



Agenda

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CITY OF SANTA FE AUDIT COMMITTEE MEETING
CONVENTION CENTER ADMINISTRATIVE CONFERENCE ROOM
Wednesday, July 9, 2014 - 2:00 P.M.

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF MINUTES:
 - June 4, 2014
5. STATUS REPORT FROM CITY OF SANTA FE, AUDIT & FINANCE DEPARTMENTS:
 - Status of Audits (Internal Audit) (send in advance & attach);
7. SUB-COMMITTEE REPORTS:
 - Discussing External Audit Subcommittee,
 - Entrance conference for external audit
 - Discussion of Internal Audit Subcommittee
 - Increasing efficiency and effectiveness
8. OLD BUSINESS
 - Park Bond Audit –
 - Updated status
9. NEW BUSINESS
 - Airport Audit – Findings
 - Cash Handling – Transit Report
 - RFP – Lodger’s Tax
 - Update on tracking of audit findings
 - Lodger’s Tax – (Marcos Tapia / Teresita Garcia)
10. OTHER MATTERS FROM THE COMMITTEE
11. ITEMS TO REPORT TO THE CITY MANAGER
12. NEXT MEETING DATE:
 - Next meeting scheduled – August 6, 2014
13. ADJOURNMENT

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July 9, 2014

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MINUTES OF THE
CITY OF SANTA FÉ
AUDIT COMMITTEE

July 9, 2014
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
Hazeldine Romero, Vice Chair
Cheryl Pick-Sommer
Marc A. Tupler

Members Absent:

One vacancy

Others Attending:

Liza Kerr, Internal Auditor
Teresita Garcia, Finance Department [arriving later]
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 Finance Department.

3. APPROVAL OF AGENDA

Ms. Pick-Sommer moved to approve the agenda as presented. Mr. Tupler seconded the motion and it passed by unanimous voice vote.

4. APPROVAL OF MINUTES: June 4, 2014

Ms. Kerr asked for a change at line 375 on page 8 where it should say "Park Bond Subcommittee," not Platform Subcommittee.

On page 10, line 482, it should say "In the Ordinance ~~they~~ the Internal Auditor would report directly to the City Manager."

On page 10, line 494, it should say "~~had a connection~~ had a reporting requirement to City Council."

On page 11, line 504, it should say, "Ms. Kerr was required to report the results to the Audit Committee."

On page 11, line 527 it should say, "Her job description is outdated as it was written as a staff auditor and not a department head." The last sentence should be deleted.

On page 11, line 539, it should say, "Ms. Kerr agreed she should report results to the Audit Committee."

Ms. Pick-Sommer moved to approve the minutes of June 4, 2014 as amended. Mr. Tupler seconded the motion and it passed by unanimous voice vote.

5. STATUS REPORT FROM CITY OF SANTA FE, AUDIT & FINANCE DEPARTMENTS.

Status of Audits - Ms. Kerr (in packet).

Ms. Kerr said the first one on the status list - the CAFR, was waiting for the entrance conference. She received an email two days ago that it was scheduled for July 21 from 1:30 pm to 3:30 pm, just before SWMA which was 2:30 to 3:30. She asked that a couple of Committee members attend it. It would make most sense to have two members of the external audit subcommittee be the representatives.

Chair de Schweinitz agreed the Committee should be represented there to make sure the new auditor understands about the time line.

Mr. Tupler thought it would make sense for him to be there since he was on the selection committee.

Ms. Garcia joined the meeting.

Ms. Pick-Sommer said she probably would attend.

Ms. Kerr reminded the Committee that they couldn't have a quorum there.

Ms. Pick-Sommer said she would go to SWMA and Mr. Tupler could attend the CAFR conference.

Ms. Kerr agreed that someone needed to talk about benchmarking.

Ms. Garcia said that wasn't part of the entrance conference. They are first year auditors and should make it general. They will introduce themselves and share their philosophy and overall view of what they expect from the City. Then the Committee could meet later with them to go over details. We only have an

hour with them.

Mr. Tupler said they needed to review the RFP letter that contained the steps the Committee chose.

Ms. Garcia said two Councilors would be there. She agreed to send the last benchmarking and a copy of the contracts to Mr. Tupler and Chair de Schweinitz.

Ms. Romero asked that she send it to Ms. Kerr who would distribute it.

Ms. Garcia agreed to send the final audit letter for the BDD Construction audit to everyone. They did that on June 30, 2012 showing final costs of the projects for BDD Construction.

Chair de Schweinitz said that was on page 3 of Ms. Kerr's report.

Ms. Kerr asked about the final audit report for BDD operations.

Ms. Garcia said she had the draft and could send it to the Committee.

Ms. Kerr thanked her. She asked if it was for 2012, 2013 and 2014.

Ms. Garcia agreed. She was having some problems with Atkinson and told them this was the final report from his office. Then she would submit it to the County for their review.

Ms. Kerr asked who was doing Housing.

Ms. Garcia suggested she go to the State Auditor's website or call Ed Romero, the Deputy Director.

Ms. Kerr said the Parks Bond Audit Scope was finished and ready to go into an RFP.

Ms. Kerr said the audit of Transit Cash was done and had gone to the City Manager. It would be presented to the Finance Committee and then to Council.

Ms. Garcia asked if SFUAD was on her list. They were supposed to provide an audit to the City. She thought she got it.

Ms. Kerr asked her to forward it for the Audit Committee.

Ms. Garcia agreed to send an email on it.

Ms. Kerr mentioned that Ms. Garcia and her team received a Certification of Recognition from the State for the financial audit last year.

Ms. Garcia showed the plaque from the Government Finance Officers Association. She added that they couldn't get the award unless they prepared the financial statements.

Chair de Schweinitz asked if with Mr. Tapia's leaving she was made Acting Finance Director.

Ms. Garcia was not sure. Mr. Tapia's last day would be July 18th.

Bond Ratings Letters (not on the agenda)

Ms. Garcia reported on the ratings letters that were based on questions answered. The ratings were completed and they were positive ratings. The City's rating is AA+. It shows a stable economy and stable rating.

Ms. Garcia said they had a new reporting requirement on pension liability. They evaluated all the cities and what the impact was and selected some to show how it would affect rates when bringing in pension liabilities. The City didn't have any current information because we won't know until PERA reports next year.

Chair de Schweinitz said it was nothing to be concerned about right now. Ms. Kerr agreed.

Ms. Garcia said it was just a lot of actuarial activity. She explained that it was like a long term debt. It would allow the PERA to reduce their liability. Only if PERA cannot meet their liability, would it fall back to the City or the State.

Mr. Tupler said that meant it was contingent liability and that was much better.

Ms. Garcia said the City had to separate it by enterprise funds and non-enterprise funds. She was not sure how they would do that.

Ms. Romero said it was a GASB requirement. PERA has always had to deal with it.

Ms. Garcia added that they found some states were raiding that fund. She said the requirement to retire - means our retirement people are younger. When the City hires from other agencies there was a higher cost and there were questions such as, do they retire under the city plan or the state plan. Who was liable?

Mr. Tupler said this was a big deal. He asked when they would get the report from PERA.

Ms. Garcia said it was to be reported as of June 30.

9. NEW BUSINESS (out of order)

D. Update on Tracking of Audit Findings

Ms. Kerr asked Ms. Garcia for an update on the Lodgers' Tax Audit.

Ms. Garcia said she was going through the findings [for Lodgers' Tax] and would send a letter to the entity on the results of audit and give them a chance to say no or yes on the responses to findings. She said they were moving forward with liens, placing them on the properties of those who have not reported or if there was a pending sale. The lien was put on the property for taxes and the City also informed the owner that management had not paid the taxes. Usually we get positive results because they send a check and fire the branch manager.

Ms. Kerr said there was talk of forming a task force to see how to better collect Lodgers' tax - what the approach should be and which department should be involved.

Ms. Kerr said those with delinquencies would get the 1st letter from David Tapia, a 2nd letter from the Finance Director and the 3rd letter from Legal.

Ms. Garcia said the Task Force would strengthen the Lodgers' Tax revenue. It was a very difficult section of the state statute.

Chair de Schweinitz asked if the Audit Committee could see the changes.

Ms. Kerr thought that should be part of her job but it wasn't easy to do it all.

Ms. Garcia said she could report what was cleared and what was pending.

Ms. Kerr liked that better.

Ms. Garcia said once it was released like this one for Transportation, you could send a letter to the department head about the date due for the report to the Audit Committee and make it more of a standard practice.

Chair de Schweinitz endorsed that. He added that it wasn't the biggest tax but one the Committee needed to stay with it for a while.

Ms. Garcia agreed to invite the Committee to the entrance conference and excused herself from the meeting.

7. Sub-committee reports.

A. External subcommittee

- **Entrance Conference for external audit.**

This matter was discussed earlier in the meeting.

B. Internal Audit sub-committee

- **Increasing efficiency and effectiveness**

Ms. Kerr explained this proposal was to be able to act in between meetings. Ms. Romero and Mr. Tupler were given authority to approve the Parks Bond Audit Scope at the Task Force meeting and it helped make things more efficient. So the Sub-Committee could say they were ready to go and that allowed her to meet with the City Manager three days ahead or release it to City Council three days before a meeting, it would help her that flexibility and have more efficiency. It already helped her get the cash walk through report done more quickly.

Chair de Schweinitz asked if the Committee should ratify that. Ms. Romero agreed.

Mr. Tupler moved to approve the policy that it would empower the subcommittee to work directly with the auditor for subcommittee matters and be able to speak with the voice of the committee and then bring it back for ratification. Ms. Romero seconded the motion and it passed by unanimous voice vote.

Ms. Kerr felt it really would speed things up and not delay things.

8. OLD BUSINESS

a. Parks Bond Audit Task Force

This item was considered later in the meeting.

9. New Business

A. Airport Audit

Ms. Francey Jesson, Airport Manager, joined the meeting and presented her report.

She explained that because they were a commercial service airport they were subject to Regulation 139 (a federal regulation that gives airport its certificate to accept commercial service operation and maintenance of the airport). As such, the airport went through the 139 inspection annually. It was not really an audit.

Ms. Jesson shared her background. She had been at this airport for 14 months and had many years' experience. This was her 8th airport to manage.

This airport achieved the commercial certificate in 2009. It had another kind of certificate before that. At that point it was not a full operating certificate. And in 2009 began getting larger aircraft (Class 1) - it is most stringent. It is the same certificate as LAX, O'Hare, etc.

In 2009, when it was achieved, there was no change in staffing - manager, assistant manager, two maintenance staff and one custodian for a total of 5 people. So a great deal of labor was required.

When she came, the previous year's annual inspection had been given a perfect report and she had assumed that it was in order but that was not true. It was barely complaint and sometimes out of compliance. She suspected it was a gift to the retiring manager. She saw things that needed to be fixed.

She wasn't surprised with the findings but all things had to be done from scratch. A lot of it was training and a lot was record keeping. So it wasn't just that the airport looked good but had to show that sufficient qualified staff were there and being training and records kept - very labor intensive. And the airport had many repeated violations in that area. In fact, the only year without such violations was 2013.

There were many, many violations before 2013 and extensive letters of correction and some repeated for many years.

The FAA worked on a three-year cycle with inspections and this their third year.

It wasn't just record keeping but also lack of maintenance from 2009. Prior to 2009 there was not an operating certificate so there were no records. They could ask FAA to come in to inspect. No records from 2002 to 2008 could be found but they did find some informal inspections prior to that.

Mr. Tupler asked if the certificate was worth having.

Ms. Jesson explained that it was a requirement now to have the commercial traffic.

She worked for the FAA for 25 years and with some outstanding offices and some not too outstanding. This region didn't impress her.

Chair de Schweinitz asked if she could clarify the letter we have. He asked if April 28 meant all of it was corrected.

Ms. Jesson agreed. They didn't have to extend any of the dates here. The actual discrepancies were not as numerous as might appear because they were posted in numerous places. To a layperson's eye this looks worse than it is.

Mr. Tupler asked if anything here stood out more or was a correction that was exemplary. You've made all these corrections and needed to let the public know the Santa Fe Airport was in compliance. What were the big issues?

Ms. Jesson said they were all corrected but what would never change was the amount of labor needed and the few number of staff she had on board. This was the tip of the regulatory iceberg of what they have to do.

Bluntly put, she said this was nothing compared if they got a compliance finding on grant assurances.

There would always be a gap in what they had to do and the people she had to do it with. She spent two years at Midway Island and was only for emergency use. It had no based aircraft there and just waited for an airplane to land. She had four staff people to run that airport.

Here, she had five staff members and she had all the things to cover she had at Midway. She had 139; she had TSA; she had federal grant oversight and state grant oversight; she had airlines; she had rental cars; she had a restaurant; she had an FAA control tower; and 207 based aircraft and multiple tenants - 138 people earn their living at the airport. She had over \$1 million in expenses with two maintenance persons and a custodian.

Mr. Tupler thought it sounded like a huge risk.

Ms. Jesson thanked him for saying it. It was concerning to her.

Ms. Pick-Sommer said she appreciated that airport very much. She asked what was needed in order to get more staff.

Ms. Jesson said they did have some things in the works. Fees and rates had not been updated for years. FAA expects this airport to be self-sustaining. The first year she came she had a council-approved \$520,000 deficit. The budget she submitted had a \$238,000 overflow.

She believed if the airport could get to the point to pay for the staff, it would be a slam dunk. Just today she finalized a federal grant that would update the Master Plan that last was revised in 2002 and do a market rates and charges survey to find what they should charge and do a traffic survey to make sure they were keeping an eye on the ball. When the airport could pay for more staff, she would have more.

Mr. Tupler asked where the opportunity for revenue was found.

Ms. Jesson said one was the public parking lot. It was \$2/day and no rate difference between short term and long term. Raising it \$2 would bring in \$72,000 in revenue. Two rental car companies were doing very well. Their contracts would expire next year. They have sweetheart deals. She would go out for bid on them and on the restaurant. The last thing was to raise prices on users. Our fuel flow is 7 cents and has been there for a long time. Raising it to 11 cents would mean a quarter million dollars. Some airports have very strong revenue streams from non-aeronautical services and can keep aeronautical rates low.

She said if she could get the airport to have a strong revenue stream, they could hopefully increase staffing to meet all regulatory standards.

Ms. Kerr asked if this report helped support the need for more staffing. Ms. Jesson didn't think so.

Mr. Tupler asked what ideal staffing would be.

Ms. Jesson said it would include an accountant, a property manager to manage three leases but work on business development and new leases, an assistant manager, 2 more maintenance folks, an operations officer to help with 139 regulations and three more custodians.

She added that they were at capacity now. The facility cannot handle the flights we have now. We don't even have parking space for planes. The P will take 4-16 months to complete. It will do an existing inventory and infrastructure and existing flights and what we need to do to keep up with the activity. With any more, it would deteriorate customer quality.

Mr. Tupler asked if commercial development was happening around the airport.

Ms. Jesson said the south side was much more developed. They did have a parcel on the airport grounds that was not suitable for aviation. It would be a perfect place to develop an airport business park - restaurant, etc. It would be pure money and not dependent on the airline industry.

Chair de Schweinitz thanked her for this report.

8. OLD BUSINESS

A. Parks Bond Audit Task Force

- **Updated Status**

Ms. Kerr provided a handout on the results of the work on the RFP scope. She said it was approved by Mr. Tupler and Ms. Romero on behalf of the Committee. She didn't know if the Committee needed to approve it.

Ms. Kerr said they added one line about including ADA as specified in project.

Mr. Tupler said Eric Martinez was resistant to that.

Ms. Kerr shared it with Mr. Snider and he agreed with it. He supported being able to do project accounting. She thought they were on the same page.

Mr. Tupler said that was his only concern.

Ms. Kerr said it was really not even a concern but the task force would like to see the process improvements applied to future bond issues.

Chair de Schweinitz said there was a different discussion about the resolution for Alameda. He hoped they could get it resolved.

Mr. Tupler said there was now a disconnect. The AG was clear that "it is what the bond says."

Ms. Romero said the Council approved all the projects.

Ms. Kerr said Eric Martínez stated they didn't have to follow the implementation plan which was also a concern.

Mr. Tupler was disappointed that the underpass was not going to happen.

Ms. Kerr suggested it might be good to say with this small modification, the scope is approved to move forward. The final version would be approved prior to engaging in the external audit. Then the Task Force would be dissolved. Its purpose was to establish the procedures and the Committee may dissolve the Task Force.

She would then drop it into an RFP with the help of Robert Rodarte and then meet to evaluate the proposals to select an auditor.

Ms. Romero reminded them about recommendations for future bond issues (last page). The policy related to bond issues. 4-f was the recommendation to establish a policy related to future bond issues.

Chair de Schweinitz thought they should get a bond counsel on this committee.

Ms. Pick-Sommer thought the scope as modified was now ready for an RFP.

Ms. Romero moved to ratify the report of the Parks Bond Task Force with thanks to the Task Force. Chair de Schweinitz Ms. Romero seconded the motion and it passed by unanimous voice vote.

9. NEW BUSINESS (continued)

B. Cash Handling - Transit Report

Ms. Kerr handed out the report for review and recommendation

Chair de Schweinitz said he reviewed the discussion on Transit. It was great information.

C. RFP - Lodgers Tax.

Ms. Kerr said they met today and selected an auditor to recommend to the Finance Committee.

D. Update on tracking audit findings (Marcos Tapia or Teresita Garcia)

This matter was reported earlier in the meeting.

10 OTHER MATTERS FROM THE COMMITTEE

Mr. Tupler liked this meeting room (Convention Center Administration Conference Room) much better and proposed to meet here regularly.

Chair de Schweinitz proposed that the Committee, after getting the new member, go back to the resolution on duties and spend some time going over them. Some of the duties could potentially cause problems. There was one about personnel evaluation that was very unclear. The Committee wanted to have some role in that and it could be a problem. It was limited because the Committee was not her boss from a personnel perspective.

11. ITEMS TO REPORT TO THE CITY MANAGER

Ms. Kerr informed the Committee that the City Manager had signed off on the policies and procedures so could now be on the website. He also gave Ms. Kerr permission to write up how to write policies.

12. NEXT MEETING - August 6, 2014


12. ADJOURNMENT

The Audit Committee meeting adjourned at 3:50 p.m.

Approved by:


Clark de Schweinitz, Chair

Submitted by:


Carl Boaz for Carl G. Boaz, Inc.