



Agenda

CITY CLERK'S OFFICE

DATE 6/18/15 TIME 2:09pm

SERVED BY Liza Kerr

RECEIVED BY Alicia Hester

CITY OF SANTA FE AUDIT COMMITTEE MEETING
CONVENTION CENTER ADMINISTRATIVE CONFERENCE ROOM
Wednesday, July 1, 2015, 2:00 P.M. to 4:00 P.M.

1. **CALL TO ORDER**
2. **ROLL CALL**
3. **APPROVAL OF AGENDA**
4. **APPROVAL OF MINUTES**
June 3, 2015 (*Item 1*)
5. **REVIEW OF FINANCIAL REPORTS FROM CITY**
Update from Finance Director (Oscar Rodriguez) (*Item 2*)
6. **EXTERNAL AUDIT MATTERS**
 - a. Completed Audits within the Last 4 Years with Open Findings (Liza Kerr) (*Item 3*)
 - b. Schedule and Status (Liza Kerr) (*Item 4*)
 - c. Discussion (Liza Kerr)
 - i. Lodger's Tax Audit,
 - ii. BDD Operations Audits,
 - iii. CAFR, engagement letter (Oscar Rodriguez) (*Item 5*).
7. **FURTHER DISCUSSION ON INDEPENDENCE ISSUES AND ORDINANCES** (Clark de Schweinitz, Hazeldine Romero, Liza Kerr)
 - a. How to increase independence of Audit Department, and (*Items 6 & 7*)
 - b. What changes might be needed for audit committee?
8. **INTERNAL AUDIT MATTERS** (Liza Kerr)
 - a. Completed Audits within the Last 4 Years with Open Findings (*Item 8*)
 - b. Schedule and Status, (*Item 9*)
 - c. Discussion,
 - d. General Information
 - i. Fraud, Waste and Abuse Hotline
 - ii. Risk Assessment / Audit Plan
9. **UNFINISHED BUSINESS**
Update on Park Bond issues
10. **NEW BUSINESS**
11. **NEXT MEETING DATE**
Wednesday, August 5, 2015
12. **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 1, 2015

ITEM	ACTION TAKEN	PAGE(S)
1. CALL TO ORDER		
2. ROLL CALL	Quorum Present	1
3. APPROVAL OF AGENDA	Approved as amended	1
4. APPROVAL OF MINUTES		
• June 3, 2015	Approved as amended	2
5. FINANCIAL REPORT FROM CITY	Report by Mr. Hopkins	2-3
6. EXTERNAL AUDIT MATTERS		
a. Completed Audits with Open Findings	Discussion	7-8
b. Schedule and Status	Reported	8
c. Discussion of:		
• Lodger's Tax Audit	Report/Discussion	3-6
• BDD Operations Audits	Not discussed	8
• CAFR Engagement Letter	Discussion	9
7. INDEPENDENCE ISSUES & ORDINANCES		
a. How to increase independence	Discussion	9-11
b. Needed Committee Changes	Discussion earlier	12
8. INTERNAL AUDIT MATTERS		
a. Completed Audits with Open Findings	Discussion	12
b. Schedule and Status	Discussion	12
c. Discussion	None	12
d. General Information		
• Fraud, Waste and Abuse Hotline	Comments	13
• Risk Assessment / Audit Plan	Submitted	13
9. UNFINISHED BUSINESS		
a. Park Bond Issues Update	Approved	13
10. NEW BUSINESS	None	13
11. NEXT MEETING DATE:	August 5, 2015	13
12. ADJOURNMENT	Adjourned at 4:00 p.m.	14

MINUTES OF THE
CITY OF SANTA FÉ
AUDIT COMMITTEE

July 1, 2015
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
Hazelaine Romero, Vice Chair [arriving later]
Carolyn Gonzales, CPA
Cheryl Pick Sommer
Marc Tupler

Members Absent:

None

Others Attending:

Liza Kerr, Internal Auditor
David Tapia, Finance Department
Andy Hopkins, Finance Department
Carl Boaz, Stenographer
Doug Frazier, Auditor (later)

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

Chair de Schweinitz said the auditor, Doug Frazier, needed to leave earlier but wasn't yet present. He invited Mr. Andy Hopkins to present the Finance Report early on so he could get on his way. But he said he was not in need of leaving quickly.

The Agenda was not approved.

4. APPROVAL OF MINUTES – June 5, 2015

Mr. Tupler moved to approve the minutes of June 5, 2015 as presented. Ms. Sommer seconded the motion and it passed by unanimous voice vote. Ms. Romero was not present for the vote.

5. REVIEW OF FINANCIAL REPORTS FROM CITY

a. Update from Oscar Rodriguez, Finance Director

Mr. Hopkins made the report in place of Oscar Rodriguez. He announced that the final report will be made soon and the quarterly report will be out later. [A copy of the report is attached to these minutes as Exhibit 1.]

In the report, the table has formula-based projections with changes in some revenue and expense. Some are just knowing how the City works. Transfers and debt service will always have a zero balance - done according to form. Transfers are done quarterly or on a similar basis so there is no difference in budget to actual there. The same is generally true for debt service because they are done on a known schedule beforehand. So they are dealing with a known quantity unless something happens right at the end of the year.

Generally Finance does the same with capital outlay. Sometimes with a little variance. Most are done in the fourth quarter and that does make things chaotic for Mr. Rodriguez but most entities tend to do end load their fiscal year because they are trying to maximize interest through the year. Theoretically it is always advantageous to do them at end of year. Because of the bad winter, the City spent 2000% over the budget for salt last year. We want to wait until end of year to take care of those when a crisis hits and not be stuck.

The most important part is on page 3 which shows all funds in the City with the exception of CIP funds. They segregate CIP funds because they are multi-year projects. It would muddy the waters - you would see massive amounts unspent. It is the same with large capital grants.

Auditor Frazier arrived at this time.

Mr. Hopkins said almost all City grants are on a reimbursement basis. With the feds there are many hoops to go through first. The second to last page shows them. A negative balance there doesn't mean the City is in jeopardy. They only look at cash there; not receivables. The City might not see the money until a year or two afterward. That is particularly true with particular grantors like HUD who are very persnickety.

Ms. Sommer asked for clarification on HUD.

Mr. Hopkins said HUD is hard to get a penny out of. It just takes a while. And we have to float that money beforehand.

Mr. Tupler asked if it is captured as a receivable somewhere.

Mr. Hopkins agreed, although there are a few exceptions. With some of them he has to put in the receivables because with negative balance, they might not approve it.

Chair de Schweinitz asked if there isn't a new trend from the State Auditor to not put that money aside.

Mr. Hopkins said it is not money deferred. There isn't a lot of money just sitting around and the City doesn't use rollover cash for anything but one-time purchases. It is almost a "use it or lose it" mentality.

Chair de Schweinitz asked how the Finance Committee reacted.

Mr. Hopkins said it was "duly noted."

Chair de Schweinitz thanked Mr. Hopkins for the report.

6. EXTERNAL AUDIT MATTERS

Because the auditor was present, the Committee skipped over a and b and went to item c - i.

a. Completed Audits within the last 4 years with Open Findings

This matter was considered later in the meeting.

b. Schedule and Status

This matter was considered later in the meeting.

c. Discussion (Liza Kerr)

i. Lodger's Tax Audit

Mr. Doug Frazier, with Barraclough & Associates presented his report to the Committee. [A copy of the report is attached to these minutes as Exhibit 2.] He indicated from it that some lodgers are late in paying and some have not paid their taxes to the City.

Ms. Romero joined the meeting at 2:16.

Mr. Frazier said they categorized the lodgers on a risk base - high, medium, and low. Certain hotels that haven't had problems in the past are usually not selected for audit. But with a recent change in ownership, the hotel would be included in the audit. In the back of the audit report he shared the

differences. He thought there is still confusion among some of the payers on what is or is not subject to lodger's tax.

Ms. Kerr agreed. Some of them think everything is included like food or cleaning fees. But it is limited to the daily hotel fee for lodging and how much it is per room but not the extra charges like phone calls, etc.

Mr. Tupler understood that the hotel collects it from the person staying there and then submits it to the City. He asked if they are overcharging the guests.

Mr. Frazier said yes. If the room is rented to a non-profit organization, they think they are exempt but that isn't true. NTTC's from other states don't apply in New Mexico and he was seeing a lot of non-profits in the audit.

Ms. Kerr asked if he makes a note of that.

Mr. Frazier said they need to file an amended report. They should reimburse who stayed there.

Mr. Tupler guessed that doesn't happen. He asked if the lodgers' tax in other cities are as complicated as Santa Fe's.

Mr. Frazier said they have the same confusion.

Ms. Kerr said they all have the same rules.

Mr. Frazier agreed. Overall, there is just general confusion about various taxes - Lodgers, GRT, etc.

Ms. Kerr noted there are some nice tables in this report on short-term rentals.

Mr. Tupler said the short-term rentals don't appear to be significant.

Mr. Frazier agreed.

Mr. David Tapia clarified that, right now, the City ordinance doesn't have any teeth to pursue them so Finance Staff is asking Legal to draft an ordinance amendment. This audit is the first he had encountered where there are a lot delinquencies. There are a few short-term rentals not complying but this time, some hotels have not responded. The City does place a lien on the property in some cases but can't have a specific amount.

Ms. Gonzales asked how they are found.

Mr. Frazier said the auditor selects them and they must provide the records. Some are companies from out of state and he has to ask for specific time periods when accounting is done out of state. He is also trying to find out what kind of financial statements they have. Some are very good and others not so good. Some are just records of the credit card activity.

Mr. Tupler asked if there is a required form to submit.

Mr. Frazier agreed.

Mr. Tapia said the Staff took the credit card amount and estimated the total at \$100,000 and the hotel owner did find the exact amount from the accountant.

Ms. Kerr told him that Mr. Randall was in the exit conference and said he might be able to nudge them.

Mr. Tapia suggested they find out from Legal what the best action is first before nudging anyone. It is their decision.

Mr. Tupler asked if they would make a recommendation.

Mr. Frazier said some of the short-term rentals have their own websites but nobody could prove who the owner is. The rental rates are high end homes and expensive to rent. It is a real business. They can book their reservation on line.

Ms. Romero asked if they weren't required to have a business license.

Mr. Frazier agreed.

Mr. Tapia said even if the owner lives in Hawaii, they still need to be registered here and subject to GRT. And even if they give a name, they don't fill out a business registration and we can't get a TRD registration.

Mr. Frazier said he even went to the State Corporation Commission to find out.

Ms. Kerr noted that the City capped short term rentals at 350 licenses but they are already at 370.

Mr. Tapia said they ran records from last year. Currently there are only 170 but we estimate that is only half of them. It probably is over 350. We also never get notified if they are still renting and don't know what they paid for at Water.

Mr. Tapia explained the legal actions that have been taken. Penalties include taking them off of the Tourism's web site.

Mr. Frazier added that some are on multiple web sites.

Chair de Schweinitz noted the audit has several recommendations and asked if those were considered findings in the usual auditing sense.

Mr. Frazier said it is compliance and reconciliation but not the same as findings. Next year, the City should make sure they all understand the instructions. We got a lot of "we talked to the City and they said we didn't owe anything."

Ms. Kerr asked if this needs to be included in the CAFR.

Mr. Frazier said in the CAFR it would be a finding. As long as the City has done the audit, they are in compliance. But the State Auditor might say it is not a requirement. Lodgers is usually a separate reporting.

Chair de Schweinitz noted this is on the Finance agenda for July 13th.

Ms. Kerr said it might be pushed out further because they have a packed agenda.

Mr. Frazier said doing it yearly is very beneficial and we can go on to 2015 now. It is better than going back several years to catch up.

Ms. Romero asked what happened in the past when someone hasn't responded.

Mr. Tapia said they haven't sought a solution in past years. They had just one or two not responding so it wasn't a big issue. But now, we need a law to go after them - especially to verify the records.

Chair de Schweinitz asked if Ms. Kerr would be at that meeting.

Ms. Kerr said it would either be Ms. Garcia or Mr. Tapia.

Chair de Schweinitz thanked Mr. Frazier for being here.

Ms. Kerr was grateful that it is easy to read this year.

Mr. Tapia and Mr. Frazier left the meeting.

Mr. Tupler said Legal shouldn't take very long to figure out how to capture those reports and get collections.

Ms. Gonzales thought they need to do training here on paying their taxes.

Ms. Kerr said Mr. Randall mentioned at the exit conference that they will have an intern here this summer to find out in the field how confusing it is and make recommendations.

a. Completed Audits within the last 4 years with Open Findings [attachment 3]

Ms. Kerr referred to her printed report. [A copy of the report is attached to these minutes as Exhibit 3.] She said she has made a big effort to clean it up and they only have 21 open findings now. The Audit Committee, a few years back, started asking what audits were due and there was a lot of confusion about the deadlines. Some were 4-5 years behind schedule. And she started tracking them and reporting their status. Through those efforts, most are current now. BDD is becoming current.

Ms. Gonzales asked what the deal is on these open findings.

Ms. Kerr said she was addressing them with City Staff. She was working on follow-up to Parking. There are a couple of Findings they won't be able to clear. Lodgers has one open finding from 2013. She has them in her database and would send those to Ms. Gonzales

Mr. Tupler asked who is responsible for clearing them.

Ms. Kerr said that depends on what the finding is. Each one is different. Ultimately the department director is responsible but the director usually delegates it to someone in the department. As Auditor, she is responsible for tracking all of the audit findings.

Ms. Sommer asked at what point a failure to clear the finding is a personnel matter.

Ms. Kerr said the City Manager is very concerned to get them cleared. When he took the position there were over 200 findings and some were 3-4 years behind. So he has been very good about reining all of that in. Ultimately it is his responsibility to clear them and he is doing that and her responsibility is to track them and verify each finding is cleared. When they are cleared, she updates the database and keeps it up to date.

Mr. Tupler said the chain of command is important. When the department is responsible, there is one person who puts it in the box.

Ms. Kerr agreed. And with our new software, management will be able to access those.

Ms. Gonzales asked if the department marks it as clear or has to substantiate it.

Ms. Kerr said she determine if it is really cleared and makes the change. She sets up a folder for each City department, like Parking, on the shared drive. They put the evidence in the folder and she then reviews the material and updates the database.

Ms. Romero commented that on permanent findings like a late audit, there is nothing to do that can fix it. She asked if Ms. Kerr was classifying those differently.

Ms. Kerr said she was doing the same as they do in the CAFR. They drop it at the point of the new audit and then get it cleared out the next year. She would continue to do what they do in the CAFR.

Ms. Gonzales noted a BDD finding that is an old filing.

Ms. Kerr said it was probably a late filing. They just finished doing 2012, 2013 and 2014 audits.

Ms. Kerr said Shelter Plus is a HUD project so she doesn't do anything to clear that. She just tracks it. It was similar to the FTA audit clearing. FTA sent the authority to clear it. For Civic Housing and Railyard, the City doesn't do anything except to watch them for anything significant that might come up. It is up to the agency that issued the report to give the authority to clear findings.

b. Schedule and Status

Ms. Kerr referred to the attachment and reviewed it with the Committee. [A copy of the Status of Audits Current is attached to these minutes as Exhibit 4.]

Ms. Kerr explained the various audits to Ms. Gonzales. She explained that the Financial Management Oversight is a triennial review and it is coming up.

Ms. Sommer asked if this status report is given to Management.

Ms. Kerr said it was given to Finance.

The other ones are like Civic Housing, Railyard and SWMA. SWMA was another one that was way behind.

Ms. Gonzales said there should be documentation on how they are correcting the findings.

Ms. Kerr said they are usually in the report. There is a plan of action for the CAFR.

Ms. Kerr said it is a discussion on the difference between an audit and an agreed upon procedure. In the audit there are certain criteria of a Finding that has to be listed out and it has to have Management's response in there. For the Agreed Upon Procedure, it depends on how it is spelled out. We can always add to the agreed upon procedure next year that we want Management's response to be in the report. Maybe we could put that language in the contract.

Ms. Gonzales asked where those management responses go right now.

Ms. Kerr said she puts them in the database and sends the report to Finance Management Staff. And she was asked them about their procedure and what they have corrected or not corrected.

- **BDD Operations Audits**

This was not discussed.

- **CAFR, Engagement Letter (Oscar Rodriguez)**

Chair de Schweinitz referred to the letter. [A copy is attached to these minutes as Exhibit 5]. He noted it is a standard format. The Committee might talk about what should be included in it. He and Ms. Romero had talked about it. They thought some of the works and findings seemed weak.

Ms. Romero agreed. We need to talk with them personally and ask specific questions about how they did the audit. The findings that came out didn't really help the City. They could have done a better job, particularly with payroll, receivables and cash balances. None of that was in the audit report. Maybe they

didn't know they should look at that. The Committee should point them in that direction. It is just knowing where to look. If they have a finding, it must be reported. They should put every finding in, regardless of how material it is.

Chair de Schweinitz asked if the Committee could give the auditors those directions. They haven't set the exit conference yet. Mr. Rodriguez is supposed to tell us.

Ms. Romero suggested that it would be better to approach them separately.

Chair de Schweinitz agreed to follow up on it. This is a fairly routine engagement letter.

7. FURTHER DISCUSSION ON INDEPENDENCE ISSUES AND ORDINANCES (Chair de Schweinitz, Hazeldine Romero, Liza Kerr)

a. How to increase independence of Audit Department

Chair de Schweinitz provided a handout on the role of the Audit Committee. [A copy is attached to these minutes as Exhibit 6.] He said they have had several meetings about it with several people in the last few weeks.

Ms. Kerr said she, Ms. Romero and Chair de Schweinitz met with Councilor Bushee for lunch and presented to her the memo that the Committee approved at the last meeting suggesting some ordinance changes. Councilor Bushee felt we could address them through an ordinance change. The Audit Committee ordinance should say "the Audit Committee shall appoint the independent auditor."

Chair de Schweinitz said he tried to capture it in this handout. They also met with the City Attorney. Ms. Brennan seemed very open to not having to change the charter but happy with Ms. Kerr's ideas of what the ordinance should look like.

Ms. Kerr agreed and she seemed supportive of our suggestions in the previous ordinance including the forensic auditor. Councilor Maestas wants to put in an Inspector General's Office. Both would need to be independent.

Chair de Schweinitz said the State Auditor will be at Finance on the 13th regarding the 2008 Park Bond Audit.

Ms. Kerr thought all of the Committee members should attend that meeting.

Chair de Schweinitz said if the Audit Committee is in the charter, they said the name should be changed to Audit Advisory Committee. Ms. Brennan said Ms. Kerr should be in the charter as an exception to the control of the City Manager. His thought is that the Committee could distinguish what we have right now, confirming the power of the Municipal Judge to appoint the members of this Committee and then have the Governing Body confirm it. Then the Audit Committee would be the sole authority to interview, hire, evaluation and terminate the City Auditor. It not only gives us more authority but it increases our time commitment.

Ms. Kerr said it is just organizing what we already do so it wouldn't be too much of a change from what is already being done.

Chair de Schweinitz agreed.

Ms. Kerr said they should define what "selected external audits" means.

Chair de Schweinitz said it would mean a little more formality here.

He referred to #4 regarding the power to issue the RFP and make the choice of Auditor and asked if the Committee members would think about whether we want to take on that increased committee responsibility. The Audit Committee is the only committee mentioned in the Charter. So he asked if that meant they should be more formal. It could mean more work and more involvement.

For number six, Chair de Schweinitz said he was just proposing stronger language there.

Ms. Sommer pointed out that the Committee was formed before the ordinance was established.

Chair de Schweinitz said there was an ordinance passed concurrently with the creation of the Committee. And then there were some changes made to the ordinance later. The Audit Committee started November, 2010.

He clarified that this is for the Committee members to think about. He thought Ms. Brennan wanted this to work out. There is time to consider it. Ms. Brennan suggested that we not do anything until after July 13. He hoped Councilor Bushee would cosponsor as well as the Mayor. It would enhance the independent nature of the Committee and the Auditor.

Ms. Sommer understood this is to create the Audit Committee authority so she thought the Committee is no longer just advisory and we need to clarify what we are responsible for. We should focus on those three elements: what we are responsible for; who we are accountable to; and what authority we have to carry out those responsibilities.

Chair de Schweinitz said we've been doing them because no one else was. Now ever the Councilors are interesting in a strong independent committee and auditor. And what happened in the 2008 Park Bond informs what we are and Ms. Kerr's responsibility.

Ms. Sommer said the Park Bond Audit hasn't been a big deal for us but is the biggest thing going on with the City right now.

Ms. Romero reminded the Committee that, by definition, an audit is always a look back to a prior period. We will always be looking back. So we are stuck in the past and that is just the role of audits.

Mr. Tupler said that is even more reason to be there on the 13th.

Chair de Schweinitz said Finance usually starts at 5:30. Ms. Brennan thinks the State Auditor will want some assistance from us - perhaps for selection of another auditor. We haven't received that word from the State Auditor.

Ms. Gonzales said this Committee really needs to focus on doing audits and not getting caught outside on things that are not part of our work.

Chair de Schweinitz agreed.

Ms. Kerr said we need to make sure the auditor is selected and then stand back.

Ms. Sommer added that we also need to make sure the findings are cleared.

Ms. Gonzales asked if Ms. Kerr could remind us about the 13th issue.

Ms. Kerr agreed and would make the possible quorum announcement.

Ms. Romero noticed on the open findings list that the Park Bond Audit isn't on there nor the current Lodger's Tax audit.

Ms. Kerr said Transit's drug screening had 57-60 comments. She asked if the Committee wanted to see all of them.

Chair de Schweinitz suggested Ms. Gonzales review them.

Ms. Kerr agreed to send it out to all the members.

Ms. Sommer asked who requested that audit.

Ms. Kerr said FTA required it. There were no significant deficiencies.

b. What Changes might be Needed for Audit Committee

This was discussed earlier in the meeting.

8. INTERNAL AUDIT MATTERS (Liza Kerr)

a. Completed Audits within the Last 4 Years with Open Findings [attachment 8]

Ms. Kerr referred to the report and reviewed the items on it. [A copy of the report is attached to these minutes as Exhibit 8.]

b. Schedule and Status

Ms. Kerr referred to the printed report and said she was working on it.

Ms. Sommer asked if the internal annual audit plan got approved.

Ms. Kerr agreed.

Ms. Romero said they discussed it with Councilor Bushee when they met with her.

Ms. Kerr said she would be working on a peer review in Kansas City before the next meeting. It was on the last audit plan but not on this one. She said it would cost her nothing if she did one for others. She is also going out to a one-auditor shop in Lawrence Kansas while she is there. He is appointed by a committee.

Ms. Kerr went back to Agenda Item 7 on the Independence handout. She talked about the way the Government Auditing Standards define independence- within local government, either elected or appointed for a better form of independence. However, they recognize internal audit as done by an employee. We have complied with the independence standards. One thing she still needs to do is to identify threats to independence. So she went through the ordinance. Now we just need to use this to formalize it in an ordinance. This is to go to Legal for that purpose. She explained that she has to do these threat responses each year.

c. Discussion

There was no other discussion.

d. General Information

- **Fraud, Waste and Abuse Hotline**

Ms. Kerr said 15 incidents have been reported at this time. She is working on a report with Ms. Brennan. Some are nonsensical like mold in the library, pot holes on a street; five were for the same incident being repeated many times. HR is resolving that issue. There was an employee accused of pocketing money and that is being worked on. Also a report claiming employees were taking and redeeming scrap metal for cash.

She said Ms. Brennan didn't feel the volume was big enough to warrant a separate department but maybe just for a forensic auditor. The Police are doing the investigations and it is working well.

- **Risk Assessment / Audit Plan**

Ms. Kerr said the plan got approved.

Chair de Schweinitz said Councilor Maestas is pushing the Inspector General issue.

Ms. Sommer asked what the job of an Inspector General is.

Ms. Romero said it is mostly fraud. They work for greater efficiency in government.

Ms. Gonzales asked if Councilor Maestas was doing that because of the 2008 Park Bond.

Chair de Schweinitz thought that was partly the reason.

9. UNFINISHED BUSINESS

a. Park Bond Issues Update

Mr. Tupler said this is winding its way through the State Auditor's office.

Chair de Schweinitz asked that if any members are contacted by the State Auditor's office, they would let him know.

Mr. Tupler said the Committee should support Ms. Kerr in this because she has taken some heat on it. The members need to be prepared for such contact.

Ms. Kerr said the State Auditor wants us to be very involved in the RFP for auditor selection. On the 13th, the State Auditor will present the scope of work.

In the first audit, we asked for the final accounting and it wasn't done. It has taken that long for Finance to pull the information together. The results will not get a final accounting but can validate that the expenses were for park-related issues. There are lots of mitigating circumstances like turnover of staff.

10. NEW BUSINESS

There was no new business.

11. NEXT MEETING DATE: August 5, 2015

Ms. Sommer said she would be out of town for the September and October meeting dates. In September she would be gone the whole week.


Chair de Schweinitz suggested meeting on September 9th and October 14th for those months.

12. ADJOURNMENT

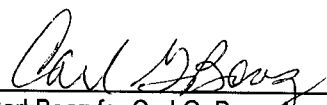
Ms. Romero moved to adjourn the meeting. Mr. Tupler seconded the motion and it passed by unanimous voice vote.

The meeting was adjourned at 4:00 p.m.

Approved by:


Clark de Schweinitz, Chair

Submitted by:


Carl Boaz for Carl G. Boaz, Inc.

CITY OF SANTA FE
FISCAL YEAR-TO-DATE FINANCIAL PERFORMANCE
REPORT

As of March 31, 2015

Presented to the Finance Committee

June 15, 2015

The following report is a summary of financial results for the City. It provides summarized information on how the City's financial sources and uses have performed to date by major categories and Departments. Significant financial developments and budget variances are highlighted and explained. The report also includes a projection of revenues and expenditures to the end of the fiscal year based on year-to-date activity and historic trends.

Highlights

The City's financial performance appears to be generally on course with the FY 2014-2015 Budget at the close of March. Total revenues appear to be coming in about 1% above budget. While the City's biggest revenue stream, gross receipts taxes (GRT), is on course to finish the fiscal year 1% below budget, utilities revenues, property taxes, franchise fees, and lodgers' tax revenue are tracking significantly above budget and have more than made up the shortfall. Total expenditures are on course to come in 6% below budget by the end of the year. Contractuals, Repairs & Maintenance, and Supplies are the main areas where expenditures are below what was expected.

The experience year-to-date indicates no significant unanticipated shortfall or, for that matter, windfall. Looking forward, there are a number of points worth highlighting:

- Gross Receipts Tax, which is the City's principal operating revenue source, is trending at 1% below the budgeted level. The latest distribution received from the state shows few changes by industry, with small decreases in Utilities, Construction and Health Care.
- The methodology used to project financial performance to the end of the year indicates that expenditures in the General Fund as a whole will come in 5% below budget. This projection has been in place for several months. Staff checked with the interested departments and found no new information that would justify a change in this projection. The principal departments contributing to this under-expenditure are Community Development, Community Services (Administration and Library), General Government, and Parks and Recreation. Together, they account for more than \$1.4 million in one-time savings. Contractuals and Repairs & Maintenance are the main drivers behind this trend.

ALL FUNDS - OPERATING BUDGET SUMMARY & PROJECTIONS

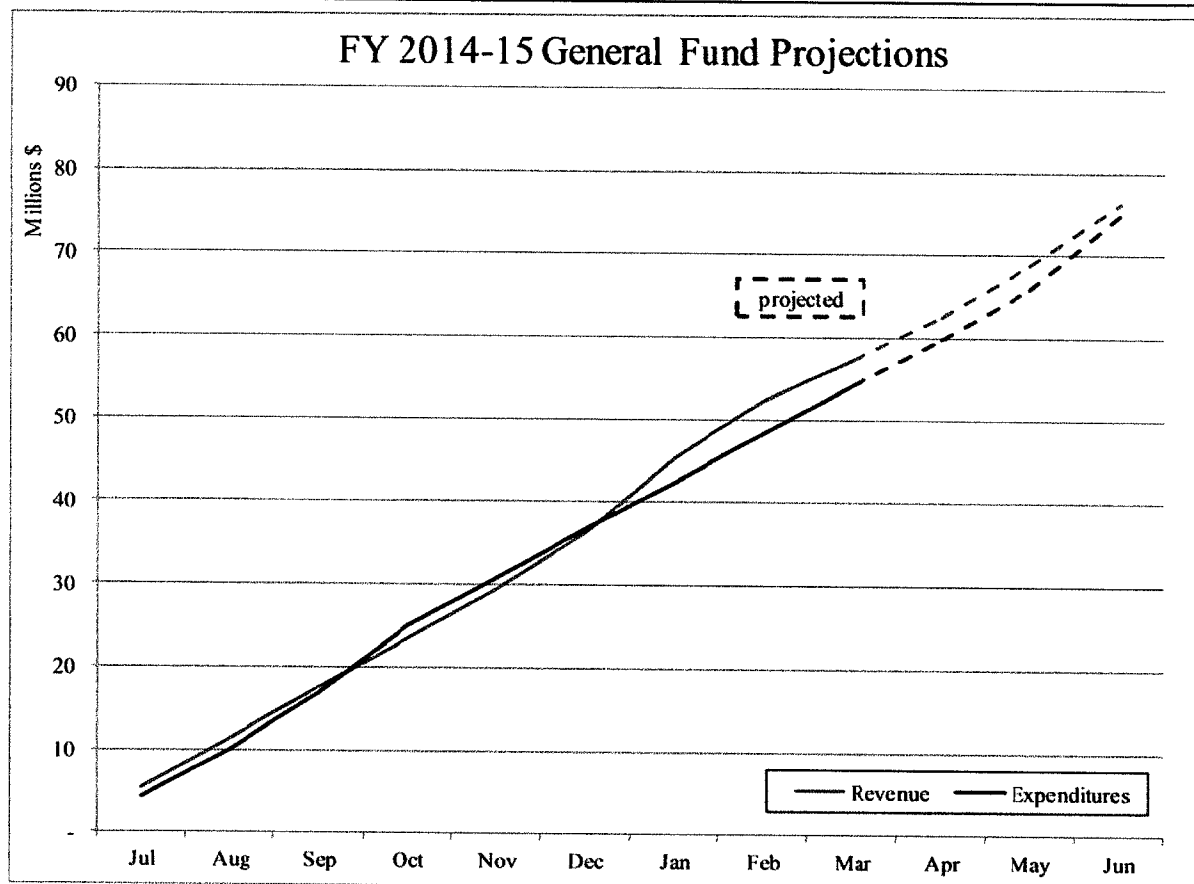
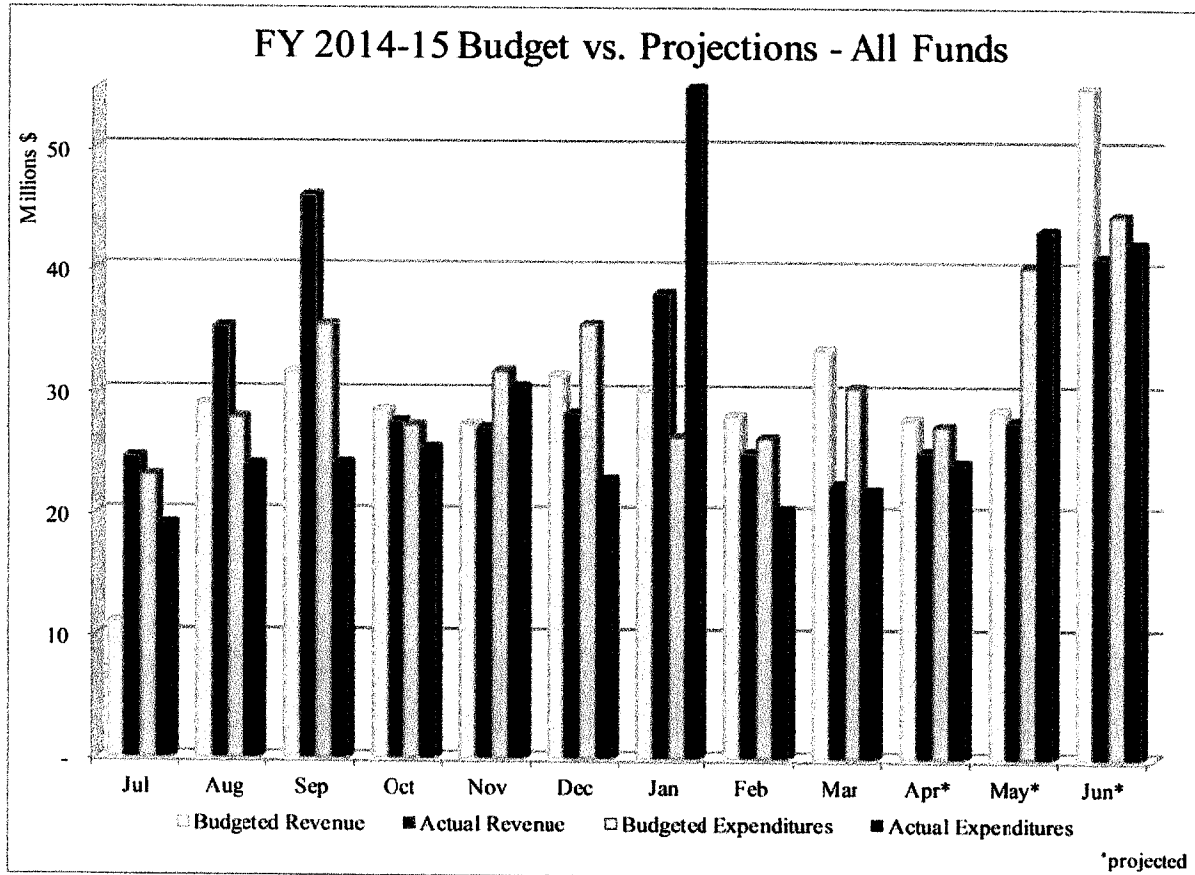
DESCRIPTION	FISCAL YEAR 2013/2014 ACTUAL	FISCAL YEAR 2014/2015				
		APPROVED BUDGET	AMENDED BUDGET	YEAR TO DATE*	PROJECTED YEAR-END	PROJECTED VARIANCE
BEGINNING BALANCE	155,378,212	146,227,772	146,227,772	146,227,772	146,227,772	
<i>Revenues:</i>						
Gross Receipts Tax	95,725,848	97,244,078	97,244,078	74,024,299	96,316,030	-1%
Property Tax	9,251,086	8,225,005	9,684,580	6,300,551	9,794,373	1%
Lodgers' Tax	8,376,475	8,000,000	8,000,000	7,047,493	9,240,781	16%
Other Taxes	4,938,789	5,116,152	5,116,152	3,902,220	5,870,127	15%
Licenses & Permits	2,378,207	2,641,500	2,641,500	1,902,360	2,547,338	-4%
Ambulance Fees	3,511,498	2,000,000	2,000,000	1,198,653	1,909,988	-5%
Insurance Premiums/Deductibles	24,993,908	27,522,846	27,522,846	20,156,394	26,914,873	-2%
Parking Fees	3,927,368	4,392,963	4,392,963	2,901,102	3,963,658	-10%
Recreation Fees	3,247,009	3,356,843	3,356,843	2,309,665	3,461,877	3%
Solid Waste Fees	18,034,108	18,206,951	18,206,951	13,391,516	18,978,734	4%
Wastewater Fees	11,000,820	11,327,400	11,327,400	8,266,355	11,968,296	6%
Water Fees	34,511,650	38,365,611	38,444,944	24,549,164	38,425,048	0%
Other Fees/Services**	22,239,989	15,713,920	16,147,321	15,573,104	20,348,562	26%
Fines & Forfeitures	1,724,194	2,002,350	2,002,350	934,526	1,290,238	-36%
Miscellaneous Revenues***	17,788,118	5,654,898	33,786,781	31,478,338	33,692,195	0%
Interest on Investments	977,130	776,013	806,713	719,329	959,105	19%
State Grants	2,906,658	5,757,225	3,444,339	2,321,352	3,444,339	0%
Federal Grants	6,157,366	3,975,232	6,291,115	5,376,276	6,291,115	0%
SF County/Other Grants	2,759,589	6,120,514	7,355,594	10,000	7,355,594	0%
Transfers In	60,913,862	54,230,413	65,919,198	52,404,655	65,919,198	0%
Subtotal - Revenues	335,363,675	320,629,914	363,691,668	274,767,351	368,691,470	1%
TOTAL RESOURCES	490,741,887	466,857,686	509,919,440	420,995,123	514,919,241	
<i>Expenditures:</i>						
Salaries	69,868,698	74,322,442	74,548,130	50,043,787	70,209,307	-6%
Benefits	34,421,888	36,901,786	35,903,016	25,970,936	35,099,094	-2%
Contractual Services	20,956,652	22,768,812	27,276,878	21,883,651	21,121,912	-23%
Utilities	11,164,646	13,415,660	11,808,732	10,032,333	10,781,100	-9%
Repairs & Maintenance	4,115,112	5,836,753	5,568,825	3,900,703	4,205,371	-24%
Supplies	8,318,764	10,138,885	10,211,558	7,060,481	8,123,724	-20%
Insurance	28,167,219	32,355,629	32,288,929	22,253,188	28,749,529	-11%
Other Operating	21,503,186	18,605,477	19,149,436	12,809,883	17,677,219	-8%
Capital Purchases	5,683,446	8,654,024	17,661,324	16,661,908	17,661,324	0%
Land & Building	11,976,090	8,900	1,430,495	696,015	1,430,495	0%
Debt Service-Principal	22,943,220	20,291,015	20,259,529	1,949,000	20,259,529	0%
Debt Service-Interest	16,854,003	16,248,036	16,809,682	9,001,587	16,809,682	0%
Transfers Out	88,541,191	66,598,203	103,254,396	86,503,667	103,254,396	0%
TOTAL EXPENDITURES	344,514,115	326,145,622	376,170,930	268,767,140	355,382,683	-6%
ENDING BALANCE	146,227,772	140,712,064	133,748,510	152,227,983	159,536,559	

*Includes year-to-date actuals plus encumbrances; excludes CIP funds

**Other Fees/Services include: Internal Service Charges; Airport Fees; Police/Court Fees; Transit Fees; Land Use Fees; and various other fees/services

***Miscellaneous Revenues are primarily comprised of Bond Proceeds. This category also includes: Bond Premiums; Sales Revenue; Reimbursements; Refunds; Advertising Income; Insurance Recoveries; and other miscellaneous revenues

ANALYSIS



GENERAL FUND SUMMARY & PROJECTIONS

DESCRIPTION	FISCAL YEAR 2013/2014 ACTUAL	FISCAL YEAR 2014/2015				
		APPROVED BUDGET	AMENDED BUDGET	YEAR TO DATE*	PROJECTED YEAR-END	PROJECTED VARIANCE
BEGINNING BALANCE	8,121,688	9,305,512	9,305,512	9,305,512	9,305,512	
<i>Revenues:</i>						
Gross Receipts Tax	52,621,883	53,836,678	53,836,678	40,637,790	52,892,516	-2%
Property Tax	3,288,358	3,262,577	3,464,591	2,275,594	3,536,436	2%
Franchise Tax	2,873,554	3,145,000	3,145,000	2,427,266	3,597,623	14%
Other Taxes	468,660	490,000	490,000	350,319	521,442	6%
Licenses & Permits	2,346,669	2,628,000	2,628,000	1,875,227	2,524,288	-4%
Ambulance Fees	3,511,498	2,000,000	2,000,000	1,198,653	1,917,186	-4%
Planning/Land Use Fees	207,451	271,400	203,900	219,836	295,476	45%
Recreation Fees	467,169	490,000	490,000	355,292	536,207	9%
Reimbursed Expenditures**	5,944,541	5,397,995	5,397,995	4,017,997	5,356,276	-1%
Other Fees/Services	206,804	235,800	235,800	154,194	209,792	-11%
Fines & Forfeitures	506,527	544,700	544,700	331,192	482,500	-11%
Miscellaneous Revenues	62,904	149,000	149,000	36,257	54,029	-64%
Interest on Investments	49,918	29,038	29,038	31,730	42,307	46%
State/Other Grants	73,578	-	109,840	68,565	118,240	8%
Transfers In	3,155,921	3,291,762	4,141,762	3,431,322	4,141,762	0%
Subtotal - Revenues	75,785,437	75,771,950	76,866,304	57,411,234	76,226,080	-1%
TOTAL RESOURCES	83,907,125	85,077,462	86,171,816	66,716,746	85,531,592	
<i>Expenditures:</i>						
Community Development Department	1,188,575	1,295,819	1,398,325	1,019,708	1,106,275	-21%
Community Services Department:						
-Administration Division	424,594	593,537	660,501	614,245	502,049	-24%
-Library Division	2,586,901	2,603,177	2,603,203	1,920,188	2,519,088	-3%
-Senior Services Division	2,224,573	2,374,548	2,379,757	1,786,318	2,379,969	0%
-Youth & Family Division	675,405	754,120	754,216	565,206	755,180	0%
Finance Department	5,551,101	3,986,326	3,992,931	2,977,470	3,908,051	-2%
Fire Department	14,829,280	14,614,959	15,464,959	11,566,601	15,353,730	-1%
General Government	5,568,378	5,547,392	5,787,282	4,128,532	5,369,103	-7%
Human Resources Department	834,723	831,127	831,127	697,995	909,964	9%
Information Technology and Telecommunications Department	3,198,547	3,349,676	3,418,088	2,445,354	3,150,209	-8%
Land Use Department	3,811,855	4,049,442	4,042,730	2,761,492	3,794,950	-6%
Parks & Recreation Department	7,344,503	8,375,308	8,599,658	5,786,789	7,864,931	-9%
Police Department	20,392,955	22,977,918	23,067,553	15,706,671	21,354,740	-7%
Environmental Services / Graffiti	147,121	299,723	299,723	229,672	279,165	-7%
Public Works Department:						
-Administration Division	245,047	208,984	31,625	25,211	31,793	1%
-Facilities Maintenance Division	2,689,873	2,615,200	2,611,448	2,065,780	2,654,221	2%
-Streets & Drainage Division	422,654	496,926	496,926	349,422	474,055	-5%
-Traffic Engineering Division	2,465,529	2,566,274	2,566,770	2,346,405	2,408,802	-6%
TOTAL EXPENDITURES	74,601,613	77,540,456	79,006,822	56,993,059	74,816,275	-5%
ENDING BALANCE	9,305,512	7,537,006	7,164,994	9,723,687	10,715,316	
<i>City Council-Mandated Minimum General Fund Balance***</i>	<i>6,136,549</i>	<i>6,050,312</i>	<i>6,171,972</i>		<i>6,171,972</i>	
<i>Equivalent # Days of Operation</i>	<i>48</i>	<i>38</i>	<i>35</i>		<i>56</i>	

*Includes year-to-date actuals plus encumbrances

**Reimbursed Expenditures are mostly comprised of internal charges to various City Divisions for services provided by GF Departments such as Finance, ITT, & HR

***Minimum balance defined as 1/12 budgeted annual General Fund expenditures excluding transfers (30 days)

SUMMARY & PROJECTIONS: FUNDS WITH NEGATIVE PROJECTED BALANCES

DESCRIPTION	FISCAL YEAR 2013/2014 ACTUAL	FISCAL YEAR 2014/2015				
		APPROVED BUDGET	AMENDED BUDGET	YEAR TO DATE*	PROJECTED YEAR-END	PROJECTED VARIANCE
MUNICIPAL RECREATION COMPLEX FUND [5600]						
BEGINNING BALANCE	(1,149,920)	(1,168,973)	(1,168,973)	(1,168,973)	(1,168,973)	
<i>Revenues:</i>						
Recreation Fees	965,545	1,012,237	1,012,237	675,571	1,019,573	1%
Reimbursed Expenditures	4,847	4,000	4,000	3,422	4,106	3%
Parks & Recreation Rentals	45,006	25,200	25,200	17,796	27,475	9%
Other Rentals	22,858	23,000	23,000	17,010	25,708	12%
Miscellaneous Revenues	43,074	47,000	47,396	22,018	32,693	-31%
Transfers In	95,306	197,605	297,605	248,204	297,605	0%
Subtotal - Revenues	1,176,637	1,309,042	1,409,438	984,021	1,407,161	0%
TOTAL RESOURCES	26,717	140,069	240,465	(184,952)	238,189	
<i>Expenditures:</i>						
Salaries	273,504	364,553	364,553	237,611	336,239	-8%
Benefits	119,105	141,132	141,132	93,575	129,458	-8%
Contractual Services	146,288	185,978	179,978	118,284	158,749	-12%
Utilities	172,350	152,067	152,067	167,334	161,714	6%
Repairs & Maintenance	19,027	33,926	42,460	24,033	33,061	-22%
Supplies	45,955	50,671	146,605	56,316	80,521	-45%
Insurance	1,976	2,334	2,334	1,751	2,334	0%
Other Operating	187,199	219,172	230,628	175,656	215,187	-7%
Capital Purchases	147,519	159,209	149,681	149,681	149,681	0%
Transfers Out	82,766	-	-	-	-	0%
TOTAL EXPENDITURES	1,195,689	1,309,042	1,409,438	1,024,240	1,266,945	-10%
ENDING BALANCE [5600]	(1,168,973)	(1,168,973)	(1,168,973)	(1,209,192)	(1,028,756)	
AIRPORT FUND [5800]						
BEGINNING BALANCE	(159,552)	(418,538)	(418,538)	(418,538)	(418,538)	
<i>Revenues:</i>						
Airport Fees	690,959	825,268	856,759	167,965	222,833	-74%
Airport Rentals	44,093	14,140	14,140	5,067	7,198	-49%
Other Rentals	139,129	170,000	170,000	108,172	153,678	-10%
Miscellaneous Revenues	15	-	-	-	-	0%
State Grants	-	10,000	10,000	-	10,000	0%
Transfers In	400,001	582,646	582,646	436,984	582,646	0%
Subtotal - Revenues	1,274,198	1,602,054	1,633,545	718,189	976,356	-40%
TOTAL RESOURCES	1,114,646	1,183,516	1,215,007	299,651	557,818	
<i>Expenditures:</i>						
Salaries	772,000	623,006	623,006	463,485	632,038	1%
Benefits	368,408	309,305	309,305	232,743	311,382	1%
Contractual Services	88,990	90,650	116,858	90,614	106,633	-9%
Utilities	68,018	62,680	62,680	74,079	72,732	16%
Repairs & Maintenance	18,471	37,737	38,101	24,453	29,130	-24%
Supplies	30,354	34,786	33,070	24,524	28,077	-15%
Insurance	32,933	50,992	50,992	31,275	37,773	-26%
Other Operating	154,010	163,139	162,189	119,035	171,785	6%
TOTAL EXPENDITURES	1,533,184	1,372,295	1,396,201	1,060,207	1,389,550	0%
ENDING BALANCE [5800]	(418,538)	(188,779)	(181,194)	(760,556)	(831,732)	

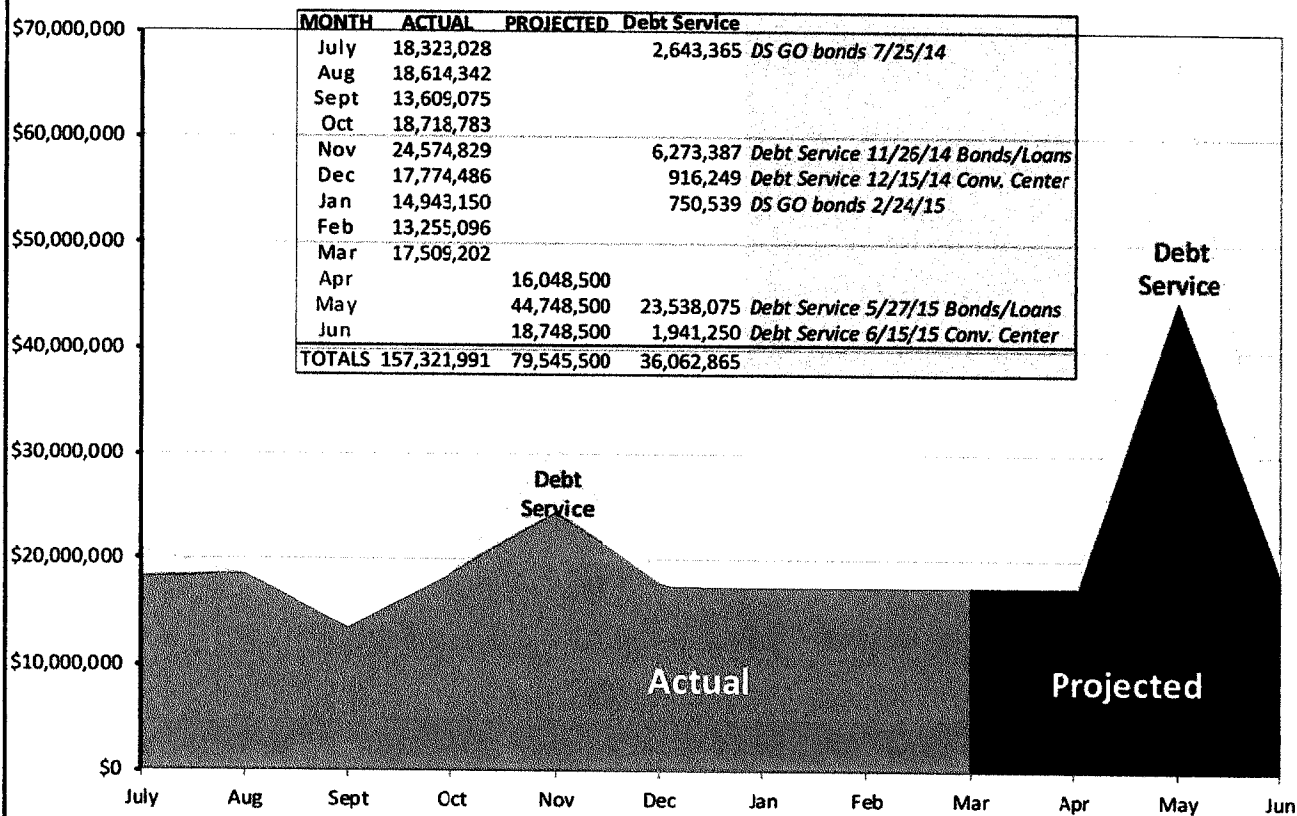
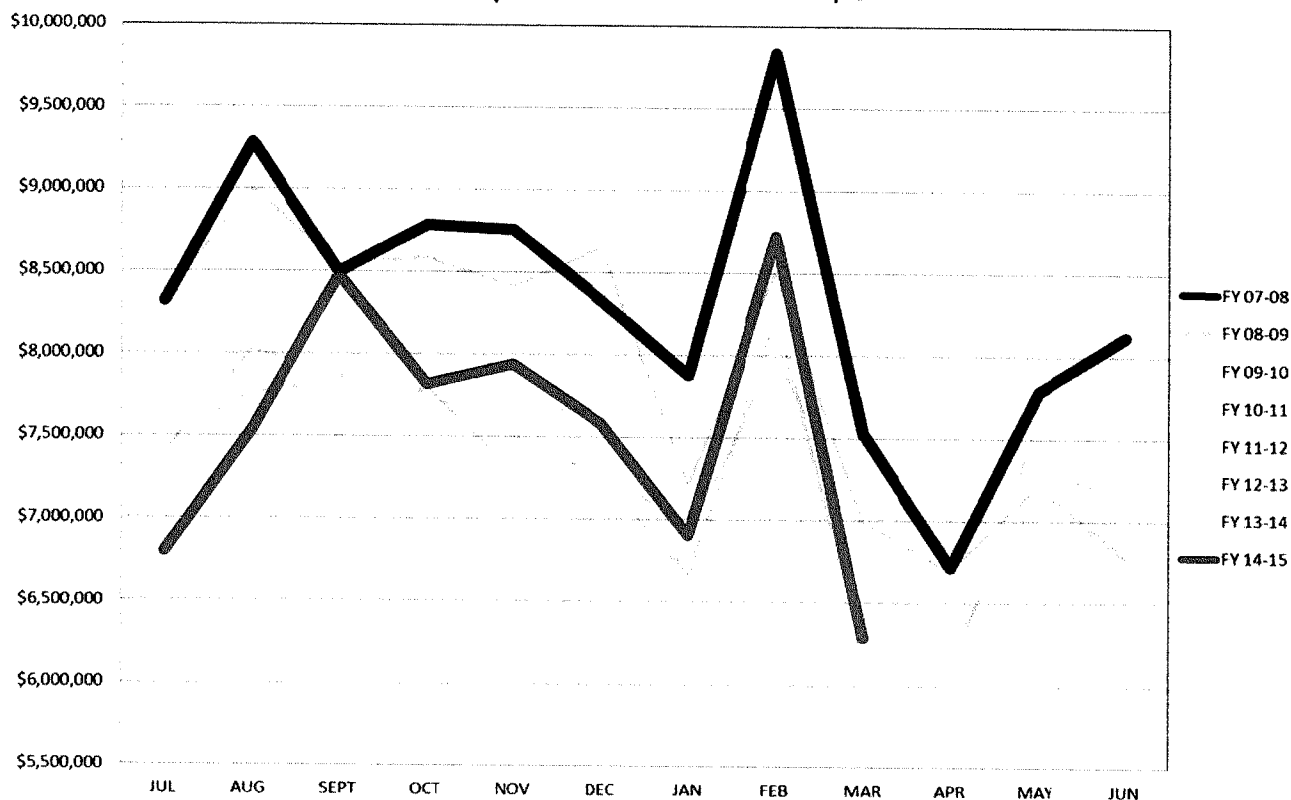
*Includes year-to-date actuals plus encumbrances; excludes CIP funds

SUMMARY & PROJECTIONS: FUNDS WITH NEGATIVE PROJECTED BALANCES

DESCRIPTION	FISCAL YEAR 2013/2014	FISCAL YEAR 2014/2015				
	ACTUAL	APPROVED BUDGET	AMENDED BUDGET	YEAR TO DATE*	PROJECTED YEAR-END	PROJECTED VARIANCE
SF CIVIC CONVENTION CENTER FUND [5100]						
BEGINNING BALANCE	1,715,482	544,979	544,979	544,979	544,979	
<u>Revenues:</u>						
Civic Center Fees	185,318	-	-	230,143	308,671	100%
Reimbursed Expenditures	-	-	-	41,552	50,929	100%
Other Fees/Services	18,418	-	-	12,529	17,073	100%
Rentals & Concessions	917	420,000	420,000	-	-	-100%
Sales Revenue	84	-	-	2,450	2,645	100%
Miscellaneous Revenues	13,218	-	-	10,099	14,996	100%
Interest on Investments	15,229	7,199	7,199	8,581	11,441	59%
Transfers In	3,428,571	3,794,793	3,794,793	2,846,095	3,794,793	0%
Subtotal - Revenues	3,661,755	4,221,992	4,221,992	3,151,448	4,200,548	-1%
TOTAL RESOURCES	5,377,237	4,766,971	4,766,971	3,696,427	4,745,527	
<u>Expenditures:</u>						
Salaries	351,226	382,574	382,574	269,555	373,060	-2%
Benefits	173,732	190,262	190,262	145,889	194,263	2%
Contractual Services	250,772	149,638	183,738	111,664	139,440	-24%
Utilities	310,421	238,500	251,500	257,675	274,598	9%
Repairs & Maintenance	60,607	232,189	198,089	71,814	99,314	-50%
Supplies	50,753	92,599	92,599	70,479	65,638	-29%
Insurance	31,676	19,815	19,815	14,861	19,815	0%
Other Operating	111,048	134,080	121,080	86,415	100,384	-17%
Land & Building	-	3,900	3,900	-	3,900	0%
Debt Service-Principal	1,175,000	1,235,000	1,235,000	-	1,235,000	0%
Debt Service-Interest	2,179,500	2,123,187	2,123,187	1,061,594	2,123,187	0%
Transfers Out	137,522	137,522	715,248	680,868	715,248	0%
TOTAL EXPENDITURES	4,832,258	4,939,266	5,516,992	2,770,814	5,343,845	-3%
ENDING BALANCE [5100]	544,979	(172,295)	(750,021)	925,613	(598,319)	

*Includes year-to-date actuals plus encumbrances; excludes CIP funds

CASH LEVELS ON HAND TO MEET ALL ANTICIPATED EXPENSES

Year-to-Date Gross Receipts Tax Revenue as of January 2015:
Comparison to 2008 in 2014-\$'s

City of Santa Fe Cash Balance Comparisons

Fund Type	Type of Account	Audit Cash Balance 06-30-2014	Restricted State Mandated 'minimum balance'	Restricted for Debt Payment/ Actuarial Reserve/ miscellaneous	Committed- Accts Payable & Escrows	Total Cash Available 06-30-2014	Cash Balance General Ledger 09-30-2014	Cash Balance General Ledger 03-31-2015
Major Government Funds								
	GEN - General Fund	9,305,512	6,136,549		3,079,917	89,046	7,847,609	12,243,142
	GRT - 1/2% Gross Receipts Tax	2,356,377	-	-	33,574	2,322,803	2,810,957	3,158,986
	DBT - Debt Service Funds	5,144,335	-	3,509,669	40,015	1,594,651	29,336,830	10,674,361
Special Revenue Government Funds								
	General Government							
	CAP - Capital Equipment Reserve	129,598			4,352	125,246	122,286	106,139
	MTG - Mortgage Refund Residual	8,361		-	-	8,361	8,373	8,401
	FEE - Franchise Fee	1,938			8,137	(6,199)	(24,635)	(20,793)
	LNS - Economic Deveopment	31,962			31,275	687	(133,486)	(304,909)
	LDG - Lodger's Tax Funds	2,983,884			558,641	2,425,243	3,884,808	3,653,469
	SPL - Other Special Revenue Funds	451,541				451,541	483,387	547,471
	SFB - Santa Fe Business Incubator	32,937				32,937	32,988	33,096
	GRT - 1/2% Gross Receipts Tax	1,298,770				1,298,770	1,460,027	1,732,817
	CHD - Child Care Center	-				-	(1,282)	
	Public Safety							
	ANM - Animal Services	147,189			323	146,866	153,567	165,677
	EMG - Emergency Services Funds	717,277			5,203	712,074	1,146,440	658,226
	ENV - Environmental Services	180,932			-	180,932	52,805	278,781
	LAW - Law Enforcement Grants	2,249,599			125,088	2,124,511	2,449,801	2,578,650
	HOS - Affordable Housing Program	(0)				(0)	(0)	0
	Public Works							
	CON - Resource Conservation	1,810				1,810	1,810	1,810
	DRN - City Drainage Projects	25,736			5,110	20,626	22,766	(87,992)
	IFP - Impact Fee Projects	1,481,147			-	1,481,147	1,635,915	1,858,140
	TRN - Transportation Grants	219,406			5,315	214,091	191,362	147,810
	Community Development							
	COM - Community Development Grants	1,032,982			60,049	972,933	1,228,262	1,027,426
	SEN - Senior Grants	184,358			9,105	175,253	52,841	445,018
	Culture and Recreation							
	HIS - Historic Preservation Grants	157,639			-	157,639	161,697	161,099
	LIB - Library Grants	401,177	-	250,000	60,250	90,927	430,966	447,003
	NEA - NEA Grant	(77)				(77)	7,423	7,423
	PLA - Plaza Use Fund	96,162				96,162	114,186	103,929
	PUB - Public Facilities Purchases	56,262				56,262	56,349	56,533
	QUA - Quality of Life Project	141,426			7,705	133,721	169,062	235,270
	REC - Recreation Grants	846,282			121,318	724,964	755,618	903,610
	TEA - Land Development	1,572,971			-	1,572,971	1,575,045	1,570,528
	SRL - Special Recreation League	130,102			1,029	129,073	127,465	110,651
Total Special Revenue funds		14,581,371	-	250,000	1,002,900	13,328,471	16,038,380	16,425,283

FINANCIAL PERFORMANCE REPORT: MARCH 2015

EXHIBIT 1

Audit – July 1 2015

{Cash Balance Comparisons – continued}

Fund Type	Type of Account	Audit Cash Balance 06-30-2014	Restricted State Mandated *minimum balance*	Restricted for Debt Payment/ Actuarial Reserve/ miscellaneous	Comm itted- Accts Payable & Escrows	Total Cash Available 06-30-2014	Cash Balance General Ledger 09-30-2014	Cash Balance General Ledger 03-31-2015
Capital Projects Government Funds								
	General Government							
	CIP - CIP Re-allocation	181,433			-	181,433	202,420	259,500
	CON - Resource Conservation	2,505,509			-	2,505,509	2,500,800	83,238
	RNV - Building Renovation Projects	291,283			67,815	223,468	676,619	2,385,577
	PRJ - Other CIP	(512,948)			-	(512,948)	(512,948)	(513,078)
	Public Works							
	ARL - Beautif. of Major Arterials	106,715			5,395	101,320	63,022	38,528
	BND - Bond Aquisition Funds	79,494			-	79,494	79,494	79,494
	DRN - City Drainage Projects	134,366			4,125	130,241	127,177	1,116,007
	PAV - City Paving Projects	3,831,198			391,416	3,439,782	3,282,684	5,861,760
	RVR - Santa Fe River Channel	32,507				32,507	32,507	32,507
	SIG - City Signalization Projects	406,011			77,670	328,341	235,285	707,945
	STR - City Street Constr. Projects	3,530,931			14,818	3,516,113	3,464,491	4,946,994
	WLK - City Sidewalk Projects	508,785			134	508,651	401,811	1,067,762
	ZIA - Zia Road Street Lighting	151,301			-	151,301	142,746	194,836
	Community Development							
	HOS - Affordable Housing Program	1,000				1,000	1,000	201,000
	PUC - Public Care Facilities	1,687,156				1,687,156	1,678,025	1,931,293
	Culture and Recreation							
	ART - Art for CIP Projects	339,984			17,018	322,966	302,156	624,327
	PRK - City Parks Imprvmt.	9,853,803			724,839	9,128,964	7,765,732	13,366,893
	SPC - Open Space Acquisition	146,307			-	146,307	246,345	239,289
	LIB - Library Grants	57,119			-	57,119	39,560	17,835
Total Capital Projects Funds		23,331,953	-	-	1,303,230	22,028,723	20,728,928	32,641,708
Enterprise Funds								
	WWT - Wastewater Enterprise	20,646,606	180,312	206,292	673,603	19,586,399	21,782,262	22,507,849
	WTR - Water Enterprise	90,334,614	-	6,017,797	2,337,114	81,979,703	98,466,559	95,644,384
	SLD - Solid Waste Management	6,849,406	171,616	108,990	70,505	6,498,295	6,965,540	8,112,653
	UTL - Utilities Administration	3,676,216	-		-	3,676,216	2,962,610	7,073,293
	RRL - Railyard Properties	972,392	-	118,386	104,426	749,580	1,138,619	1,976,584
	SWY - Santa Fe Convention Enterprise	3,126,762	-	49,366	475,489	2,601,907	4,443,330	4,683,398
	CSF - College of Santa Fe	2,160,852			-	2,160,852	2,738,170	2,566,659
	MUN - Municipal Recreation Complex	(841,334)			34,132	(875,466)	(386,507)	127,170
	PAR - Parking Enterprise	1,216,488			9,932	1,206,556	1,417,689	991,860
	BUS - Transit Bus Enterprise	4,059,993			120,939	3,939,054	6,969,827	6,463,986
	AIR - Airport Enterprise	(92,036)			119	(92,155)	(421,298)	(787,830)
	GCC - Genoveva Chavez Community Ctr	1,684,691			117,928	1,566,763	1,600,931	3,815,746
Total Enterprise Funds		133,794,650	351,928	6,500,831	3,944,187	122,997,704	147,677,731	153,175,753
Internal Service Funds								
	RSK - Risk Management	2,288,404		2,167,549	69,726	51,129	1,134,185	1,740,063
	SFH - Santa Fe Health/dental	5,776,720		2,465,974	563,959	2,746,787	4,954,761	5,764,879
	WRK - Workers Compensation	5,456,164		4,134,729	8,800	1,312,635	5,540,518	5,888,300
	SLB - AFSCME Sick Leave Bank	214,690				214,690	200,584	170,962
	FUL - Fire Union Sick Leave Bank	-				-	(7,401)	(11,382)
	NUL - Non Union Sick Leave Bank	-				-	(363)	5,299
	PUL - Police Union Sick Leave Bank	-				-	(1,255)	42,522
Total Internal Service Funds		13,735,978	-	8,768,252	642,485	4,325,241	11,821,030	13,600,643
Overall Totals		202,250,176	6,488,477	19,028,752	10,046,308	166,686,639	236,261,465	241,919,877

City of Santa Fe
Lodging Tax Report
Fiscal Year Ending June 2015

4% Lodging Tax

Month	Fiscal Year 2010-2011	% Gain/Loss	Fiscal Year 2011-2012	Monthly % Gain/Loss	Fiscal Year 2012-2013	Monthly % Gain/Loss	Fiscal Year 2013-2014	Monthly % Gain/Loss	Fiscal Year 2014-2015	Monthly % Gain/Loss
July	\$ 486,349	-2%	\$ 429,660	-8%	\$ 541,735	26%	\$ 468,946	-13%	\$ 481,652	3%
August	\$ 559,878	-3.18%	\$ 584,497	4.40%	\$ 536,103	-8.28%	\$ 517,387	-3.49%	\$ 621,466	20.12%
September	\$ 621,818	-5.07%	\$ 587,900	-5.45%	\$ 608,861	3.57%	\$ 527,862	-13.30%	\$ 672,318	27.37%
October	\$ 417,264	-12.58%	\$ 457,746	9.70%	\$ 461,151	0.74%	\$ 557,971	21.00%	\$ 548,857	-1.63%
November	\$ 489,309	34.20%	\$ 447,667	-8.51%	\$ 450,359	0.60%	\$ 489,805	8.76%	\$ 358,944	-26.72%
December	\$ 234,852	-37.23%	\$ 223,558	-4.81%	\$ 261,800	17.11%	\$ 195,314	-25.40%	\$ 434,235	122.33%
January	\$ 260,667	41.00%	\$ 275,908	5.85%	\$ 345,975	25.40%	\$ 399,718	15.53%	\$ 416,969	4.32%
February	\$ 201,287	-9.70%	\$ 184,248	-8.47%	\$ 193,829	5.20%	\$ 198,194	2.25%	\$ 208,802	5.35%
March	\$ 198,305	-15.91%	\$ 167,482	-15.54%	\$ 211,949	26.55%	\$ 240,976	13.70%	\$ 283,865	17.80%
April	\$ 285,430	27.07%	\$ 276,748	-3.04%	\$ 320,760	15.90%	\$ 342,814	6.88%		
May	\$ 265,120	-10.44%	\$ 263,949	-0.44%	\$ 298,822	13.21%	\$ 310,324	3.85%		
June	\$ 349,553	-14.59%	\$ 481,800	37.83%	\$ 427,960	-11.17%	\$ 478,706	11.86%		
Fiscal Year Totals	\$ 4,349,832	-3.28%	\$ 4,381,163	0.72%	\$ 4,659,304	6.35%	\$ 4,728,017	1.47%	\$ 4,027,139	
Cumulative Months										
July - April Totals	\$ 3,735,159	-27.71%	\$ 3,635,414	-2.67%	\$ 3,932,522	8.17%	\$ 3,938,987	0.16%	\$ 4,027,139	2.24%

Convention Center 3% Lodgers Tax

Month	Fiscal Year 2010-2011	% Gain/Loss	Fiscal Year 2011-2012	Monthly % Gain/Loss	Fiscal Year 2012-2013	Monthly % Gain/Loss	Fiscal Year 2013-2014	Monthly % Gain/Loss	Fiscal Year 2014-2015	Monthly % Gain/Loss
July	\$ 349,762	-2%	\$ 322,245	-8%	\$ 406,301	26%	\$ 351,709	-13%	\$ 361,239	3%
August	\$ 419,908	-3.18%	\$ 438,373	4.40%	\$ 402,077	-8.28%	\$ 388,040	-3.49%	\$ 466,099	20.12%
September	\$ 468,364	-5.07%	\$ 440,925	-5.45%	\$ 456,646	3.57%	\$ 395,896	-13.30%	\$ 504,239	27.37%
October	\$ 312,948	-12.58%	\$ 343,310	9.70%	\$ 345,863	0.74%	\$ 418,479	21.00%	\$ 411,643	-1.63%
November	\$ 366,982	34.20%	\$ 335,750	-8.51%	\$ 337,769	0.60%	\$ 367,354	8.76%	\$ 269,208	-26.72%
December	\$ 176,141	-37.23%	\$ 167,668	-4.81%	\$ 196,350	17.11%	\$ 146,487	-25.39%	\$ 325,676	122.32%
January	\$ 195,500	41.00%	\$ 206,931	5.85%	\$ 259,482	25.40%	\$ 299,790	15.53%	\$ 312,749	4.32%
February	\$ 150,965	-9.70%	\$ 138,186	-8.46%	\$ 145,372	5.20%	\$ 148,646	2.25%	\$ 156,601	5.35%
March	\$ 148,729	-15.91%	\$ 125,611	-15.54%	\$ 158,962	26.55%	\$ 180,732	13.70%	\$ 212,899	17.80%
April	\$ 214,072	27.07%	\$ 207,561	-3.04%	\$ 240,570	15.90%	\$ 257,110	6.88%		
May	\$ 198,840	-10.44%	\$ 197,961	-0.44%	\$ 224,117	13.21%	\$ 232,743	3.85%		
June	\$ 262,165	-14.59%	\$ 361,350	37.83%	\$ 320,970	-11.17%	\$ 359,030	11.86%		
Fiscal Year Totals	\$ 3,262,376	-3.28%	\$ 3,285,871	0.72%	\$ 3,494,478	6.35%	\$ 3,546,015	1.47%	\$ 3,020,355	
Cumulative Months										
July - April Totals	\$ 2,801,371	-27.71%	\$ 2,726,560	-2.67%	\$ 2,949,392	8.17%	\$ 2,954,243	0.16%	\$ 3,020,355	2.24%

Fiscal Year Comparison
Combined 4%+3% Fiscal Year Total

	2009-2010	2010-2011	2011-2012	2012-2013	2014-2015
Fiscal Year Total	\$ 7,612,208	\$ 7,667,034	\$ 8,153,783	\$ 8,274,032	\$ 7,047,493
% Gain/Loss	-3.28%	0.72%	6.35%	1.47%	-14.82%

Current Year to Date Comparison to Prior Year to Date

	2009-2010	2010-2011	2011-2012	2012-2013	2014-2015
July - April Total	\$ 6,536,530	\$ 6,361,974	\$ 6,881,914	\$ 6,893,230	\$ 7,047,493
% Gain/Loss	-27.71%	-2.67%	8.17%	0.16%	2.24%

CITY OF SANTA FE

**LODGERS' TAX AGREED-UPON
PROCEDURES REPORT**

FISCAL YEAR ENDED JUNE 30, 2014



Barracclough & Associates, P.C.
Certified Public Accountants & Consultants

**City of Santa Fe
Lodgers' Tax Agreed-Upon Procedures Engagement
June 30, 2014**

Table of Contents

	<u>Page</u>
Executive Summary	1
Summary Memo	2-3
Agreed Upon Procedures Report	4-5
Findings	5-10
Attachment 1: List of Procedures Performed	11

**City of Santa Fe
Lodgers' Tax Agreed-Upon Procedures Engagement
Executive Summary**

Background: A 7% tax is collected by lodging facilities located within the City of Santa Fe for rooms rented 30 days or less. The lodging facilities remit the tax collected to the City of Santa Fe on a monthly basis. These facilities include hotels, motels, bed and breakfasts, and houses.

Objective: Were lodging facilities collecting and remitting lodgers' tax in accordance with 18-11.9 SFCC 1987?

Barracough & Associates, P.C. reviewed the records of 8 commercial lodging facilities during July 1, 2013 through June 30, 2014 (FY14) and noted:

- Two facilities over paid their taxes by \$1,591.
- One facility owes the City \$1,139 in back Lodgers' Tax.
- One facility owes the City penalties and interest of \$1,059.
- Three facilities were noncompliant in our request for an audit (Entity #5, Entity #8, and Entity #10).
- One facility did not provide the additional documents requested, and we were unable to complete our procedures (Entity #7).
- The City's spreadsheet containing lodgers' tax payments received had 1 error, see pg. 6 for details.

Barracough & Associates, P.C. reviewed the records of 8 short-term renting facilities during July 1, 2013 through June 30, 2014 (FY14) and noted:

- Six facilities owe the City penalties and interest of \$3,581.
- Six facilities owe the City \$4,569 in back Lodgers' Tax.
- Two facilities over paid their taxes by \$166.
- Two facilities were noncompliant in our request for an audit (Entity #18 and Entity #20).
- One facility did not provide the additional documents requested, and we were unable to complete our procedures (Entity #11).
- The City's spreadsheet containing lodgers' tax payments received had 18 errors see pages 6-8 for details.

Recommendations:

- The City of Santa Fe should collect \$10,348 in interest, penalties, and back taxes from the facilities tested.
- The City of Santa Fe should credit customer accounts for \$1,757 in taxes overpaid.
- The City of Santa Fe should review their receipts of payments received and reconcile differences mentioned in this report with their spreadsheet.
- The City of Santa Fe should pursue legal action against those facilities mentioned who were noncompliant with our requests for inspection of their records in accordance with 18-11.11 SFCC 1987.
- The City of Santa Fe should reconcile the number of licenses for short term renters with those paying taxes.
- The City of Santa Fe should reevaluate the limit on short term licenses of 350 to ensure that this number is still appropriate today.

**City of Santa Fe
Lodgers' Tax Agreed-Upon Procedures Engagement
Summary Memo**

What is an Agreed-Upon Procedures Engagements:

An agreed-upon procedures engagement is one in which a practitioner is engaged by a client to issue a report of findings based on specific procedures performed on the subject matter. The client engages the practitioner to assist specified parties in evaluating subject matter or an assertion as a result of a need or needs of the specified parties. Because the specified parties require that findings be independently derived, the services of a practitioner are obtained to perform procedures and report his or her findings. The specified parties and the practitioner agree upon the procedures to be performed by the practitioner that the specified parties believe are appropriate. Because the needs of the specified parties may vary widely, the nature, timing, and extent of the agree-upon procedures may vary as well; consequently, the specified parties assume responsibility for the sufficiency of the procedures since they best understand their own needs. In an engagement performed under this section, the practitioner does not perform an examination or a review, and does not provide an opinion or negative assurance.

Procedures Agreed-Upon by the City of Santa Fe and Barracclough & Associates, P.C.

The list of procedures agreed to by the specified parties as set forth in PSA #14-0810 are presented in Attachment I on page 11.

Background

Per the City of Santa Fe Code there is tax borne by persons using commercial lodging accommodations. There is imposed an occupancy tax of five percent (5%) and a convention center fee of two percent (2%) for a total of seven percent (7%) of gross taxable rent for lodging within the City of Santa Fe paid to Vendors. Each vendor shall make a report by the twenty-fifth day of each month, on forms provided by the city cashiers office, of the receipts for lodging in the preceding calendar month, and shall submit the proceeds of the lodgers' tax to the City of Santa Fe. The tax imposed provides revenues for the purposes of (1) advertising, publicizing, and promoting facilities and tourist attractions, (2) acquiring, constructing, and maintaining tourist attractions and recreational facilities, (3) and for all other legally permissible purposes including those purposes as authorized in the City Code subsection 18-11.15.

Objective

The objective of this agreed-upon procedures engagement was to conduct procedures to verify that the amount of gross rents subject to occupancy tax was accurate, had been collected from each vendor subject to such tax and properly remitted in a timely manner to the City of Santa Fe.

Scope

- 1.) Provide notice to 11 commercial lodging entities and 10 short term establishments.
- 2.) Schedule a date to begin test work of each establishment to evaluate compliance with regulations provided for in the Lodgers' Tax Act, the Short Term Rental Act, and the Santa Fe City Code from July 1, 2013 through June 30, 2014 (FY14).
- 3.) Determine adequacy of records including whether or not lodgers' tax and short term rental receipts have been accurately recorded.
- 4.) Submit notification to the City of Santa Fe of any establishment which refuses to cooperate with the inquiry.
- 5.) Submit one public report (listing vendors as numbers) with findings upon completion of test work to the City of Santa Fe, Internal Audit Department. Other reports containing confidential information may be requested.
- 6.) Appear before the Audit Committee and the Finance Committee to present the findings of the agreed-upon procedures in summary and answer any questions asked by the Finance Committee.

**City of Santa Fe
Lodgers' Tax Agreed-Upon Procedures Engagement
Summary Memo (Continued)**

Methodology for selection of 11 commercial lodging entities and 10 short term establishments

Entities were selected based on their risk assessment and an analytical evaluation of payments made to the City of Santa Fe over a monthly and annual basis. Commercial lodging entities were rated as either high, moderate, or low risk based on the following criteria:

- | | |
|-----------------|---|
| High | This category included those facilities whose lodgers' tax payments did not seem reasonable based on the size of the establishment, lateness of payments, months during the year which showed no payments, and other factors from the analytical review that would indicate that the City of Santa Fe was not receiving its appropriate share of lodgers' tax payments. |
| Moderate | This category included those facilities whose lodgers' tax payments seem reasonable but based on their size, lateness of payments, or other factors these may indicate that these entities may or may not be sending the City of Santa Fe their appropriate share of lodgers' tax payments. |
| Low | This category includes those facilities whose payments indicate a low risk that the City of Santa Fe has not received its appropriate lodgers' tax payments. |

The criteria above was used in selecting 4 commercial lodging entities as high risk, 5 entities as moderate risk, and 2 entities as low risk.

5 Short term establishments were selected who were remitting lodgers' tax payments to the City of Santa Fe, and 5 short term establishments were selected who were actively advertising but not remitting lodgers' tax payments to the City of Santa Fe.

"30 Years of Excellence"

807 Camino De Monte Rey
Post Office Box 1847
Santa Fe, New Mexico 87504
(505) 983-3387
(505) 988-2505 FAX
(800) 983-1040 Toll Free
ba@barracough.com



Barracough & Associates, P.C.
Certified Public Accountants & Consultants

EXHIBIT 2
Principals
Audit – July 1 2015

John E. Barracough, Jr., C.P.A.
Annette V. Hayden, C.P.A.
Sandra M. Shell, C.P.A./A.B.V., C.V.A.
Rhonda G. Williams, C.P.A.
Katherine M. Rowe, C.P.A.

Managers

Douglas W. Fraser, C.P.A.
Laura Parker, C.P.A.
Rick W. Reynolds, C.P.A.

Independent Auditors' Report on Applying Agreed-Upon Procedures

City of Santa Fe Finance Committee
Santa Fe, New Mexico

Agreed-Upon Procedures Report

At your request, we have performed certain agreed-upon procedures as discussed in Attachment I, which was agreed to by the City of Santa Fe, solely to assist you with respect to the accounting records of eleven lodgers' tax facilities and ten short term renting establishments for the lodgers' tax reports filed for the year ended June 30, 2014.

The City of Santa Fe's Responsibility for the Agreed-Upon Procedures

The City of Santa Fe (the City) is responsible for the sufficiency (nature, timing, and extent) of the agreed-upon procedures because the City best understands its own needs. The City assumes the risk that such procedures might be insufficient for their purposes. In addition, the City assumes the risk that the City might misunderstand or otherwise inappropriately use findings properly reported by Barracough & Associates, P.C. (the contractor).

The Contractor's Responsibility for the Agreed-Upon Procedures

The responsibility of the contractor is to carry out the procedures and report the findings in accordance with the general, fieldwork, and reporting standards for attestation engagements as established in section 50, *SSAE Hierarchy*, together with standards regarding their application, performance and reporting as established by the American Institute of Certified Public Accountants. The contractor assumes the risk that misapplication of the procedures may result in inappropriate findings being reported. Furthermore, the contractor assumes the risk that appropriate findings may not be reported or may be reported inaccurately. The contractor's risks can be reduced through adequate planning and supervision and due professional care in performing the procedures, determining the findings, and preparing the report.

The contractor has no responsibility to determine the differences between the agreed-upon procedures to be performed and the procedures that the practitioner would have determined to be necessary had he or she been engaged to perform another form of attest engagement. The procedures that the contractor agrees to perform pursuant to an agreed-upon procedures engagement may be more or less extensive than the procedures that the practitioner would determine to be necessary had he or she been engaged to perform another form of engagement.

Agreed-Upon Procedures Report

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable Governmental Auditing Standards. The sufficiency of the procedures is solely the responsibility of the specified parties of the report. The sufficiency of these procedures is solely the responsibility of those parties specified in

this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment I either for the purpose for which this report was requested or for any other purpose. In connection with the performance of the procedures referred to, certain matters were noted which we are presenting for your consideration. Our findings are as follows:

Agreed-Upon Procedures – Commercial Lodging Entities (July 1, 2013 through June 30, 2014):

	Revenue of months examined as reported to the City of Santa Fe	Revenue of the months examined as shown on the books	Difference	Difference Taxes Overpaid (Taxes Owed to the City of Santa Fe)	Interest Owed	Penalties Owed	Total Overpaid (Owed) to the City of Santa Fe	Yearly Revenue as Reported to the City of Santa Fe	Percentage of Yearly Revenue Tested
Entity #1	265,959	263,230	2,729	191	-	-	191	1,829,740	15%
Entity #2	65,772	65,772	-	-	-	-	-	507,630	13%
Entity #3	141,299	121,299	20,000	1,400	-	-	1,400	316,087	45%
Entity #4	61,749	61,749	-	-	-	-	-	61,749	100%
Entity #5	-	-	-	-	-	-	-	-	0%
Entity #6	493,769	493,769	-	-	-	-	-	1,310,359	38%
Entity #7	205,842	222,107	(16,265)	(1,139)	(26)	(1,033)	(2,198)	612,403	34%
Entity #8	-	-	-	-	-	-	-	-	0%
Entity #9	273,569	273,569	-	-	-	-	-	1,023,539	27%
Entity #10	-	-	-	-	-	-	-	-	0%
Entity #21	192,665	192,665	-	-	-	-	-	599,817	32%
				<u>Total</u>			<u>(607)</u>		
				Total Interest & Penalties Owed	(1,059)				
				Total Taxes Overpaid	1,591				
				Total Taxes Owed	(1,139)				

Low Risk Classification Commercial Lodging Entities (July 1, 2013 through June 30, 2014):

Entity #1- Management was including no-show revenue and room cancellation fees in their rent revenue reported to the City. Management was informed that this type of revenue only needs to be reported as gross receipts and does not need to be included in the lodgers' tax calculation. We recommend the City of Santa Fe credit this entity \$191 for taxes overpaid.

Entity #2- No exceptions were noted.

Moderate Risk Classification Commercial Lodging Entities (July 1, 2013 through June 30, 2014):

Entity #3- Management made a clerical error while inputting numbers from their reservation program, and they did not catch this error when they submit their payment to the City of Santa Fe which resulted in an overpayment. We recommend the City of Santa Fe credit this entity \$1,400 for taxes overpaid.

Entity #4- The current owner acquired the property on April 15, 2014, and we were only able to test room revenue for the period of April 15, 2014 through June 30, 2014. No exceptions were noted for this period.

Entity #5- This establishment did not respond to our two requests for documentation, and this establishment did not respond to the City Attorney's letters requesting compliance on this matter. We recommend the City of Santa Fe pursue legal action against this entity in accordance with 18-11.11 SFCC 1987.

Entity #6- No exceptions were noted.

Entity #21- No exceptions were noted.

High Risk Classification Commercial Lodging Entities (July 1, 2013 through June 30, 2014):

- Entity #7–** This establishment did not respond to our repeated requests for additional information regarding revenue received. Based on the documents we received, we estimate that revenue was underreported by \$16,565 or taxes owed of \$1,160. We recommend the City of Santa Fe request further documentation from this entity to calculate the correct amount of revenue underreported. Additionally, we noted that three monthly payments were remitted to the City of Santa Fe late, but the owner did not calculate interest and penalties owed. This entity owes the City of Santa Fe \$1,059.01 in late payment penalties and interest.
- Entity #8–** This establishment did not respond to our two requests for documentation, and this establishment did not respond to the City Attorney's letters requesting compliance on this matter. We recommend the City of Santa Fe pursue legal action against this entity in accordance with 18-11.11 SFCC 1987.
- Entity #9–** No exceptions were noted. In performing our testwork, we noted that the City's spreadsheet was missing the August 2013 payment from Entity #9 of \$12,138.35. We recommend the City of Santa Fe review their receipts of payments received and reconcile this with their spreadsheet.
- Entity #10–** This establishment did not respond to our two requests for documentation, and this establishment did not respond to the City Attorney's letters requesting compliance on this matter. We recommend the City of Santa Fe pursue legal action against this entity in accordance with 18-11.11 SFCC 1987.

Agreed-Upon Procedures – Short Term Establishments (July 1, 2013 through June 30, 2014):

	Revenue for the year as reported to the City of Santa Fe	Revenue for the year as shown on the books	Difference	Difference Tax Overpaid (Taxes Owed to the City of Santa Fe)	Interest Owed	Penalties Owed	Total Overpaid (Owed) to the City of Santa Fe
Entity #11	226,297	-	226,297	-	-	-	-
Entity #12	79,740	79,740	-	(20)	-	-	(20)
Entity #13	49,225	51,826	(2,601)	(182)	(22)	(400)	(604)
Entity #14	42,142	44,842	(2,700)	(189)	-	-	(189)
Entity #15	14,725	12,425	2,300	161	-	-	161
Entity #16	-	14,380	(14,380)	(1,007)	(117)	(900)	(2,024)
Entity #17:							-
Owner A	23,470	23,470	-	-	-	-	-
Owner B	19,205	19,205	-	-	-	-	-
Owner C	11,925	11,925	-	-	-	-	-
Owner D	9,519	9,519	-	-	(10)	(200)	(210)
Owner E	30,091	32,690	(2,599)	(182)	(45)	(300)	(527)
Owner F	9,586	14,072	(4,486)	(314)	(59)	(300)	(673)
Owner G	-	17,310	(17,310)	(1,212)	(182)	(800)	(2,194)
Owner H	9,564	9,490	74	5	-	(100)	(95)
Entity #18	-	-	-	-	-	-	-
Entity #19	-	20,894	(20,894)	(1,463)	-	(146)	(1,609)
Entity #20	-	-	-	-	-	-	-
			Total	(4,403)	(435)	(3,146)	(7,984)
Total Interest & Penalties Owed					(3,581)		
Total Taxes overpaid					166		
Total Taxes owed					(4,569)		

Short Term Establishments that have paid lodgers' tax (July 1, 2013 through June 30, 2014):

- Entity #11–** This establishment only provided documentation of payments made to the City of Santa Fe, and we were only able to test whether payments were accurately recorded by the City and whether payments were made timely or remitted late. We were unable to do any test work involving rent revenue received by the entity testing for completeness and accuracy. In performing our testwork we noted that the City's spreadsheet was missing six months of payments: July 2013 - \$1,017.62, August 2013 - \$943.60, September 2013 - \$853.46, October 2013 - \$1,531.46, November 2013 - \$724.22, and December 2013 - \$2,110.25. Additionally we noted that payment for February 2014 was recorded incorrectly as \$468.93, but the actual payment remitted was \$656.46 as confirmed by the bank statements. We recommend the City of Santa Fe review their receipts of payments received and reconcile this with their spreadsheet.
- Entity #12–** Management incorrectly calculated taxes owed on their July 2013 report to the City of Santa Fe even though they reported the correct amount of revenue. The City of Santa Fe is owed tax of \$20 as a result of the calculation error. Additionally, in performing our testwork we noted that the City's spreadsheet is missing payment for November 2013 of \$605.50. We recommend the City of Santa Fe review their receipts of payments received and reconcile this with their spreadsheet.
- Entity #13–** This establishment underreported revenue for the months of July 2013, August 2013, January 2014, and June 2014. Additionally four monthly payments were remitted to the City of Santa Fe late the months of October 2013, November 2013, February 2014, and May 2014. The City of Santa Fe is owed \$604 in taxes, penalties, and interest from this establishment. Additionally, in performing our testwork we noted that the City's spreadsheet shows payment for June 2014 as \$687.75, however this amount should be \$0. The City's spreadsheet shows payment for February 2014 as \$385; however the amount should be \$388.50. We recommend the City of Santa Fe review their receipts of payments received and reconcile this with their spreadsheet.
- Entity #14–** This establishment underreported revenue for the month of July 2013, and owes tax of \$189 to the City of Santa Fe. Additionally, in performing our testwork we noted that the City's spreadsheet is missing payment for June 2014 of \$123.76. We recommend the City of Santa Fe review their receipts of payments received and reconcile this with their spreadsheet.
- Entity #15–** This establishment remitted taxes for one guest's stay which extended into two months twice resulting in an overpayment to the City of Santa Fe of \$161. Additionally, in performing our testwork we noted that the City's spreadsheet shows payment for July 2013 as \$763, however only \$196 could be verified through the entity's bank statements. The City's spreadsheet shows \$392 for September 2013; however the entity made no payment for this month. We recommend the City of Santa Fe review their receipts of payments received and reconcile this with their spreadsheet.

Short Term Establishments that have advertised, but are not paying lodgers' tax (July 1, 2013 through June 30, 2014):

- Entity #16–** Management was two years behind in their taxes due to financial hardships. As a result of the audit they remitted taxes owed from January 1, 2013 through November 30, 2014 to the City of Santa Fe taxes, interest and penalties totaling \$3,245.34 on 12/22/14. For the period of January 1, 2013 through June 30, 2013, management paid back taxes, penalties, and interest totaling \$424.13. For the period of July 1, 2014 through June 30, 2014, management paid back taxes, penalties, and interest totaling \$2,023.87. For the period of

July 1, 2014 through November 30, 2014, management paid back taxes, penalties, and interest totaling \$797.34.

- Entity #17– Owner A-** No exceptions were noted. In performing our testwork, we noted that the City's spreadsheet was missing payment for November 2013 in the amount of \$210. We reviewed the owner's bank statements noting it was cashed by the City on 12/16/13. We recommend the City of Santa Fe review their receipts of payments received and reconcile this with their spreadsheet.
- Owner B-** No exceptions noted.
- Owner C-** No exceptions noted. In performing our testwork, we noted that the City's spreadsheet was missing payment for June 2014 in the amount of \$136.85. We reviewed the owner's bank statements noting it was cashed by the City on 6/30/14. We recommend the City of Santa Fe review their receipts of payments received and reconcile this with their spreadsheet.
- Owner D-** This establishment remitted two monthly payments late to the City of Santa Fe and did not pay the applicable penalties and interest. The City of Santa Fe is owed penalties and interest totaling \$209.58 for the months of July 2013 and September 2013.
- Owner E-** This establishment underreported revenue, and taxes are owed to the City of Santa Fe of \$181.94. Three monthly payments were remitted to the City of Santa Fe late and the City is owed penalties and interest totaling \$344.89 for the months of August 2013, October 2013, and March 2014.
- Owner F-** This establishment underreported revenue by \$4,486, and taxes are owed to the City of Santa Fe of \$314.02. Three monthly payments were remitted to the City of Santa Fe late, and the City is owed penalties and interest totaling \$359.11. We also noted that the City's spreadsheet shows payment for August 2013 of \$168, however no such payment was made by the owner. We recommend the City of Santa Fe receipts of payments received and reconcile this spreadsheet.
- Owner G-** Management was a year behind in their taxes. As a result of the audit they remitted taxes owed from July 1, 2013 through June 30, 2014 to the City of Santa Fe taxes, interest and penalties totaling \$2,591.31 on 4/23/15. In performing our testwork, we noted that the owner actually overpaid his penalties and interest owed and should receive a credit of \$397.43 so that the correct amount of taxes, penalties, and interest collected for the period is \$2,193.88.
- Owner H-** This establishment remitted one payment late and a penalty of \$100 is owed to the City of Santa Fe, however one month's tax was overpaid by \$5.20 and the total owed to the City is \$94.80. In performing our testwork, we noted the City's spreadsheet was missing payment for August 2013 of \$93.80. Payment for September 2013 was incorrectly shown as August 2013 payment, and should be moved to the appropriate column. We also noted that payment for May 2014 and June 2014 were combined and shown as \$190 for June 2014. Payment for May 2014 was \$85, and payment for June was \$105. We recommend the City of Santa

Fe review their receipts of payments received and reconcile this spreadsheet accordingly.

- Entity #18–** This establishment did not respond to our two requests for documentation, and this establishment did not respond to the City Attorney’s letters requesting compliance on this matter. We recommend the City of Santa Fe pursue legal action against this entity in accordance with 18-11.11 SFCC 1987.
- Entity #19–** This establishment did not respond to our two requests for documentation, and this establishment did not respond to the City Attorney’s two letters requesting compliance on this matter. However, the property manager (Entity #11) did respond, and reported that taxes were owed on \$20,893.80 of rent received for the period. The property manager wrote a check for the \$1,608.82 for taxes owed on 3/3/15, however we were unable to test whether or not the correct penalties and interest were paid because the entity did not provide the necessary documentation.
- Entity #20–** This establishment did not provide any documentation for this audit. The owner did respond to our requests for an audit, however they insisted that they did not owe lodgers’ tax because years ago someone at the City of Santa Fe stated they did not owe tax. We provided the lodgers tax ordinance for the owner stating that they do in fact owe lodgers tax. The owner stated that they had not paid tax for the audit period, and they would pay the tax owed but never communicated any further regarding this matter. We recommend the City of Santa Fe pursue legal action against this entity in accordance with 18-11.11 SFCC 1987.

Additional Findings:

We noted that the City of Santa Fe is not recording payments received from short term renting establishments in a consistent manner. In some instances the City will show payments as if received by the owner, and in some instances payments are shown as if the property manager owns the property when in fact the property manager does not have a license. We recommend that the City of Santa Fe record payments as if made by the owner rather than the property manager to help with the reconciliation of which owners with licenses are paying and which owners are not.

We noted that the City of Santa Fe is not reconciling the number of licenses for short term renters with those paying taxes. As of March 2015 there were 370 licensed short term renting establishments, however the City is not reconciling which licenses are actually paying taxes and which are not because the spreadsheet showing payments received is grouped under property managers as mentioned in the finding above. A spreadsheet that accurately reflects which owners have licenses, but are not paying would greatly enhance the selection process of entities to audit and their level of risk. We recommend that the City of Santa Fe work toward restructuring the payment spreadsheet so that it lists payments by owner, license number, address, and payment amount going forward.

The City of Santa Fe currently has a limit on the number of short term licenses of 350. We recommend that the City of Santa Fe reevaluate if this number is still appropriate given the rise in tourism and rentals in the City of Santa Fe.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This information is intended solely for the use of the City of Santa Fe Finance Committee and management of City of Santa Fe, and is not intended to be and should not be used by anyone other than these specified parties

A handwritten signature in black ink, appearing to read "Barraclough & Associates P.C.", written in a cursive, flowing style.

Barraclough & Associates, P.C.
Santa Fe, New Mexico
June 5, 2015

LODGERS' TAX FACILITIES
AGREED UPON PROCEDURES – LIST OF PROCEDURES PERFORMED

Attachment I

- 1) Review if all lodging establishments selected by the City have been paying lodger's tax.
- 2) Compare the businesses presently paying lodger's tax to other databases (i.e., yellow pages, business license information, etc.).
- 3) Identify any lodging establishments within the City of Santa Fe that are not presently a lodgers' taxpayer.
- 4) Review if any of the entities were late on their payments and determine if applicable late fees were charged.
- 5) Procedures to be performed on high risk entities:
 - A. Select four monthly tax remittances to the City and perform the following:
 - Agree amount reported collected to the cash receipts records and to the bank statements. Compare revenue reported to the entities financial statements or general ledger.
 - Compare ten daily bank receipts to the room records or other supporting documentation to determine if all income from occupied rooms had been reported.
 - B. Agree the yearly amount of revenue reported to the entity's financial statements and/or income tax returns.
- 6) Procedures to be performed on moderate risk entities:
 - A. The procedures would be identical as a high risk entity but the scope of testing the monthly tax remittances tested would be three months.
 - B. Agree the yearly amount of revenue reported to the entity's financial statements and/or income tax returns.
- 7) Procedures to be performed on low risk entities:
 - A. The procedures would be identical as a high risk entity but the scope of testing the monthly tax remittances would be two months.
 - B. Agree the yearly amount of revenue reported to the entity's financial statements and/or income tax returns.
- 8) Procedures to be performed for short-term lodger's tax:
 - A. Compare the listing of all current short-term renter permit holders to the list of short-term renters that have paid lodger's tax.
 - B. Select a sample of 10 short-term renters and agree the yearly amount of revenue to the entity's financial statements or tax returns.

Status of Audits Current_External

City of Santa Fe

2015	Audit	CAFR	Comments
Type of Audit	Financial		As of 06/24/15 entrance conference not yet scheduled.
Auditor	Accounting and Consulting Group		
Due Date of Audit			
Date Field Work Started			
Status of Audit Report	Not Issued		
2016	Audit	Area Agency Aging	Comments
Type of Audit	Grantor		Annual review - date not determined at this time.
Auditor	Area Agency Aging		
Due Date of Audit	TBD		
Date Field Work Started			
Status of Audit Report	Not Issued		
2015	Audit	Financial Management Oversi	Comments
Type of Audit	Grantor		Annual review - date not set.
Auditor	FTA		
Due Date of Audit	TBD		
Date Field Work Started			
Status of Audit Report	Not Issued		

Comments
Annual review - date not set.

2016	Audit	Shelter Plus
Type of Audit	Grantor	
Auditor	HUD	
Due Date of Audit	TBD	
Date Field Work Started		
Status of Audit Report	Not Issued	

2016 Audit **2008 Park Bond Audit**

Type of Audit	Special	Comments State Auditor's office to determine whether or not an audit will be conducted and they will determine the scope and start date of the audit. No communication received from the State Auditor's Office at this time.
Auditor	State Auditor's Office	
Due Date of Audit	TBD	
Date Field Work Started	Not Started	
Status of Audit Report	Not Issued	

Santa Fe Buckman Diversion Project (BDD)

2014 Audit **BDD - Operations**

Type of Audit	Financial	Comments Entrance Conference is scheduled for February 25, 2015. On February 25, 2015 the entrance conference was rescheduled to March 11, 2015. The delay is due to a GO Bond audit being conducted through 03/15/2015. Engagement letter received from Accounting and Consulting Group dated 03/18/2015. Work is planned to begin on April 1, 2015, with an estimated completion date of June 1, 2015. Audit is complete and report given to management for final review. Exit conference is in the process of being scheduled - most likely June 30th or July 1st.
Auditor	Accounting and Consulting Group	
Due Date of Audit	09/30/2014	
Date Field Work Started	04/01/2015	
Status of Audit Report	Not Issued	

2013	Audit	BDD - Operations	Comments
Type of Audit	Financial		Entrance Conference is scheduled for February 25, 2015. On February 25, 2015 the entrance conference was rescheduled to March 11, 2015. The delay is due to a GO Bond audit being conducted through 03/15/2015. Engagement letter received from Accounting and Consulting Group dated 03/18/2015. Work is planned to begin on April 1, 2015, with an estimated completion date of June 1, 2015. Audit is complete and report given to management for final review. Exit conference is in the process of being scheduled - most likely June 30th or July 1st.
Auditor	Accounting and Consulting Group		
Due Date of Audit	09/30/2013		
Date Field Work Started	04/01/2015		
Status of Audit Report	Not Issued		

2012	Audit	BDD - Operations	Comments
Type of Audit	Financial		Entrance Conference is scheduled for February 25, 2015. On February 25, 2015 the entrance conference was rescheduled to March 11, 2015. The delay is due to a GO Bond audit being conducted through 03/15/2015. Engagement letter received from Accounting and Consulting Group dated 03/18/2015. Work is planned to begin on April 1, 2015, with an estimated completion date of June 1, 2015. Audit is complete and report given to management for final review. Exit conference is in the process of being scheduled - most likely June 30th or July 1st.
Auditor	Accounting and Consulting Group		
Due Date of Audit	09/30/2012		
Date Field Work Started	04/01/2015		
Status of Audit Report	Not Issued		

2015	Audit	BDD - Operations	Comments
Type of Audit	Financial		Audits are current - but not started at this time.
Auditor	Accounting and Consulting Group		
Due Date of Audit	12/01/2016		
Date Field Work Started			
Status of Audit Report	Not Issued		

Santa Fe Civic Housing Authority

2015	Audit	Civic Housing Authority	Comments
Type of Audit	Financial		Will update when audit is received. Do not track progress.
Auditor	Ricci & Company		
Due Date of Audit	12/01/2016		
Date Field Work Started			
Status of Audit Report	Not Issued		

Santa Fe Railyard Community Corporation and Subsidiary

2015	Audit	Santa Fe Railyard	Comments
Type of Audit	Financial		Will update when audit is received. Do not track progress.
Auditor	Barracclough & Associates		
Due Date of Audit	12/01/2016		
Date Field Work Started			
Status of Audit Report	Not Issued		

Santa Fe Solid Waste Management Agency (SWMA)

2015	Audit	SWMA	Comments
Type of Audit	Financial		Audits are current - but not started at this time.
Auditor	Accounting and Consulting Group		
Due Date of Audit	12/01/2016		
Date Field Work Started			
Status of Audit Report	Not Issued		



City of Santa Fe, New Mexico

200 Lincoln Avenue, P.O. Box 909, Santa Fe, N.M. 87504-0909

www.santafenm.gov

Javier M. Gonzales, Mayor

Councilors:

Peter N. Ives, Mayor Pro Tem, Dist. 2
Patti J. Bushee, Dist. 1
Signe I. Lindell, Dist. 1
Joseph M. Maestas, Dist. 2
Carmichael A. Dominguez, Dist. 3
Christopher M. Rivera, Dist. 3
Ronald S. Trujillo, Dist. 4
Bill Dimas, Dist. 4

IPA Recommendation Form for Audits

(Please print on your agency's letterhead)

- ❖ Complete the audit contract (including obtaining the IPA's signature) and submit it to the Office of the State Auditor with this form by the deadline indicated at 2.2.2.8(G)(6)(c).

I. Agency Contact Information

Name of Agency: City of Santa Fe
Address of Agency: P O Box 909
Phone # of Agency: 505-955-6532 FAX# of Agency: 505-955-6745
City: Santa Fe (State: NM) Zip: 87504 Web Site Address: santafenm.gov

Agency Head Contact Information

Name of Agency Head: Oscar S. Rodriguez Title of Agency Head: Director of Finance
E-mail address of Agency Head: osrodriguez@ci.santa-fe.nm.us

Agency Contact Information

Name of Agency Contact: Teresita M. Garcia Title of Agency Contact: Assistant Finance Director
Phone # of Agency Contact: 505-955-6532 FAX# of Agency Contact: _____
E-mail address of Agency Contact: tmgarcia@ci.santa-fe.nm.us

Note: Please fill out e-mail address of contact person. All fully executed contracts will be sent via e-mail.

II. Recommended Independent Public Accountant (IPA) Information

As required by the Audit Rule, Section 2.2.2.8.E(3), an IPA subject to contract restriction is responsible for informing this agency whether it is eligible to engage in this proposed contract. By signing the signature page, I am verifying herein that the IPA has certified its eligibility to engage in this proposed contract.

Name of IPA Firm: Accounting & Consulting Group, LLP
Phone # 505-883-2727 Fax: 505-213-0060 E-mail: _____
Address: beatmon@acgsw.com

Note: If there is a change in the On-Site Manager, the Office of the State Auditor must be notified in writing.

III. Important Dates

For which Fiscal Year (FY) is this recommendation being made: 6/30/15
Estimated Audit Start Date 6/15/15 Estimated Completion Date 12/15/15

IV. Single Audit Requirement

Please check the box below that applies to your agency (a Single Audit should have been included in the procurement if the agency expended \$500,000 or more of federal funds:

- ☐ My agency procured an annual financial and compliance audit without a Single Audit.
- ☒ My agency procured an annual financial and compliance audit with a Single Audit.

V. Multi-Year Certification

Please check the appropriate box below:

- ☒ This is a multi-year award and this request applies to the 2nd year of a 3 year Proposal.
☐ This is a one year procurement award for only the fiscal year indicated in Section III.

VI. Fee and Hour Breakdown

Category	The first year of our 3-year procurement was FY 20 <u>14</u> (or use just these columns for one-year procurement)		The second year of our 3-year procurement was FY 20 <u>15</u>		The third year of our 3-year procurement was FY 20 <u>16</u>	
	Year 1 Hours	Year 1 Cost	Year 2 Hours	Year 2 Cost	Year 3 Hours	Year 3 Cost
Financial Statement Audit	590	73,750	590	73,750	590	73,750
Financial Statement Preparation	160	18,480	120	14,280	120	14,280
Federal Single Audit	170	21,250	170	21,250	170	21,250
Other allowed non-audit services						
Component Units	307	32,235	85	9,350	85	9,350
Other						
SUBTOTAL		145,715		118,630		118,630
Gross Receipts Tax		10,200		8,305		8,305
TOTAL	1,227	\$ 155,915	965	\$ 126,935	965	\$ 126,935

SIGNATURE PAGE

I hereby certify that all the information submitted in this recommendation is true, accurate and complete to the best of my knowledge. Furthermore, I also hereby certify that, to the best of knowledge, my agency complied with applicable provisions of the New Mexico Procurement Code (Sections 13-1-28 through 13-1-199 NMSA 1978) and the Audit Rule (2.2.2 NMAC) in the procurement of the IPA and recommendation to the State Auditor. Finally, I hereby attest that I have the authority to certify the information submitted in this recommendation on behalf of the agency.

Agency Head/Designee: _____
(Signature) (Print Name)

(Title and Date)

(THIS SECTION APPLIES TO SCHOOLS AND UNIVERSITIES ONLY)

This IPA recommendation has been reviewed and approved by our oversight agency (please select one) ☐ the Higher Education Department (HED) or ☐ the Public Education Department (PED) as required by Section 12-6-14 NMSA 1978, and as indicated by the following oversight agency signature and date.

Oversight Agency Signature

Printed name of signer

Date

Contract No. 15- 6160

**STATE OF NEW MEXICO
AUDIT CONTRACT
(Agencies and Local Public Bodies with December 15 deadline)**

City of Santa Fe

hereinafter referred to as the "Agency," and

Accounting & Consulting Group, LLP

hereinafter referred to as the "Contractor," agree:

As required by the Audit Rule, NMAC Section 2.2.2.1 et seq., Contractor agrees to, and shall, inform the Agency of any restriction placed on Contractor by the Office of the State Auditor pursuant to NMAC Section 2.2.2.8.E, and whether the Contractor is eligible to enter into this Contract despite the restriction.

1. SCOPE OF WORK (Include in Paragraph 25 any expansion of scope)

A. The Contractor shall conduct a financial and compliance audit of the following applicable statements and schedules of the Agency for the period from **July 1, 2014 through June 30, 2015**:

- (1) Basic Financial Statements consisting of the government-wide financial statements, fund financial statements, budgetary comparison statements for the general fund and major special revenue funds (GASB 34, footnote 53), and the notes to the financial statements;
- (2) Required supplemental information (RSI), if applicable, consisting of budgetary comparison schedules for the general fund and major special revenue fund data presented on a fund, organization, or program structure basis because the budgetary information is not available on the GAAP fund structure basis for those funds (*GASB Statement No. 41, Budgetary Comparison Schedules—Perspective Differences an amendment of GASB Statement No. 34*) must be audited and included in the auditor's opinion (AAG-SLV 14.52);
- (3) Supplemental Information (SI) that must be audited and included in the auditor's opinion (AAG-SLV 14.52), if applicable, consisting of:
 - (a) Component unit fund financial statements and related combining statements (if there are no separately issued financial statements on the component unit per AAG-SLV 3.20);

- (b) Combining financial statements;
 - (c) Individual fund budget comparison statements for remaining funds that have an adopted budget, including proprietary funds, that did not appear as basic financial statement budget comparisons for the general fund, major special revenue funds or as RSI as described above; and
 - (d) Remaining supplemental information on schedules as required by NMAC Section 2.2.2.10.A(2)(f).
- B. The contractor shall apply certain limited procedures to the following required supplemental information (RSI), if applicable, and report deficiencies in or the omission of required information in accordance with the requirements of AU-C 730.05 to 730.09:
- (1) The Management Discussion and Analysis (MD&A);
 - (2) RSI data required by Statements 25, 27, 43 and 45 regarding pension plans and post-employment healthcare plans administered by defined benefit pension plans; and
 - (3) Schedules derived from asset management systems (GASB 34, paragraphs 132 to 133).
- C. The audit shall be conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, OMB Circular A-133, and *Requirements for Contracting and Conducting Governmental Audits* (NMAC Section 2.2.2.1, et seq.).

2. **DELIVERY AND REPRODUCTION**

- A. In order to meet the delivery terms of this Contract, the Contractor shall deliver the following documents to the State Auditor on or before **December 15, 2015** and in accordance with NMAC Section 2.2.2.9:
- (1) an organized, bound and paginated hard copy of the Agency's audit report for review;
 - (2) a copy of the signed management representation letter provided to the IPA by the Agency as required by AU-C580;
 - (3) a Summary of Findings Form available at www.osanm.org; and
 - (4) a copy of the completed State Auditor Report Review Guide available at www.osanm.org;

- B. Reports postmarked by the Agency's due date will be considered received by the due date for purposes of NMAC Section 2.2.2.9. Unfinished or excessively deficient reports will not satisfy this requirement; such reports will be rejected and returned to the Contractor and the State Auditor may take action in accordance with NMAC Section 2.2.2.13.C. If the State Auditor does not receive copies of the engagement letter, management representation letter, summary of findings form and the completed Report Review Guide with the audit report or prior to submittal of the audit report, the State Auditor will not consider the report submitted to the State Auditor.
- C. As soon as the Contractor becomes aware that circumstances exist that will make the Agency's audit report late, the Contractor shall immediately provide written notification of the situation to the State Auditor. The notification shall include an explanation regarding why the audit report will be late, when the IPA expects to submit the report and a concurring signature by the Agency. The State Auditor shall also notify the Agency's oversight agency, but confidential information shall be omitted from that notification.
- D. Pursuant to NMAC Section 2.2.2.8.Q, the Contractor shall prepare a written and dated engagement letter that identifies the specific responsibilities of the Contractor and the Agency. The Contractor shall submit to the State Auditor an electronic copy of the signed and dated engagement letter and a list of client prepared documents with expected delivery dates within ten (10) days of the entrance conference.
- E. After its review of the audit report pursuant to NMAC Section 2.2.2.13, the State Auditor shall authorize the Contractor to print and submit the final audit report. Within five business days from the date of the authorization to print and submit the final audit report, the Contractor shall provide the State Auditor with **TWO** copies of the report and an electronic version of the audit report, in PDF format. After the State Auditor officially releases the audit report by issuance of a release letter, the Contractor shall deliver 18 copies of the audit report to the Agency. The Agency or IPA shall ensure that every member of the Agency's governing authority shall receive a copy of the report.
- F. The Agency, upon delivery of its audit report, shall submit the required copies of the data collection form, audit report and corrective action plan to the federal clearinghouse designated by the Office of Management and Budget and each federal awarding agency if the schedule of findings and questioned costs disclose audit findings directly related to federal awards.

3. **COMPENSATION**

- A. The total amount payable by the Agency to the Contractor under this Contract, including New Mexico gross receipts tax and expenses, shall not exceed \$ 126,935.
- B. Contractor agrees not to, and shall not, perform any services in furtherance of this Contract prior to approval by the State Auditor. In accordance with Section 12-6-14(A), NMSA 1978, and NMAC Section 2.2.2.8.N(1), Contractor acknowledges and agrees that it will not be entitled to payment or compensation for any services performed by Contractor pursuant to this Contract prior to approval by the State Auditor.

C. Total Compensation will consist of the following:

SERVICES	AMOUNTS
(1) Financial statement audit	73,750
(2) Federal single audit	21,250
(3) Financial statement preparation	14,280
(4) Other nonaudit services, such as depreciation schedule updates	
(5) Other (i.e., component units, specifically identified)	9,350

Gross Receipts Tax = 8,305

Total Compensation = \$ 126,935

D. The Agency shall pay the Contractor the New Mexico gross receipts tax levied on the amounts payable under this Contract and invoiced by the Contractor. Payment is subject to availability of funds pursuant to the Appropriations Paragraph set forth below.

E. Pursuant to Section 12-6-14, NMSA 1978 and NMAC Section 2.2.2.8.N, the State Auditor may authorize progress payments to the Contractor by the Agency; provided that the authorization is based upon evidence of the percentage of audit work completed as of the date of the request for partial payment. Progress payments up to 69% do not require State Auditor approval, provided that the Agency certifies receipt of services. The Agency must monitor audit progress and make progress payments only up to the percentage that the audit is completed prior to making the 69% payment. Progress payments from 70% to 90% require State Auditor approval after being approved by the Agency. If requested by the State Auditor, the Agency shall provide a copy of the approved progress billings. The State Auditor may allow only the first 50% of progress payments to be made without State Auditor approval if the Contractor's previous audits were submitted after the due date. Final payment for services rendered by the Contractor shall not be made until a determination and written finding is made by the State Auditor in the release letter that the audit has been made in a competent manner in accordance with the provisions of this Contract and applicable rules of the State Auditor.

4. **TERM**

A. THIS CONTRACT SHALL NOT BECOME EFFECTIVE UNTIL APPROVED BY THE STATE AUDITOR. Unless terminated pursuant to Paragraphs 5 or 19, this Contract shall terminate one calendar year after the date on which it is signed by the State Auditor.

B. If awarded based on a multi-year proposal, each permitted annual extension of the Contract shall be executed by mutual agreement of the parties and approval of the State Auditor pursuant to NMAC Section 2.2.2.8.G(4).

5. **TERMINATION, BREACH AND REMEDIES**

A. This Contract may be terminated:

- (1) By either party without cause, upon written notice delivered to the other party and the State Auditor at least ten (10) days prior to the intended date of termination.
- (2) By either party, immediately upon written notice delivered to the other party and the State Auditor, if a material breach of any of the terms of this Contract occurs. Unjustified failure to deliver the report in accordance with Paragraph 2 shall constitute a material breach of this Contract.
- (3) By the Agency pursuant to Paragraph 19, immediately upon written notice to the Contractor and the State Auditor.
- (4) By the State Auditor, immediately upon written notice to the Contractor and the Agency after determining that the audit has been unduly delayed, or for any other reason.

B. By termination, neither party may nullify obligations already incurred for performance or failure to perform prior to the date of termination. If the Agency or the State Auditor terminates this Contract, the Contractor shall be entitled to compensation for work performed prior to termination in the amount of earned, but not yet paid, progress payments, if any, that the State Auditor has authorized to the extent required by Paragraph 3(E). If the Contractor terminates this Contract for any reason other than Agency's breach of this Contract, the Contractor shall repay to the Agency the full amount of any progress payments for work performed under the terms of this Contract.

C. Pursuant to NMAC Section 2.2.2.8.D, the State Auditor may disqualify the Contractor from eligibility to contract for audit services with the State of New Mexico if the Contractor knowingly makes false statements, false assurances or false disclosures under this Contract. The State Auditor on behalf of the Agency or the Agency may bring a civil action for damages or any other relief against a Contractor for a material breach of this Contract.

D. **THE REMEDIES HEREIN ARE NOT EXCLUSIVE, AND NOTHING IN THIS SECTION 5 WAIVES OTHER LEGAL RIGHTS AND REMEDIES OF THE PARTIES.**

6. **STATUS OF CONTRACTOR**

The Contractor and its agents and employees are independent contractors performing professional services for the Agency and are not employees of the Agency. The Contractor and its agents and employees shall not accrue leave, retirement, insurance, bonding, use of state vehicles or any other benefits afforded to employees of the Agency as a result of this Contract. The Contractor agrees not to purport to bind the State of New Mexico to any obligation not assumed under this Contract unless the Contractor has express written authority to do so, and then only within the strict limits of that authority.

7. **ASSIGNMENT**

The Contractor shall not assign or transfer any interest in this Contract or assign any claims for money due or to become due under this Contract.

8. **SUBCONTRACTING**

The Contractor shall not subcontract any portion of the services to be performed under this Contract without the prior written approval of the Agency and the State Auditor. An agreement between the Contractor and a subcontractor to subcontract any portion of the services under this Contract shall be completed on a form prescribed by the State Auditor. The agreement shall be an amendment to this Contract and shall specify the portion of the audit services to be performed by the subcontractor, how the responsibility for the audit will be shared between the Contractor and the subcontractor, the party responsible for signing the audit report and the method by which the subcontractor will be paid. Pursuant to NMAC Section 2.2.2.8.L, the Contractor may subcontract only with independent public accounting firms that are on the State Auditor's List of Approved Firms pursuant to NMAC Section 2.2.2.8.B, and that are not otherwise restricted by the Office from entering into such a contract pursuant to NMAC Section 2.2.2.8.E.

9. **RECORDS**

The Contractor shall maintain detailed time records that indicate the date, time, and nature of services rendered during the term of this Contract. The Contractor shall retain the records for a period of at least five (5) years after the date of final payment under this contract. The records shall be subject to inspection by the Agency and the State Auditor. The Agency and the State Auditor shall have the right to audit billings both before and after payment. Payment under this Contract shall not foreclose the right of the Agency or the State Auditor on behalf of the Agency to recover excessive or illegal payments.

10. **RELEASE**

The Contractor, upon receiving final payment of the amounts due under the Contract, releases the State Auditor, the Agency, their respective officers and employees and the State of New Mexico from all liabilities, claims and obligations whatsoever arising from or under this Contract. This paragraph does not release the Contractor from any liabilities, claims or obligations whatsoever arising from or under this Contract.

11. **CONFIDENTIALITY**

All information provided to or developed by the Contractor from any source whatsoever in the performance of this Contract shall be kept confidential and shall not be made available to any individual or organization by the Contractor, except in accordance with this Contract or applicable standards, without the prior written approval of the Agency and the State Auditor.

12. **PRODUCT OF SERVICES; COPYRIGHT AND REPORT USE**

Nothing developed or produced, in whole or in part, by the Contractor under this Contract shall be the subject of an application for copyright by or on behalf of the Contractor. The Agency and the State Auditor may post an audited financial statement on their respective websites once it is publicly released by the State Auditor.

13. **CONFLICT OF INTEREST**

The Contractor represents and warrants that it presently has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of services required under this Contract. Each of the Contractor and the Agency certifies that it has followed the requirements of the Governmental Conduct Act, Section 10-16-1, et seq., NMSA 1978, regarding contracting with a public officer, state employee or former state employee, as required by the applicable professional standards.

14. **INDEPENDENCE**

The Contractor represents and warrants its personal, external and organizational independence from the Agency in accordance with the *Government Auditing Standards 2011 Revision*, issued by the Comptroller General of the United States, and NMAC Section 2.2.2.8.M. The Contractor shall immediately notify the State Auditor and the Agency in writing if any impairment to the Contractor's independence occurs or may occur during the period of this Contract.

15. **AMENDMENT**

This Contract shall not be altered, changed or amended except by prior written agreement of the parties and with the prior written approval of the State Auditor. Any amendments to this Contract shall comply with the Procurement Code, Sections 13-1-28 through 13-1-199, NMSA 1978.

16. **MERGER**

This Contract supersedes all of the agreements, covenants, and understandings between the parties hereto concerning the subject matter hereof. No prior agreement or understanding, verbal or otherwise, of the parties or their agents shall be valid or enforceable unless embodied in this Contract. Contractor and Agency shall enter into and execute an engagement letter pursuant to NMAC Section 2.2.2.8.Q, consistent with Generally Accepted Auditing Standards (GAGAS). The engagement letter and any associated documentation included with or referenced in the engagement letter shall not be interpreted to amend this Contract. Conflicts between the engagement letter and this Contract are governed by this Contract, and shall be resolved accordingly.

17. **APPLICABLE LAW**

The laws of the State of New Mexico shall govern this Contract. By execution of this Contract, Contractor irrevocably consents to the exclusive personal jurisdiction of the courts of the State of New Mexico over any and all lawsuits arising from or related to this Contract.

18. AGENCY BOOKS AND RECORDS

The Agency is responsible for maintaining control of all books and records at all times and the Contractor shall not remove any books and records from the Agency's possession for any reason.

19. APPROPRIATIONS

The terms of this Contract are contingent upon sufficient appropriations and authorization being made by the legislature or the Agency's governing body for the performance of this Contract. If sufficient appropriations and authorization are not made by the legislature or the Agency's governing body, this Contract shall terminate upon written notice being given by the Agency to the Contractor. The Agency's decision as to whether sufficient appropriations are available shall be accepted by the Contractor and shall be final. This section of the Contract does not supersede the Agency's requirement to have an annual audit pursuant to Section 12-6-3(A) NMSA 1978.

20. PENALTIES FOR VIOLATION OF LAW

The Procurement Code, Sections 13-1-28 through 13-1-199, NMSA 1978, imposes civil and criminal penalties for its violation. In addition, the New Mexico criminal statutes impose felony penalties for bribes, gratuities and kickbacks.

21. EQUAL OPPORTUNITY COMPLIANCE

The Contractor shall abide by all federal and state laws, rules and regulations, and executive orders of the Governor of the State of New Mexico pertaining to equal employment opportunity. In accordance with all such laws, rules, regulations and orders, the Contractor assures that no person in the United States shall, on the grounds of race, age, religion, color, national origin, ancestry, sex, physical or mental handicap or serious medical condition, spousal affiliation, sexual orientation or gender identity be excluded from employment with or participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity performed under this Contract. If the Contractor is found not to be in compliance with these requirements during the life of this Contract, the Contractor shall take appropriate steps to correct these deficiencies.

22. WORKING PAPERS

- A. The Contractor shall retain its working papers of the Agency's audit conducted pursuant to this Contract for a period of at least five (5) years after the date shown on the opinion letter of the audit report, or longer if requested by the federal cognizant agency for audit,

oversight agency for audit, pass through-entity or the State Auditor. The State Auditor shall have access to the working papers at the State Auditor's discretion. When requested by the State Auditor or the Agency, the Contractor shall deliver the original or clear, legible copies of all working papers to the requesting entity.

- B. If the Contractor wishes to review the working papers of a predecessor, Contractor shall request that the Agency seek delivery of the working papers from a predecessor contractor.

23. **DESIGNATED ON-SITE STAFF**

The Contractor's on-site individual auditor responsible for supervision of work and completion of the audit is Robert Cordova. The Contractor shall notify the Agency and the State Auditor in writing of any changes in staff assigned to perform the audit.

24. **INVALID TERM OR CONDITION**

If any term or condition of this Contract shall be held invalid or unenforceable, the remainder of this Contract shall not be affected.

25. **OTHER PROVISIONS**

If no other provisions are listed in this section, the remainder below is intentionally left blank.

SIGNATURE PAGE

This Contract is made effective as of the date of the signature of the Office of the State Auditor.

AGENCY

NAME: City of Santa Fe

BY: _____

TITLE: _____

DATE: _____

CONTRACTOR

NAME: Accounting & Consulting Group, LLP

BY: _____

TITLE: Partner

DATE: _____

This Contract has been approved by:

OFFICE OF THE STATE AUDITOR

BY: _____

TITLE: DEPUTY STATE AUDITOR

DATE: _____

State Auditor Contract No. 15 6160

SIGNATURE PAGE

This Contract is made effective as of the date of the signature of the Office of the State Auditor.

AGENCY

NAME: City of Santa Fe

BY: _____

TITLE: _____

DATE: _____

CONTRACTOR

NAME: Accounting & Consulting Group, LLP

BY: _____

TITLE: Partner

DATE: _____

This Contract has been approved by:

OFFICE OF THE STATE AUDITOR

BY: _____

TITLE: DEPUTY STATE AUDITOR

DATE: _____

NDM 5/21
KELLEY A. BRENNAN, CITY ATTORNEY

[Signature] 5-21-2015
OSCAR S. RODRIGUEZ, FINANCE DIRECTOR

YOLANDA Y. VIGIL, CITY CLERK

State Auditor Contract No. 15 6160

Consideration of Changes to SF Audit Committee Ordinance—DRAFT only
For Committee members' review

1. Pursuant to Santa Fe City Charter, there is hereby created an independent Audit Committee
2. Confirming power of Municipal Judge to appoint members to the Committee and these appointment confirmed by the Governing Body
3. Under Powers, new provision for the Committee solely to interview, hire, evaluate and terminate the City Auditor(formally called Internal Auditor)
4. Under Powers, new provision for the Committee to conduct the RFP process for the retention of an external auditor and select an external auditor to perform the Comprehensive Annual Financial Report(CAFR)
5. Under Powers, clarity on the responsibility of the Committee to ensure that audit finding and management issues from internal audits and selected external audits including the CAFR are monitored, corrected and reported to the Mayor and Governing Body(perhaps via the Finance Committee)
6. Under Powers, clarity on the responsibility of the Committee to ensure the independence of the City Auditor

Clark de Schweinitz, chair
July 1, 2015

Completed Internal Audits Last 4 Years with Open Findings

 Status of Audit Report **Issued**

Audit	Year	Open Findings	Due Date of Audit	Date Report Issued
City of Santa Fe				
Cash - Transit	2014	1	N/A	07/03/2014
False Alarms	2014	7	N/A	03/17/2014
ITT Data Center Follow Up	2014	9	N/A	04/01/2015
Parking	2011	18	N/A	05/31/2011

Summary for 'Entity Audited'

Sum

35

Summary for 'Status of Audit Report'

Grand Total

35