



Agenda DATE 12/14/17 TIME 11:21a

SENDER BY Celeste Valentin

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**CITY OF SANTA FE AUDIT COMMITTEE MEETING  
200 LINCOLN AVE -COUNCIL CHAMBERS  
THURSDAY, DECEMBER 14, 2017  
2:00 p.m. – 5:00 p.m.**

- 1. CALL TO ORDER**
- 2. ROLL CALL**
- 3. APPROVAL OF AGENDA**
- 4. APPROVAL SPECIAL AUDIT COMMITTEE MINUTES**
- 5. EXTERNAL AUDIT MATTERS**

- a. Update on CAFR (External Auditor, Adam Johnson)

**EXECUTIVE SESSION:**

In Accordance with the New Mexico Open Meetings Act §§10-15-1 (H)(7) NMSA 1978, Discussion Regarding Threatened or Pending Litigation in which the City Is or May Become a Participant, Including, without Limitation, Matters Relating to the FYE 2017 CAFR

**6. OLD BUSINESS**

- a. Follow-Up on Inspector General and Internal Audit Resolutions and Ordinances
  - 1. Request for Approval of a Resolution Authorizing the Placement of a Question on the Ballot of the Regular Municipal Election, to be Held on March 6, 2018, To Ask the Voters of the City of Santa Fe Whether or Not the Santa Fe Municipal Charter Should be Amended to Include a Provision to Establish an Independent Office of Inspector General for the City of Santa Fe.
  - 2. Request for Approval of a Resolution Directing the City Manager to Develop a Plan to Outsource the Functions Currently Performed by the Internal Audit Department in Accordance with Said Recommendation within 60 Days of the Adoption of this Resolution.
  - 3. Request for Approval of 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.

**7. NEW BUSINESS**

- a. Animal Shelter Control Audit (Adam Johnson) (Nancy Jimenez)
- b. Follow- Up on Matters Concerning the Capital Improvements Advisory Committee (Adam Johnson)

**8. PUBLIC COMMENT – (5 MINUTES)**

**9. 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.

**SUMMARY INDEX**  
**CITY OF SANTA FE AUDIT COMMITTEE**  
**December 14, 2017**

<b>ITEM</b>	<b>ACTION TAKEN</b>	<b>PAGE(S)</b>
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2. ROLL CALL	Quorum Present	1
3. APPROVAL OF AGENDA	Approved as presented	1
4. APPROVAL OF MINUTES	Approved as amended	2
5. EXTERNAL AUDIT MATTERS	Discussed in executive session	5-6
a. CAFR Update		
6. OLD BUSINESS		
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b. Outsource Audit Functions Resolution	Not considered	5
c. Repeal of Audit Department Ordinance	Not considered	5
7. NEW BUSINESS		
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9. ADJOURNMENT	Adjourned at 4:17 p.m.	10

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

December 14, 2017  
2:00 p.m.

**1. CALL TO ORDER**

A regular meeting of the City of Santa Fé Audit Committee was called to order by Member Clark de Schweinitz, Chair, on this date at approximately 2:00 p.m. in the City Council Conference Room at City Hall, 200 Lincoln Avenue, Santa Fé, New Mexico.

**2. ROLL CALL**

Roll call indicated the presence of a quorum as follows:

**Members Present:**

Clark de Schweinitz, Chair  
Cheryl Pick Sommer  
Barbara Borrego  
Al Castillo [arriving later]

**Members Absent:**

Carolyn Gonzales [excused]

**Others Attending:**

Liza Kerr, Internal Auditor  
Kelley Brennan, City Attorney  
Renee Martínez, Deputy City Manager  
Michael Harris, City Councilor  
Adam Johnson, Finance Director  
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**

**MOTION:** Member Sommer moved to approve the agenda as amended, moving up item #6. Member Borrego seconded the motion and it passed by unanimous voice vote.

**4. APPROVAL OF SPECIAL AUDIT COMMITTEE MINUTES - November 29, 2017**

Member Sommer requested a change on page 9 at the top where it should say, "The Committee is not in favor of the resolution that says, "to develop a plan to outsource..." We are not in favor of that because it mandates that the City Manager outsource the function."

**MOTION: Member Sommer moved to approve the minutes of November 29, 2017 as amended. Member Borrego seconded the motion and it passed by unanimous voice vote.**

**6. OLD BUSINESS - Discussion Only**

- a. **Request for Approval of a Resolution Authorizing the Placement of a Question on the Ballot of the Regular Municipal Election, to be Held on March 6, 2018, To Ask the Voters of the City of Santa Fe Whether or Not the Santa Fe Municipal Charter Should be Amended to Include a Provision to Establish an Independent Office of Inspector General for the City of Santa Fe.**

[The Committee did not reconsider the action previously taken on this matter.]

Councilor Harris thanked Member Sommer, Member Borrego and Member Gonzales for attending the Finance Committee meeting. It made a huge difference. At least three Councilors mentioned the extensive analysis of the Audit Committee that really informed their decision to not approve the first resolution that would place the question to the voters in the March election.

Ms. Martinez agreed.

Councilor Harris said he was one of the six that voted against it. The analysis was very professional and effective, and he didn't need to say much more about the OIG. It is good to remind ourselves that Councilor Maestas brought it up in 2015 so it was not a campaign stance. David Harper, IG for Albuquerque was there, and he was very helpful. He was also there last night.

Ms. Brennan noted that Councilor Maestas had invited him.

Councilor Harris said that issue is behind us for a while. And we are looking at is what was discussed at the last session. He thought the city needs to strengthen the independence and authority of the Audit Committee. He had cited why Ms. Brennan stated she felt it should be under the City Manager.

He said they should build on what the Audit Committee had stated.

Ms. Brennan pointed out that among the ordinances, were the ordinances that speak to strengthening the Committee. So she asked if there are additional things or if it was about the stand-alone that Councilor Harris is talking about aside from them.

Councilor Harris said he wanted to hear what Ms. Brennan had to say and what the Committee had to say. The Committee members have already worked through it. And it could be a stand-alone ordinance as

a first step.

Ms. Brennan agreed.

Councilor Harris added that if more time is required, which would be acceptable, and the Mayor is a cosponsor. The language used was "co-source," which came from the Association of Internal Auditors.

Councilor Harris asked Ms. Brennan if she thought it should be done in two steps.

Ms. Brennan thought it could be done as a stand-alone and explore it for more information. And that could be the same and take the Audit Committee's strengthening forward as well as the stand-alone ordinance.

Ms. Martínez noted the resolution said to explore further the co-sourcing opportunity for internal audit and whatever.

Member Sommer thought the language in the revised ordinance concerning the Audit Committee with very few changes to allow for that exploring and ultimate revision.

Ms. Brennan said she could probably figure that out.

Member Sommer said what is most important, from her perspective, is what should be done next and what the role the Governing Body wants the Audit Committee to play in that.

Member Castillo arrived at 2:19.

Councilor Harris didn't think they are going to do anything differently immediately. The language is very broad on independence and reporting. The more specific actions would come out of the co-sourcing - with the Committee being involved in the RFP and selection of the external auditor. There are probably different associated activities that he has not thought through and he would like the Committee to think through what should be done.

Member Borrego said the members all should explore it.

Councilor Harris agreed, and the Committee has done a lot already in further exploration. He would like the Audit Committee to be stronger and more visible. That is where we are headed. And we don't need the OIG because we have the talent and structure here and that would include the Internal Auditor and the external auditor.

Ms. Martínez said it would combine the Internal Auditor and investigation, both internal and external, and give advice on the scope for any external work.

Councilor Harris referred to the letter from the Association of Internal Auditors.

Ms. Kerr said the City Auditor for Dallas, Mr. Craig Jones, has offered to come out and the acting City

Auditor for Albuquerque has offered to come to the Committee meeting.

Ms. Brennan would first like to address the practical realities. She appreciated the idea of offers of assistance. There are different sizes of population. She asked if one of the cities researched was Las Cruces.

Member Borrego agreed, and she also checked on one that is smaller than Santa Fe.

Ms. Kerr said the Association of Government Auditors has a list of those cities that have internal auditors, with contact information provided.

Member Sommer said a decision needs to be made about who is going to go forward, do the investigations and come back with a recommendation.

Member Borrego recalled that came out of the last Finance Committee. They don't want it dropped. The Committee thought maybe the Anderson Company could make suggestions on who is available on outsourcing and if it would work.

Member Sommer said the Committee suggested them because they are already being paid by the City and obviously they might have the best information.

Ms. Brennan didn't know when the next meeting is or what we need to look at. She agreed to talk to the Las Cruces auditor person and Mr. Johnson could talk to some others.

Mr. Johnson said he would speak to Anderson about it to find out if that is the right role. With all their experience in the state and region, and take a hard look at enterprise risk management and whether it would be an RFP or outsource.

Councilor Harris agreed with that and so does the Mayor. He shared the results from the previous Audit Committee meeting. He had no problem but wondered about the time frame.

In January, he could bring back the revised ordinance.

Ms. Brennan said their next meeting is January 3.

Councilor Harris said we are not there yet on the role of the committee, but he could identify that to the Mayor. That is what people are looking for.

Ms. Brennan said she is available on January 3.

Chair de Schweinitz asked if that means we hold back on these two documents.

Ms. Brennan said no. We are talking about pulling out the Audit Committee piece as a stand-alone and do it as a substitute. Council did not announce it last night, but she thought they could do it.

Councilor Harris wanted a substitute which is cleaner.

Ms. Brennan said they did not actually vote and it was not a request to advertise.

Councilor Harris departed for his other meeting.

- b. Request for Approval of a Resolution Directing the City Manager to Develop a Plan to Outsource the Functions Currently Performed by the Internal Audit Department in Accordance with Said Recommendation Within 60 Days of the Adoption of this Resolution.**

This matter was not discussed.

- c. Request for Approval of 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.**

This matter was not discussed.

## **5. EXTERNAL AUDIT MATTERS - EXECUTIVE SESSION**

Pursuant to NMSA 1978, Section 10-15-1 (H)(7), discussion regarding threatened or pending litigation in which the City is or may become a participant, including, without limitation, matters relating to the FYE 2017 CAFR.

- a. Update on CAFR (External Auditor, Adam Johnson)**

**MOTION: Member Sommer moved to go into closed executive session, pursuant to NMSA 1978, Section 10-15-1 (H) (8), to discuss threatened or pending litigation in which the City is or may become a participant, including, without limitation, matters relating to the FYE 2017 CAFR. Member Borrego seconded the motion and it passed by unanimous roll call vote with members Borrego, Castillo, and Sommer voting in the affirmative and none voting against.**

The Committee went into executive session at 2:31 p.m.

The Committee ended the executive session at 3:38 p.m.

**MOTION: Member Sommer moved to return to open session. Member Castillo seconded the motion and it passed by unanimous roll call vote with members Borrego, Castillo, and Sommer voting in the affirmative and none voting against.**

Member Sommer announced to the public that during the executive session, no actions were taken,



and the only matters discussed were those identified in the agenda.

The external auditors excused themselves from the meeting and left.

## **7. NEW BUSINESS**

### **a. Animal Shelter Control Audit (Adam Johnson) (Nancy Jimenez)**

Ms. Jimenez was not present at the meeting.

Ms. Martínez said she didn't have the background.

Member Sommer clarified that the Committee agreed to review the Animal Shelter Control Audit and did not understand the relationship between the City and the Shelter. Councilor Harris was concerned that the Audit Committee look at it. There was a one-time payment of \$1,000 and a 99-year lease.

Mr. Johnson said he had nothing to add at the moment. It is a process we went through. It is up to the Committee.

Member Borrego said it was not clear to her.

Member Sommer thought it was clear.

Member Castillo asked who appoints the Shelter's Board members.

No one knew.

Mr. Johnson said they are non-profit and the City and County participate financially. It is not like BDD or the Railyard.

Member Sommer said a building was built on land owned by the City and leased to the Shelter for 99 years. And the City and County occupy part of the building. She thought they provide animal control for the City and therefore, the City would know our role in the operation.

Mr. Johnson agreed that the City and County do have occupancy and the shelter also has other space not known by the City and County.

Member Borrego asked if he didn't know the benefit, then.

Mr. Johnson said they operate animal control services for city and county. The City pays them for their services and rent to occupy their building.

Member Sommer said the City trucks pick up the animals and the shelter houses them for the City.

Member Borrego noted they have had a couple of years with big losses and they spend a lot on fund

raising. To look at it on its own is one thing, but if it is done for the City, there are things the City should know. She wondered why the fund-raising costs so much.

Member Sommer added that they go for money all the time for their operations. They are aggressive fund raisers.

Member Borrego asked how their fund-raising compares with public contributions.

Member Sommer noted they spend \$857,000 to get a million dollars.

Member Borrego thought it was odd. There are government contracts there. They don't have to do anything to collect their fees. And they have planned giving. It seemed odd. She pointed out their unrealized gain on investment activity and wondered if that was over the years. It would be nice for them to explain in a footnote what it is for. It came a long way from last year to this year.

Mr. Johnson said the investment made up for their loss.

Member Borrego pointed out it was \$614,000 this year compared to \$17,000 last year. That needs more explanation. They also had a loss on beneficial interest and she wondered why. She guessed it was something held with Santa Fe Trust. Their capitalization is only \$500 which is too low. On page 11, they released donor names. They bought a house for the Executive Director and the E.D. bought it back at approximately fair market value.

Member Sommer asked Mr. Johnson how much the City pays them annually. Then she found it on page 16 and commented that it was not very much. It was \$37,000 in 2016 and then went down. They had a big donor.

Member Borrego didn't know if the land was in there. There are upcoming changes to the accounting standards and they should have a note in the statements about the change that will result to them.

Chair de Schweinitz asked about the Findings.

Member Borrego said findings are not included in Financial Statements, but the Committee could ask to see their minutes to find their comments on the findings.

Member Borrego asked why Councilor Harris wanted the Committee to look at this.

Chair de Schweinitz said the Committee is to get a copy of the audit.

Ms. Martinez asked if the Committee wanted to see the lease.

Member Sommer agreed.

Member Borrego wondered if the Committee could do an action item list at the end of the minutes.

Mr. Boaz said he would try to do that from now on.

Mr. Johnson agreed to get the contract.

**b. Follow-up on Matters Concerning the Capital Improvements Advisory Committee (Adam Johnson)**

Mr. Johnson said his letter is self-explanatory and why that went to the Audit Committee. In a nutshell, the Finance Department needs to start a relationship with the CIAC. When he came as Budget Officer, the fund was being used for a special revenue fund and it should have been put in capital funds. We did a transfer and it was not well understood by the staff liaison to that committee and the funds were all moved back. It has been difficult for those committees that have their own mini-CIP fund. The Land Use Director then had planned to turn it over during the budget process. Ultimately, it is one source and find ways to fund. That's the history. One of our staff will convey that to the CIAC. His understanding was that it was well received, and he thought they were all good. His challenge is to appoint a regular staff member as liaison.

Member Sommer asked if this is a volunteer committee.

Mr. Johnson agreed it is a volunteer committee and is required by the statute to have this committee and they recommend projects to the Governing Body. So, it is an appropriate role and they do a good job. They get staffed by Land Use Department Staff members.

Member Sommer asked if impact fees are devoted to that purpose or if the Committee get to choose.

Mr. Johnson said it is a mixture. There were some capitalization issues that he didn't understand how they were derived.

Member Sommer asked if the members are appointed by the Mayor.

Mr. Johnson agreed.

**8. PUBLIC COMMENT**

There were no public comments.

**COMMITTEE DISCUSSION**

Ms. Martinez asked about planning for the next couple of meetings. Ms. Kerr had asked for a peer review process and it should be understood that it will take some of her time.

Ms. Kerr said the reviewers wanted to come in January, but she could put it off until February. The review would require some travel expenses for the auditor who comes. She has already done that one time. The person heading it up is the City Auditor for Austin Texas and it is sanctioned by the National

Association of Government Auditors. And they look at everything and give a report. The ideal would be for them to present the report to the Audit Committee and they are willing to do that. It is a thorough review, using generally accept GASB Standards.

Ms. Martínez asked if the Committee would like her to come to the January meeting with a list of things for the review or to just schedule it.

Member Borrego favored scheduling it.

Ms. Kerr said she has everything done for it except revision of policies and procedures. She agreed to schedule the review at her convenience.

Member Borrego asked her to work with Ms. Martinez on it.

Ms. Kerr said they will have on-site work to do. She has not had a review in her three years at the City. She was looking forward for it. The auditor coming talked about being her around January 18 but now needs to wait until February. They will be here for a week and hand over a draft when they leave.

Member Castillo said the paperwork is simple.

Ms. Kerr agreed. She filled out the paperwork in September. In the fraud report, she got dinged for not having a peer review. If possible, she will ask them to report in person to the Committee, perhaps on a Thursday or Friday. It might be too difficult to coordinate their presence with the regular Audit Committee meeting date.

Ms. Martinez suggested they could possibly interview members while here.

Mr. Johnson asked on another topic, if the members are interested in having business email addresses for City correspondence rather than using their personal email addresses.

Ms. Martínez explained how it would be done.

Member Sommer and Member Borrego didn't object.

Ms. Martínez explained that it is so they don't have to use their personal email account.

**Action Items List:**

1. Discuss the revised ordinance at the January 3, 2018 meeting.
2. Mr. Johnson will provide the lease contract with the Animal Shelter for the Committee.
3. Confirm plans for the peer review schedule to report to the Committee.
4. Renee or Adam to report why City Manager requested review of Animal Shelter audit.

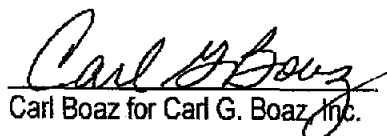
**9. ADJOURNMENT**

Member Castillo moved to adjourn the meeting. Member Borrego seconded the motion and it passed by unanimous voice vote. The meeting was adjourned at 4:17 p.m.

Approved by:

  
Clark de Schweinitz, Chair

Submitted by:

  
Carl Boaz for Carl G. Boaz, Inc.