



Agenda DATE 5/3/16 TIME 12:10 pm

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CITY OF SANTA FE AUDIT COMMITTEE MEETING
CONVENTION CENTER ADMINISTRATIVE CONFERENCE ROOM
Wednesday, May 11, 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**
April 13, 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)**
7. **EXTERNAL AUDIT MATTERS**
 - a. Presentation of AAA Assessment **(Clark de Schweinitz)**
 - b. Referral update
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 **(Kelley Brennan)**
 - b. Update on revised Internal Audit Ordinance **(Kelley Brennan)**
10. **INTERNAL AUDIT MATTERS (Liza Kerr)**
 - a. TeamMate Implementation
 - b. Comments from Finance Committee Meeting April 18th **(Liza Kerr)(Item 7)**
11. **UNFINISHED BUSINESS**
12. **NEW BUSINESS**
 - a. Update on new appointments
 - b. Election of Chair
13. **PUBLIC COMMENT – (5 MINUTES)**
14. **NEXT MEETING DATE**
Thursday, June 9, 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.

SUMMARY INDEX
CITY OF SANTA FÉ AUDIT COMMITTEE
May 11, 2016

ITEM	ACTION TAKEN	PAGE(S)
1. <u>CALL TO ORDER</u>		
2. ROLL CALL	Quorum Present	1
3. APPROVAL OF AGENDA	Approved as presented	1
4. APPROVAL OF CONSENT CALENDAR	Approved as amended	2
5. APPROVAL OF MINUTES		
• April 13, 2016	Approved as presented	1-2
6. CONSENT CALENDAR LISTING	Listed	2
a. External Audits - Completed Last 4 Years		
b. External Audits - Schedule and Status		
c. Internal Audits - Completed Last 4 Years		
d. Internal Audits - Schedule and Status		
e. Budget Report	Reported by Mr. Hopkins	2-4
7. EXTERNAL AUDIT MATTERS		
a. Presentation of AAA Assessment	Discussion	4
b. Referral Update	Report by Chair de Schweinitz	4-5
8. REVIEW OF FINANCIAL REPORTS		
a. Financial Update	No Report given	5
b. BDD Operations Audit 2015	No Report given	5
9. INDEPENDENCE ISSUES AND ORDINANCES		
a. Revised Audit Committee Ordinance	Discussed	6-8
b. Revised Internal Audit Ordinance	Discussed	5-6
10. INTERNAL AUDIT MATTERS		
a. TeamMate Implementation	Reported by Ms. Kerr	8
b. Finance Committee Comments April 18, 2016	Discussed	8
11. UNFINISHED BUSINESS	None	8
12. NEW BUSINESS		
a. Update on new Appointments	Discussion	8-9
b. Election of Chair	Mr. de Schweinitz re-elected	9
13. PUBLIC COMMENT	None	9
14. NEXT MEETING DATE:	June 9, 2016	9
15. ADJOURNMENT	Adjourned at 3:42 p.m.	9

MINUTES OF THE

CITY OF SANTA FÉ

AUDIT COMMITTEE

May 11, 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
Cheryl Pick Sommer

Members Absent:

(One vacancy)

Others Attending:

Liza Kerr, Internal Auditor
Carl Boaz, Stenographer
Andrew Hopkins, Finance Department
Kelley Brennan, City Attorney

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 suggested moving up the reviews with Ms. Brennan, given Member Sommer's need for early departure.

Ms. Kerr agreed to ask Ms. Brennan to come at 2:45.

Member Sommer moved to approve the agenda as presented. Member Gonzales seconded the

motion and it passed by unanimous voice vote.

4. APPROVAL OF CONSENT CALENDAR

Chair de Schweinitz had questions on Mr. Hopkins's budget report

Member Sommer moved to approve the consent calendar as amended with the budget report pulled for discussion. Member Gonzales seconded the motion and it passed by unanimous voice vote. Member Romero was not present for the vote.

5. APPROVAL OF MINUTES - April 13, 2016

Chair de Schweinitz thanked Member Sommer for her work on the minutes.

Member Gonzales moved to approve the minutes of April 13, 2016 as presented. Member Sommer 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**

CONSENT CALENDAR DISCUSSION

- e. Budget Report (Andrew Hopkins)**

Chair de Schweinitz said Mr. Hopkins' comments are helpful. He was more somber in the January through March reports but it appears things are looking up now from the standpoint of underspending.

Mr. Hopkins agreed and said the utility revenues had some billing issues that are partially resolved now and show stronger revenues now. The Water Department billing system is in need of modification.

Chair de Schweinitz noted on page two, the report says expenditures are slow in coming. He assumed that was a good thing for the City. He did not get the distinction about underspending was put in the General Fund.

Mr. Hopkins explained that they budget tighter in the other funds for grants, etc. The break out includes everything. In the General Fund, things can fluctuate a lot like police and fire overtime. Fire is expected to exceed the budget but overall, the General Fund is expected to come in quite a bit under budget.

Chair de Schweinitz saw that the underfunding in contractual is under about 40% and personnel is at 24% under budget.

Mr. Hopkins said the personnel change has to do with vacancies.

Member Romero arrived at 2:09.

Contractual expenses show underspending that won't be spent this year. That is where we have the most lag. It represents work that cannot be finished before the end of the fiscal year. Plus, the City Manager has asked departments to roll back spending.

Chair de Schweinitz asked about a sentence that says, "Even at higher levels" and the sentence seems to stop there.

Mr. Hopkins said Mr. Rodriguez wrote that part. He will keep a closer eye on that in the future.

Chair de Schweinitz asked if this report is sent out to others.

Mr. Hopkins explained that it is a publication of UNM that we incorporate into our financial report. When it comes out, that will be included in the financial report.

Chair de Schweinitz noted on page 3 that "transfers in" is a big figure.

Mr. Hopkins agreed if everything was included in the report, the transfers in and transfers out would equal each other. CIP is not included here so that is why it doesn't balance. Those transfers are between different City funds. Page 5 shows the transfers into the General Fund. Next year will see significant changes. The transfer in from Water will not be seen next year.

Member Sommer asked if the water company will still be a separate fund.

Mr. Hopkins agreed. This way of accounting is a quite normal circumstance for cities.

Member Sommer asked about the percentage Water would pay.

Mr. Hopkins said he didn't have that with him. The Committee should have received the new financial policies that Council approved in February. It is not to exceed ten percent of budgeted expenditures.

Member Gonzales asked why Lodger's Tax is projected to be so much lower next year (\$9 million vs. \$8.3 million).

Mr. Hopkins said a large accrual adjustment happened at the beginning of the year and hopefully it will

be made up this year. It was a delinquency largely from one vendor. The Tourism staff is working on that.

Member Sommer asked if these two are the only negative balances projected.

Mr. Hopkins said these are just two of the more chronic ones. They are slowly crawling back out. We are working on reallocating to correct balances and cutting back on budget.

Member Sommer asked about the financial software item.

Mr. Hopkins said that was the fund to upgrade to the current financial system. There will be a new fund set up for the next financial system which will be a true upgrade. It is not just software but a large integrated suite for financial accounting. He explained that most cities and counties are able to report assets by fund but we can't do that because they are all put together.

The Committee thanked Mr. Hopkins for the information.

7. EXTERNAL AUDIT MATTERS

a. Presentation of AAA Assessment (Clark de Schweinitz)

Chair de Schweinitz said the assessment is okay. It really was not an audit. It is just about people not filling out reports correctly. He felt sorry for the staff that have to go out and do this, like home health care, etc. Meals on Wheels had prior year issues that they have to justify again.

Member Romero said the Committee needs to be aware of if but we don't need to be concerned unless the program is not getting done.

Ms. Kerr said there was a report that was not made within 24 hours. It is good to report those things and be aware of them. The issues were all resolved.

Member Gonzales agreed. It would cover our committee even though not our responsibility.

Member Romero added that all of them have been addressed by the City. They were already rectified by the time the report was done.

Chair de Schweinitz agreed it was addressed.

b. Referral update

Ms. Kerr had numerous emails and the State Auditor said he had not gone through them. He makes the referral to the Independent Public Accountant (IPA). In this case, it is our external auditor. She would caution on that.

Chair de Schweinitz said he could find no basis for the referral. The rule is the most convoluted rule.

Member Romero said it was not called a referral when she worked there.

Ms. Brennan arrived at 2:39.

Chair de Schweinitz surmised that the State Auditor has not dealt with many audit committees. He couldn't find anything in the rules that dealt with audit committees.

Member Gonzales thought a referral would have to be part of the public record.

Ms. Kerr said it exceeds the authority of the Audit Committee.

Chair de Schweinitz thought it was ambiguous but the Committee did have a strong role in the CAFR.

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

a. Financial Update (Oscar Rodriguez)

Ms. Kerr said she never heard back from Mr. Rodriguez.

Ms. Brennan said he is working on the CIP budget.

Chair de Schweinitz asked if the Committee still wants to pursue monthly closings.

Member Gonzales commented that it is not going to happen for a while.

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

Ms. Kerr got a report from Ms. Garcia. She gave the audit to Mr. Browning. It is in their hands now. They finished their review and sent it back to the City so it has made progress but it is still sitting on someone's desk. Hopefully, they would get the report next month.

9. FURTHER DISCUSSION ON INDEPENDENCE ISSUES AND ORDINANCES

a. Update on Revised Audit Committee Ordinance (Kelley Brennan)

b. Update on revised Internal Audit Ordinance (Kelley Brennan)

Chair de Schweinitz welcomed Ms. Brennan to the meeting.

Ms. Brennan had very few comments on the ordinance generally detailing authority, as opposed to the independence ordinance. She had a couple of small technical changes to suggest. She didn't do it on her computer because she was not sure she had the latest version. She would make those comments on the document if she had the right document.

Ms. Brennan noted a couple of places that talk about budget issues and that is all subject to annual appropriation.

Ms. Kerr said she would like an opportunity to read through the Internal Audit Ordinance as well. Changes have happened here and there.

Ms. Kerr said she went back through GASB and when she did the peer review last year and the standards of the Institute of Internal Auditors and found we are not following those standards. But that is what we should follow. She has been trying to get the risk assessment down to something that is pretty quick. It is kind of meaningful but it takes time. Even with the template, it still takes her about 120 hours. Maybe it doesn't need to be done every year. And on the other years, she would just update the schedule.

Member Romero agreed.

Ms. Kerr suggested every three years; so they would delete "annual."

Member Romero clarified that an annual audit plan is needed but not the risk assessment.

Said it would be up to 90 days after the fiscal year.

Ms. Kerr agreed and would coincide with her annual report.

Ms. Brennan went to 2.22-7, the report and 8 is reporting. There appears to be duplication between those two. She said it would help if she could look at it electronically, it would help. Section 8 should be procedure and 7 should define the report.

Ms. Kerr said okay.

a. Update on revised Audit Committee Ordinance (Kelley Brennan)

Ms. Brennan asked if the Committee has discussed this at all.

Chair de Schweinitz said no.

Ms. Brennan said she wanted to sit with Mr. Rodriguez about it. She appreciated the independence and just wanted to make sure it works. She will also talk with Mr. Snyder about it. She was interested in the committee's role.

Chair de Schweinitz said in the Park Bond, the Committee's role was a little unclear.

Ms. Kerr agreed to make the proposed changes and then share the revision with Ms. Brennan.

Member Romero pointed out that it mentions item E - to prepare a budget and the Committee doesn't do that.

Ms. Kerr agreed. Mr. Hopkins just sent her budget to her today. She had to defend a budget she had not seen.

Ms. Brennan said she had to do that too. This suggests that Ms. Kerr would propose a budget to the Committee and then it would go on to the City Manager.

Member Romero read that the budget shall be prepared by City Auditor and submitted to the Finance Director.

Ms. Brennan said it goes first to the Committee for review and recommendation.

Chair de Schweinitz went to the bottom of page 2 in the Committee ordinance where in Section H it says "with the Procurement Department, to issue for bids." At the time we were striving for independence and now, Mr. Rodriguez does all that work.

Ms. Brennan said she had marked Finance Department there. There might be a role of the Audit Committee or a cooperative process to participate in the procurement process.

Chair de Schweinitz felt the audit committee is any one of them in >>>

Ms. Brennan said they pictured it as independently as they could. Does it mesh well for a smooth process? There should not be a problem with participating in the audit selection process. She thought they would find sponsors for the ordinance.

Ms. Kerr said she does have biweekly meetings with Brian Snyder. She needs access to him on a regular basis and have a two-way conversation. But she felt if she started reporting to the Committee, it would cut off that access.

Ms. Brennan said she should make that regular interaction with the City Manager a point to address here. Ms. Kerr is a liaison from the Audit Committee to Management.

Ms. Kerr described it not as a supervisor meeting but as a two-way conversation and that was the way she wanted it. To maintain her independence, she should not be given direction.

Ms. Brennan agreed to help find a sponsor and excused herself from the meeting.

10. INTERNAL AUDIT MATTERS (Liza Kerr)

b. Comments from Finance Committee Meeting, April 18, 2016 (Liza Kerr)

Ms. Kerr commented that in presenting her annual audit plan, the two new Councilors didn't even realize the City had an Audit Committee. So she spent 30 minutes explaining that to them.

Chair de Schweinitz said they wanted feedback on the audit. He recalled that last time, Mr. Rodriguez suggested that he would address them. But the Audit Committee should be the ones doing that and not depend on him to make the reports for the Committee.

a. TeamMate Implementation

Ms. Kerr said there were problems with the user training and connectivity issues. So they didn't get through the first page of the agenda. She was not satisfied with it so they are giving her more training.

c. GCCC

Ms. Kerr issued notice for an entrance conference for tomorrow at 2:00. Ms. Brennan said she would help with the items she doesn't seem to get from Finance. She is meeting with Rob Carter and the Complex manager, Ms. Suzanne to get the information quickly. It is a performance audit and she is following government standards. It might be more of an investigation. It will need a peer review two years from now. She has it all set up in TeamMate now and found it is much quicker with TeamMate.

11. UNFINISHED BUSINESS

There was no unfinished business.

12. NEW BUSINESS

a. Update on new appointments

Marc Tupler submitted his letter of resignation upon becoming a City employee. Chair de Schweinitz forwarded it to Judge Vigil and Ms. Kerr. He has not heard back from the judge yet.

Member Gonzales asked if members are to send resumes to Judge Vigil in order to be reappointed. She said her appointment came directly from Judge Yalman after being recommended by another judge.

Chair de Schweinitz said he did a little annual report and will send it to members by email.

b. Election of Chair

Member Gonzales moved to re-elect Chair de Schweinitz as Chair. Member Sommer seconded the motion and it passed by unanimous voice vote.

13. PUBLIC COMMENT

There was no public comment.

14. NEXT MEETING - Thursday, June 9, 2016

15. ADJOURNMENT

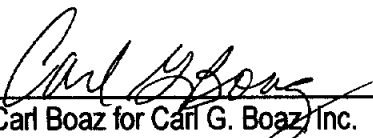
Member Romero moved to adjourn the meeting. Member Gonzales seconded the motion and it passed by unanimous voice vote.

The meeting was adjourned at 3:40 p.m.

Approved by:


Clark de Schweinitz, Chair

Submitted by:


Carl Boaz for Carl G. Boaz Inc.