



# Agenda

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

1. **CALL TO ORDER**
2. **ROLL CALL**
3. **APPROVAL OF AGENDA**
4. **APPROVAL OF CONSENT CALENDAR**
5. **APPROVAL OF MINUTES**  
October 14, 2015 (*Item 1*)
6. **CONSENT CALENDAR**
  - a. External Audits - Completed Audits within the Last 4 Years with Open Findings (Liza Kerr) (*Item 2*)
  - b. External Audits - Schedule and Status (Liza Kerr) (*Item 3*)
  - c. Internal Audits - Completed Audits within the Last 4 Years with Open Findings (*Item 4*)
  - d. Internal Audits - Schedule and Status, (*Item 5*)
  - e. Annual Independence Statement (*Item 6*)
  - f. BDD Audits – 2012, 2013, and 2014 (*Items 7, 8, and 9*)
  - g. Update on Park Bond Audit (Liza Kerr)
7. **REVIEW OF FINANCIAL REPORTS AND OTHER FINANCIAL MATTERS FROM CITY**  
Update from Finance Director (Oscar Rodriguez) (*Item 10*)
8. **EXTERNAL AUDIT MATTERS**  
CAFR, update (Bobby Cordova) (*Item 11*)
9. **FURTHER DISCUSSION ON INDEEDENCE ISSUES AND ORDINANCES**
  - a. Update on revised Audit Committee Ordinance, (Clark de Schweinitz)
  - b. Update on revised Internal Audit Ordinance, (Liza Kerr)
10. **INTERNAL AUDIT MATTERS (Liza Kerr)**
11. **UNFINISHED BUSINESS**
12. **NEW BUSINESS**
13. **PUBLIC COMMENT – (5 MINUTES)**
14. **NEXT MEETING DATE**  
Wednesday, December 9, 2015
15. **ADJOURNMENT**

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**CITY OF SANTA FÉ AUDIT COMMITTEE**  
**November 4, 2015**

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5. APPROVAL OF MINUTES		
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13. PUBLIC COMMENT	None	9
14. NEXT MEETING DATE:	December 9 2015	9
15. ADJOURNMENT	Adjourned at 4:00 p.m.	10

1  
2 **MINUTES OF THE**  
3  
4 **CITY OF SANTA FÉ**  
5  
6 **AUDIT COMMITTEE**  
7

8 November 4, 2015  
9 2:00 p.m. – 4:00 p.m.

10  
11 **1. CALL TO ORDER**  
12

13 A regular meeting of the City of Santa Fé Audit Committee was called to order by Mr. Clark de  
14 Schweinitz, Chair on this date at approximately 2:00 p.m. in the Convention Center Administrative  
15 Conference Room, Santa Fé, New Mexico.  
16

17  
18 **2. ROLL CALL**  
19

20 Roll call indicated the presence of a quorum as follows:  
21

22 **Members Present:**

23 Clark de Schweinitz, Chair  
24 Hazeldine Romero, Vice Chair  
25 Carolyn Gonzales, CPA  
26 Cheryl Pick Sommer  
27 Marc Tupler  
28

**Members Absent:**

29 **Others Attending:**

30 Liza Kerr, Internal Auditor  
31 Carl Boaz, Stenographer  
32 Oscar Rodriguez, Finance Director  
33

34 NOTE: All items in the Committee packet for all agenda items are incorporated herewith to these minutes  
35 by reference. The original Audit Committee packet is on file in the Audit Department.  
36  
37

38 **3. APPROVAL OF AGENDA**  
39

40 Chair de Schweinitz asked the Committee to review the items on the consent calendar. Member  
41 Sommer sent an email that the park bond audit should be removed from the consent calendar.  
42

43 Ms. Kerr asked if the Committee needs to discuss BDD.  
44

45 Chair de Schweinitz said it looks like difficult relationship with the County. He requested that the BDD

46 Audit for 2014 be removed from the consent calendar.

47

48 **Member Tupler moved to approve the Agenda as presented. Member Gonzales seconded the**  
49 **motion and it passed by unanimous voice vote.**

50

51

#### 52 **4. APPROVAL OF CONSENT CALENDAR**

53

54 **Member Sommer moved to approve the Consent Calendar as amended with discussion on part**  
55 **of item f - the BDD 2014 audit, and item g - Park Bond Audit. Member Tupler seconded the motion**  
56 **and it passed by unanimous voice vote.**

57

58

#### 59 **5. APPROVAL OF MINUTES**

60

##### 61 **a. October 14, 2015**

62

63 Ms. Kerr requested a correction on page 8 half way where the expenses should be \$9 million; not \$30  
64 million.

65

66 **The minutes of October 14, 2015 were accepted as amended without motion or second but a**  
67 **unanimous vote.**

68

69

#### 70 **6. CONSENT CALENDAR LISTING**

71

72 **a. External Audits - Completed Audits within the Last Four Years with Open Findings (Liza**  
73 **Kerr)**

74

75 **b. External Audits - Schedule and Status (Liza Kerr)**

76

77 **c. Internal Audits - completed Audits within the Last Four Years with Open Findings**

78

79 **d. Internal Audits - Schedule and Status**

80

81 **e. Annual Independence Statement**

82

83 **f. BDD Audits – 2012 and 2013**

84

85

#### 86 **CONSENT CALENDAR DISCUSSION**

87

88 **f. BDD Audit for 2014**

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90

91 Chair de Schweinitz noted there are two findings: one was the late filing issue and the other finding was  
92 on the cost allocation to partners. Just to point it out as a finding is to keep track of it in ensuring months.  
93 The management said they will deal with it but there was only one partner present.  
94

95 Mr. Rodriguez said there were two lawyers. The only question is who shoulders it. The last he saw it;  
96 the lawyers had contacted the other lawyers. From the City standpoint, this calculation was not what was  
97 called for in the agreement. But over time, there was feedback by the Board who felt they could change it if  
98 they wanted to. Mr. Rodriguez said they could not. It will be calculated according to the detailed agreement.  
99 It is very significant and it needs an IOU from them now. The agreement clearly specifies how the allocation  
100 is to be made and it is not changeable by their Board but only by agreement of all parties to the agreement.  
101

102 Chair de Schweinitz added that the Audit Committee can go before Council, if needed.  
103

104 Ms. Kerr agreed to list the findings on her report of open findings.  
105

106 Member Sommer asked what the status is for 2015.  
107

108 Ms. Kerr suggested asking Mr. Cordova when he is on the phone. She thought it was due on  
109 September 30.  
110

111 Mr. Rodriguez said it is due at the same time as the CAFR.  
112

113 Ms. Kerr said the dates on the audits are wrong. The issue date is not June 17, 2015, but that is very  
114 misleading because she didn't get it until late October.  
115

116 Mr. Rodriguez clarified that it was the date they finished so it is a good date.  
117

118 Member Gonzales said the auditor is only liable until that point. They do look beyond the fiscal year to  
119 the date they issue the report.  
120

121 Ms. Kerr asked when Mr. Rodriguez hears of entry or exit conference to let her know. Transit also has  
122 audits and Senior Services. She was not invited to the BDD exit conference.  
123

124 Mr. Rodriguez agreed to let her know.  
125

126 No action was taken on this item.  
127  
128

129 **g. Update on Park Bond Audit (Liza Kerr)**  
130

131 Ms. Kerr said the contract was approved by City Council and the BAR was approved by the Finance  
132 Committee on consent to move the money out of the General Fund into Ms. Kerr's account to pay  
133 \$160,000 for the audit. That has to go to Council next time.  
134

135 Mr. Rodriguez said the fee quote amount is \$160,023.

136  
137 Member Gonzales clarified that it is up to that amount.

138  
139 Ms. Kerr agreed that is the cap.

140  
141 Marty Mathisen is working on the audit plan and they are planning for the entrance conference. Ms.  
142 Booth (for PARC), Councilor Bushee. Mr. Rodriguez and Audit Committee members are invited as well as  
143 the State Auditor representative.

144  
145 Mr. Rodriguez will be appointing people very soon.

146  
147 Ms. Kerr said Mr. Mathisen is working on it. Member Gonzales and Member Sommer will attend the  
148 entrance conference.

149  
150 Chair de Schweinitz asked if Mr. Mathisen would report progress to the Audit Committee.

151  
152 Ms. Kerr agreed.

153  
154 No action was taken on this item.

155  
156  
157 **7. REVIEW OF FINANCIAL REPORTS Update from Finance Director (Oscar Rodriguez)**

158  
159 Mr. Rodriguez distributed copies of the report and announced that Andy Hopkins is the new interim  
160 budget director. He said this report is typically called a Cash Flow Report and it has projections. It is based  
161 on the first quarter's experience. It usually has a cover sheet. He commented that his staff is focused  
162 exclusively on the CAFR right now.

163  
164 He said overall, he is projecting revenue up 3% this year. Water fees are down about \$1.4 million.

165  
166 Member Gonzales asked if this is GRT.

167  
168 Mr. Rodriguez said it includes everything across the board.

169  
170 Member Sommer asked if GRT revenue shows where it came from.

171  
172 Mr. Rodriguez said it is broken out by 19 different sectors.

173  
174 He described the GRT refund policy which never expires.

175  
176 He said the report shows expenditures overall are about 8% less than last year and 3% less in the  
177 General Fund. It is unclear if the City is really spending less or if it is a change in practice. This year, the  
178 policy allows no carry forwards; no exceptions, etc. Council approved that policy two years ago.

179  
180 Ms. Kerr asked Mr. Rodriguez if he was projecting a \$1.5 million budget deficit going forward and if this

181 policy would help with that.

182

183 Mr. Rodriguez said it was not \$1.5 million but \$15 million. He handed out a report to show where the  
184 \$15 million deficit came from. Last year \$45 million was carried forward.

185

186 He said the Capital Budget should have been done in June but it will be done on Monday. That will  
187 reflect all that is in there. There just some small little changes. The franchise tax increases are more a  
188 function of when those people paid it and the 19% will be adjusted.

189

190 Most of this is just getting the new practices in place. Old habits need to be changed.

191

192 On the other funds, the MRC is slowly getting out of the big hole they are in. He reviewed the detail for  
193 the Airport, the MRC and the Convention Center.

194

195 Mr. Rodriguez went to the Financial Challenges handout and said that the City actually has a \$14.6  
196 million deficit; not \$15 million. But with MRC, it is \$16.2 million. The cash balance for the first of the year is  
197 about \$8.8 million which is about 36 days of budget. He had recommended between 10% and 20% in  
198 reserves. He noted that the City could balance the budget if property taxes were quadrupled. He was not  
199 recommending that.

200

201 Mr. Rodriguez went through the financial challenges and explained what would be needed to get  
202 beyond the deficits. He detailed the bridging expenditures. He explained that the reserve needed to back  
203 future bonds was all spent so the City cannot issue new bonds now. He recommended that property taxes  
204 be increased a little.

205

206 Member Tupler excused himself from the meeting at 3:00

207

208 Member Sommer asked again for getting the Financial Report before the meeting date.

209

210

## 211 **8. EXTERNAL AUDIT MATTERS CAFR Update (Bobby Cordova)**

212

213 Mr. Cordova was reached by phone.

214

215 Chair de Schweinitz asked if he had comments on the report.

216

217 Mr. Cordova said there is some field work posted to the City General Ledger but there is still field work  
218 to do. He didn't know when they would receive the CAFR but it will take about 2-3 weeks for the auditors  
219 to finish it. The exit conference might not be before Thanksgiving.

220

221 The December 1 date is internal but the audit report must be sent to the State by December 15. He has  
222 no problem with meeting that date.

223

224 Member Sommer asked if the entries have to be made by the City.

225

226 Mr. Cordova agreed. And then we have to perform balance testing. Maybe can get that by Friday. The  
227 balances have to be adjusted and recorded to compile the CAFR and get it together. He and Mr.  
228 Browning talked about it taking maybe two more weeks. The CAFR has been started and many pieces  
229 have been worked on.

230  
231 Ms. Kerr asked if the field work is where Mr. Cordova thought it would be at this time.

232  
233 Mr. Cordova said the original plan was to review the CAFR this week. He didn't anticipate any more  
234 field work but there is still the balance test work to do which is field work yet to perform.

235  
236 Member Gonzales asked if he was getting cooperation or delays from the City.

237  
238 Mr. Cordova said there is cooperation. Parking receivables is a separate system and has to be  
239 reconciled to the General Ledger. He couldn't come to any conclusions about that. Once trial balances  
240 are recorded, the field work would conclude.

241  
242 Member Sommer asked if those are things that could have been done throughout the year to reduce  
243 the end of year work.

244  
245 Mr. Cordova said that Parking and False Alarms that are more centralized could have had a monthly  
246 true-up.

247  
248 Member Sommer said it would be best if it could be done monthly instead of all at the end.

249  
250 Mr. Browning agreed. They wouldn't be waiting for Parking Accounts Receivable or for False Alarm  
251 transactions and the reconciliations would be more timely and less arduous. Last year, Ms. Garcia did it  
252 quickly. This year, the responsibility was shifted to the Police and Parking Divisions and is taking longer.

253  
254 Ms. Kerr asked if he could make that recommendation in the CAFR or the Management Analysis as a  
255 discussion or maybe a finding.

256  
257 Mr. Cordova said he wanted to avoid talking about any of that yet. It is just one of the challenges left  
258 over now.

259  
260 Mr. Browning said that may be one reason the CAFR would be delayed.

261  
262 Chair de Schweinitz asked if Parking and False Alarms are the only ones.

263  
264 Mr. Cordova said no. The more complicated and technical change to the CAFR will be the GASB 168.  
265 They provided a bunch of tools for coming up with some of the entries. That will add a bit more information  
266 to the CAFR. They have those tools and he would help them with implementing all of it. PERA had a little  
267 to do with it also. It is not hard to do but it is a big reason why the CAFR is not completed yet.

268  
269  
270 Member Gonzales asked about the status of the BDD audits.



271  
272 Mr. Cordova said the 2012, 2013 and 2014 reports were issued. For 2015, the financial statements are  
273 in draft form and they should have a draft of the audit within two weeks. Buckman will not be delayed.

274  
275 Member Gonzales asked if one of the findings will be corrected with that.

276  
277 Mr. Cordova said it is late because it was supposed to be reported 90 days after year end. Going  
278 forward, they are getting things solid for 2014 which was the starting place. That is now done so 2015  
279 should be issued soon.

280  
281 Member Romero asked if SWMA is in the same predicament.

282  
283 Mr. Cordova said they provided a draft to Mr. Randall and Ms. Garcia. There are disclosures to be  
284 drafted and the analysis portion to be completed. But the actual analysis is there. We have an exit  
285 conference is scheduled for November 18. SWMA should be set then.

286  
287 Chair de Schweinitz thanked Mr. Cordova and Mr. Browning for their time and the information. The call  
288 ended at 3:28.

289  
290 The Committee briefly discussed the delays in getting monthly financial reports to the Audit Committee.

291  
292  
293 **9. FURTHER DISCUSSION ON INDEPENDENCE ISSUES AND ORDINANCE**

294  
295 **a. Update on revised Audit Committee Ordinance (Chair de Schweinitz de Schweinitz)**

296  
297 Chair de Schweinitz noted the OIG was voted down and comments were made. Councilor Bushee  
298 apologized at the City Council meeting for not getting back to the audit committee regarding the drafts of  
299 the ordinances. We have one more meeting this year.

300  
301 Member Gonzales added that Councilor Bushee is out of office in March so is she sponsoring it now.

302  
303 Ms. Kerr said four councilors and the mayor want to make the internal audit more independent. Several  
304 of them have backed having the Audit Committee make the appointment. So we do have support.

305  
306 Member Sommer asked if there was any way to reconcile what Councilor Maestas proposed and what  
307 the Audit Committee is proposing.

308  
309 Ms. Kerr didn't think so.

310  
311 Member Sommer asked if there was any way to deal with that (OIG) need – the revisions to the Audit  
312 Committee ordinance.

313  
314 Chair de Schweinitz asked Member Sommer why she felt the Committee should try to reconcile it.

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Member Sommer said she was just interested in putting it to bed if a separate department was not going to be approved.

Chair de Schweinitz agreed there needs to be some kind of reconciliation.

Ms. Kerr said Ms. Brennan is still backing a forensic auditor to the Audit Department. She would like to see some funding for consultants at least. That might be a first step.

Member Sommer said that makes sense to her - to have the ability under the ordinance to allow the Auditor to hire consultants or a part-time person initially and as needed.

Member Gonzales offered that maybe have forensic auditor not under Ms. Kerr but also appointed by audit.

Member Sommer offered to talk with Ms. Brennan about it for early next year.

Ms. Kerr suggested next week and to have Chair de Schweinitz and Member Romero and Ms. Kerr meet with the Mayor before the end of the year.

Member Gonzales asked if there is enough work for the forensic auditor position to have a full-time person. Maybe that should start with an on-call contract.

Member Sommer added that the Audit Committee could approve contracts for that forensic auditor until a full-time person is needed.

Chair de Schweinitz recalled that was the kind of discussion the Committee had on it five or six months ago.

Member Gonzales pointed out that there is no plan and no money right now anyway and maybe that person would not have enough to do right now.

Chair de Schweinitz asked about the utility audits and redoing the scope of work.

Member Romero said the utility audits were split into two audits. One to look at what had happened to make sure it doesn't happen again in the future. And go back to that time period to look at all of the transactions and make sure they got them corrected and then to get the money back. And thirdly, to make sure it has not continued, even though the person is gone and put in internal controls to make sure it doesn't happen again.

Member Gonzales asked if Ms. Kerr talked with Legal.

Ms. Kerr said she did.

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**b. Update on revised Internal Audit Ordinance (Liza Kerr)**

This item was not considered.

**10. INTERNAL AUDIT MATTERS (Liza Kerr)**

Ms. Kerr said the Committee just covered the public utilities audit. She did have a meeting with management and revised her scope. She split it into two audits very similar and to be conducted almost concurrently.

**11. UNFINISHED BUSINESS**

Chair de Schweinitz announced that the members whose terms were over have been reappointed for three more years and Member Sommer has one more year left for her term.

**12. NEW BUSINESS**

Member Sommer asked if there is now a bag tax department and how the City is going to police the collections. The first collection should have happened in September and it should be a fairly large amount. She wondered if there were procedures in place.

Ms. Kerr thought it would be a good question to ask Mr. Rodriguez.

Member Gonzales proposed putting it on the agenda for December.

Member Sommer said she paid \$1,200 for the first quarter.

**13. PUBLIC COMMENT**

There were no public comments.

**14. NEXT MEETING DATE Wednesday, December 9, 2015**

Chair de Schweinitz announced he will be out of town until the night before the next meeting.

406 **15. ADJOURNMENT**

407

408 Member Romero moved to adjourn the meeting. Member Sommer seconded the motion and it passed  
409 by unanimous voice vote.

410

411 The meeting was adjourned at 3:58 p.m.

412

413

Approved by:

414

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\_\_\_\_\_  
Clark de Schweinitz, Chair

417

418

419 Submitted by:

420

421

422

  
\_\_\_\_\_  
Carl Boaz, for Carl G. Boaz, Inc.

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