



Agenda DATE 3/31/16 TIME 5:28

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CITY OF SANTA FE AUDIT COMMITTEE MEETING  
CONVENTION CENTER ADMINISTRATIVE CONFERENCE ROOM

~~Wednesday~~  
**Thursday**

Wednesday, June 9, 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  
May 11, 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*)
7. EXTERNAL AUDIT MATTERS  
Discussion on audit committee review of audit's process
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 (**Clark de Schweinitz**)
  - b. Update on revised Internal Audit Ordinance (**Clark de Schweinitz**)
10. INTERNAL AUDIT MATTERS (**Liza Kerr**)
  - a. TeamMate Implementation
11. UNFINISHED BUSINESS
12. NEW BUSINESS  
None at this time
13. PUBLIC COMMENT – (5 MINUTES)
14. NEXT MEETING DATE  
Wednesday, July 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**  
**June 9, 2016**

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**MINUTES OF THE**  
**CITY OF SANTA FÉ**  
**AUDIT COMMITTEE**

June 9, 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 [arriving later]  
Cheryl Pick Sommer

**Members Absent:**

**Others Attending:**

Liza Kerr, Internal Auditor  
Carl Boaz, Stenographer  
Oscar Rodriguez, Finance Department Director  
Teresita Garcia, Finance Department  
Andy Hopkins, Finance Department

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 asked if the Committee could consider the budget report under agenda item 8A - Financial Report. She said it is normally a consent item but can be discussed there.

Chair de Schweinitz agreed.

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

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

Member Sommer asked for discussion on items 6a and 6d.

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

#### **5. APPROVAL OF MINUTES - May 11, 2016**

Member Romero had noted a discrepancy in the adjournment time which had 3:40 in one place and 3:42 in another.

Member Romero had also asked in line 157 to name the report, which is UNM Bulletin Quarterly Economic Forecast of New Mexico Economy.

On page 4, line 223, the first sentence and the last sentence of that paragraph should be stricken. And on page 7, line 340 should be stricken.

**Member Sommer moved to approve the minutes of May 11, 2016 as amended. Member Gonzales seconded the motion and it passed by unanimous voice vote. Member Romero was not present for the vote.**

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

- b. External Audits - Schedule and Status (Liza Kerr)**
- c. Internal Audits - Completed Audits within the Last 4 Years with Open findings**

#### **CONSENT CALENDAR DISCUSSION**

- a. External Audits - Completed Audits within the Last 4 Years with Open Findings (Liza Kerr)**

Member Sommer asked about the 23 open items on the Lodger's report.

Ms. Kerr said she didn't have time to follow up with David Tapia on them. The majority are probably cleared. With TeamMate, the owner of the finding will fill it in and send a notice when it is done and she will

clear it.

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

Member Sommer pointed out that in attachment 5, Ms. Kerr had two on the list for quarters 2 and 3. She asked if those are being pushed to next year.

Ms. Kerr said she had not updated that for two months so she would update it for next time.

Member Gonzales asked her to put a date of update on them.

Ms. Kerr agreed.

Member Sommer noted on the first two entries, it says "meet with people."

Ms. Kerr clarified that it happened a long time ago. Page 3 has the dates added. She added that when comments are too numerous, she moves them over to another column in the database so they are kept and not lost.

**7. EXTERNAL AUDIT MATTERS**

**a. Discussion on audit committee review of audit's process**

Chair de Schweinitz reminded everyone that when the Committee members review these elements and then brings them back. Member Gonzales covered the findings and also found other things in the text needing discussion. He talked to Finance Committee about it and they want to know about the Audit Committee's comments as well as the findings. So he wondered if the Committee should develop a report template for their concerns in a report to the Finance Committee. It might be wise to use that each time. There was one last time that was really a policy comment for the senior's program and one on Meals on Wheels that Council might want to know about.

Member Sommer suggested creating a cover sheet which the Committee can write on and send it on.

Member Gonzales said she would create a bullet point list for the things the Committee should report on and bring it to the next meeting.

Ms. Garcia joined the meeting at 2:12.

**Member Gonzales moved to develop a standard template for reports to the Finance Committee. Member Sommer seconded the motion and it passed by unanimous voice vote.**

Chair de Schweinitz pointed out that the ordinance has no requirement for the Audit Committee to report to Finance Committee.

Member Sommer said if Chair de Schweinitz wants to put forth the effort, it is fine. But she thought it is a lot of work and it is awkward because of the timing.

Member Gonzales agreed and he would have to pick which ones to report on.

Chair de Schweinitz agreed and said he would not do it although he did prepare a draft.

Chair de Schweinitz related that the two new Councilors are eager to do things so he wondered if we should invite them to a meeting.

Member Gonzales suggested it should be a meeting where the Committee actually discusses an audit.

Member Sommer agreed.

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

### **a. Financial Update (Oscar Rodriguez)**

Mr. Rodriguez reported that the budget was approved and it is balanced. Now he is working on a series of reports for tracking of the personnel attrition rate. He will share that with the Audit Committee as well as the financial report. It will provide some statistics to compare with the target.

Starting July 1, the City will issue no more paper checks for vendors. Employees have options in their bank draft to pay the mortgage directly, etc.

In the Council budget, he requested a City Treasurer position to be responsible for cash flow planning and investments and supervising all revenues. It would not be a new position but a reclassification of Jim Varela's position who is retiring. That person would supervise those who receive lodgers tax and business tax and also Ms. Hausman. The position will be advertised after July 1. We will try to maintain 8-10% liquidity. Currently, Ms. Hausman keeps a high level of cash in the portfolio.

Ms. Garcia clarified that "it is invested - not sitting idle. But we don't have any cash flow planning."

Mr. Rodriguez said the Treasurer would also be in charge of collections through a collection agency contract. Council had concerns that it be used in cases where it is needed. At the same time, bring in a contract for community groups for a voucher program so that indigent people can apply for a waiver. They would notify the credit bureau of delinquencies.

Member Gonzales asked if that could be done with Lodgers Tax also.

Mr. Rodriguez said it might. The new ordinance for short-term units would be considered. For the most part, it is the City Attorney going after the lodgers.

Ms. Garcia added that the City can place a lien on their property to recover lodger's taxes.

Mr. Rodriguez expects much more traffic on those in July.

Ms. Kerr said that was also a finding.

Chair de Schweinitz asked how quickly they would report to the credit bureau and if there was any effort to work with people before that happens.

Mr. Rodriguez said it is a percent of collections right now. Our policy is a last warning.

Chair de Schweinitz asked if they can talk to someone at the City.

Mr. Rodriguez agreed. With water, the delinquency generates a shut off notice.

Ms. Garcia said it is also true with false alarms. We want to make sure they are going after the right person. There is a lot of clean up to do.

Mr. Rodriguez said the biggest problem is with ambulance service. And now, a lot of them get counseled instead of transported.

The Committee briefly discussed Ms. Hausman's forecasting.

Mr. Rodriguez pointed out that sometimes, 8-10% cash is not enough.

Member Sommer reasoned that the Treasurer will oversee the collection effort but most of it would be done through a contract.

Mr. Rodriguez agreed.

Member Sommer asked how the indigent write-off is funded and who would make the decision to write it off.

Mr. Rodriguez said it would come to Council because it needs to be formally recognized that it is uncollectible.

Member Sommer anticipated that citizens would have to be able to talk with someone.

Mr. Rodriguez agreed and explained how it would work. It would be done after the payment plan failed.

Member Sommer opined that there is lots of room for abuse in it. So needs a clear-cut policy.

Mr. Rodriguez said it would be a good idea to audit it every year. Right now it is more open for abuse.

Ms. Garcia commented that there is a statute that a City cannot forgive a debt.

Mr. Rodriguez said the City cannot give away water.

**b. Budget Report - Andy Hopkins.**

Mr. Hopkins reported they are continuing on the same track. Production is strong and expenditures trending downward. Amounts over budget have already been reprogrammed like claims on unemployment fund. We recently changed our method of paying unemployment claims directly rather than through the state.

Ms. Garcia clarified that the City is considered self-funded for unemployment benefits.

Member Sommer asked if it is based on state rates. Ms. Garcia agreed.

Mr. Hopkins said starting next year, Finance would get with HR on the claims and next year those departments would be billed for those amounts. Every year's claims would be captured in the next year.

Member Sommer asked if that saves the City money.

Ms. Garcia said the City has always been self-insured and has enough in reserve.

Mr. Rodriguez explained that the State requires that we deposit money.

Ms. Garcia said that in ten years, the City has only had three claims. The City didn't terminate anyone for 12 years. But when the recession came in that changed. So we find lots of temporary workers applying for unemployment claims now.

Mr. Rodriguez said it is less expensive for us.

Member Sommer asked if that unemployment fund is shown in the funds.

Mr. Rodriguez said it is not yet shown.

Ms. Garcia added that it is actually an internal service fund which covers more than unemployment.

Mr. Hopkins said the amounts paid out are called out on page 3.

Member Gonzales said that on page 9, it shows under Internal Service Fund.

Member Sommer referred to page 3 and asked why the City is not collecting parking fees.

Mr. Rodriguez said Noah believes the main reason is that people have figured out how to change the time.



The Committee briefly discussed parking tickets and higher fines.

Member Gonzales asked why fines and forfeitures were so high.

Mr. Hopkins said that figure includes other fines. He broke out 5-6 of the largest categories of fees. It includes bus fees and many other fees. He said more parking meters are beginning to fail and that means free parking until the Parking Division fixes them.

Member Sommer said page 7 regarding cash levels, she could not figure out the colors.

Mr. Hopkins said it just shows a portion of cash used for debt service. A lot of it is end of year loaded, thus, the spike.

Mr. Rodriguez said it is also an indication of the need to levelize it.

Mr. Hopkins agreed. With better cash management, it would lower the peak and is also a good argument for the treasurer position.

Ms. Garcia said the bond service says we must set aside 1/12 of debt each month. She explained how the bond covenant works.

Member Sommer noticed on page 10, lodgers tax, that the big months are November and February.

Mr. Rodriguez said collection is a month behind when it is incurred.

Member Gonzales asked the status of the monthly close out.

Mr. Rodriguez said they are still far from that point. It is not just Finance Department but all of the departments. Some don't even close out at the end of the year. He projected that monthly close outs are about 12 months down the road yet. We are slowly building to that point. Monthly close out reports now would be worthless.

Ms. Kerr asked if the Finance Department has addressed all of the Park Bond Audit findings.

Mr. Rodriguez said they have.

Member Sommer thought the external auditor was tasked with that responsibility.

Ms. Kerr said there was one that was her responsibility.

Ms. Garcia said the Staff found they were using bond money but coding it to the wrong bond issue. One of the biggest gains was in the expenses of \$1.8 million that went to Operations. Correcting that brought the \$1.8 million down to \$800,000. It was not a prior period adjustment - just an adjustment to prior period balances. Then they brought the total down to \$160,000 and moved the balance asset into 8101.

Member Sommer asked if she only changes them on the current period.

Ms. Garcia agreed.

The Committee briefly discussed the methodology for capitalization from the bond issue and what qualifies for capitalization.

Chair de Schweinitz asked about who pays for extra work.

Ms. Garcia said it is the State Auditor who okays that.

**c. Buckman Direct Diversion Operations Audit 2015 (Teresita Garcia)**

Ms. Garcia said the audit is final. We reviewed it and made some changes and there were questions just answered yesterday.

Ms. Kerr said she would update that in the database.

Mr. Rodriguez added that we are current on all audits now.

Member Sommer asked about the tax statement members received.

Ms. Kerr said it was not in packet and just emailed for information.

Mr. Rodriguez and Ms. Garcia excused themselves from the meeting at 3:25 p.m.

**9. FURTHER DISCUSSION ON INDEPENDENCE ISSUES AND ORDINANCES**

**a. Update on Revised Audit Committee Ordinance (Clark de Schweinitz)**

Chair de Schweinitz said he had been out of town and had nothing to report on this or the next item.

**b. Update on revised Internal Audit Ordinance (Clark de Schweinitz)**

Member Sommer asked if the right version was emailed to Ms. Brennan.

Ms. Kerr said she would make sure.

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

**a. TeamMate Implementation**

Ms. Kerr could not get into the system at that moment to provide a demo for the Committee. She said it just moved to production last Wednesday. Next time when the agenda is light she would give the demo. She showed the program home page with icons of the Teammate Suite. She explained each of the icons on that page. She said there are 167 questions to answer for quality assurance. This software will save a lot of time after she gets it ready for operation. It will make her work much more efficient and free up time for audit plans, etc. She showed some of the features of the program.

#### **11. UNFINISHED BUSINESS**

There was no unfinished business.

#### **12. NEW BUSINESS**

Ms. Kerr reported on GCCC. They are using many volunteers and they need a volunteer use policy. It is a liability and controls are needed. Some of the volunteers are sent by the Court to pay off their debts. All of them working with children must have a background check.

Ms. Kerr said the document Chair de Schweinitz has was an email for senior management dealing with gift cards and vouchers. Mr. Rodriguez fields the questions on it.

Chair de Schweinitz reported that he is trying to get a new committee member. He sent notice to the Judge. Mr. Randall recommended a person but it looked like he did not follow through.

#### **13. PUBLIC COMMENT**

There was no public comment.

#### **14. NEXT MEETING - Wednesday, July 6, 2016**

Chair de Schweinitz commented that the BDD audit might be pretty big and they might need to assign two people to review it. He also mentioned a very good article in the Santa Fe Reporter about City water rights.

Member Gonzales said if the Committee gets the audit before the next meeting - you are talking two meetings out.

Chair de Schweinitz agreed.

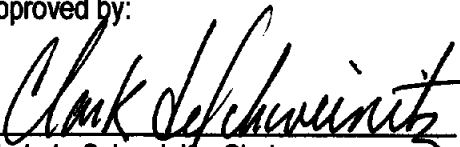
**15. ADJOURNMENT**

Member Gonzales asked for the Audit Committee to meet on the second Wednesdays of the month.

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

The meeting was adjourned at 3:47 p.m.

Approved by:

  
Clark de Schweinitz, Chair

Submitted by:

  
Carl Boaz for Carl G. Boaz, Inc.