



# Agenda

DATE 10/14/16 TIME 11:25a

SERVED BY Liza Kerr

RECEIVED BY [Signature]

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

Wednesday, October 12, 2016, 2:00 P.M. to 4:00 P.M.

- 1. CALL TO ORDER**  
**ROLL CALL**
- 2. APPROVAL OF AGENDA**
- 3. APPROVAL OF CONSENT CALENDAR**
- 4. APPROVAL OF MINUTES**  
August 3, 2016 (*Item 1a*)  
September 7, 2016 (*Item 1b*)
- 5. 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*)
- 6. EXTERNAL AUDIT MATTERS**
  - a. Follow up on results of meeting with External Financial Auditors / status update on audit
  - b. Discussion about whether review of component units is appropriate – assignment of SF City Housing Authority, if appropriate
- 7. REVIEW OF FINANCIAL REPORTS AND OTHER FINANCIAL MATTERS FROM CITY**  
Finance / Lodger's Tax (**Adam Johnson**)
- 8. INTERNAL AUDIT MATTERS (Liza Kerr)**
  - a. Genoveva Chavez Community Center (**Update**)
  - b. Temporary and Seasonal Employees (**Update**)
- 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. UNFINISHED BUSINESS**  
None at this time
- 11. NEW BUSINESS**
  - a. Approval of 2017 Audit Committee Meetings (**Clark de Schweinitz**) (*Item 6*)
  - b. CofSF Information Security Policy (**Joshua Elicio**) (**Renee Martinez**) (*Item 7*)
- 12. PUBLIC COMMENT – (5 MINUTES)**
- 13. NEXT MEETING DATE**  
Wednesday, November 2, 2016, tentative change to November 9, 2016
- 14. 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 FE AUDIT COMMITTEE**

**October 12, 2016**

<b>ITEM</b>	<b>ACTION TAKEN</b>	<b>PAGE(S)</b>
1. CALL TO ORDER		
ROLL CALL	Quorum Present	1
2. APPROVAL OF AGENDA	Approved as presented	1
3. APPROVAL OF CONSENT CALENDAR	Approved as presented	2
4. APPROVAL OF MINUTES		
August 3, 2016	Approved as amended	2
September, 2016	Approved as presented	2
5. CONSENT CALENDAR LISTING	Listed	4
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		
6. EXTERNAL AUDIT MATTERS		
a. Meeting with External Auditors Follow up	Discussion	4-7
b. Component Review/Santa Fe Housing	Discussion	7
7. REVIEW OF FINANCIAL REPORTS		
a. Financial Update		
8. INTERNAL AUDIT MATTERS		
a. Genoveva Chavez Community Center	Discussion	7
b. Temporary and Seasonal Employees	Discussion	7
9. FURTHER DISCUSSION		
a. Update on Revised Audit Committee Ordinance	Discussion	9
b. Update on Revised Internal Audit Ordinance	Discussion	9
10. UNFINISHED BUSINESS	None	9
11. NEW BUSINESS		
a. Approval of 2017 Committee Meetings	Approved as presented	10-11
b. CofSF Information Security Policy	Presentation	2-4
13. PUBLIC COMMENT	None	11
14. NEXT MEETING DATE:	Wednesday 9, 2016	11
15. ADJOURNMENT	Adjourned at 3:44 p.m.	11

**MINUTES OF THE**

**CITY OF SANTA FÉ**

**AUDIT COMMITTEE**

October 12, 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.

**ROLL CALL**

Roll call indicated the presence of a quorum as follows:

**Members Present:**

3

**Members Absent:**

Clark de Schweinitz, Chair  
Carolyn Gonzales, CPA  
Hazelidine Romero  
Cheryl Pick Sommer  
Al Castillo

**Others Attending:**

Liza Kerr, Internal Auditor  
Rene Martinez, IT Director  
Christina Keyes, Treasury Officer, Finance Department  
Adam Johnson, Acting Finance Director  
Joshua Elicio, CIO Security Officer  
Charmaine Clair for Carl Boaz, Stenographer

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.

**2. APPROVAL OF AGENDA**

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

### 3. APPROVAL OF CONSENT CALENDAR

**Member Sommer moved to approve the Consent Calendar as published. Member Castillo seconded the motion and it passed by unanimous voice vote.**

### 4. APPROVAL OF MINUTES

Chair de Schweinitz pointed out there was a good discussion about the Lodger's Tax in the minutes. Member Romero also did a good job on the review of the BDD Audit.

**August 3, 2016**

Member. Romero requested a change on Page 6, line 242 – “the BDD audit was done by RPC CPAs.”

**Member Sommer moved to approve the minutes of August 3, 2016 as amended. Member Romero seconded the motion and it passed by unanimous voice vote.**

**September 7, 2016**

Although the minutes were not in packet, Chair de Schweinitz suggested looked good on line and asked for a motion to accept the minutes.

**Member Sommer moved to approve the minutes of September 7, 2016 as presented. Member Romero seconded the motion and it passed by unanimous voice vote.**

Chair de Schweinitz moved to item 11B CofSF Security presentation

### 11. NEW BUSINESS (Revised Agenda Order)

#### b. CofSF Information Security Policy (Joshua Elicio) (Renee Martinez) (Item 7)

Ms. Martinez said the City has established an information security policy that applies to all employees. There was an internal IT audit and this was an item. An assessment was done of the City's technology, processes. For the process and policy area, more emphasis was needed. The key was to add five staff to IT – one position was Chief Information Security Officer- Joshua Elicio is now on board for a couple of months. His background is DOD federal and health care security, making him well suited for this position.

*Ms. Gonzales joined the meeting at 2:23.*

Mr. Elicio provided his background- 19 years in the security field. The greatest challenge has been deciphering what information security means. He is looking at aspects of 1) general security –status of city today, and 2) PCI and HIPPA compliance. He proposes looking at framework; policies and procedures and operational initiatives. Given the resources and budget, he broke it down to 2016/2017 milestone activity, that must be reached before the next fiscal year.

First, a framework is important to establish an information security policy. He referred to the packet he had provided. Regarding confidentiality, are the City employees maintaining confidentiality or doing things they should not be doing. Policies are broken into 16 control measures having a lot to do with standards. Each control has measures that must be met to be in compliance. Because of federal regulations, the City must follow the National Institute Center Technology which is a framework. It is the basic baseline standard for the industry and is flexible. They are now laying a foundation for the overarching policy. They had HR communications with employees and received good feedback.

A policy management tool will help to create polices, work with groups to manage and maintain; will have a centralized management area that can follow policy quickly. They will work with a number of departments as to what their needs are; physical security; access control etc. IT has the bulk of work and will look at compliance and adherence. This month is cyber security month and we had good turnout for the first speaker. There will be speakers coming from state and federal levels. The federal part is not open to the public but his presentation and the state part is open.

Tomorrow they are talking about the state of the City, security wise and next will be a state presentation and in the last week in October, a representative from the Department of Homeland Security will talk. The main goal now is to consolidate efforts; incorporate all of the policies into one to reference areas - whether audit, compliance, or verification.

The procedures will be broken down administratively. The new data center will have advanced firewalls and detection systems and looking procedurally at how to set up, maintain and secure it. The recommendation will go to the committees in a couple of weeks. Operational initiatives include a third-party assessor who looks at work stations, servers, switches, firewalls etc. and reported the status.

Mr. Elicio incorporated in his report: threats, vulnerabilities and key challenges to address into one document and established an operational team with an informational security subcommittee from various departments who will address policy management, awareness, education / training, physical and technical, risk litigation. They are looking at upgrades to the current system in place and hoped in next two weeks, they can get the groups established.

In response to Chair de Schweinitz, he said they will have to create more policy. They must identify, department by department, what IT needs to bring all under one umbrella.

Ms. Kerr asked if there would be a separate policy for every department or if departments will have to have special permission to veer away from that.

Mr. Elicio said it will target administrative changes and technical and identify the role within the department. An active directory of permissions states what persons can do and will set guidelines for each

employee and what they can access. IT will take the bulk and then go department by department. They will address policy and map back to the overarching policy. This will be a challenge in the City as they have seen privileges go with the individual and when a person transfers, they want to identify roles and responsibilities within each department. The groups will help with security controls and look each department needs and overall perspective. They will map policies back to IT; the lower it goes the stricter it is.

Ms. Kerr asked if he was purchasing software

Mr. Elicio agreed. It's called non-policy info-technical that is a third party they partner with that will be provide the way to manage and maintain policies.

Mr. Martinez said it has a lot of uses and you can edit and finalize policies and acknowledge on line. He will do the training.

Chair de Schweinitz thanked Mr. Elicio for the report.

## **5. CONSENT CALENDAR**

- a. External Audits - Completed Audits within the Last 4 Years with Open Findings
- b. External audits – Schedule and Status
- c. Internal Audits – Completed Audits within the Last 4 Years with Open Findings
- d. Internal Audits – Schedule and Status

## **6. EXTERNAL AUDIT MATTERS**

### **a. Follow up on results of meeting with External Financial Auditors / status update on audit**

Chair de Schweinitz said they met with the auditors a week ago so they were told they didn't need to attend the meeting. He asked if someone wanted to update everyone on the results of that meeting.

Member Gonzales said they met with both external auditors and the manager. The auditors went through concerns. There were questions and the auditors will report to them on their progress. An email was received Friday that they didn't get their trial balance on Friday and there are still a number of issues outstanding. She wasn't sure if they want to discuss that.

Chair de Schweinitz said it's clear Mr. Johnson is the Interim Finance Officer. He said he was amazed how clear Bobby was, which was a step forward. He asked Mr. Johnson to give his thoughts.

Mr. Johnson said that since the email, he has been in contact with the Finance Director and Senior Analyst and the conversation indicated that about 80% of the audit items have been taken care of. The remaining are linked specifically to the report on investments, which are all being cleared up. They followed up with Morgan Browning to get an independent assessment on how they were doing and he said they had

made a lot of progress and they are on track to have everything by the end of the week. He knows that the Audit Committee is keenly interested in seeing Finance moving to a monthly closing pattern. They need to find solutions and he had some ideas. Being late on the audit is not acceptable.

Member. Romero said the way this was put out to them has that been corrected as far as asking Mr. Johnson for information before coming to the Audit Committee.

Mr. Johnson said he hasn't had that conversation.

Member Gonzales said they requested that if the auditors had the trial balance by Friday that they communicate with the committee.

Mr. Johnson encouraged the members to ask those questions. There is a level of professional scrutiny that even members of the Finance Department would know and if the Finance Director doesn't, it is not acceptable.

Member Sommer asked what his position was before.

Mr. Johnson was the budget officer for about 7 months. He offered to answer further questions

Chair de Schweinitz asked if Mr. Johnson had questions about what the committee does.

Mr. Johnson said his main question is what the committee's view is to get Finance to operate timely.

Member Romero said the biggest concern is about waiting until end of year to close. If someone gets sick or leaves, you're in a quandary and that has been the issue all along. The ordinance states the committee is to look at financial statements throughout the year and yet there was nothing until Mr. Rodriguez started bringing the financial reports in the last two years.

Mr. Castillo said the first step is communication between Finance and the external auditor. How long is the contract—three years? Seems coming up is more challenging to train a new auditor. How soon can Mr. Johnson communicate with the city auditor? That timing is critical.

Ms. Kerr said there seems to be bottlenecks in Finance and all the work stops and lot has to do with the enormous amount of work that has to be done at the last minute. A monthly close might not be the answer but this is a repetition of what happens every year.

Ms. Gonzales explained that when talking about a monthly close, it is not necessarily all the accruals booked. We're looking at things that have a process within a time period and reconciled and pulled together on a scheduled basis.

Mr. Johnson said he met with the Mayor and the City Manager and talked about the process of reporting. He sees a monthly report as too short term; a quarterly report uses the management tool.

The reason they haven't seen a monthly report for some time is there is about a two-month lag. They

are now in process to see the first report for September that, due to speed of the process, they will not see until December. It is virtually useless. The lag cannot be changed. We need to consolidate into a shorter time period - quarterly. If they can get in the habit of quarterly, that could lead to monthly. To do that, they need to understand the processes inside of Finance and the utilities that impact the ability to get information in a timely manner. They are doing desk audits now and will have a better idea of where they match and they can leverage more people and make better use of their time.

A lot of people in the Finance Department are not being used enough. We need to be integrated and see how they fit into that. Also the contract with Wells Fargo offers finance- business process mapping paid for in the current fees. He wants to do ground work in-house first before bringing them in.

Ms. Keyes will meet with them and lay out a calendar- probably in late January through the beginning of next year. The Wells Fargo team will observe what is currently in place and give recommendations.

Mr. Johnson said the new big platform is coming. The most recent memo from that consultant is "here are the critical departments." With Finance connected to the General Ledger and the ledger one of the critical drivers of the project –they will have to do business process mapping. That's a recommendation that fits nicely with Mr. Elicio's work for how all the different departments link with the different policies.

Mr. Johnson is also working on what revenues will look like over five years; the expenditures; the proposals and demands on capital needs, etc and figure out what revenue options are available to policy makers. They will take a swing at the General Fund and the Enterprise Funds and focus on the hold harmless decline.

Internally, to improve functions of Finance, the senior staff is working on value statements; a charter to refer to. Also, they are working on a concept with management to create a policy committee that has a financial analyst to work on P&P with staff and use the resources. The city has not updated the Finance Policy manual for 20 years.

Ms. Keyes said they will have the draft of the updated Investment Policy by next meeting.

Member Sommer asked if they take internal/external suggestions when forming the committees.

Mr. Johnson wanted a response period for feedback. One way is to have stakeholders read it and say how it would affect their department.

Mr. Johnson shared the summary of activity with GRT, based off information from July this year which was less than last year overall. There are anomalies with data and a consistent issue. June and July last year were slightly higher. They want people to know they are tracking it. They are working on an update to the Lodger's Tax in looks and reporting and more importantly, want broader connections and include it in the annual discussions. This report is the first step and talks more about what is happening in the economy. The bigger economic development initiatives/discussions/updates and what needs to be more discussion about uses of the taxpayers' revenue.

Mr. Johnson thanked them for their time.



Member Sommer asked how much behind they would be if they go to the quarterly reporting.

Mr. Johnson said the goal is to push it out one month. The goal is 30 days.

Ms. Kerr said she will be in touch with Mr. Johnson about the Lodger's tax audit.

Mr. Johnson said he would plan to attend the Audit Committee meetings as often as he could.

**b. Discussion about whether review of component units is appropriate – assignment of Santa Fe City Housing Authority, if appropriate.**

Chair de Schweinitz asked this to be put on the agenda. He noted mention in the CAFR that the component units should be covered and he was sure that was what they wanted. He pointed out one of the committee's first big decisions was if the CAFR would have to cover that, itself.

Mr. Johnson said he would have to double check on that. The Santa Fe Housing Authority is h=now under the County.

Ms. Kerr didn't think it was a component unit. She asked if he wanted to review some component units and not others.

Chair de Schweinitz reasoned that if it is an important part of the CAFR, the Committee could look at it but he thought they didn't want to do a separate review

Member Sommer asked about the presentation. she thought that an odd presentation.

Mr. Johnson thought it was still the Santa Fe Housing Authority but the County took over the fiscal accounting responsibility.

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

**b. Temporary and Seasonal Employees (Update)**

Ms. Kerr said she gave a copy to Member Romero to review. She is ready to do the exit conference. If she has the meeting this week, she asked if a member of the committee wanted to be there. That wasn't required. There is a confidential piece that will go to HR that she hasn't shared with the Committee. The report is not complete yet and she is still working on it.

**a. Genoveva Chavez Community Center (Update)**

Ms. Kerr is continuing to work on pieces of the audit. A lot is confidential. She is working on the hot line tip with scrap metal which is a personnel issue. There is still a lot of work to do there.

## 9. FURTHER DISCUSSION ON INDEPENDENCE ISSUES AND ORDINANCES

### a. Update on revised Audit Committee Ordinance (Clark de Schweinitz)

Chair de Schweinitz asked if members wanted to give their reactions to the meeting with the City Manager and City Attorney.

Member Romero wasn't sure what to expect but they knew Mr. Snyder had questions about the proposed ordinance so far. She was surprised his issues were with the Committee being more independent as far as the City Auditor. It was the opposite direction. She understood they would report to him as far as the external and internal audits and he wants to deal with them more directly. The changes adopted so far he is 100% behind.

Member Sommer said the provisions of the current ordinance would require the Committee to make recommendations to the Finance Committee would instead go to the City Manager and he would take it to the Finance Committee.

Chair de Schweinitz thought that was unclear. He doesn't think it changes the current ordinance.

Ms. Kerr said it just changed in relationship to her. They would talk to him about progress. It wasn't that everything would run through him.

Member Romero said Mr. Snyder's concern was more that the Title of the Department will change to Audit Accountability and Performance Management Department and he was more concerned with the performance management because he said that was his function.

Ms. Kerr said her takeaway was that Mr. Snyder and she all want the same thing - for the internal audit function to be more independent. We already practice that but it is not transparent to the rest of the City and City Council. Mr. Snyder, for instance, doesn't give her directions. It is more listening, but no one knows that. She and Mr. Snyder have been questioned about that relationship. They need to clarify what they are already doing. She is using the Committee as a resource and getting their review of reports and their input on the audit and they will formalize all of that into a policy. She and Mr. Snyder will still meet and do what they are already doing, but it will look better on paper.

Member Sommer asked what happens when she doesn't get cooperation. What in the ordinance and practice would give her, as the Auditor, the ability to enforce compliance?

Ms. Kerr said that if there was a new City Manager, she would be protected without fear of reprisal because the Audit Committee hires and fires. That needs to be clarified. The flip side is what if the people being replaced on the Audit Committee are not as competent or have their own agenda. She is trying to build safety in there.

Mr. Johnson asked who appointments this Committee.

Member Sommer said the Municipal Judge appoints them.

Member Romero said Ms. Brennan will work on those changes and get them back to the Committee in a week. She has reviewed both ordinances and she had comments.

Ms. Keyes asked if that would be documented and if so, where it would be documented.

Ms. Kerr said it would be documented in the ordinance. We have to build something sustainable for future Auditors and City Managers. This shift is a move from being considered under government auditing as an internal department to being an external. By definition, she is independent. However, she and Mr. Snyder keep getting challenged. Having her appointed by a Committee moves her from internal to external audit. There are also different requirements for external vs internal. She needs to look at that. There are benchmarks with other cities.

Mr. Castillo said the most persuasive point is that they are not getting into new territory.

Chair de Schweinitz pointed out that not many places in New Mexico have something similar.

They seemed agreeable to have the Finance Department select the external auditor. We need new auditors next year. They have worked on the management issue and the issue with HR.

Chair de Schweinitz thought Ms. Brennan was in agreement with both of the drafts

Member Sommer asked if the new document would combine the two ...

Chair de Schweinitz said they will stay separate. There is need for better alignment with the two and Ms. Brennan is more experienced in drafting.

Mr. Castillo asked if there are other stakeholders that should be brought into the discussion such as the Chair of the Finance Committee

Chair de Schweinitz said they would have to approve the ordinance.

Mr. Johnson said he could suggest to Councilor Dominguez to be a sponsor.

Ms. Kerr asked that he talk with Ms. Brennan first.

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

This was part of the discussion above.

## 10. UNFINISHED BUSINESS – None

## 11. NEW BUSINESS

### a. Approval of 2017 Audit Meetings

Member Sommer asked if the second Wednesday of the month would be better in terms of finance documents, it seems the first Wednesday doesn't allow anything to be ready

Mr. Johnson was not sure the second week would advance anything.

Member Romero thought it seems to be working for the first week.

**Member Romero moved to approve the Committee Meetings for 2017 as presented with flexibility.**

Ms. Gonzales thought they were going to discuss moving the meeting into the second week.

Ms. Kerr said it seems to be working well.

Member Sommer added that the motion could be subject to changes.

**Mr. Castillo seconded the motion which passed by unanimous voice vote.**

Chair de Schweinitz suggested meeting on November 9<sup>th</sup> and the Committee confirmed they will meet on that date

Mr. Johnson asked if the external auditor submitted a work schedule to the Committee.

Chair de Schweinitz explained that they had a benchmark. They needed about 3 weeks of field work.

Mr. Johnson asked that the Audit Committee help Finance hold them accountable.

Member Sommer asked about how to check the State GRT reports since there is no backup documentation.

Mr. Johnson said there is no way to check it.

Ms. Keyes said they keep it close to their chest for state confidentiality.

Mr. Johnson thought there was a constitutional reason why they have to keep the names confidential. A challenge is if they could see geographic areas of the City. Ms. Keyes would like to see a dollar amount.

Mr. Johnson added that some states publish in the newspaper those who didn't pay taxes.

Ms. Kerr announced that at the City Council meeting tomorrow, she will present three items on the

agenda: the Annual Report, the Fraud, Waste and Abuse Hot Line Report and the Contingency Auditor Report. They are on the consent agenda, however, Councilor Maestas is asking for backup.

Chair de Schweinitz will try to come to the meeting.

Member Sommer asked how to get things on this agenda.

Chair de Schweinitz said she could just call him.

Ms. Kerr added that it is posted on the web site.

**13. PUBLIC COMMENT – (5 MINUTES)**


There were no public comments.

**14. NEXT MEETING DATE:** Changed to November 9, 2016

**15. ADJOURNMENT**

The meeting adjourned at 3:44 p.m.

Approved by:

  
Clark de Schweinitz, Chair

Submitted by:

  
Charmaine Clair for Carl Boaz