implications.

Ms. Booth thought it was very easy to verify.

Mr. Tupler asked how many projects actually involved ADA.

Mr. Martínez felt that even with only 25, it was a lot.

Mr. Tupler asked Mr. Martínez how ADA requirements should be validated.

Mr. Martínez said some things were technically unfeasible. They should go into the field to verify it.

Ms. Romero didn't see a problem with auditors looking at that.

Mr. Martínez did see a problem with it.

Mr. Tupler asked what to do if ADA wasn't met.

Ms. Kerr moved that up to b under 4 and say, "as listed in the Implementation Plan."

C - Verify that all salaries were for direct labor only. Ms. Kerr wanted a list and for auditors to have an accurate list of those.

D was okay.

There were to be no salaries for operation or maintenance. They should obtain a report of those paid for the bond projects.

Ms. Booth wanted them to look at all of the salaries paid out of parks bond and verify that proper procurement procedures were followed.

FINAL REPORT

They would verify that the agreed upon procedures were followed and that the objectives were met and if not, why they were not. It would include results of a positive nature. Only illegal items should be reviewed more intensely. Job descriptions would be included. The summary would identify which employees were noted.

Ms. Kerr pointed out that none of this could be considered confidential on the survey except possibly under personnel for IPRA.

RECOMMENDATIONS

The recommendations for policies and procedures were okay.

Recommendations on improving internal controls regarding allocations and reallocations; tracking of payroll and other expenses should be provided. Also recommendations for prevention, monitoring and detection controls.

4 - Project accounting -

Mr. Martinez said some of that was not updated. There was a lag in getting real time numbers. They needed to provide training for employees to use the cost accounting system, if available.

Ms. Kerr felt the AG's opinion was okay to use for what was put before the voters. From what the AG said, the only thing we know was what was put before the voters.

Ms. Booth said on the 2012 bond they talked about reallocation from one project to another and Ms. Brennan said it mentioned specifically the project as on the ballot.

Ms. Kerr said the AG's opinion went on to say if it was part of an official proceeding, the audit could refer to that.

Ms. Romero suggested if there was a way for the City to strengthen the resolution to be binding on benefit of the spending, whether it was the auditor or someone else, she would look into finding it.

Mr. Martínez said the City was limited if the question was specific and would have to go back to the voters to move money and that was expensive. The second part was that the bond holders would have to be contacted and get their approval to move money around. So it had to be a big umbrella for the flexibility.

Ms. Kerr agreed. That was what the AG said too.

Ms. Booth thought the arbitrage gave specific amounts for each project.

Ms. Hansen said it didn't say that.

Ms. Kerr tried to find the bond arbitrage documents but didn't. The agreement was the official document published by the company issuing the bonds. It was 387 pages long.

Mr. Martínez pointed out that some of those decisions were made by Council.

Ms. Kerr agreed.

The Task Force went back to Recommendation #1 to determine whether to leave it in or not.

Ms. Kerr read from an AG opinion on a case in Texas. Basically, it said anybody was entitled to an opinion.

Ms. Romero volunteered to look in the AG opinion to see what could strengthen the bond issues in New Mexico in the future.

Ms. Kerr agreed to send it to her in a memo and that way it was not part of this audit.

Ms. Booth asked how they could make it more transparent. She would like to take what the Task Force had done and put that in the RFP.

Ms. Hansen asked if this had to go to Council.

Ms. Kerr said only the budget had to go.

Ms. Booth agreed to send the conflict of interest provisions.

Ms. Hansen moved to put Recommendation #1 in the RFP with modifications just made, including the ADA requirements. Ms. Romero seconded the motion.

Ms. Romero asked if they couldn't just include it under "federal laws (including ADA requirements)."

The motion lost by a voice vote of 1-3.

Mr. Martínez had to leave the meeting.

The Task Force lost a quorum and could take no further action.

Ms. Kerr said they would have to meet again.

8. OTHER MATTERS FROM THE TASK FORCE

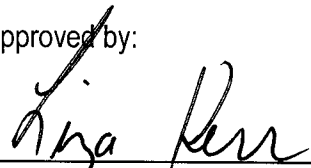
A. Next Steps (i.e., approval process, RFP, etc.)

9. NEXT MEETING DATE: TBD

10. ADJOURNMENT


The meeting was adjourned at 4:20 p.m.

Approved by:



Liza Kerr, Convener

Submitted by:



Carl Boaz for Carl G. Boaz, Inc.