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**CITY OF SANTA FE, NEW MEXICO**

**BILL NO. 2017-31**

**INTRODUCED BY:**

Mayor Javier M. Gonzales

Councilor Mike Harris

**AN ORDINANCE**

**REPEALING SECTION 2-22 SFCC 1987 INTERNAL AUDIT DEPARTMENT IN ITS ENTIRETY; AND AMENDING SECTION 6-5 SFCC 1987 TO CHARGE THE AUDIT COMMITTEE WITH THE MANAGEMENT OF AN INDEPENDENT AUDIT CONTRACT TO PERFORM THE FUNCTIONS CURRENTLY PERFORMED BY THE INTERNAL AUDITOR.**

**BE IT ORDAINED BY THE GOVERNING BODY OF THE CITY OF SANTA FE:**

**Section 1. Purpose.**

Section 2-22 SFCC 1987 was created in 2012 via ordinance #2012-32. A September 25, 2017 Fraud Prevention Engagement Report prepared for the city by McHard Accounting Consulting LLC recommends that the internal audit department functions be outsourced to an accounting firm with the appropriate experience and certifications to comply with applicable standards and requirements. The governing body will consider a resolution directing the city manager to develop a plan for outsourcing the functions currently performed by the internal auditor in accordance with said recommendation within 60 days of adoption.

1           Section 2.     ~~[REPEAL]~~ Ordinance #2012-32, as amended, establishing an  
2 Internal Audit Department is hereby repealed effective immediately.

3           Section 3.     Section 6-5 SFCC 1987 (being Ord. #2013-35) is amended to read:

4 **6-5 AUDIT COMMITTEE.**

5           **6-5.1 Creation; Purpose.**

6           A.       There is created pursuant to the City of Santa Fe New Mexico Municipal Charter  
7 the City of Santa Fe audit committee, an independent advisory committee.

8           B.       The purpose of the audit committee is to provide an independent body to review  
9 such audits, assessments and investigations of the City's finances and financial systems as may be  
10 conducted from time to time and to advise the city manager, the finance committee and the  
11 governing body regarding ~~[financial]~~ such audits, assessments and investigations, and ~~[related]~~ to  
12 recommend the adoption of policies and procedures ~~[in order to]~~ with respect thereto as will  
13 promote the transparency, accountability, efficiency and effectiveness of city government for the  
14 citizens of Santa Fe.

15           **6-5.2 Powers and Duties.**

16           The audit committee shall, to the extent possible under the city charter:

17           A.       Ensure that all audits, internal and external, conform to generally accepted  
18 governmental auditing standards;

19           B.       Ensure that the ~~[internal auditor position and]~~ internal audit functions are  
20 independent in accordance with generally accepted governmental auditing standards;

21           C.       ~~[Review applications for and make recommendations to the city manager for~~  
22 ~~hiring of the internal auditor, a city employee]~~ Participate in the selection of an independent  
23 contractor to perform internal audit functions for the city;

24           ~~[D. — Review and comment on the parts of the internal auditor's personnel evaluations~~  
25 ~~that are non-exempt public records under the New Mexico Inspection of Public Records Act.]~~

1 ~~that are non-exempt public records under the New Mexico Inspection of Public Records Act.]~~

2 [E]D. Review and recommend for approval by the finance committee the annual  
3 internal audit plan proposed by the contractor performing internal audit functions for the city, and  
4 any modifications thereto;

5 [F]E. Review and make recommendations to the finance committee regarding internal  
6 audit reports prepared by the [city's] contractor performing internal [auditor] audit functions;

7 [G]F. Review and make recommendations to the finance committee regarding the city's  
8 ~~[annual external audit]~~ comprehensive annual financial report;

9 [H]G. Participate in, via one designated member, the ~~[request for proposal]~~ selection  
10 process for an independent contractor to perform internal audit functions and for external auditors  
11 and make recommendations for the selection of [the city's external] such auditors;

12 [H]H. Periodically review the city's financial reports ~~[periodically];~~

13 [J]I. ~~[Review and make recommendations to the finance committee regarding the~~  
14 ~~city's financial policies, procedures, practices and internal controls in place to control the~~  
15 ~~operations, accounting, and regulatory compliance of the city]~~ Independently review all audits,  
16 assessments and investigations of the city's finances and financial systems as may be conducted  
17 from time to time, including audits and reviews conducted by federal and state agencies.

18 [K]J. ~~[Review audit findings reported by an external audit and]~~ Make  
19 recommendations to the city manager, the finance committee ~~[concerning]~~ and the governing  
20 body regarding actions which may be necessary or appropriate in light of any findings, [the]  
21 corrective action plans [proposed by city departments] or issues identified in audits, assessments  
22 or investigations reviewed in accordance with section 6-5.2(I) above; and

23 [L]K. Advise, review and make recommendations for other matters as requested ~~[or~~  
24 ~~assigned]~~ by the city manager, the finance committee and/or ~~[city council]~~ the governing body.

1       **6-5.3 Membership; Chairperson; Terms; Vacancies.**

2           A.       *Membership.* The audit committee shall consist of five (5) individuals solicited  
3 and appointed by the municipal judge with the advice and consent of the governing body. The  
4 members of the audit committee shall include individuals that have experience and knowledge  
5 that would assist the governing body in completing the audit committee's purpose and who are  
6 qualified by training, experience, and ability to exercise sound and practical judgment regarding  
7 the duties and responsibilities of the audit committee. Of the five (5) members no less than one  
8 (1) member shall be a certified public accountant, no less than one (1) member shall either be a  
9 lawyer or have a law enforcement background, and one (1) member shall be a management  
10 consultant. Members shall reside in the State of New Mexico.

11          B.       *Chairperson.* The municipal judge, with the approval of the [~~city council~~]  
12 governing body, shall appoint the initial chairperson. The chairperson shall designate the vice  
13 chairperson. The chairperson shall serve as chairperson for a period of one (1) year. Following  
14 one (1) year of service, the chairperson shall be elected (or reelected) by the members of the  
15 committee. The chairperson may appoint subcommittees and sub-committee chairpersons as  
16 needed.

17          C.       *Terms.* Two (2) of the members shall be appointed for two (2) year terms and  
18 three (3) shall be appointed for three (3) year terms. Subsequent terms shall be for three (3) years  
19 to maintain staggering of terms; limited to no more than four (4) year terms. The members shall  
20 serve at the pleasure of the governing body and may be removed at any time with or without  
21 cause.

22          D.       *Vacancies.* Vacancies on the audit committee shall be filled in the same manner  
23 as initial appointments and shall be for the remainder of the term of the vacant position.

24       **6-5.4 Meetings; Staff.**

25          A.       *Meetings.* A quorum of the audit committee shall be at least three (3) members.

1 The audit committee shall conduct all meetings in accordance with adopted city policies and  
2 procedures [~~and shall use Robert's Rules of Order in conducting its meetings~~]. The audit  
3 committee shall meet at least quarterly or as needed to accomplish the duties and responsibilities  
4 of the committee.

5 B. *Staff.* The [~~internal audit department~~] finance director shall serve as the primary  
6 liaison to the committee unless otherwise designated by the city manager. Depending upon the  
7 issue, other city staff may also be required to assist the committee.

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9 APPROVED AS TO FORM:

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12 KELLEY A. BRENNAN, CITY ATTORNEY

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19 *M/Legislation/Bills 2017/Internal Audit Repeal and Committee Changes*