



Agenda

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**CITY OF SANTA FE AUDIT COMMITTEE MEETING
CONVENTION CENTER ADMINISTRATIVE CONFERENCE ROOM
Wednesday, September 6, 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**
July 12, 2017 (Item 1)
August 2, 2017 (Item 1a)
- 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. REVIEW OF FINANCIAL REPORTS AND OTHER FINANCIAL MATTERS FROM CITY**
None at this time
- 8. EXTERNAL AUDIT MATTERS -**
 - a. Update of CAFR (External Auditor, Adam Johnson)
 - b. Responses from Railyard management on Financial statements
 - c. Report from Cheryl Somers on obtaining a list of all City Audits
- 9. INTERNAL AUDIT MATTERS (Liza Kerr)**
- 10. UNFINISHED BUSINESS**
Initial discussion of Ordinance Review (Cheryl Somers and Carolyn Gonzales)
- 11. NEW BUSINESS**
None at this time
- 12. PUBLIC COMMENT - (5 MINUTES)**
- 13. NEXT MEETING DATE**
October 4, 2017
- 14. ADJOURNMENT**

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CITY OF SANTA FE AUDIT COMMITTEE
September 6, 2017

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14. ADJOURNMENT	Adjourned at 3:55 p.m.	10

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

September 6, 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 Ms. Cheryl Sommer, in the absence of Chair de Schweinitz, 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:

Cheryl Pick Sommer, Chair Pro Tem
Barbara Borrego
Al Castillo
Carolyn Gonzales, CPA [arriving later]

Members Absent:

Clark de Schweinitz [excused]

Others Attending:

Liza Kerr, Internal Auditor
Adam Johnson, Finance Director
Renee Martínez, Deputy City Manager
Jeff Roybal, CliftonLarsonAllen LLP
Laura Beltran-Schmitz, CliftonLarsonAllen LLP

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

The Committee agreed to move the CAFR item until 3:00. Mr. Johnson excused himself until 3:00

Member Castillo moved to approve the agenda as amended, moving the CAFR to 3:00. Member Borrego seconded the motion and it passed by unanimous voice vote.

4. APPROVAL OF CONSENT CALENDAR

Member Borrego moved to approve all consent items. Member Castillo seconded the motion and it passed by unanimous voice vote.

5. APPROVAL OF MINUTES:

a. July 12, 2017

Chair Sommer requested the date on the top of the first page and in the footer, be corrected.

Member Castillo moved to approve the minutes of July 12, 2017 as amended. Member Borrego seconded the motion and it passed by unanimous voice vote.

b. August 2, 2017

Member Borrego moved to approve the minutes of August 2, 2017 as presented. Member Castillo seconded the motion and it passed by unanimous voice vote.

6. CONSENT CALENDAR

Although the Consent Calendar was approved, the Committee discussed items on the Consent Calendar.

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

Ms. Kerr said she expanded the list by adding new parameters with open findings, total findings and percentage of findings. The Lodgers Tax open findings were just requests not received from those who were audited. The City has done everything they can on those findings. The Data Center is a 4-5-year solution. Some findings cannot be corrected. Although some files were completed it later but can't go back and recreate something at that later date. Another is filing the audit late. That can't be corrected. The information is still in the database but no longer relevant. She asked if that is more helpful.

Chair Sommer agreed.

Member Gonzales arrived at 2:14.

Member Castillo asked if chronology makes a difference. It appears the years are scrambled.

Ms. Kerr said that has no bearing.

Member Borrego asked, on the CAFR, why those are still findings.

Ms. Kerr clarified that the nature of an external audit is that they report one year and then the following year, look at open findings and make sure they are cleared. So until that is released this time, they are still open findings. The budget finding never goes away. It is repeated as modified each year.

Member Borrego asked who monitors that.

Ms. Kerr suggested that would be a good question for Mr. Johnson.

Member Gonzales said management always has to respond to the findings and Finance oversees those as they get cleared.

Ms. Kerr agreed and their responses are in the report.

b. External Audits - Schedule and Status (Liza Kerr) (Item 3)

Ms. Kerr said there were issues with BDD on the construction audit. Eventually, they did get addressed and completed. If they receive grant money, there is a good chance they will be audited again at some point.

Chair Sommer asked if there were any left off the list.

Ms. Kerr said all of them are on the list. She added that the Airport is a federal inspection report and not an audit. She said in the past, the external auditor also did BDD.

Chair Sommer didn't recall seeing anything regarding Shelter Plus. Ms. Kerr explained this is a HUD Audit.

Ms. Kerr explained that the Area Agency on Aging audit is of the Senior Services Department.

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

Ms. Kerr said she is still working on Parking; the False Alarms report is coming.

There were no questions.

d. Internal Audits - Schedule and Status (Liza Kerr) (Item 5)

Member Castillo asked about problems in short-term rentals.

Ms. Kerr agreed. There is a lot of work to do on that. Air BnB makes a significant payment to the City

but no addresses are reported. The City is asking them if a specific permit is being paid to Air BnB.

Regarding False Alarms, a fee of \$10 per day is charged so we had over a million dollars in Accounts Receivable. The Governing Body then changed the ordinance to a flat fee of \$150 and payments have improved a lot. The \$1.2 million balance is now in the G/L. They also had a lock box account of \$60,000.

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

There were no reports at this time.

8. EXTERNAL AUDIT MATTERS

a. Update of CAFR (External Auditor, Adam Johnson)

It was not yet 3:00 and the Committee continued to come back to this item later.

b. Responses from Railyard Management on Financial Statements

Member Borrego noted the Railyard Corporation answered all the questions and now, it is up to the Finance Department to follow up.

Chair Sommer suggested the Committee might refer it to the Finance Committee and work on the template for our report to the Finance Committee.

Ms. Kerr agreed to get it to their agenda or you could email it to Mr. Johnson to facilitate.

Member Gonzales asked if the email should be sent to the Finance Committee Chair.

Member Borrego moved to send the communications from Audit Committee to Finance Committee. Member Castillo seconded the motion and it passed by unanimous voice vote.

Ms. Kerr also suggested looking at Guidelines for Committees.

Member Gonzales felt the Committee has done its due diligence.

c. Report from Cheryl Sommer on obtaining a list of all City Audits

Chair Sommer said the information in the packet is a great start. She also looked at the CAFR for activities the City has. From last year's CAFR, there are things that are not on our list. She reviewed the list on the CAFR and Ms. Kerr clarified where each one fit.

9. INTERNAL AUDIT MATTERS (Liza Kerr)

Ms. Kerr said they had a good discussion last night at the Finance Committee meeting. She said she talked for 90 minutes. None of it was contentious but very smooth with lots of support.

The spreadsheet didn't detail much on follow up audits so she has focused on that and made lots of progress on it and can make reports on it.

She had a Hotline case come up and is working on physical security at GCCC. She did a walk -through last week and talked with them about surprise cash counts.

Member Gonzales asked if it is tightening up.

Ms. Kerr said it is not. Some staff don't ring up the money. So she has not seen any improvement. The lead cashier was not there. Tom Miller, the acting manager, was on site and went around with her. Initially, they could not get into the vault but did later that day.

Member Gonzales asked if Finance had any input on it last night.

Ms. Kerr said not really. They talked about how GCCC tried to be an enterprise fund and what happened over the years. She did see improvement in physical security - doors were closed and locked but the gate to the pool was still open.

Ms. Renee Martínez arrived at 2:56. She explained the Enterprise Fund definition.

The Committee had some discussion on cash handling and surprise cash counts. They do daily balances.

At 3:00, the Committee went back to the CAFR agenda item.

a. Update of CAFR (External Auditor, Adam Johnson)

The Auditors (Jeff Roybal and Laura) were present for the discussion.

Mr. Roybal said they planned to wrap up internal controls next week and they have a game plan for a few outstanding items. The response to the PBC list took a little time for deliverable dates and who (specifically) is responsible for those. Yesterday, those were identified and they are on same page now and deadlines set for them. The Portal is used for those updates.

The Single Audit request has been provided for the federal portion and they will do the test for it. Mr. Roybal briefly explained the single audit provisions which is a requirement when federal funds are over \$750,000. Another process is used to evaluate those federal parts that are under \$750,000.

Member Borrego said the Committee heard the Auditors were missing some things.

Mr. Roybal said it was probably ten items but it is not a huge concern. The audit won't be late if we get them and won't be behind. We are still on schedule.

Member Gonzales asked if the auditors have complete cooperation from the City.

Mr. Roybal said yes. City Staff are very willing to support us.

Member Castillo asked about timely progress.

Mr. Roybal said that in the beginning, some deadlines were passed but we re-established them.

Laura said they had a helpful meeting to clarify questions and clarified things on the list. They have had back and forth communications since July. The discussion was helpful.

Member Castillo asked what the deadline is now.

Laura said it is November 30 and the drop-dead date is December 15. There is no reason to believe we won't meet it.

Member Borrego asked if they are having any problems.

Laura said they have communicated some potential findings but nothing final or material at this point. Any potential exceptions have been identified and sent to Ms. Garcia and Mr. Johnson.

Member Castillo asked about any issues with external parties.

Mr. Roybal said there is just one with Century Bank on verification of signatures. There are several deadlines for City information due this Friday and they are trickling in through the portal.

Mr. Johnson said they have access to anything they need. There have been a couple of preliminary findings and events may have mitigated those. However, it is not appropriate to discuss specifics of those right now. The auditors have access to our records. By giving that access, our Staff has plenty of work to do. At least 50% of their items are available to them. The City did provide training on both systems but it is complex.

Ms. Martínez asked if the IT part is finished.

Laura said it is substantially complete. The results were communicated. There might be a few loose ends yet.

Chair Sommer thanked them for their work and for reporting at this meeting. The Auditors left at this

point.

Member Borrego asked Mr. Johnson about who monitors the internal follow up on findings during the following year.

Mr. Johnson said he would have to look at each one separately but the only one who can clear the findings is the auditor.

Member Borrego said she was not asking about cleared who does the work on them.

Mr. Johnson said, "The folks involved in that area should work on it and management would respond." He said last year, the worst was on cash flow. They were not receiving revenue at Transit and the grant almost expired. And if it expires, we are out the money. We need a formal process to plan for resolution - there is no process in place now. The findings will remain in the CAFR.

Member Borrego asked what is happening with that stuff. There should be a formal process before next year's audit so we won't have the findings year after year.

Mr. Johnson said putting a process in place means we would have to identify what prevents the findings from being cleared. Meanwhile, all the staff members are incredibly busy.

Ms. Martínez said to Mr. Johnson that the Committee discussed the GCCC audit and considered how it was established as an enterprise fund. The had asked what factors were considered.

Mr. Johnson said he had read some of the ordinances and gained an understanding of the debt structure. There was a lot of misconception. When he got here, there was lots of discussion about the global idea that the Center is supposed to stand on its own financially. But that isn't what an enterprise fund is.

The financial statements would be more like a private operation - separating business activities from government activities. That doesn't mean they are supposed to stand on their own. It would need to have a more entrepreneurial effort to run it well.

He clarified that the debt service at GCCC is not the debt of GCCC but of the City. And GRT pays for the bond indebtedness.

Member Castillo asked if he would prefer GCCC as an enterprise or not.

Ms. Martínez commented that, from a management perspective, it doesn't change how we approach it.

Member Castillo asked why GCCC has cash problems. Maybe it doesn't have an enterprise mind set and the entire personnel would need to be trained for that.

Ms. Martínez said part of it is "the Santa Fe Way." When you will deal with lots of people and lots of money, it requires certain skills to do it well. The skills required need to be re-evaluated and changes made.

Member Borrego asked if at GCCC, those are just the same as at the other facilities.

Mr. Johnson agreed it is the same service essentially but GCCC is much bigger.

Member Gonzales asked if the re-evaluation could occur.

Ms. Martínez said the City Manager would be best person to ask. He has talked with the Parks Director on changes needed.

10. UNFINISHED BUSINESS

a. Initial discussion of Ordinance Review (Cheryl Sommer and Carolyn Gonzales)

Chair Sommer said she and Member Gonzales talked about whether they could make the Committee look more like what it does under the ordinance. We started from scratch and came up with minor changes to the existing ordinance. But there is nothing ready for publication yet.

Member Castillo recalled the Committee discussed how to not burden Ms. Kerr with the clerical work and is having second thoughts about a non-auditor staff. Two people are needed: one skilled in finance who understands debits and credits. and the other person for organization. That may not serve the Committee that well. He asked if Ms. Kerr could train someone.

Ms. Kerr said her Access reports are complicated.

Member Castillo asked, more generally, how we want the Committee staffed other than the Internal Auditor. It should be someone with organizational skills to organize stuff.

Ms. Martínez asked if he meant administrative skills. Member Castillo agreed.

Chair Sommer suspected Mr. Johnson was not the staff person who prepares the agenda for the Finance Committee.

Ms. Martínez agreed. Ms. Carolyn Roybal is the administrative support for Finance.

Ms. Kerr said once she creates the schedules, she sends them to her to print them out. But during the budget hearings, she heard Mr. Snyder and Mr. Johnson say they wanted her to take back those responsibilities. There are lots of administrative tasks to do.

Ms. Martínez said that is on her.

Ms. Kerr said the administrative support would be wonderful. She quoted from Section 6.5.1 b and said it should be amended to add "and other types of audits."

Member Gonzales pointed out that the Committee's first responsibility is financial audits.

Ms. Kerr said some of those are performance audits.

Member Castillo asked if the Committee wants to report to both Finance Committee and Governing Body.

Ms. Kerr said she reports to the Governing Body via the Finance Committee and that was discussed at the meeting last night. Finance can report to the Governing Body on what they want to report. So she just reports to the Finance Committee.

Member Gonzales thought the Committee should have the option, if needed.

Ms. Kerr suggested taking out the City Manager for the Deputy City Manager. There is a legislative side of the Council.

Member Castillo asked why the Committee should limit itself.

Member Gonzales said the Committee doesn't want to have five legs out there. She thought it needs to be the Finance Committee and add, "or the Governing Body when deemed appropriate."

Member Gonzales suggested looking at this further.

Member Castillo asked if the Committee is comfortable with "certified."

Member Borrego asked Ms. Kerr about this.

Ms. Kerr asked to let her think about that. She does have checklists she must complete. But the Government Standards are changing right now. She must make a certification in every audit she does. Since Hotline Case and other investigations are not considered 'audits' there is no statement in these reports.

Chair Sommer said it is to assert that all audits conform to generally accepted government standards for auditing.

Chair Sommer said this will be on the next agenda.

Member Gonzales asked Ms. Martínez to help get a sponsor for it.

Ms. Martínez said Jesse Guillen will do the legal review.

Ms. Kerr commented that Councilor Ives had expressed interest.

Ms. Martínez said she would talk with a couple of them. She would also look for administrative support for the Committee.

11. NEW BUSINESS

There was no new business.

12. PUBLIC COMMENT

There was no public comment.


13. NEXT MEETING DATE: October 4, 2017

14. ADJOURNMENT

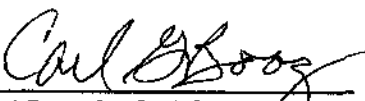
Member Borrego moved to adjourn the meeting. Member Gonzales seconded the motion and it passed by unanimous voice vote.

The meeting was adjourned at 3:55 p.m.

Approved by:


Clark de Schweinitz, Chair

Submitted by:


Carl Boaz for Carl G. Boaz, Inc.