



# Agenda

DATE 2/21/17 TIME 11:55 AM

SERVED BY Liza Kerr

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**CITY OF SANTA FE AUDIT COMMITTEE MEETING  
CONVENTION CENTER ADMINISTRATIVE CONFERENCE ROOM  
Wednesday, March 1, 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**  
February 1, 2017 (*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 - None at this Time**
8. **INTERNAL AUDIT MATTERS (Liza Kerr)**  
Risk Assessment and Audit Plan (**Update**)
9. **FURTHER DISCUSSION ON INDEPENDENCE ISSUES AND ORDINANCES**
  - a. Audit Committee Ordinance (**Committee**)
  - b. Internal Audit Ordinance (**Committee**) (*Item 6*)
10. **UNFINISHED BUSINESS**  
None at this time
11. **NEW BUSINESS**
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 Genoveva Chavez Community Center Audit. (**Zachary Shandler**)
14. **NEXT MEETING DATE**  
April 5, 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**  
**March 1, 2017**

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b. External Audits - Schedule and Status		
c. Internal Audits - Completed Audits within the Last Four Years with Open Findings		
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**MINUTES OF THE  
CITY OF SANTA FÉ  
AUDIT COMMITTEE**

March 1, 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  
Carolyn Gonzales, CPA  
Cheryl Pick Sommer

**Members Absent:**

Barbara Borrego [Excused]

**Others Attending:**

Liza Kerr, Internal Auditor  
Renee Martínez, Deputy City Manager  
Zachary Shandler, Assistant City Attorney [arriving later]  
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 Castillo seconded the motion and it passed by unanimous voice vote.**

**4. APPROVAL OF CONSENT CALENDAR**

Member Sommer asked to discuss all of the consent items.

**Member Gonzales moved to pull all consent items for discussion. Member Sommer seconded the motion and it passed by unanimous voice vote.**

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

**February 1, 2017**

**Member Gonzales moved to approve the minutes of February 1, 2017 as presented. Member Castillo seconded the motion and it passed by unanimous voice vote.**

## **6. CONSENT CALENDAR DISCUSSION**

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

Member Sommer noted four open findings for Santa Fe Trails and asked if it is their prerogative if they get cleared.

Ms. Kerr said she would look into it.

Member Sommer thought the whole purpose of this was to discuss all of these findings this time.

Ms. Kerr said there are about 400 findings in the database and about fifty are related to external audits. So, if Atkinson does the audit, it gets cleared in the following year. And these are little lingering things. There are still close to 25 findings to be done on Lodgers' Tax for those various years. She offered to bring the whole list of findings to review next time.

Member Sommer thought some should get deleted as it didn't make sense for them to linger on.

Member Gonzales said that is the Audit Committee's job. The external findings are critical. There could be a classification that some are not critical and others are. The Committee does need to follow them closely to make sure they get resolved or delete them if they don't matter. The CAFR is the big one but others still have findings.

Ms. Kerr clarified that there is nothing the Audit Committee can do to clear the CAFR findings. One has been there since 2006. It is not our authority to clear them. It is the FMO job to clear those for transit. She offered to send out emails to determine current status of the findings but said it detracts from her audit work.

Chair de Schweinitz said the Committee does have that responsibility and hasn't done it. No one has talked about audit findings with the Finance Committee. Councilor Ives had asked to have them brought back if they were still on the list two years hence. So, we need to identify those that have not been resolved in over 2 years.

Ms. Kerr said she had checked with Mr. Pino regarding transit and they had not come in yet. No one will follow up on Parking if the Committee doesn't. When Noel first started, she worked with him with folders to get them cleared. She had to explain to him how they were cleared. His accountant quit so she would offer to train the new accountants as part of her responsibility, even though it really is management's responsibility.

Member Gonzales said if they are not cleared we should still take it to Finance. When they sit there for three or four years, it reflects on the work of the Audit Committee.

Ms. Kerr agreed. There are 18 open findings in Parking and those folders are still empty.

Member Sommer commented that it is the same issue in all four items. The Committee has struggled over what its responsibility is. We don't take time to look at them. We are told they are not cleared and it is not Ms. Kerr's job so we need to figure out who is responsible. They are all important and need to be addressed.

Chair de Schweinitz asked which ones should be taken to the Finance Committee.

Ms. Kerr said Parking is the biggest one and Lodgers' Tax has quite a few. She would bring a printout for parking and lodgers tax next time. On item 4, most will be cleared in March. We don't have any way to clear the BDD findings.

Chair de Schweinitz said the Committee was told that Housing was not part of the City's responsibility.

Ms. Martínez shared their concerns on lack of accountability to clear items. She asked if the City has any policy or procedure for accountability regarding the external audit.

Ms. Kerr wasn't sure. There are policies and procedures for internal audits with a remediation date and what happens if that is not met. The auditor always starts with prior years' findings.

Ms. Martínez offered to work with Ms. Kerr on a draft for adoption.

Chair de Schweinitz pointed out that sometimes, she gets stretched with these things.

Ms. Martínez understood but Ms. Kerr is the expert because she understands the process best and she would help.

Member Gonzales cautioned that it might be a conflict of interest.

Ms. Kerr said she could review policy that has been written.

Ms. Kerr couldn't recall any findings that would not have a remediation date but if there were, she would hold them accountable.

Member Gonzales said in that case, the finding should be that the department doesn't have the procedures in place. Maybe one department that knows what should be done could train other departments. What needs to be done needs to be done without the auditor stepping in to help it out.

Member Sommer noted on item 3 a, the December 31, 2016 deadline for the Railyard, December 1, 2016 for SWMA, and September 30, 2016 for BDD.

Ms. Kerr said they don't come to her automatically and she has not had time to track them all down.

Member Sommer pointed out that the ordinance says we are charged for review and tracking the findings for those external audits. There should be no reason why the Audit Committee is not on the distribution list for them.

Ms. Martínez pointed out that BDD and SWMA are managed both by City and County.

Member Gonzales read the Audit Committee responsibility (powers and duties) from the code and said she would like to look at all of those. She asked who does their RFP for the external audits like BDD.

Ms. Kerr didn't know who does their RFP.

Member Gonzales said they only needed one copy and could circulate it among the Committee members. The Committee also might want an auditor to address the Committee about their audit.

Ms. Martínez said she and the City Manager could help with an annual schedule of auditing and notify the Committee before they are due.

Chair de Schweinitz said the annual report also helps with that.

Ms. Kerr added that we have no control or say so over many audit timelines like the airport annual inspection or the Financial Management Oversight (FMO). That is a federal activity there is no way the Audit Committee can get on the FRP schedule. But they should inform senior management when they have the audit scheduled so the Audit Committee can get it in the data base.

Member Gonzales asked who gets the reports, such as the FMO. She asked if the Department gets a report.

Ms. Kerr said the City gets them but she only gets them if they choose to share it with her. She was invited to the FMO exit conference last time. She always asks to be invited to entrance and exit conferences but it rarely happens.

[Mr. Shandler joined the meeting at 2:51.]

Ms. Martínez asked how many are on a regular schedule.

Ms. Kerr showed the schedule and mentioned several of them. The FAA airport annual inspection and the Financial Management Oversight is not necessarily an audit. She agreed to send a copy to Ms. Martínez and the Committee.

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

This was included in the previous discussion.

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

This was included in the previous discussion.

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

This was included in the previous discussion.

**7. EXTERNAL AUDIT MATTERS**

There were no external audit matters.

**8. INTERNAL AUDIT MATTERS**

**Risk Assessment and Audit Plan.**

Ms. Kerr said her goal is to get these to the subcommittee (Member Gonzales and Member Borrego) before the next meeting. She wants to have it done by March 31.

Member Gonzales asked her to send it and she and Ms. Borrego would review it.

Ms. Kerr said the Risk Assessment questionnaire went out to all the people in the City and talked about it at the City Manager meeting and responses were due today, but she only had about 20% of them returned as of yesterday so she sent out another request and got many of them back last night and this morning

Chair de Schweinitz said the Committee has a really good audit plan each year but the GCCC took a big chunk of Ms. Kerr's time. He asked if the amendment made for that was working well or if it needs to be revised.

Ms. Kerr said no. She ends up spending all of her time on one large part of the audit but we could reassess it at some point.

Member Sommer said there are things on Item 5 that she has not been able to get to. She asked if Ms. Kerr needed to add more or if she had enough on there already for the new Internal Audit Plan.

Ms. Kerr explained that it is a rolling three-year audit plan. So, she is getting feedback on risk assessments and wants to do one annually. It is an easy thing to do. There is plenty on there already but she still needs to ask. The Building Permit audit is not on the audit plan but is now because it is a high-risk issue. She said she works with the subcommittee on the priorities and they re-evaluate when needed, based on current information. She said she just got tools to deal with the duplicate payments. Her plan is to have risk assessment on the next agenda in final form.

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

### **a. Audit Committee Ordinance**

Member Sommer asked that the Committee focus on this ordinance first. Then it would extend into how to handle internal auditors.

Member Castillo and Ms. Kerr agreed.

Member Castillo commented that Lawrence Davis is the auditor in Albuquerque and he liked our system of appointing members to the Audit Committee better than theirs since we have a municipal judge appointing members. He explained their system of having the Mayor appoint one and then the Council appointing one, etc, leads to a lack of independence. This proposed ordinance doesn't change that appointment by the judge.

Chair de Schweinitz agreed.

Member Castillo said Albuquerque has an IG (Inspector General) but since we don't have that, the Internal Auditor here is stuck with investigations. Albuquerque has a budget of almost \$900,000 for the audit department.

We have had this audit department for 5 years with no peer review of the Internal Auditor. That should be addressed quickly.

Ms. Kerr said it is scheduled for the year following next year.

Member Castillo thought the Committee needs to resolve the audit/investigation issue.

Member Sommer asked how the auditor and IG are selected in Albuquerque.



Member Castillo said the Internal Auditor is selected by the City and they wrestle with the independence. Too much independence without check and balance is not good. Mr. Davis feels we do have the proper checks and balances here. Member Castillo was satisfied that there won't be too much authority under one person without proper accountability here in Santa Fe.

Member Gonzales had an issue on page 1, item D - purpose where she thought it should be "independent and to advise the City Manager, the Finance Committee and the Governing Body." She questioned if the Committee is really advising or just providing information or recommendation.

Ms. Kerr thought that was advising them.

Member Sommer thought "alerting or informing them" might be better.

Chair de Schweinitz reminded them that this was all done before we got here. And Ms. Brennan said this is an advisory committee. However, Audit is the only committee identified in the City Charter.

Ms. Kerr suggested it is "independently advise." She also suggested deletion of "financial" because there are all kinds of audits.

Member Sommer said this would require a separate meeting to do this. We have to do that revising before going to Council and should schedule a half day meeting just for that purpose.

Member Gonzales agreed.

Ms. Martínez said there are a couple of places that should be more defined, e.g., how often do evaluate the City Auditor.

Member Castillo said there are two of them. One is the peer review and then the evaluation by the Committee.

Ms. Martínez asked if there is a term of the City Auditor.

Ms. Kerr said it does seem there should be a term.

Member Castillo thought the Audit Committee has the power to hire and fire.

Ms. Kerr explained that the Committee does the appointment and Council ratifies it. She suggested a 3 or 4-year term would be best.

Member Gonzales characterized it not so much to hire and fire but to make a recommendation.

Ms. Kerr agreed. It is important that the Committee not take on the day-to-day supervision. She still maintains the relationship with the City Manager. So, the Committee doesn't have that added burden.

Member Gonzales understood but the Committee still must make sure it is independent.

Ms. Kerr said the independence comes from the ability to fall back on a risk-based audit plan and evaluation is based on being in compliance with government auditing standards.

Ms. Martínez said she and the City Manager provide the administrative support.

Chair de Schweinitz didn't want the Audit Committee involved in the RFPs for the external audits.

Member Gonzales agreed.

#### **b. Internal Audit Ordinance**

Chair de Schweinitz was horrified to hear about how much investigation Ms. Kerr has to do. We need to circumscribe her role more so she doesn't have to deal with those. One issue branches to others. That impetus was not from the Committee or from Ms. Kerr but from other staff. She is getting assignments all the time from Staff and the Committee needs to get really clear on that. Maybe it would not be as much with Ms. Martinez on board.

Ms. Kerr said it is just the nature of what happens with investigations and it is all well-intended.

Ms. Martínez said the review of the hot line was to help you meet your objectives. She thought a lot of it was just employee bickering. It probably needs a formal evaluation now that the hot line is two years old.

Member Gonzales related at a recent seminar that they said there must be a place where people can call. Perhaps they should contract it out.

Member Castillo asked how much volume the hot line has.

Ms. Kerr said there were five calls in the last two years. We were told that we would have about 10 per year after the first year. She briefly explained the automatic assignments from the hot line. It takes very little time unless there is an investigation. The latest one went to HR and then police and then came back to her.

Member Castillo said the Committee needs to consider both ordinances as they interact.

#### **10. UNFINISHED BUSINESS**

There was no unfinished business.

#### **11. NEW BUSINESS**

Member Gonzales asked about a different meeting schedule (not monthly).

Member Sommer said it seemed if they broke out the ordinance to what it really says; five or six bullet points for what the objective is and then build the language. Otherwise, they would sit around wordsmithing and not get to the concepts. Maybe they could start with concepts and then move back to the language.

Chair de Schweinitz asked her to help him with that.

## 12. PUBLIC COMMENT

Ms. Lynette Trujillo, City staff member, identified herself and had no public comment to make.

## 13. EXECUTIVE SESSION - City Attorney Shandler

**Member Sommer moved that the Audit Committee go into executive session to discuss the matter listed on the agenda "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 Genoveva Chávez Community Center Audit. Member Gonzales seconded the motion and it passed by unanimous roll call vote with Members Sommer, Gonzales and Castillo voting in favor and none voting against.**

The Committee went into closed executive session at 3:30 p.m.

The executive session ended at 4:23 pm.

**Member Sommer moved to come out of executive session and stated for the record that the discussion in executive session was limited to the matters noted on the agenda. Member Castillo seconded the motion and it passed by unanimous voice vote.**

Chair de Schweinitz asked Member Sommer to make a motion about the matter.

**Member Sommer stated that the Internal Auditor assisted with an investigation of a hotline tip made on June 8, 2015. Pursuant to Section 6-5.1d of the ordinance creating the Audit Committee, the Internal Auditor and Legal Counsel for the City reported to the Committee concerning the outcome of that investigation. Based on the information and the documentation presented to the Committee by the Internal Auditor and Legal Counsel for the City, the Audit Committee recommends that the matter be referred to the City Manager for appropriate action with regard to the personnel matter and with regard to the criminal aspect of the investigation, that it be referred to the District Attorney for appropriate action. Member Sommer moved the recommendation. Member Gonzales seconded the motion and it passed by unanimous voice vote.**

Mr. Shandler thanked the Committee for their time and stated there has been an IPRA request for this document, which will be released tomorrow.

Member Gonzales asked what would happen at this point. She asked if Mr. Shandler will release the report and it goes to City Manager. Mr. Shandler agreed.

**14. NEXT MEETING DATE: May 3, 2017**


By consensus, the Committee agreed to cancel the April 5, 2017 meeting.

**15. ADJOURNMENT**

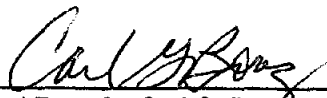
**Member Gonzales moved to adjourn the meeting. Member Sommer seconded the motion and it passed by unanimous voice vote.**

The meeting was adjourned at 4:35 p.m.

Approved by:

  
Clark de Schweinitz, Chair

Submitted by:

  
Carl Boaz for Carl G. Boaz, Inc.