



# Agenda

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**CITY OF SANTA FE AUDIT COMMITTEE MEETING  
CONVENTION CENTER ADMINISTRATIVE CONFERENCE ROOM  
Wednesday, January 4, 2017, 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**  
December 7, 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 with Audit Committee about what worked and what didn't work about the process
- 8. INTERNAL AUDIT MATTERS (Liza Kerr)**
  - a. Genoveva Chavez Community Center **(Update)**
  - b. Temporary and Seasonal Employees Report Presentation at Finance Committee January 3, 2017
- 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**  
Introduction to Renee Martinez, Deputy City Manager, and Internal Audit modified reporting requirements.
- 12. PUBLIC COMMENT – (5 MINUTES)**
- 13.**
- 14. 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)**
- 15. NEXT MEETING DATE**  
Wednesday, February 1, 2017
- 16. 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**  
**January 4, 2017**

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

January 4, 2017  
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 [telephonically]  
Carolyn Gonzales, CPA  
Cheryl Pick Sommer  
Barbara Borrego, CPA

**Members Absent:**

**Others Attending:**

Liza Kerr, Internal Auditor  
Renee Martínez, Deputy City Manager  
Kelley Brennan, City Attorney  
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 Gonzales moved to approve the agenda as published. Member Sommer seconded the motion and it passed by unanimous voice vote except Member Castillo abstained.**

Chair de Schweinitz noted that the City Attorney might not be present, in which case, the Committee would not have the executive session.

**4. APPROVAL OF CONSENT CALENDAR**

Chair de Schweinitz pulled items 6 A and 6 C for discussion.

Member Castillo clarified that he is not voting because he is on the phone.

**Member Gonzales moved to approve the Consent Calendar as amended. Member Borrego seconded the motion and it passed by unanimous voice vote except Member Castillo, who abstained.**

## **5. APPROVAL OF MINUTES:**

**December 7, 2016**

**Member Gonzales moved to approve the minutes of December 7, 2016 as presented. Member Sommer seconded the motion and it passed by unanimous voice vote except Member Castillo, who abstained.**

Chair de Schweinitz recognized Renee Martínez' presence and welcomed her to the meeting.

## **6. CONSENT CALENDAR LISTING**

**b. External Audits - Schedule and Status (Liza Kerr)**

**d. Internal Audits - Schedule and Status (Liza Kerr)**

### **CONSENT AGENDA DISCUSSION:**

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

Ms. Kerr said for the 2008 Park Bond Audit - it was approved with no findings. So what was said last time she assumed is cleared now.

Member Sommer couldn't find the CAFR on the State Auditor's website and Ms. Kerr agreed to help her with it. But she had not verified it is there. The City did get the release letter so it is now public.

Chair de Schweinitz agreed but we cannot discuss it, however. He was surprised there was no documentation to verify what happened.

Member Gonzales said Morgan Browning was asked specifically about that in the December meeting. The Park Bond Findings are not repeat findings. She said Morgan was going to look at it and if not mentioned again, then they are cleared.

Chair de Schweinitz was surprised, given all the effort put into it. Who can be sure if it is all okay now?

Ms. Martínez asked what he expected.

Chair de Schweinitz said he wanted to see that those 9 findings were cleared.

Member Castillo said it is the independent auditor and State auditor's view of materiality here. They no longer have the material impact as examined.

Chair de Schweinitz agreed that was probably it but this was huge that things were not done properly and it was a huge public issue.

Member Gonzales said if it is no longer mentioned in a year, the assumption is that it has been cleared.

Ms. Kerr asked if she should ask Kevin from the State Auditor's Office to come to the next meeting.

Member Sommer said perhaps he could make a statement about it.

Chair de Schweinitz was not questioning the validity but thought the Mayor and City Manager would be very happy to see that statement.

Ms. Kerr said it is okay to talk about the Parks Bond.

Ms. Kerr referenced attachments 1a and 2b in the packet. She sent a report to David Tapia on everything related to Lodgers' Tax and he responded with comments (last column). Several findings are still open. They can't get short term documentation. It remains open item until cleared. She went to page 3 where an item was cleared. All payments and penalties are paid so that one is cleared.

Page four was her biggest concern. No reconciliation was done (long term entity #9. They have established the reconciliation at this point. Mr. Tapia did a good job with it She reviewed several others with the Committee. She agreed to send the work paper on it to Member Borrego.

Member Sommer asked to- what outside documents Mr. Tapia is reconciling.

Member Gonzales recalled that was one of the findings.

Ms. Kerr said the statement from the lodger didn't match.

Member Castillo signed off at 2:18.

Ms. Kerr said Christina Keyes is working on it. They are over 8 years behind and working from 2007 onward. It just doesn't seem to be a priority for them.

Ms. Martínez said they have new personnel now.

Chair de Schweinitz asked if they got a legal opinion.

Ms. Kerr agreed. On page 6, lodger #16 didn't respond to management so it is still an open finding. So, do they put a lien on the property and work with Legal on it. Several of them are still open. Short Term Rental is an issue and there are ongoing discussions with the Attorney's Office on handling short term rentals. Until then, there remain open findings. Findings 1 of 8 are from 2015. It is a de minimus amount. She asked if the City can forgive that.

Ms. Martínez said it is a practice of the City with small amounts.

Ms. Kerr explained that they are creating a notice and sending it but until paid, it remains an open finding.

Member Gonzales noticed one had "due to human error" and asked what that is.

Ms. Kerr said she couldn't change the audit report and didn't write that. The evidence probably supports it.

Chair de Schweinitz asked if the report goes on to the Finance Committee.

Ms. Kerr asked what the Committee thoughts were.

Chair de Schweinitz thought they are on top of things so he recommended that.

Member Sommer said it should be only on what is still open. There should be a policy about how that gets done among the entities.

Ms. Martínez agreed.

Ms. Kerr said there is a difference on taxes due and on penalties incurred.

Ms. Martínez suggested asking Mr. Johnson for the policy on debt forgiveness.

Ms. Kerr said she would invite Mr. Johnson and Mr. Tapia to come and let them explain the open findings. Maybe she would separate the reports - one with closed findings and the other with open findings.

Member Sommer suggested just reporting how many were closed.

Member Gonzales agreed.

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

**IT Findings**

Ms. Kerr got an IT Findings update from Bill Smith on December 28, page 1 of 4. The nine findings are now eight. The 2<sup>nd</sup> item was cleared. Data is being transferred to the new DOIT center.

Ms. Martínez explained that the City is moving the data center to the State facility and is in process.

Ms. Kerr said once cleared, it would be a good time to take the report to Finance. At that time, we will get someone from IT to come in, wherever the findings reside. That would be the best use of her time and theirs.

On page 2 or 4 is one item that might be cleared. She will follow up, including the roll out of the IT policy. She is working on that. She will present to Finance after the move to DOIT and try to clear out the Parking findings.

Chair de Schweinitz asked if there will be any loss of IT jobs with the move.

Ms. Martínez said no. The State personnel will not take care of it. The City will maintain the data remotely.

## **7. EXTERNAL AUDIT MATTERS**

### **a. Discussion with Audit Committee about what worked and what didn't work about the process.**

Ms. Kerr said this is to be tabled to the next meeting. The City Clerk said no discussion now.

Member Gonzales felt they did a good job this year. For next month, we need more time to have the auditors discuss the CAFR.

## **8. INTERNAL AUDIT MATTERS**

### **a. Genoveva Chávez Community Center**

Ms. Kerr has started the review of purchasing. In the initial pass, PO's were paid using the Hubbell tool and that resulted in a bunch of duplicates so she is revising her approach and contacted Vince to use the A/P module. If she could get it, it would really help. She could also do a search for duplicates but there were many of them. The report gave the purchase order amount and the amount received. The problem is extracting the information out of the system. She didn't think they are all duplicates. It was very confusing to her. This will be a test run.

Ms. Martínez said the module is not intuitive. She would advise using an expert on the system.

Ms. Kerr wanted to ask the right questions.

Ms. Martínez advised her to not hesitate to bring them in. She asked what the original reason for the

audit was.

Ms. Kerr explained that there were four intents. One of them was on the scrap metal thing. A hot line tip is its own issue and that gets resolution and they move on. It got resolved and a separate report was made. There is also cash handling, physical security and human resource management. A lot of good came from it. Risk Management has now done a city-wide policy on handling volunteers and background checks. A lot of the issues are much bigger than the GCCC problem. Other pieces of the audit have fallen into place. Physical security is completed and needs to be included.

Ms. Martínez asked with closure of the scrap metal issue, if she was revising the report.

Ms. Kerr said the next step is an executive meeting with the Attorney and she will decide if further action is needed. It is getting close. Ms. Brennan is revising the confidential report template with the hot line for a more streamlined process. And outside investigator did an investigation. She did one and the police did one. She didn't know what action Legal will take but they have the information.

Chair de Schweinitz noted that time is passing. This was from 2015.

Ms. Kerr did advise them on capital scrap. That was addressed early on.

**b. Temporary and Seasonal Employees Report Presentation at Finance Committee January 3, 2017**

Ms. Kerr provided a handout on the presentation made at Finance. She wanted feedback. The Audit Committee needs to reorganize the internal audit subcommittee. She wants to give this to Council.

Member Gonzales asked if it by-passes Finance and goes straight to Council.

Chair de Schweinitz said it came up at Finance and they wanted it to go to the full Council.

Ms. Martínez said it is on consent and whoever hasn't heard could pull it off.

Ms. Kerr said that typically, what she has done is stand up and Councilor Dominguez announces her and she asks for questions. She didn't think that was a good way to do it because she couldn't hit the highlights of her report and she has to assume that they actually read it.

Ms. Martínez thought the report is about the right size - a good executive summary. They should be reading the report ahead of time.

Ms. Kerr said it was a good segue to questions from them. The questions were relevant and on the mark and got to the heart of the audit.

Chair de Schweinitz said it went well last night. The handout lays out the findings.

Ms. Kerr clarified that they didn't have the handout. A confidential report was submitted to HR.



Chair de Schweinitz said Ms. Kerr asked how they wanted feedback done.

Ms. Martínez thought that format works. It is an informational item at Finance and on consent at Council.

Ms. Kerr said independent means it is reported but Council doesn't have to approve audit reports. Having it on consent makes it an action item. But it doesn't require approval of audit reports.

Ms. Martínez thought it could be a request for acknowledgment.

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

### **a. Update on revised Audit Committee Ordinance**

Chair de Schweinitz said there was nothing much to update. He explained to Ms. Martínez and Member Borrego that the Committee drafted two ordinances and Ms. Brennan presumably is working on them. We need some kind of resolution here. The City Manager didn't even know about it until a month ago.

Member Sommer added that the City Manager had no problem with it.

Chair de Schweinitz said they went to Ms. Brennan about 18 months ago.

Ms. Kerr said Ms. Brennan talked with the City Clerk in December and said she would have something ready in January.

Ms. Martínez agreed to follow up.

### **b. Update on revised Internal Audit Ordinance**

## **10. UNFINISHED BUSINESS**

There was no unfinished business.

## **11. NEW BUSINESS**

### **a. Introduction of Renee Martínez, Deputy City Manager**

Ms. Martínez said the City has had a Deputy City Manager before. The intent now is to have a person to focus on improving city operations. About 75% of her time would be on large operation improvements, redesigning processes across all departments with technology to support it plus business processes. The

other 25% is to support administrative processes, which she listed.

She is eager to dive in. We also want to improve customer services like being open during lunch hour and listening to our constituents through surveys. She wants to roll out improved customer services and business practices.

Member Gonzales understood that the Internal Auditor is moved under Ms. Martínez instead of the City Manager. She asked how that will work.

Ms. Kerr said she is reporting here, to Ms. Martínez and to Council. That part of the ordinance needs to be revised.

Chair de Schweinitz noted that the Audit Committee does the hiring. We are only Committee mentioned in the Charter and has a greater role in selection of the external auditor for the CAFR.

Ms. Kerr agreed to provide a copy to Ms. Martínez.

Ms. Martínez asked how other municipalities deal with an internal auditor.

Ms. Kerr agreed to send her the guidelines and auditing standards. We want to mirror what the standards say.

The Commission commented about looking at the way Albuquerque does it and the problems they encountered.

Ms. Martínez said with the State, the reporting is to the City Manager and Governing Body but doesn't say what kind of reporting. That should also be clarified in the ordinance.

Ms. Kerr said the standards are from the Association of Internal Auditor standards.

#### **b. Internal Audit modified reporting requirements**

This matter was not considered.

### **12. PUBLIC COMMENT**

There was no public comment.

### **13. MATTERS FROM THE 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.**

Ms. Brennan was not present so there was no executive session.

**14. NEXT MEETING: February 1, 2017**

Member Gonzales proposed to focus on the CAFR.

Chair de Schweinitz agreed.

Ms. Kerr said she sent an email to Councilor Ives on the CAFR to deal with auditor questions. She agreed to let Chair de Schweinitz know if it is going to Public Works.

**15. ADJOURNMENT**

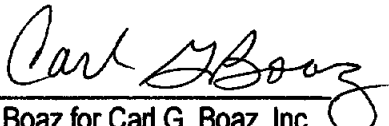
**Member Gonzales moved to adjourn the meeting. Member Sommer seconded the motion and it passed by unanimous voice vote.**

The meeting was adjourned at 3:16 p. m.

Approved by:

  
Clark de Schweinitz, Chair

Submitted by:

  
Carl Boaz for Carl G. Boaz, Inc.