



Agenda DATE 4/7/16 TIME 7:47a

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CITY OF SANTA FE AUDIT COMMITTEE MEETING
CONVENTION CENTER ADMINISTRATIVE CONFERENCE ROOM
Wednesday, April 13, 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**
March 2, 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 (**Liza Kerr**) (*Item 4*)
 - d. Internal Audits - Schedule and Status, (**Liza Kerr**) (*Item 5*)
 - e. Budget Report - (**Andrew Hopkins**) (*Item 6*)
 - f. AAA Assessment (Provided to committee for review assignment, and discussion in May) (*Item 7*)
7. **EXTERNAL AUDIT MATTERS**
 - a. Presentation of Santa Fe Waste Management 2015 Financial Statements (**Carolyn Gonzales**)
 - b. Presentation of Airport 2015 Annual Inspection (**Hazeldine Romero**)
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)**
Discussion of Audit Plan (*Item 8*)
11. **UNFINISHED BUSINESS**
12. **NEW BUSINESS**
 - a. Introduction to Judge Virginia Vigil
 - b. Assignments of Audits
 - c. Marc Tupler – Resignation Status
13. **PUBLIC COMMENT – (5 MINUTES)**
14. **NEXT MEETING DATE**
Wednesday, May 11, 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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April 13, 2016

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MINUTES OF THE

CITY OF SANTA FÉ

AUDIT COMMITTEE

April 13, 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 Chair Clark de Schweinitz on this date at approximately 2:04 p.m. in the 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, J.D., Chair
Cheryl Pick Sommer, J.D.
Carolyn Gonzales, CPA
Hazeldine Romero, CPA

Members Absent:

Marc Tupler [resigning]

Others Attending:

Liza Kerr, Internal Auditor
Andrew Hopkins, Finance Department
Teresita Garcia, Finance Department
Oscar Rodriguez, Finance Director
Adam Johnson, Finance Department

The Committee members discussed that Marc Tupler has taken a position with the City of Santa Fe in the Finance Department and, as a result, he will need to resign from the Audit Committee but his formal resignation has not been received as of the date of the meeting.

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

3. APPROVAL OF AGENDA

Member Romero moved to approve the agenda as presented. Member Gonzales seconded the motion and it passed by unanimous voice vote.

4. APPROVAL OF CONSENT CALENDAR

No items were removed from the Consent Calendar by any member of the Committee. Member Sommer moved to approve the Consent Calendar. Member Gonzales seconded the motion and it passed by unanimous voice vote.

Mr. Rodriguez introduced Adam Johnson, the new Budget Officer. Inasmuch as the Budget Report was on the Consent Agenda, Mr. Johnson and Mr. Hopkins excused themselves. Ms. Garcia commented that every member of the Finance Committee was new except the Chair.

5. APPROVAL OF MINUTES - March 2, 2016

Requested Changes to the Minutes:

Member Romero should be indicated by her proper title of CPA on page 1.

The sentence at line 82 should be deleted and a statement that Terry Last, a reporter from the Journal North was in attendance at the meeting.

Line 92 should be modified to indicated that the Agenda was approved as "presented."

Member Romero moved to approve the minutes of March 2, 2016 as amended above. Member Gonzales seconded the motion and it passed by unanimous voice vote.

6. CONSENT CALENDAR LISTING

- 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 **(Liza Kerr) (Item 4)**
- d. Internal Audits - Schedule and Status, **(Liza Kerr) (Item 5)**
- e. Budget Report - **(Andrew Hopkins) (Item 6)**
- f. AAA Assessment (Provided to committee for review assignment, and discussion in May) **(Item 7)**

7. EXTERNAL AUDIT MATTERS

- a. **Santa Fe Waste Management 2015 Financial Statements.**

Member Gonzales presented a review of the Santa Fe Waste Management 2015 Financial Statements. She reported that the auditor issued an "unqualified opinion." She noted three items of concern. First, the lease for the Buckman Road Recycling Center expired on August 1, 2015. As of the date of the audit, negotiations that were in progress, no agreement was in place. Thus, operation is on a month to month basis. Ms. Garcia stated that the position of the Division Director at the Santa Fe Waste Management is currently vacant. Additionally, some discussion has occurred regarding the City taking back the property.

Member Gonzales moved that some follow up concerning the expiration of the lease issue should occur, Member Romero seconded the motion and it passed by unanimous voice vote.

The second item of concern regarding the audit of the Financial Statements of Santa Fe Waste Management noted by Member Gonzales was that the noncurrent liabilities were up by 45% over the prior year. The third item of concern regarding the audit of the Financial Statements of Santa Fe Waste Management noted by Member Gonzales was that there was a 67% increase in the budgeted operating expenses.

The Committee engaged in a discussion about what the Committee's role should be with regard to items of concern identified by committee members when reviewing audits. Member Sommer noted that the ordinance which governs the Committee states a responsibility to report such issues and make recommendations to the Finance Committee.

Member Sommer moved to report the three issues identified by Member Gonzales to the Finance Committee. Member Romero seconded the motion and it passed by unanimous voice vote.

The Committee then discussed the proper procedure for reporting to the Finance Committee. Mr. Rodriguez suggested that the Committee notify him of issues and recommendations as they arise and he will distribute messages to whomever should address the issue and present the issues and recommendations to the Finance Committee. The Committee agreed to this procedure.

b. Airport 2015 Annual Inspection.

Member Romero presented a review of the 2015 Annual Inspection of the Airport. She noted that it was a certification and safety inspection. Two findings were included in the report. First, the report states that the paved area of the runway needs attention. Although restoration is planned for the Spring of 2016, in the meantime, the runway should be cleared of loose particles and maintained. Second, the report noted that two members of the current staff were nearing retirement age and staffing consideration needed attention.

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

a. Financial Update.

Mr. Rodriguez reported that the plan for 2016 is to complete an annual close out and present an

unaudited financial statement by September 23, 2016, for the fiscal year ending June 30, 2016. Member Gonzales inquired as to whether monthly close outs are occurring. Mr. Rodriguez stated that if the annual close out can be accomplished this year, that will be a reasonable beginning to the new procedure of monthly close outs. It may be a year before the City is in a position to close on a monthly basis. Mr. Rodriguez reported that it continues to be a cultural change which is slow and that the Finance Department is still required to complete reconciliation and other closing duties for several of the other departments because finance positions in the departments remain vacant. The City is observing a hiring freeze.

c. Buckman Direct Diversion Operations Audit 2015.

Ms. Garcia reported that the City is now finished with its part of the financial statements and the information is in the possession of the auditors to review. An accounting allocation for the project was finally agreed upon by the parties. The parties agreed to set aside \$1 million to analyze the construction/design defect. No agreement has been reached by the parties as to a cost allocation for repairing the defect.

12. NEW BUSINESS (out of agenda order)

a. Introduction to Judge Virginia Vigil

At this point in the meeting, Judge Virginia Vigil joined the meeting. As a courtesy, the Committee agreed to take item 12a out of order to allow Judge Vigil to address them. The Committee members introduced themselves as did Judge Vigil. The issue of whether a vacancy was going to occur due to Marc Tupler's new job with the City was discussed further.

Mr. Rodriguez stated that he notified Mr. Tupler that he was required to resign but he can only address Mr. Tupler as a City employee, not as a member of the Audit Committee.

Judge Vigil stated that she was ready and able to appoint a new member.

Chair de Schweinitz agreed to follow up with Mr. Tupler. Chair de Schweinitz also advised Judge Vigil that the Committee had the names of a few people who were interested and qualified in serving.

The Committee then discussed the terms of each of the existing members. Member Romero and Member Sommer have terms expiring in November, 2016. Member Sommer indicated a willingness to serve for an additional term. Member Romero did not commit to an additional term at the meeting. Mr. Tupler's term would expire in November 2016, as well.

8. FURTHER DISCUSSION ON INDEPENDENCE ISSUES AND ORDINANCES

a. Update on revised Audit Committee Ordinance.

Ms. Kerr reported that the City Attorney asked Ms. Kerr to report to the Committee that her review of

the Audit Committee Ordinance would be a priority. Ms. Kerr explained to Judge Vigil one important aspect of the revised Ordinance is a change of the deadline for delivery of the Annual Audit Plan until ninety days after year end. The Committee agreed by consensus to include on the agenda of its next meeting a presentation by the City Attorney of any changes to the revised Ordinance.

b. Update on revised Internal Audit Ordinance.

Chair de Schweinitz stated that nothing other than as reported by Ms. Kerr needed to be discussed with regard to the Internal Audit Ordinance.

Following the discussion, Judge Vigil excused herself from the meeting.

10. INTERNAL AUDIT MATTERS

a. Discussion of Audit Plan

The Committee members engaged in a discussion about the Annual Audit Plan ("the Plan") which has already been submitted to the Finance Committee for review and approval. They discussed the manner in which each of their professional designations should appear. Member Romero should be designated as a "CPA."

Member Sommer noted that the risk assessment utilized by Ms. Kerr indicates that some departments or issues are high risk but no time is available for an audit. Ms. Kerr and Member Sommer discussed this issue before the Plan was completed and as a result, Ms. Kerr added a statement to the report on page 5 concerning the need for additional staff in order to conduct indicated audits. Ms. Kerr noted that some departments which have a high risk indication apparently are audited by third parties. Ms. Kerr does not receive copies of these audits. The Committee agreed that Ms. Kerr is within her authority to request copies and the Audit Committee should receive copies, as well.

Ms. Kerr stated that with the completed implementation of TeamMate, she is now in a position to create procedures for the operation of Internal Audit and expand the staff.

Chair de Schweinitz questioned whether the methodology described on page 2 of the Plan was clear enough for a non-CPA to understand. Ms. Kerr stated that she would be prepared to answer any questions at the Finance Committee concerning the issue.

Member Gonzales stated that the allocation of hours to G&A Planning looked high and that in all likelihood, some of the time spent was allocable to audit work.

The Committee then engaged in a discussion about characterizing time spent on projects by Ms. Kerr. It was generally agreed that for the next year, the presentation of available work hours for Ms. Kerr and the categories to which the hours relate can be modified and improved. This can be addressed at the time Ms. Kerr delivers the Annual Audit Report.

Chair de Schweinitz called attention to Attachment #2 of the Plan. In particular, he stated that the responsibility of Internal Audit as stated in the Plan is bland inasmuch as the State Auditor is going to issue a legal referral which will, in all likelihood, require oversight by Internal Audit with regard to clearing all findings regarding the Park Bond Audit.

The Committee then engaged in a discussion regarding the meaning of a "legal referral." It was agreed that the Committee and Ms. Kerr must review the legal referral when it is issued and determine their respective obligations thereafter. Ms. Kerr acknowledged that she will be responsible to oversee compliance with any findings. She thinks the language in the Plan is sufficiently broad to so indicate. Ms. Kerr agreed to confer with the Kevin Sourisseau from the State Auditor's office concerning the timing for the legal referral.

It was noted that historically, external auditors do not consult with Ms. Kerr concerning any audit work she may have done which would bear on the work of the external auditor. Member Romero and Member Gonzales stated that external auditors should be interviewing Ms. Kerr as part of the external audit process. Member Romero stated that State Auditor Keller will expect the external auditor to address any findings or issues relative to the Park Bond Audit in the CAFR.

Ms. Kerr raised one additional internal audit matter. She reported that the Public Utility audit is completed but she cannot release the report because an external investigation concerning the employee theft is ongoing. The Director is, nonetheless, working on the Findings. Ms. Kerr reported that the loss of \$4,600 was blatantly obvious. Eighty more accounts were questionable. The information has been shared with the Police Department but no one from the District Attorney's office has contacted Ms. Kerr.

11. UNFINISHED BUSINESS

No additional unfinished business was raised by any member of the Committee.

11. NEW BUSINESS

a. Introduction to Judge Virginia Vigil

Judge Vigil was introduced earlier in the meeting.

b. Assignment of Audits

The only audit to be reviewed for the next meeting is the AAA Assessment presented to the Committee as part of the Consent Agenda. Chair de Schweinitz agreed to present the AAA Assessment at the next meeting.

c. Marc Tupler – Resignation Status.

This issue was addressed earlier in the meeting.

13. PUBLIC COMMENT

No member of the public was present at the meeting.

14. NEXT MEETING DATE – Wednesday, May 11, 2016.

The June meeting of the Audit Committee is changed to June 9, 2016.

15. ADJOURNMENT

There being no further business to come before the Committee the meeting was adjourned at 3:55 p.m.

Approved by:


Clark de Schweinitz, Chair

Submitted by:


Carl Boaz for Carl G. Boaz, Inc.