



Agenda

DATE 2/23/16 TIME 2:07p

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**CITY OF SANTA FE AUDIT COMMITTEE MEETING
CONVENTION CENTER ADMINISTRATIVE CONFERENCE ROOM
Wednesday, March 2, 2016, 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**
February 3, 2016 *(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. Budget Report - (Andrew Hopkins) *(Item 6)*
 - f. Budget Report to UNM Spring of 2016 - (Andrew Hopkins) *(Item 7)*
- 7. EXTERNAL AUDIT MATTERS**
 - a. Presentation of Park Bond Audit *(Item 8)*(Marty Mathisen) (Sarah Brack) (Teresita Garcia)(Oscar Rodriquez)
 - b. Presentation of Santa Fe Waste Management 2015 Financial Statements (Clark de Schweinitz)
 - c. Presentation of Airport 2015 Annual Inspection (Clark de Schweinitz)
- 8. REVIEW OF FINANCIAL REPORTS AND OTHER FINANCIAL MATTERS FROM CITY**
 - a. Financial update (Oscar Rodriguez)
 - b. Buckman Direct Diversion Operations Audit 2015 (Teresita Garcia)
- 9. FURTHER DISCUSSION ON INDEPENDENCE ISSUES AND ORDINANCES**
 - a. Update on revised Audit Committee Ordinance (Liza Kerr) (Clark de Schweinitz)
 - b. Update on revised Internal Audit Ordinance (Liza Kerr) (Clark de Schweinitz)
- 10. INTERNAL AUDIT MATTERS (Liza Kerr)**
- 11. UNFINISHED BUSINESS**
- 12. NEW BUSINESS**
Assignments of Audits
- 13. PUBLIC COMMENT – (5 MINUTES)**
- 14. NEXT MEETING DATE**
Wednesday, April 6, 2016
- 15. ADJOURNMENT**

Persons with Disabilities in need of accommodations,
contact the City Clerk's office at 955-6520 five (5) working days prior to the meeting date.

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CITY OF SANTA FÉ AUDIT COMMITTEE
March 2, 2016

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MINUTES OF THE
CITY OF SANTA FÉ
AUDIT COMMITTEE

March 2, 2016
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
Carolyn Gonzales, CPA
Hazeldine Romero, Vice Chair [arriving later]
Cheryl Pick Sommer
Marc Tupler

Members Absent:

Others Attending:

Liza Kerr, Internal Auditor
Carl Boaz, Stenographer
Marty Mathisen, Atkinson and Company
Andrew Hopkins, Finance Department
Teresita Garcia, Finance Department
Oscar Rodriguez, Finance Director
Anna Hansen, PARC
Tim Keller, State Auditor
Kevin Sourisseau, Assistant State Auditor
Wasn't there a reporter present? Kerry Haywood?

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

Ms. Kerr said the next meeting date is now April 13, not April 6.

Member Gonzales moved to approve the agenda as amended. Member Sommer seconded the motion and it passed by unanimous voice vote. Member Romero was not present for the vote.

4. APPROVAL OF CONSENT CALENDAR

Member Gonzales moved to approve the consent calendar as presented. Member Tupler seconded the motion and it passed by unanimous voice vote. Member Romero was not present for the vote.

5. APPROVAL OF MINUTES - February 3, 2016

Member Sommer moved to approve the minutes of February 3, 2016 as presented. Member Gonzales seconded the motion and it passed by unanimous voice vote. Member Romero was not present for the vote.

6. CONSENT CALENDAR LISTING

- a. External Audits - Completed Audits within the Last 4 Years with Open Findings (Liza Kerr)**
- b. External Audits - Schedule and Status (Liza Kerr)**
- c. Internal Audits - Completed Audits within the Last 4 Years with Open findings**
- d. Internal Audits - Schedule and Status**
- e. Budget Report (Andrew Hopkins)**
- f. Budget Report to UNM Spring of 2016 (Andrew Hopkins)**

INTRODUCTIONS:

Two members of the public introduced themselves.

7. EXTERNAL AUDIT MATTERS

- a. Presentation of Park Bond Audit (Marty Mathisen, Atkinson and Company)**

Mr. Mathisen handed out the agenda for the exit conference. A copy of the exit conference agenda is attached to these minutes as Exhibit 1. Copies of the City Park Bond Audit - 2008 and 2010 were also distributed by Mr. Mathisen.

Mr. Mathisen said that all outstanding items were cleared as of February 26, 2016.

Member Romero arrived at 2:09 p.m.

Mr. Mathisen pointed out the objectives on page 3, the background was on page 3, and conclusions on page 4. There was some discussion on what is permissible with bonds and that report was the first item in the appendices. In the Executive Summary there were three key decisions. He provided a short paragraph on each of them in middle of page four in bold. It said the City can use internal labor to construct City projects. That was from the AG opinion in 1951. Changes can be made to park projects after vote approval as long as the changes are consistent with the intent and purposes of the bond issue. Expenditures of bond proceeds must be for capital projects; not for working capital; not for maintenance or any other operating expense item.

There were a lot of questions on what the City can or cannot do and what he read were the answers received from Legal.

The rest of the page is called legal discussion and he made a couple of points there.

They talked to three attorneys who were gracious and met with the auditors. They are Geno Zamora, Judith Amer, former City employees, and Duane Brown, retired bond counsel. They also interviewed David Buchholz.

All three said there was no analysis or discussion about federal requirements for tax-free bonds. The City issues a lot of bonds and maybe that wasn't a shortcoming in a normal situation but it was here. Ms. Amer quoted the state law that bond proceeds should be directly connected to capital items. The Council issued such a resolution; all of that is normal.

But the second paragraph at the bottom of page four identifies a disconnect. All three retired attorneys, plus the retired City Manager, Robert Romero, said they discussed the requirements with bond counsel regarding internal labor. But the bond counsel didn't remember those discussions. They said Duane Brown was consulted and he did remember talking with Isaac Pino, but at a very high level and not about using in-house labor to complete projects.

This disconnect resulted in a finding recommending that all non-routine advice to proceed should be in writing. There is nothing documented on what was relied on. Mr. Mathisen called this a difference and not who is right or wrong. It is just a difference in what people can remember.

On page 5 is another scope of the audit which was to present the cost summaries. Ms. Brack is not present, but she went through the general ledger for the years of the bond and summarized the information on page 5. The total proceeds from the bond issue were issued at premium and then there were some costs of issuance and proceeds were used to pay down the bond issue costs. So the total proceeds to the

city totaled \$30,300,000. They compiled all the costs and total expenditures were \$29,496,000 and that left unspent bond funds of \$803,000.

The total expenses were to be further broken down in a scope set by the State Auditor into payroll and non-payroll costs. Non payroll costs amounted to \$21,479,000. The capitalized payroll costs were \$4 million, and costs expensed totaled \$3.9 million. Then at the bottom of the table, there were additional costs that were capitalized at the end of the year. Those were \$1.9 million. He added a little factor there for items that were under \$5000 each.

Member Sommer asked the \$3,781,526 was an allowance he made for items that were expensed over \$5,000 that they were actually under \$5000. Mr. Mathisen agreed.

Member Sommer asked if the amount of expenses that were capitalized at end of year was done according to the City policy.

Mr. Mathisen agreed.

Member Sommer reasoned that the \$3.9 million were put into the expense account by the City.

Mr. Mathisen agreed, and then that was reduced by the 1.9 million.

Member Sommer asked if of the remaining \$2,084,000, any of that is the result of the policy the City was observing or if he looked at them and found them mischaracterized as other capital improvements by the City.

Mr. Mathisen said that is aggregated amount that was expensed for all the years of the bond. There is more information coming on that. Perhaps more should have been capitalized. He agreed to do a fair discussion of that.

He went next to the Section on Conclusions on page 5. There is information supporting the expenditures. Conceptually, they saw a lot of information and evidence of discussion of maintenance from Council minutes, Public Works, Finance, POSAC minutes. There are memos written by City staff and City Councilors that reference maintenance and workers that are called maintenance workers. Some descriptions on time sheets indicate maintenance terms. Certain operating budgets for Marty Sanchez and MRC had bond proceeds put in. And they did interviews that were also consistent. Everyone agrees that money was spent on maintenance.

At a Finance Committee meeting on November 14, 2011, there was an extended discussion on maintenance plan using bond expenditures. So there is evidence that maintenance was going on and that the Finance Committee was well aware of it.

Page 9 at the top, indicates that the auditor's tested a sample of 252 items. 120 items were selected at random and at least 2 additional items were selected for every park.

State Auditor Tim Keller arrived at 2:24 p.m.

Mr. Mathisen discussed some of the evidence of maintenance that he found. They identified items based on timing or amounts referenced in the implementation plan that they felt were unreasonable. They had a standard there for those that were clearly unreasonable and others that seemed a little high. This was put together by Public Works and had significant changes - unreasonable budget changes.

The third part was specific identification in City memos about MRC and Marty Sanchez. He quoted one of them. For a minimum of two years, \$67,500 per year was put into the Marty Sanchez operating budget.

Chair de Schweinitz asked if that total is in his totals. Mr. Mathisen agreed.

Mr. Mathisen added that toward the end of the audits, when the City was responding to findings, they expensed items below a hundred thousand dollars when maybe they should have been capitalized. The effect of this was an increase to expense and decrease of the amount capitalized.

Ms. Garcia mentioned that they got the \$100,000 threshold from a State Auditor training class when they implemented GASB 34. Based on this guidance the Staff established a threshold for capitalization of \$100,000 for work in progress instead of \$5,000 used for other assets. She didn't think using this standard would affect federal compliance with non-taxable bonds. Now she has a better understanding of what should can be expensed and what should be capitalized.

Ms. Kerr asked when the training happened.

Ms. Garcia said it was in 2001-2002.

Ms. Kerr mentioned that all financial statements since 2001-2002 include managements assertion that the capitalization threshold is \$5000. So she asked why the \$100,000 wasn't mentioned in the audited financial statements. where that came from.

Ms. Garcia said she didn't know. If an asset was greater than \$5000, they capitalized it but she didn't know where the disconnect regarding the \$100,000 came from.

Ms. Kerr said some of the assets were capitalized with that \$5000 threshold.

Ms. Garcia said if the asset was bought outright, it was capitalized. But with work in progress, they used a threshold of \$100,000. So she gave direction to the departments to determine whether - if their costs were less than \$100,000 if was put in remodel and effacement. So when we prepared the CAFR, it didn't get capitalized. When we did financial statements, we capitalized everything from down at the bottom that was greater than \$5000. So it was a classification we did when we were budgeting and that is what we were reporting at the end of the year.

Mr. Mathisen said on page 6 were things we determined during the audit that were factors. Some may have been less and some more. Some of this is not made but again, it is all in one place:

1. Time sheets didn't have sufficient details necessary to determine the work that was performed or the location of the activity. Cost allocations were made after the fact and not intended to be a

precise compilation. Record keeping matters that were day-to-day did not have a general consideration that the cost of construction was required information to support the costs for what was spent on capital projects and support bond compliance. The timesheet design was flawed.

2. The business unit was defined as overall bond issuance which also defined the level of budgetary control. In other words, there are bonds of \$30,300,000 to administer on this bond project. So various reallocations were made among the parks, based on this perspective of the bond as a whole, and not individual projects. That is not unusual for city administration.
3. Treat the only external contracts that have capital budgets under the bond proceeds should have costs, closeout date, warranty, formal rights and obligations among parties that document the external contract. Those parameters were not automatically in place.
4. There appears to be no documentation of federal requirements for tax-free bonds apart from the normal bond proceedings and the resolution to issue the bonds.
5. There is an apparent misunderstanding with external bond counsel on what is permissible use of the bond proceeds. Those conversations were not documented. They should've been documented by inquiry and response. That in itself, could have prevented a lot of what took place.
6. Additionally, over time, the concept of improving a park attained a broader meaning to include the maintenance of the park. There was a discussion at City Council that pulling weeds was improving a park.

He talked with the former City Attorney and Mr. Zamora said he may not have said it right but the intent was that when you lay sod or do seeding, "you have to pull weeds when you plant sod." That was his intent to communicate that nuance but it was not in any minutes he saw. Improvement and maintenance have different meanings. The Resolutions to City Council need all of it defined, including what would be a noncompliant expenditure and what the biggest risk is for not complying in this transaction

7. Maintenance of city parks have been difficult to fund and residual funds from the bond appeared to be available. And they were proposed as a good use of bond proceeds in the later stages of the bond projects to use those funds.
8. The \$100,000 issue which was just discussed.

Page 7-8 gives the details on what appeared to be documented for Public Works, Finance and Council. Key decisions did appear to go to City Council.

They reviewed 16 BARs (Budget Adjustment Request) in addition to the giant BAR at the November 30 2011 Council meeting. They tested 16 BARs that were over \$50,000 and which should have gone to Council and they were all approved. So Council authority was not usurped or bypassed.

Chair de Schweinitz asked for clarification on those changes. They adjusted the budget but not the project.

Mr. Mathisen said as example, "I am going to need \$30,000 more for a certain park." Inherent in that are changes to the park. Of if a park was canceled, and then a request for that money to be used at another park. So all the changes in a general statement would probably support that the changes were justified in changing the budget.

Chair de Schweinitz clarified that he was not arguing about it but that Mr. Mathisen found different results in the effect.

Mr. Sourisseau explained that Mr. Mathisen is saying the requests were made but inherent in that were changes in the parks.

Mr. Mathisen agreed. There was a whole packet they reviewed and there were other smaller changes.

Ms. Hansen concluded that they didn't have comprehensive information so their conclusion is going to be different. The rush to audit was a mistake. If the final report that was done, instead of rushing to REDW, the City might have gotten a different product.

Mr. Keller said he would hesitate to compare one audit with the other because one was an agreed upon procedure and one was an audit. It is like comparing apples and oranges.

Mr. Mathisen concurred. REDW's was just agreed upon procedures. They followed what the City wanted reported. So they were not giving an opinion but just performing what was asked for. He looked at the REDW report and tried to build on their recommendations.

Mr. Mathisen continued his review. Next, is the procurement of tangible goods and services on pages 9-10, that should not have been included. The results of non-payroll items were pretty good. The City did buy computers on two invoices: 4 computers, 2 monitors and a printer. The computers were needed and they were used for the park bond so they could plug in a laptop computer to an irrigation system to see if the irrigation system performed overnight. We concluded they could have bought one computer instead of four.

The REDW report was written and the City responded that they would work on the things identified. That report was issued March 2015.

Out of that Mr. Mathisen listed four things the City has adopted as policies. They are good policies. The Capital reporting procedure at the top of page 10 is good. He added a comment for Ms. Kerr to consider ensuring that policy is fully established as part of her audit plan. Public Works said they were doing their best to follow that policy.

The Annual Debt Management and Post Issuance Policy comes up before City Council for their approval. It talks about certain parameters and considers compliance with bonds. It has the content the IRS wants to see in certain filings with the IRS. It is in place and coming up for approval.

We recommended a checklist on top of that policy to really spell out what is needed to comply. This policy is in place and can be tweaked with a check list to make sure the City is in compliance.

He recommended adoption of Resolution 2015-106 adopting best practices to guide the City. It is a wide ranging resolution. His view was very favorable. It says, "our intent is to do things right."

The last one is Public Works operating procedures. In August 2014, the City had a new Public Works

Director – Mr. Thompson [sic] and before that, each district was responsible for its own maintenance.

As of Aug 2014, certain teams were formed that specialize in certain functions. One is for training. It is something that could approve maintenance.

He talked about POSAC on page 24. They assumed a mandate that is more than advisory and he called it voluntary monitoring. The City seemed to attend all POSAC meetings but there is just no documentation except in the minutes of POSAC. For the most part, communications were verbal and after the fact. Capital policies had schedules for reporting and those should be available before the meeting. From the middle of the bond period onward it seemed to work better.

On page 27 were examples of things they saw that seemed unreasonable to them. 21 parks are mentioned (page 15-16). The State Auditor said to make sure to name the park so they did. It gave specific information that was outlined that for most people would say it was a no.

Ms. Hansen said with the recommendations going forward, it will be guided by the audit. So she asked how that will be tested to make sure it doesn't happen again.

Mr. Mathisen said that is up to the City.

Mr. Rodriguez joined the meeting at 2:58 p.m.

Mr. Mathisen said it shouldn't happen again, based on seeing what happened. That policy is important for project management. There is a policy in place that could be directly responsible.

Ms. Garcia said good direction is needed to be very clear what is allowed and what is not allowed. There are consequences. She had never seen a written opinion on bond funds before. The implementation had a lot of practices that were not right but the audit has been a very positive tool for the Finance Department. It is a fine line how to interpret.

Member Gonzales noted that there were expenses before the construction began that were called out for each park and she asked how to determine when there were allowable expenses.

Mr. Mathisen said it could be good plans that are put out in an RFP. What they identified here were very large amounts that seemed to have no legitimate reason. In the time sheet test work, they looked at 99 and only 2 were not approved, even though 55 of them didn't say what park was worked on but the work was performed. So these amounts are cost allocations to parks. If some park has a budget assigned to it for construction, that was in their minds. All of the labor went through the City's payroll system. And there was only one missing time sheet. For some, it was allocated way in advance and that didn't make sense to him and he called it unreasonable. This is probably mostly Public Works for the allocation. They are way in advance and far too large and that is not construction.

Chair de Schweinitz referred to page 35 and thought they would need a lap top to keep track of their work for time sheets.

Mr. Mathisen said there was one crew that allocated the time sheets better. It all needs to be recorded accurately. Apparently some of it was okay. It can be a little bit of a task but of course, it is required. He agreed that it was an unusual project and some workers could be working in several different parks in one day.

Member Romero said if it was contracted, they would keep better track of that time in a more detailed record. So those procedures need to be adapted internally.

Mr. Mathisen said the City has many grants which he encounters in auditing state grants and they always have appropriate back up. That is always required to manage a grant correctly.

Ms. Hansen suggested that the supervisor might be responsible for the workers' time allocations. She also didn't think the workers needed laptops.

Ms. Garcia said it is up to them to design the work plan and then compare the plan with time sheets. The project manager is ultimately responsible for the expenditures and we need to make sure the project management understands those requirements.

Member Tupler pointed out that it is shown on page 35.

Mr. Sourisseau said in the larger perspective, there were a couple of themes about the advisory committee ideas and that didn't end up panning out. That was done appropriately so maybe it was not the right answer, but the proper procedure was followed there. There was the \$2 million chunk that was inappropriately used and in the scope of the \$30 million bond issue, it is material and matters a lot. It is a cautionary tale of what happens when under budget pressure with every dollar squeezed out of this to try to alter that. While it makes logical sense, that was done. You can understand people's motives and intentions but have to be careful. Some dollars you just can't use. So we want to hold up on the legal consequences. It just cannot happen because it is one step away from a lawsuit by bond holders.

Ms. Hansen asked if the City needs to start paying back the \$2 million or if it is less the \$803,000 that has not been spent.

Mr. Mathisen said in consult with the bond counsel, you would ask what the remedies are when there is a violation at stated and federal levels. That is something for the bond counsel to answer. The City didn't spend all of the \$30 million in the correct manner. There are a few exceptions with less serious consequences. Federal law says you can't do it but that law does give some exceptions. One of those is the 5% rule which basically allows 5% to be expensed. The City expensed 7%.

Mr. Rodriguez said he would talk with bond counsel consequences are rare. The consult with bond counsel is important.

Mr. Keller added that you have to engage bond counsel for those options. It is probably something that won't come up. But you need to notify them. There are other things to consider also.

Member Tupler thought reporting is the most important thing at this point. Correct reporting is needed

because we are short \$2 million on the financial statement.

Ms. Garcia said the difference to the 5% is \$600,000. So she believes that some of those assets should have been capitalized. She is going to analyze them to see if they could capitalize post event.

Mr. Rodriguez cautioned that the City is not allowed to make money on federal money.

Ms. Garcia said they are disclosed every year. The City reports to the IRS the spending on our bonds.

Member Sommer understood that it cannot be used to cover expenses but to finish the work.

Ms. Garcia agreed. They are trying to find valid places to spend that money.

Chair de Schweinitz asked if the State Auditor has jurisdiction on that.

Ms. Garcia said the next auditor will deal with it.

Member Tupler asked if the City would be within the guidelines with re-categorizing that 2%.

Mr. Keller agreed. That is the assurance the State Auditor can give and will require your annual auditor to verify that.

Chair de Schweinitz asked if that is what the comment on page 38 is about.

Mr. Mathisen said that is the finding (04) that they were made from bond proceeds. Page 38 has a rough estimate is \$778,000 given at the end of the audit. It seemed to be a judgment type of thing. We talked a lot about the inadequate time sheets. The City didn't disclose the \$100,000 policy in the CAFR. So the CAFR is not misstated but different for what the policy is. At a minimum, the City should disclose it.

Ms. Kerr asked how far back the City can go with prior year changes.

Mr. Mathisen said back to 2011 is allowed.

Ms. Garcia said they should have gone back to 2008. She said she couldn't get the thumb drive of park pictures before and after but now could. She would use those pictures to determine what to evaluate and see validate her conclusions. If there are things that qualify, she will capitalize them.

Mr. Rodriguez said they are using the pictures to validate those projects. He will also bring that file to the Committee's attention. He is now seeking a mechanism by which we can restate our capitalization. That way, the opinion comes and chips fall where they will.

Ms. Garcia - thanked the Committee and auditors for helping the City be able to move ahead with the guidelines.

Ms. Kerr thanked Ms. Garcia for working with the Audit Committee.

Mr. Keller said he would include a referral (legal term) requirement to the annual auditor to verify compliance with the recommendations.

Member Tupler thought perhaps this could be a best practice model for the rest of the State.

Mr. Keller agreed that the City's investment in this audit will be very helpful for the legal opinion which can be used in all circumstances. Now we have a good work-up so Santa Fe has done a good turn for other cities and counties in the State. This is a public document so others can read it and take guidance from it.

Mr. Keller and Mr. Sourisseau excused themselves from the meeting. Ms. Hansen, Ms. Garcia and Mr. Mathisen also left the meeting.

Member Gonzales noted in the CAFR, the CIP projects were not being done. So she asked Mr. Rodriguez what he was doing to rectify that problem.

Mr. Rodriguez said the observations were done at the same time with Mr. Cordova and Mr. Browning. That was part of Ms. Kerr's risk assessment to them. The new procedures were promulgated on July 1. He decided not to close them out until this is all done. So there will be a long list of projects to be closed. He will personally look at those files before Ms. Kerr looks at them. So he hoped to have it all taken care of.

There were a lot of hard conversations regarding parks about why that was not necessary. One of the reasons this went where it went for so long is that there was no much disclosure of it. So scopes were expanding or contracting. They would come one day as a change so it was impossible to see clearly the overall project. It is not closed until there is a periodic report.

Member Romero asked if that will end up with changes made to the financial system.

Mr. Rodriguez agreed. There shouldn't have been one dollar misspent. The trick to that is more of a culture for payroll and time sheets that could be rejected.

Member Sommer asked for Mr. Rodriguez's opinion about using only outside labor.

Mr. Rodriguez said he had no role in that debate. The project manager should be able to make the decision for his staff, one way or the other. The system should be tight enough for Council to say that is okay.

If you look at the CIP, there is a chapter on O&M. For years, the City capitalized them for operations. It is about \$6 million per year. So he recommended they not do it again. That is part of the \$15 million deficit.

Member Romero asked if the City could hear, "No more bonds."

Mr. Rodriguez agreed. He said, "It is deficit spending. Those farolitos you saw put out were paid for by Public Works, using CIP funds. It is that far into the problem. And Council fully approved them." He said it is

bad practice and he is trying to change that behavior.

Member Tupler said it could reduce our bond rating and decrease the interest that could be achieved.

Mr. Rodriguez agreed. So step 1 is to restate and ask bond counsel to respond. And it would also be good for us to voluntarily go to the SEC because there is no mechanism for restating. We can't wait for another year.

Member Tupler added that \$2 million over 8 years makes it immaterial.

Member Gonzales said it goes beyond materiality. Do it right and make it right and change the whole culture.

Chair de Schweinitz said the Council wants the Audit Committee to appear at the Council meeting on March 9th when this comes up. It will be on the evening agenda.

Mr. Rodriguez said he would be present but it is all the State Auditor's to address.

Ms. Kerr said she would address questions. Mr. Mathisen is also going to be there. She asked if the Committee had a recommendation.

Because it was already after 4:00, Chair de Schweinitz proposed to postpone the rest of the agenda.

Member Tupler moved to table the rest of the agenda. Member Sommer seconded the motion and it passed by unanimous voice vote.

The rest of the agenda was postponed except for comments under Next Meeting Date.

b. Presentation of Santa Fe Waste Management 2015 Financial Statements (Clark de Schweinitz)

This item was postponed.

c. Presentation of Airport 2015 Annual Inspection (Clark de Schweinitz)

This item was postponed.

8. REVIEW OF FINANCIAL REPORTS AND OTHER FINANCIAL MATTERS FROM CITY

a. Financial Update (Oscar Rodriguez)

This item was postponed.

b. Buckman Direct Diversion Operations Audit 2015 (Teresita Garcia)

This item was postponed.

9. FURTHER DISCUSSION ON INDEPENDENCE ISSUES AND ORDINANCES

a. Update on revised Audit Committee Ordinance (Liza Kerr, Clark de Schweinitz)

This item was postponed.

b. Update on revised Internal Ordinance (Liza Kerr, Clark de Schweinitz)

This item was postponed.

10. INTERNAL AUDIT MATTERS (Liza Kerr)

No Internal Audit Matters were considered.

11. UNFINISHED BUSINESS

There was no unfinished business.

12. NEW BUSINESS – Assignments of Audits

This item was postponed.

13. PUBLIC COMMENT

There were no public comments.

14. NEXT MEETING DATE – Wednesday, April 6, 2016

The Committee changed the next meeting date to April 13, 2016.

Member Gonzales asked to change the meeting to the second Wednesday in May also, May 11th.

Ms. Kerr agreed.

Member Romero volunteered to review Airport audit.

Member Gonzales is reviewing SWMA and doing Risk Management also.

Member Sommer asked about BDD.

Ms. Kerr said it isn't done. The adjustment needs to be done.

Member Tupler asked about Ann Yalman's retirement party.

Ms. Kerr said it is tomorrow night.

15. ADJOURNMENT

The meeting was adjourned at 4:05 p.m.

Approved by


Clark de Schweinitz, Chair

Submitted by:


Carl Boaz for Carl G. Boaz, Inc.

Audit Committee
March 2, 2016

EXHIBIT 1

CITY OF SANTA FE 2008 PARKS AND BONDS

EXIT CONFERENCE AGENDA

FEBRUARY 23, 2016

Operating Procedures for Confidential Information

Pending to Close Audit

60 minute time limit

- 1. Representation Letter outstanding**
- 2. Turn into tomorrow COB to state auditor**
- 3. Management Responses to Findings—one or two changes**
- 4. OSA Desk Review**

WALK THROUGH THE AUDIT REPORT

Executive Summary

Legal Conclusions	page 4
Disconnect on Legal Advice	page 4
Expenditures Summary	page 5
Key Driver of audit ----non capital expenditures	
Conclusions on non capital expenditures	page 5, 6
Why Expenditures were Made to Non Capital Expense.	pages 6, 7
City Council Authority Not Bypassed.....	page 7,8
Tangible Goods Procurement test work.....	page 5
New Policies since 2013.....	page 9

Main Text

Specific parks and amounts	page 15, 16
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POSAC content page 24
Difficulties requiring additional time page 27
Auditors' Opinion page 8 and 64, 65
Legal Opinion –full text..... pages 30-45
Findings and Recommendations (9) pages 48-63

OPEN