



Agenda DATE 8/30/16 TIME 12:33p

SERVED BY Liza Kerr

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CITY OF SANTA FE AUDIT COMMITTEE MEETING  
CONVENTION CENTER ADMINISTRATIVE CONFERENCE ROOM  
Wednesday, September 7, 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**  
August 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 **(Liza Kerr)** *(Item 4)*
  - d. Internal Audits - Schedule and Status, **(Liza Kerr)** *(Item 5)*
7. **EXTERNAL AUDIT MATTERS**  
Contingency Auditor Recap – Troy and Banks *(Item 6)*
8. **INTERNAL AUDIT MATTERS (Liza Kerr)**
  - a. Genoveva Chavez Community Center (Update)
  - b. Temporary and Seasonal Employees (Update)
9. **REVIEW OF FINANCIAL REPORTS AND OTHER FINANCIAL MATTERS FROM CITY**  
Presentation / Finance / Lodger's Tax **(Teresita Garcia)** **(Oscar Rodriguez)** *(Item 7)*
10. **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)**
11. **UNFINISHED BUSINESS**  
None at this time
12. **NEW BUSINESS**  
Introduction to new Audit Committee Member, Al Castillo *(Item 8)*
13. **PUBLIC COMMENT – (5 MINUTES)**
14. **NEXT MEETING DATE**  
Wednesday, October 5, 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**  
**September 7, 2016**

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15. ADJOURNMENT	Adjourned at 3:07 p.m.	7-8

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

September 7, 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  
Al Castillo  
Carolyn Gonzales, CPA  
Hazeldine Romero [arriving later]  
Cheryl Pick Sommer

**Members Absent:**

**Others Attending:**

Liza Kerr, Internal Auditor  
Carl Boaz, Stenographer  
Brad Fluetsch, Cash Management Director  
Christina Keyes, Treasurer

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 Mr. Rodriguez and Ms. Garcia were expected to come later and their reports might need to be considered later.

Member Sommer asked to move up item #12 right before Consent.

**Member Sommer moved to approve the agenda as amended. 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 published. Member Gonzales seconded the motion and it passed by unanimous voice vote.**

#### 12. NEW BUSINESS

##### **New Member Introduction - Al Castillo**

Chair de Schweinitz introduced Member Castillo. He was a State Auditor in the late 1970s.

He welcomed Mr. Castillo and said the Committee is glad the Judge appointed him.

Mr. Brad Fitch introduced himself as the new Cash Manger who moved from Juneau, Alaska last Saturday. He and his wife decided to change after living there for 30 years. He stated, you can't drive to Juneau. It is only accessible by ship or air. We had 180 miles of road and had driven every one of them. His wife is the Director of Communications for a large nonprofit in Juneau and they come down for Indian Market. The non-profit is trying to replicate the Santa Fe Indian Market as the Northwest Native Art market in Juneau.

Ms. Christina Keyes said she started yesterday as the new Treasury officer and will work collaboratively on City investments. She worked for the State seven years and last year as economist for the Legislature working for David Abbey. Before that, she was a portfolio manager for PERA.

Member Castillo said he needs to fine-tune his resume. He hasn't practiced as a CPA for 10 years but was in practice for 40 years. He said he is here to learn and offer what he can.

Member Romero arrived at 2:13.

Member Castillo said he is a politician. "Judge Vigil called me and I said yes and here I am."

All those present introduced themselves to the group.

#### 5. APPROVAL OF MINUTES

- **August 3, 2016**

Ms. Kerr had not received the minutes from the City Clerk's office in time to duplicate for the meeting.

**Member Castillo moved to postpone approval of the minutes to the next meeting. Member Romero seconded the motion and it passed by unanimous voice vote.**

## **6. CONSENT CALENDAR LISTING**

- a. External Audits - Completed Last 4 Years**
- b. External Audits - Schedule and Status**
- c. Internal Audits - Completed Last 4 Years**
- d. External Audits - Schedule and Status**

## **7. EXTERNAL AUDIT MATTERS**

### **a. Contingency Audit Recap: Troy and Banks**

Ms. Kerr prepared a summary report for the Finance Committee meeting last night. Troy and Banks, through their audit, realized gross savings through credits of \$28,398 which after the contingency fee, meant a \$20,000 savings to the City. It was not as much as she thought it would be but they did look at everything and came up with those credits and it is a savings for the City. They did not find any corrections in telecom or natural gas so it means that City staff are doing their job well.

The report is attached so she didn't feel it was necessary to go into details. The City hired the auditors after she heard about them at a conference. They charge a contingency fee. They are based in Virginia and this is their specialty with proprietary software.

## **8. INTERNAL AUDIT MATTERS**

### **b. Temporary and Seasonal Employees**

Ms. Kerr hoped to have a draft to the City before going on vacation. The audit issue was brought to light in an interview with former custodian at GCCC who claimed potential age discrimination and that those who hire at GCCC target older Hispanic Spanish only speakers and put them in as temporary employees so they did not get any benefits.

When she reviewed relevant laws and regulations, she noted that the ACA requires benefits to be offered after 12 months. It was an interesting conversation with HR. The custodians at GCCC are all over 40 and all are Hispanic. There is a potential for discriminatory hiring practices. These might be the only ones who applied for these jobs so that is the next step. The pool of applicants will be examined.

That finding then expanded to the whole City staff and she was able to identify a number who were deserving of PERA and medical benefits.

**a. Genoveva Chávez Community Center Update**

Ms. Kerr said her audit started with a scrap metal complaint and she hoped to have a report completed by tomorrow. There was an IPRA request - the issue #12 - not much to add. She will be turning all that in by tomorrow and the rest will be picked up when she gets back at the end of September.

Chair de Schweinitz explained that GCCC has been underway for several months now.

Ms. Kerr said she would turn in the temporary employee report first and probably complete the GCCC audit when she returns. She has focused on volunteers and found out a lot on how the City uses its volunteers but it piqued her interest in how that applies to the rest of the City. She is considering expanding the scope to audit for the whole city. Police and Fire Departments use volunteers as do community centers and Parks and Recreation. It is an issue at GCCC. The policy needs to come from Risk Management instead of GCCC management.

Member Gonzales asked if it could take a while to finish.

Ms. Kerr agreed. She planned to get cash management and physical security soon. She has all the information she needs for both of those. It has taken a while to gather all of it.

Chair de Schweinitz recalled that started as a serious matter from the City Attorney.

Ms. Kerr agreed. It was in February.

Chair de Schweinitz explained the process of reporting on audits for the new member and staff. He asked if the committee summaries were forwarded to the Finance Committee.

Ms. Kerr said they are not forwarded to Finance at this time.

**9. REVIEW OF FINANCIAL REPORTS AND OTHER FINANCIAL MATTERS**

**a. Financial Update**

Neither Mr. Rodriguez nor Ms. Garcia were here for their report.

**b. Lodgers' Tax Report**

Chair de Schweinitz asked if Ms. Kerr knew what they wanted to talk about regarding Lodgers' Tax. Ms. Kerr said she didn't.

Chair de Schweinitz assumed they could talk about that more when Mr. Rodriguez or Ms. Garcia arrived.

## 10. INDEPENDENCE ISSUES AND ORDINANCES

### a. Revised Audit Committee Ordinance

Chair de Schweinitz noted that this has been on the Audit Committee agenda for months and months. The Committee had decided that changes were needed in the ordinances and started working on it a year ago. But we have not pushed it hard enough and now it seemed to have fallen off until yesterday.

Ms. Kerr agreed. Ms. Brennan is on vacation and her staff went to the senior staff meeting. Afterward, she got a call from the City Manager that the audit ordinance was on the agenda and he had not heard about it. Mr. Snyder has some issues with the ordinance and she agreed to meet with him this morning but the meeting got canceled. So she agreed to meet when she gets back to find out what he doesn't want in the ordinance because there is a lot of good in there. She felt there was nothing in there that we have to have if he wants us to back off. But there are some things she would like to see changed.

Chair de Schweinitz felt the part regarding her job has some confusing things in it and also one for the committee that is confusing. He would be very interested in what Mr. Snyder has to say. If it is about independence, perhaps he is upset that the Committee wants to take over the selection of the external auditor to do the CAFR.

Member Castillo said it would be advisory anyway.

Chair de Schweinitz said the Audit Committee really is in charter. He explained that the Audit Committee was put in the revised city charter when it was approved. The revised ordinance would have the Audit Committee doing the evaluation of Ms. Kerr's position with a stronger say in hiring and firing.

Member Castillo asked what is typical for a city this size on selecting the auditor.

Chair de Schweinitz didn't know but explained that the Committee is invited to the process for the RFP but with only one member.

Member Castillo wondered if the Council would be willing to let go of that particular power.

Chair de Schweinitz thought they would, but not the top administrators. We will find out. He was annoyed that it has been talked about for over a year and had meetings without result. He said he is open to suggestions about going more directly. He wanted Mr. Snyder to know he is not paying attention. He will talk with the Mayor about it. Obviously, the Audit Committee is not a high priority for any of them.

Member Castillo wondered if other municipalities really give their audit committee this kind of power.

Ms. Kerr said Albuquerque's audit committee has hiring and firing authority over the auditor but they have a lot of issues. UNM does the same thing. The committee has independence but they were having a lot of issues with that. She didn't know about external.

Member Romero said in the past, they looked at ordinances and general practices of various audit

committees. They found that most do have authority for the whole process of issuing the RFP through selection. That is at the national level. We explored it when we started.

Member Castillo said he would hate to have us take the lead and wind up with something we might not want.

Ms. Kerr said she was tasked with the RFP for the Lodgers Tax audit. She feels that those tasks detract her from her primary goal of internal auditing. She has had discussions with Mr. Rodriguez and Mr. Snyder regarding Lodgers Tax on whether it makes sense for her to continue doing the RFPs. Then her time is further eroded after they hire the contractors because she ends up handling the invoices and all of that. That is especially true with external auditors (except for CAFR) and also with Lodgers Tax. She felt it was the Finance Department's job to manage that.

Member Gonzales asked why Purchasing wasn't doing the RFP.

Ms. Kerr agreed that would be better but the revised ordinance pushes the Audit Committee to do more of that.

Member Romero said there was a liaison from the Finance Department when the Audit Committee started and they were doing all the backup work and then they made Ms. Kerr the liaison.

Ms. Kerr pointed out that Finance has a whole staff for that and she didn't even have a secretary or Administrative Assistant and that is a specialty of Finance. She did the whole RFP content for the Park Bond Audit. She had meetings for months to figure out the scope.

Chair de Schweinitz thought the Committee should put a stop to that and rethink that, especially if the City Manager has problems with it.

Member Gonzales asked if Ms. Kerr could send the latest version of the revised ordinances to the members.

Member Sommer asked if she could also share what she had envisioned at the beginning to say what changes she thought should be made.

Chair de Schweinitz agreed to send out his requested changes from July 2015. He explained that the independence was to come from the municipal judge. The current ordinance was done with assistance from the City Attorney's office.

Chair de Schweinitz noted that the Audit Committee hasn't gone before the Finance Committee to report about monitoring findings. They appreciated the annual report and Councilor Ives said he would like to know more about the findings. Finance has a lot on their plate. He thought the Committee should think about appearing before them more often and support Ms. Kerr a little bit more.

The Audit Committee is getting a little bit more recognition since it started in 2010. He urged the



members to read the drafts to discuss them further. Member Castillo will bring a new perspective on getting things done.

Ms. Kerr suggested the week of the 12<sup>th</sup> to meet with the City Manager. She would talk with him beforehand. She thought they could have two committee members and Mr. Snyder and Ms. Brennan to see where things are now.

Member Gonzales offered to attend.

Ms. Kerr said they are also to meet on the 22<sup>nd</sup> with Morgan a 10:00 a.m. They cannot meet earlier in the week. As long as we have a quorum, it will be okay.

Member Sommer said the actual physical work could be done by someone else. She didn't think the changes that were described are significant.

Member Castillo suggested the Committee might divide up tasks rather than using someone else.

Chair de Schweinitz agreed. The Committee needs to prevent those from being dumped on Ms. Kerr.

**b. Revised Internal Audit Ordinance**

This was included in the discussion above.

**11. UNFINISHED BUSINESS**

There was no unfinished business.

**12. NEW BUSINESS**

**New Member Introduction - Al Castillo**

Member Castillo was introduced earlier in the meeting.

**13. PUBLIC COMMENT**

There was no public comment.

**14. NEXT MEETING DATE:**

October 12, 2016

NOTE: The Committee decided to meet on October 12 instead of October 5.

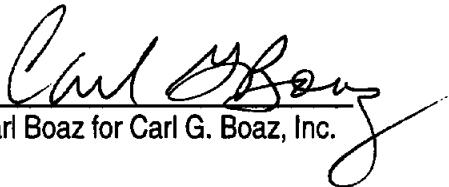
**15. ADJOURNMENT**

Member Sommer moved to adjourn and the meeting was adjourned at 3:07 p.m.

Approved by:

  
Clark de Schweinitz, Chair

Submitted by:

  
Carl Boaz for Carl G. Boaz, Inc.