



Agenda

DATE 11/29/16 TIME 3:00pm

SERVED BY Liza Kerr

RECEIVED BY [Signature]

**CITY OF SANTA FE AUDIT COMMITTEE MEETING
CONVENTION CENTER ADMINISTRATIVE CONFERENCE ROOM
Wednesday, December 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**
November 9, 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**
Status report from External Financial Auditors
- 8. REVIEW OF FINANCIAL REPORTS AND OTHER FINANCIAL MATTERS FROM CITY**
Status Report from Finance (Adam Johnson)
- 9. INTERNAL AUDIT MATTERS (Liza Kerr)**
 - a. Genoveva Chavez Community Center (**Update**)
 - b. Accounts Payable (**Update**)
- 10. UNFINISHED BUSINESS**
None at this time
- 11. NEW BUSINESS**
None at this time
- 12. PUBLIC COMMENT – (5 MINUTES)**
- 13. MATTERS FROM CITY ATTORNEY - Executive Session**
In accordance with the New Mexico Open Meetings Act §10-15-1(H)(2) NMSA 1978,
Discussion Regarding Limited Personnel Matters, Relating to the Investigation of Complaints
Made Against Individual Public Employees Via the City's Fraud, Waste and Abuse Hotline, and
in Conjunction with the Temporary and Seasonal Employees Audit. (Liza Kerr; Kelley Brennan)
- 14. NEXT MEETING DATE**
Wednesday, January 4, 2017
- 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 FE AUDIT COMMITTEE
December 7, 2016

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a. Status Report from Finance	Report by Keyes & Hopkins	2-4
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10. UNFINISHED BUSINESS	None	5
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13. EXECUTIVE SESSION - City Attorney	Postponed	6
14. NEXT MEETING DATE:	January 4, 2016	6
15. ADJOURNMENT	Adjourned at 2:58 p.m.	6

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

December 7, 2016
2:00 p.m. – 4:00 p.m.

1. CALL TO ORDER

A regular meeting of the City of Santa Fe Audit Committee was called to order by Ms. Carolyn Gonzales in the absence of Clark de Schweinitz, Chair on this date at approximately 2:00 p.m. in the Convention Center Administrative Conference Room, Santa Fe, New Mexico.

2. ROLL CALL

Roll call indicated the presence of a quorum as follows:

Members Present:

Carolyn Gonzales,
Al Castillo
Cheryl Pick Sommer

Members Absent:

Clark de Schweinitz, Chair
One Vacancy

Others Attending:

Liza Kerr, Internal Auditor
Morgan Browning, External Auditor
Christina Keyes, Treasurer
Andy Hopkins, Budget Senior Analyst
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.

3. APPROVAL OF AGENDA

Member Castillo moved to approve the agenda. Member Sommer seconded the motion and it passed by unanimous voice vote.

4. APPROVAL OF CONSENT CALENDAR

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

5. APPROVAL OF MINUTES:

November 9, 2016

Member Castillo moved to approve the minutes of November 9, 2016 as circulated. Member Sommer 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)**
- b. External Audits - Schedule and Status (Liza Kerr)**
- c. Internal Audits - Completed Audits within the Last 4 Years with Open Findings (Liza Kerr)**
- d. Internal Audits - Schedule and Status (Liza Kerr)**

7. EXTERNAL AUDIT MATTERS

Status Report from External Auditors

Mr. Browning was not yet present and the Committee came back to this item later.

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

Status Report from Finance (Adam Johnson)

Mr. Johnson was not present but Mr. Andy Hopkins and Ms. Christina Keyes were present.

Ms. Keyes said Mr. Johnson could not attend the meeting. In the packet was, "the latest and greatest version of the quarterly financial performance report" produced by Brad Fluetsch, the Cash Investment Officer., Ms. Keyes, Treasurer and Mr. Hopkins, Senior Budget Analyst.

Section 1 has the quarterly section that was once done by Helene Hausman and it is condensed with some visuals to illustrate rather than using a cumbersome table. Section 2 is the revenue and expense projections and where the City is year to date. Section 3 is the investment portfolio in a new quarterly version giving through September 30 the status of the portfolio and market vision on the horizon and investment strategy. She started on page 3 to walk the Committee through the GRT section as presented to the Finance Committee on Monday. The GRT reporting has a two- month lag so the November report shows September gross receipts. It is the standard TRD (Taxation and Revenue) report which for September receipts for Santa Fe was unusually high - 24% higher than last year. The accounting strength makes it sound like a back log and catching up. There was an unusually low drop during the summer, so

she is waiting to see how they play out.

Member Gonzales asked if mistakes have happened in past reports.

Ms. Keyes agreed. She referred to Chart 1 at the bottom of page 3 which shows the breakout and reveals that the lion's share is retail and hospitality. On page 4, table 1 shows the distribution by sector comparing with last year. Chart 2 at the bottom of page 4 shows the three-year comparison. There was a spike at the end of 2016 in June but it dropped in July and climbed back up in September.

Chart 3 shows visually the six largest industry sectors providing GRT and their performance over the last three years. Retail revenues go up in the summer and fall in September and climb back in December.

Unemployment levels are relatively flat during the first part and dropping down. Overall, state levels are about 6.7% and a lot of that is due to the mining sector. Chart 4 compares the levels with New Mexico and the US.

Chart 5 is Lodgers Tax revenue over the last three fiscal years. It evidences a lot of strength this year. Projections are for continued strength through the fiscal year.

Mr. Hopkins commented on the Revenue/Expenditures Section. Based on the number of Land Use applicants, the city expects good income for licensing and permits. But property tax is much lower than expected - as much as 25%. He is contacting the County Assessor to see what is going on. They are not very responsive. Franchise Fees are also down and hard to predict trends right now. The graph showed a huge bump in July and not much the rest of the year.

On the expenditure side, there are no major issues diverting from the plan. The City is running closer to budget in personnel with a much higher vacancy rate budgeted this year. One spike with an excess in GRT was transferred to the CIP budget. Personnel was not broken out but some departments are more personnel heavy than others.

Member Gonzales said it is a very nice report.

Ms. Keyes made further comments on the investment section which was also presented to Finance. Most of the City's investments are in safe, government backed investments with most in Money Market and some in CDs and T bills. About half are in overnight paper and the majority of the rest in one month to one year maturities and a few as much as 3 years out.

In September, a savings account was closed and the funds moved into a Wells Fargo trust account which doubled the return.

Member Castillo asked if the ending balance of \$193 million was taxes.

Mr. Hopkins agreed. He added that for the General Fund, CIP projections were excluded.

Ms. Keyes described the investment strategy shown on page 14 that included cleaning up old terminology and structure in the policy and consideration of revised state statutes which had not been done for several years. They also compared the policies in Rio Rancho and Las Cruces. The draft investment policy was approved by Finance on Monday night and goes to the next Governing Body meeting.

The next quarterly report will be more expansive with other metrics in addition to duration.

Mr. Hopkins said they will strive to get the next quarterly report out faster. The difficulty is the TRD lag.

Mr. Browning was now present and the Committee went back to his report.

7. EXTERNAL AUDIT MATTERS

Status Report from External Auditors

Mr. Browning shared a few copies of his status and milestones report. He noted that assets were capitalized in a different way than the Parks Bond agreement indicated. So they looked at all of them and particularly the ones that were not capitalized. If it is under a bond entry code, it was tied back. Everything is now tied out and they are testing them to make sure that they can say they are all capitalized. They are heavily involved in reviewing the CAFR which is due next Tuesday, December 12.

Member Sommer asked if the entry was made to correct the issue for park bonds.

Mr. Browning clarified it was for all bonds, including GRT related bonds. He couldn't remember the amount but thought it was probably a little over \$1 million. The entry was to get them reclassified. There was not a 10% threshold if tied to a bond but they didn't want to leave any of it. There is materiality there but they are trying to be diligent in follow-up with the parks bond audit.

Member Castillo asked if they are not restating prior numbers.

Mr. Browning agreed because there was an audit on it already. This year, there was a lot of clean up in that account and about \$2 million in business activity. That number is in the draft with a restatement of construction progress that came out last year. It is not related to the park bond audit. It is related to what should have been construction progress last year.

Member Gonzales concluded there was no reconciliation last year and that is where it fell out.

Mr. Browning agreed. They are reconciling it now. He couldn't talk much about what the findings will be, but there are six of them.

Member Castillo asked who he would present to.

Mr. Browning said it is not a public meeting and a few are invited. The audit will become public on December 15th. It is a big CAFR and there is lots of potential for errors. The State Auditor has to review and

be satisfied and then will issue their statement which allows us to print the final audit. We clear the comments with a little back and forth and refile with the State Auditor. They notify others about the release of the City audit.

Last year's was really fast and he is hoping for the same this year. But it is hard with all of the follow-up letters. It could be as long as late January. After that, the 30 days can be waived. Ultimately, they could come to Finance in late January or also with the Audit Committee. The findings cannot be discussed until that is finished so the final release probably will be in February.

There are four prior audit findings and a paragraph to discuss how they were resolved. Any findings from the feds would not necessarily be included in their audit. He didn't know what the State Auditor would do if they were not cleared. It requires a follow-up on last year's findings that remain.

The Committee thanked him for his report and he departed the meeting.

9. INTERNAL AUDIT MATTERS (Liza Kerr)

a. Genoveva Chávez Community Center

Ms. Kerr said she had done little with it lately because she mostly worked with Ms. Brennan on the confidential scrap metal case.

Member Gonzales asked if that would be discussed in executive session for GCCC.

Ms. Kerr agreed but the executive session must be carried over because Ms. Brennan is buried with work.

b. Accounts Payable

No update was provided.

10. UNFINISHED BUSINESS

There was no unfinished business.

11. NEW BUSINESS

Ms. Kerr said Ms. Brennan told her that Renee Martínez has been appointed Deputy City Manager and she will be reporting with her next week. The IT Director position will be open, as a result.

12. PUBLIC COMMENT

There were no public comments.

13. MATTERS FROM CITY ATTORNEY - Executive Session

In accordance with the New Mexico Open Meetings Act §10-15-1(H)(2) NMSA 1978, Discussion Regarding Limited Personnel Matters, Relating to the Investigation of Complaints Made Against Individual Public Employees Via the City's Fraud, Waste and Abuse Hotline, and in Conjunction with the Temporary and Seasonal Employees Audit. (Liza Kerr; Kelley Brennan)

Ms. Brennan was not able to be present for this item.

14. NEXT MEETING DATE - January 4, 2017

Member Castillo said he would not be present at the meeting on January 4th. He would be on his way to Mexico.

15. ADJOURNMENT

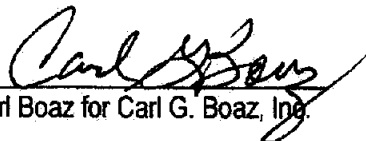
Member Sommer moved to adjourn the meeting. Member Castillo seconded the motion and it passed by unanimous voice vote.

The meeting was adjourned at 2:58 p.m.

Approved by


Clark de Schweinitz, Chair

Submitted by:


Carl Boaz for Carl G. Boaz, Inc.