



# Agenda

CITY CLERK'S OFFICE

DATE 10/27/15 TIME 2:10pm

SERVED BY Liza Kerr

RECEIVED BY [Signature]

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 Rodriquez) (*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**

Persons with Disabilities in need of accommodations,  
contact the City Clerk's office at 955-6570 five (5) working days prior to the meeting date

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

| <b>ITEM</b>                                       | <b>ACTION TAKEN</b>    | <b>PAGE(S)</b> |
|---|------------------------|----------------|
| 1. CALL TO ORDER                                  |                        |                |
| 2. ROLL CALL                                      | Quorum Present         | 1              |
| 3. APPROVAL OF AGENDA                             | Approved as presented  | 1-2            |
| 4. APPROVAL OF CONSENT CALENDAR                   | Approved as amended    | 2              |
| 5. APPROVAL OF MINUTES                            |                        |                |
| • October 14, 2015                                | Approved as amended    | 2              |
| 6. CONSENT CALENDAR LISTING                       | Listed                 | 2              |
| CONSENT CALENDAR DISCUSSION                       |                        |                |
| f. BDD Audits: 2012, 2013 and 2014                | Discussion             | 2-3            |
| g. Update on Park Bond Audit                      | Discussion             | 3-4            |
| 7. FINANCIAL REPORTS FROM CITY                    |                        |                |
| a. Update from Finance Director (Oscar Rodriguez) | Report and discussion  | 4-5            |
| 8. EXTERNAL AUDIT MATTERS                         |                        |                |
| a. CAFR update (Bobby Cordova)                    | Report and discussion  | 5-7            |
| 9. INDEPENDENCE ISSUES AND ORDINANCES             |                        |                |
| a. Revised Audit Committee Ordinance              | Discussion             | 7-9            |
| b. Revised Internal Audit Ordinance               | Not considered         | 9              |
| 10. INTERNAL AUDIT MATTERS                        | Comments               | 9              |
| 11. UNFINISHED BUSINESS                           | Announcement           | 9              |
| 12. NEW BUSINESS                                  | Discussion             | 9              |
| 13. PUBLIC COMMENT                                | None                   | 9              |
| 14. NEXT MEETING DATE:                            | December 9 2015        | 9              |
| 15. ADJOURNMENT                                   | Adjourned at 4:00 p.m. | 10             |

**MINUTES OF THE**

**CITY OF SANTA FÉ**

**AUDIT COMMITTEE**

November 4, 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  
Hazeldine Romero, Vice Chair  
Carolyn Gonzales, CPA  
Cheryl Pick Sommer  
Marc Tupler

**Members Absent:**

**Others Attending:**

Liza Kerr, Internal Auditor  
Carl Boaz, Stenographer  
Oscar Rodriguez, Finance Director

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 asked the Committee to review the items on consent. Member Sommer sent an email that the park bond audit should be discussed.

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

Chair de Schweinitz said it looks like difficult relationship with the County He requested discussion on

BDD for 2014.

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

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

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

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

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

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

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

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

- a. External Audits - Completed Audits within the Last Four Years with Open Findings (Liza Kerr)**
- b. External Audits - Schedule and Status (Liza Kerr)**
- c. Internal Audits - completed Audits within the Last Four Years with Open Findings**
- d. Internal Audits - Schedule and Status**
- e. Annual Independence Statement**
- f. BDD Audits – 2012 and 2013**

#### **CONSENT AGENDA DISCUSSION**

- f. BDD Audit for 2014**

Chair de Schweinitz noted there are two findings: one was the wait issue and the other finding was on the cost allocation to partners related, modified and other matters. Just to point it out as a finding is to keep track of it in ensuing months. The management said they will deal with it but there was only one partner present.

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

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

Ms. Kerr agreed to list it on her report of open findings.

Member Sommer asked what the status is for 2015.

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

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

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

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

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

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

Mr. Rodriguez agreed to let her know.

No action was taken on this item.

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

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

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

Member Gonzales clarified that it is up to that amount.

Ms. Kerr agreed that is the cap.

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

Mr. Rodriguez will be appointing people very soon.

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

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

Ms. Kerr agreed.

No action was taken on this item.

## **7. REVIEW OF FINANCIAL REPORTS – Update from Finance Director (Oscar Rodriguez)**

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

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

Member Gonzales asked if this is GRT.

Mr. Rodriguez said it includes everything across the board.

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

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

He described the GRT refund policy which never expires.

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

Ms. Kerr asked Mr. Rodriguez if he was projecting a \$1.5 million budget deficit going forward and if this policy would help with that.

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

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

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

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

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

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

Member Tupler excused himself from the meeting at 3:00

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

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

Mr. Cordova was reached by phone.

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

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

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

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

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

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

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

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

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

Member Sommer asked if those are things that could have been done throughout the year but there is now a lot more end of year work to do.

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

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

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

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

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

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

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

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



Member Gonzales asked about the status of the BDD audits.

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

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

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

Member Romero asked if SWMA is in the same predicament.

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

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

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

## **9. FURTHER DISCUSSION ON INDEPENDENCE ISSUES AND ORDINANCE**

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

Chair de Schweinitz noted the OIG was voted down and comments were made. Councilor Bushee apologized yesterday about not getting the drafts done. We have one more meeting this year.

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

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

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

Ms. Kerr didn't think so.

Member Sommer asked if there was any way to deal with that (OIG) need.

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

Member Sommer said she was just interested in putting it to bed. He is not going to get a separate department.

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.

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.

**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 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.

**15. ADJOURNMENT**

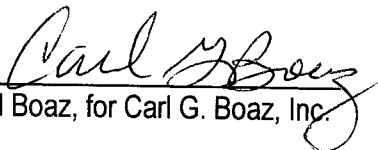
Member Romero moved to adjourn the meeting. Member Sommer seconded the motion and it passed by unanimous voice vote.

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

Approved by:

  
Clark de Schweinitz, Chair

Submitted by:

  
Carl Boaz, for Carl G. Boaz, Inc.