



# Agenda

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**CITY OF SANTA FE AUDIT COMMITTEE MEETING  
CONVENTION CENTER ADMINISTRATIVE CONFERENCE ROOM  
WEDNESDAY, MARCH 7, 2018  
2:00 P.M. – 4:00 P.M.**

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF AUDIT COMMITTEE MINUTES – FEBRUARY 7, 2018
5. GENERAL AUDIT MATTERS
  - Status of Comprehensive Annual Financial Report (CAFR) (Clifton Larson Allen and Adam Johnson)
6. OLD BUSINESS
  - Update on Status on Revised Committee Ordinance (Clark de Schweinitz, Councilor Harris – Invited)
  - Animal Shelter Control – Final Review (Clark de Schweinitz, Renee Martinez)
7. NEW BUSINESS – ‘Moving Forward’ of the committee given the new electoral environment (Discussion by Committee members)
8. PUBLIC COMMENT – (5 Minutes)
9. NEXT MEETING DATE
10. ADJOURNMENT

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**CITY OF SANTA FE AUDIT COMMITTEE**

**March 7, 2018**

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

March 7, 2018  
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 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  
Barbara Borrego  
Al Castillo  
Cheryl Pick Sommer (arrived later)  
Carolyn Gonzales

**Members Absent:**

**Others Attending:**

Michael Harris, City Councilor  
Brian Snyder, City Manager  
Renee Martínez, Deputy City Manager  
Adam Johnson, Finance Director [arriving later]  
Carl Boaz, Stenographer  
Georgie Ortiz, CliftonLarsonAllen LLP  
Jeff Roybal, CliftonLarsonAllen LLP  
Laura Beltran-Schmitz, CliftonLarsonAllen LLP

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 Gonzales moved to approve the agenda as presented. Member Castillo seconded the motion and it passed by unanimous voice vote.**

#### 4. APPROVAL OF AUDIT COMMITTEE MINUTES - February 7, 2018

Chair de Schweinitz clarified under General Audit Matters on page 2, it indicates the item was not considered, however he made a mistake in drafting the agenda and the Executive Session was that update.

**MOTION: Member Gonzales moved to approve the minutes of February 7, 2018 as amended. Member Borrego seconded the motion and it passed by unanimous voice vote.**

#### 5. GENERAL AUDIT MATTERS

- **Status of Comprehensive Annual Financial Report (CAFR) (CliftonLarsonAllen and Adam Johnson)**

Chair de Schweinitz invited Ms. Beltran-Schmitz to start even though Mr. Johnson was not there yet.

Ms. Beltran-Schmitz explained she had hoped Mr. Johnson would be present because she did not have an update. Mr. Johnson had communicated about 2 weeks ago to some council members and members of governance that the goal was to provide an updated draft by February 26, however that was not met.

*Member Sommer arrived at 2:03.*

She continued that she spoke with Mr. Johnson, Mr. Snyder and Mr. Fluetsch last week and they were working on journal entries she has not seen or audited. Their goal was to have the draft by March 7<sup>th</sup> or sooner and that did not happen. She received a call from Erica yesterday to say they were still working on it, but she has not spoken to Mr. Johnson since last week.

Member Borrego commented in all the updates the Committee has received she had never realized how far behind and how critical the whole process is and that it was this bad.

Ms. Beltran-Schmitz agreed and said it was unfortunate the situation was not getting better with time as she had anticipated.

Member Borrego asked what happens now going forward. The letter from Ms. Ortiz made it appear that the firm was ready to step back and not finish. She asked if that was a possibility.

Ms. Beltran-Schmitz replied no, it was not.

Chair de Schweinitz said the letter had an alternative and that was to disengage.

Ms. Beltran-Schmitz assured them that was not a consideration.

Ms. Ortiz added CLA (CliftonLarsonAllen) did not want to put in more effort until they knew they had everything needed. Many times, the work they received had to be kicked back and they want to look at that to make sure the work is correct.

Councilor Harris stated he had talked with Mr. Snyder about the meeting and understood Mr. Johnson would be present. He said he wished he had answers and is as frustrated as anyone. He sits on the SWMA and BDD boards and he finds himself apologizing about not having clear information and has not received that from Mr. Johnson or Mr. Snyder.

*Mr. Johnson arrived at 2:07.*

Mr. Johnson confirmed the Committee was waiting to hear about the status of the CAFR. He indicated they were in the final stretch and 3 funds identified with issues were preventing them from finishing. They believe the issues are related to the complexity of the refunding entries for bond refunds that took place in fiscal year July 2016. They are on the positive side of \$125k in cash that should not be there and are looking for the entries affecting that and targeting end of day to find where the system is not working and turn over the CAFR.

Councilor Harris asked what the drop-dead date was for the process that must be adhered to, because he has seen the letter from the State Auditor.

Mr. Johnson replied they are beyond that date and this should have been delivered, and that is completely on his shoulders. Today is the drop-dead date to meet the April 13<sup>th</sup> extension.

Member Gonzales asked if given the information within the next day could they meet that schedule.

Ms. Beltran-Schmitz said probably not, but it was hard to say because they have had problems with what they have been given.

Member Gonzales asked how much of the audit work is left.

Ms. Beltran-Schmitz replied there will be a lot of work with debt. They identified major challenges with debt in early November and appears they will be receiving a new debt schedule with journal entries they have not been seen. That will include a good deal of work, especially with refunding and is a new area, but is the only area that will need work. Currently there is not a lot of audit work left as far as testing balances, but with debts they are about 75-80% done with account balances, assuming nothing else changes.

That would include a thorough review of the journal entries and the CAFR and if issues with the trial balance they would provide more testing.

Member Gonzales asked what happens if they do not meet the April 13<sup>th</sup> deadline.

Ms. Beltran-Schmitz explained they would ask for another extension and the City would be on the at-risk list.

Member Sommer asked what that meant; what would happen the next time they do an audit.

Ms. Beltran-Schmitz explained the management would have to provide more updates to the State Auditor and there would be more scrutiny by the State Auditor and more letters asking the status.

She was not aware of any other ramifications.

Ms. Ortiz added that for single audit purposes the City went 9 months past their year-end date and considered high-risk and the next year would have to do more work.

Member Gonzales asked if the fee would go up.

Ms. Ortiz explained CLA had put in an amendment of \$25,000 and they had written off about 35% of it on this, which is extremely low.

Councilor Harris asked if the firm could deliver by 13<sup>th</sup> what would that mean for the two boards; they are after that.

Ms. Beltran-Schmitz stated they could be simultaneously. SWMA is complete and she was waiting on notation for wrapping up the BDD work and has been going back and forth with Mackey. She is waiting on a couple of items and they will follow suit, if not the same day then shortly thereafter because there is not as much to do on those. It is a matter of pulled cash and how everything is interrelated that they do not feel comfortable submitting those until the City has been done.

Ms. Ortiz asked when talking about the \$125,000 cash if that was something that did not come out in the reconciliation process.

Mr. Johnson replied he thought it did not, it was that they could not tie it to the cash flow statement from the other statement and possibly related to the use of line items that had been dormant for a long time; whether they were correctly used and the right signs and correctly mapped and the problem that is connected with the case ware, if it is; or lives in the General Ledger.

The complexity of refunding bond entries probably the most complex the City deals with and he thought Staff was not kept up to speed to do that type of entry. He found there are three other states that provide guidance to municipalities on this type of journal entries, but New Mexico is not one of them.

He thought this gives them the opportunity to put into policy how this should be done and put this in their financial policies and procedures - not leave it in an institutional knowledge bank.

Ms. Ortiz recommended the Blue Book from GFLA because it has backup information she thought helpful.

Mr. Johnson replied he has the book and has referenced it, but it was not as granular as staff wanted.

Member Castillo asked if there would be jeopardy to the City with bonding because of the delay.

Mr. Johnson understood they were not in any jeopardy and the City has received their Double A+ rating on the most recent issue. They do have compliance requirements to file with the SEC and the MSRB with their financial statements and those could be filed as unaudited and be in compliance. They would do that this month since they will not be officially released from the State Auditor earlier than April.

Member Gonzales noted from her observation and what she heard from auditors today, the communication from Mr. Johnson's department is not what it needs to be. If there was more openness like

what was revealed today, being completely open about what is really taking place and letting the Committee know he would not be making the deadline.

Member Gonzales continued that is the fault somewhat of his department and even with the Committee. They have been trying to figure out what the delay is and if there was more communication and openness and keeping everyone informed about the delay would keep everyone in the loop.

Mr. Johnson agreed that was fair to have more communication to the Auditors and this Committee.

Councilor Harris added also to the Finance Committee.

Chair de Schweinitz indicated in Mr. Johnson's statement that his staff did not have the ability to make the entries; he thought Councilor Harris had given the Department extra money to get help from Anderson with the CAFR. The cover letter indicated he did that. He asked if Anderson failed to give him help he needed to get this done.

Mr. Johnson replied Anderson helped with the steps and entries needed for the CAFR related to the area of debt. They provided a level of support that was helpful but did not understand the system well enough to make sure information was correct on the first try. They have been a great assistance but in regard to Anderson making sure the Department had their full level of support, or more appropriately him ensuring Anderson provided the full level of support, was less than optimal.

Member Borrego asked if Anderson was still on board.

Mr. Johnson responded Anderson also had organizational changes in January and the proprietor recently had health issues that limited her time available to the City. She is back now, and he contacted her regarding wrapping up the problem and there is still room on their purchase order to utilize them.

Member Borrego asked if Erica was the person working with the auditor.

Mr. Johnson replied initially and up until recently when the change was made in the financial planning and reporting division now led by Brad Fluetsch. Mr. Fluetsch has been involved daily in ruling out the issues related to the entries and following up as well as another individual in the Finance Department. There are three staff members on his team almost entirely dedicated to the project.

Member Borrego noted that they had talked about the high level on the income statement and asked if that has been resolved.

Ms. Beltran-Schmitz replied she had not completed them.

Member Sommer noted in private industry an audit this late it is not much use, but she understands they must get it done. She asked if this exacerbated the problem next year and if they would face the same issues.

Mr. Johnson thought they would not because they put in additional steps and resources to the financial planning and reporting that would not allow this to happen again. The position of budget officer was reclassified to a comptroller and would be the lead on the team for the CAFR.

The follow up will include a recap of the challenges from start to finish back to September when people were charged with the failure to deliver PPC items to the auditors for two months through the rocky implementation of case ware and different steps along the way.

Certainly, the plan is to have more robust individuals working on the CAFR that have more experience in delivering and meeting deadlines.

Member Castillo asked about the kind of people working on the project of the CAFR; were they licensed accountants, etc.

Mr. Johnson answered there is one CPA on staff but the individuals doing the audit process have been doing it for many years. In some ways that is part of the challenge because the approach and new auditors and an implementation of a financial statement writer rather manually is a different approach.

He has provided CGFM (Certified Government Financial Management) training to all financial analysts who are part of the preparation of the CAFR. Everyone will have additional resources and training to do this much better. Ideally, the Department will spend more time analyzing financial statements and less time developing them.

Member Castillo asked if Mr. Johnson was confident that staffing was not the issue.

Mr. Johnson replied he was confident with his changes to the Finance Department and the additional resources added that it would not be an issue.

Chair de Schweinitz referenced Mr. Johnson's statement about the Anderson staff that did not understand the City's system. He thought the system had been in place for a time and went back several years.

Mr. Johnson replied they had used the same accounting platform for over a decade.

Chair de Schweinitz noted there were years they were able to get the CAFR in on time. He wondered if some of those audits were less in-depth than they should have been. He expressed concern that since things had loomed up this year could be something that has been going on for some time.

Mr. Johnson could not address that because he had not seen the work papers but has seen evidence that the prior auditors although not producing the financial statements, provided more guidance as to how to produce them. That is different this year, because they did not ask their assistance; the Finance Department is responsible for producing the financial statements in whole. He thought in the past, the auditors were used as a resource without being charged.

He knew prior to this Audit Committee's administration that the City's Finance Department had gone many years as late as April or May before turning in their audit and somehow got it in on time. Prior to that they were incapable and with the various forces and failings that he is responsible for, that led to the current situation.

Member Castillo asked if staff was working overtime.



Mr. Johnson replied they were.

Member Borrego noted in a conversation with Ms. Beltran-Schmitz she had indicated in her questions of Staff were answered with a lot of "I don't know".

She asked as Member Castillo said, if there was an employee staff problem and they really do not know or do they want to give the answer if they do. She asked if there were those types of employee problems.

Mr. Johnson replied there could be, but he could not answer the question because he did not know. Only by strict follow up and constant involvement would he know the answer. The City accounting structure is large and over time there has never been a strong process in place to review all of those balances and it lacks a true sub-ledger system and almost all of it is in the General Ledger.

And to the extent that he could even get straight answers to the questions he asks. He has clearly identified the problem and told Ms. Beltran-Schmitz many times that ultimately whether he could solve the problem or not, it is his responsibility to ensure the resources are in place to get it solved. But, if he does not know that the problem exists or in a manner that is not fast enough, that probably causes problems in his response time as well.

Mr. Johnson added that being honest given the challenges over the past year he sometimes wondered if he had been sabotaged a little. He does not know the answer to that question and does not want to speculate. He prefers to take responsibility for the situation and get them out of it.

Member Castillo noted it was too late to make drastic changes and what Mr. Johnson asked is that they have faith in the system. He thought they should because this is not the juncture to make changes. They stand advised and if they are in the same situation 8 or 9 months from now then something has gone dreadfully wrong and perhaps major changes are needed.

They do not have a lot of choice and should not lose sight of the fact that changing auditors was a major component of this kind of delay. For the current auditor to follow the same procedures and working style of the previous auditor is not the way to do it and it seems they should go from here and hope there are no more delays and they do not need more extensions.

Member Gonzales reiterated that communication is critical.

Chair de Schweinitz confirmed the draft CAFR would need to get to the auditor in the next day or so to even hope they meet the April 13<sup>th</sup> deadline.

Ms. Beltran-Schmitz asked if they could communicate with the auditors for that update.

Chair de Schweinitz said they should just let the Committee know. He noted he had asked Member Borrego to step in to help because she understands everything more but appreciates the contact.

Ms. Ortiz mentioned that in their firm she reviews Laura's work and Laura reviews Jeff's work and the work then goes to a second principle partner for a fresh review to make sure everything is technically

correct and the CAFR looks good. It is an extra level of quality and not a lot of time but does take 2-3 days.

She also mentioned that it is hard to not allow staff to take planned time off even when there are deadlines. Ms. Beltran-Schmitz would be taking a week off, but the firm will continue to work on this as they can.

Councilor Harris said this is a difficult situation. He understands what Mr. Johnson is up against but also accepts that he is responsible for getting this to the auditors and this has to happen. He noted to Member Gonzales's point, if something needs to be said, it should be said.

He acknowledged his appreciation for the patience of the auditors and hoped they would not have the situation next year. As the fiscal agent for SWMA and BDD he feels vulnerable after reading the headlines about Los Alamos County.

*The auditors left at 2:36 p.m.*

## **6. OLD BUSINESS**

- **Update on Status on Revised Committee Ordinance (Chair de Schweinitz, Councilor Harris)**

Chair de Schweinitz confirmed in the packet was January 29, 2018 and the most recent.

Councilor Harris explained this was off the web site and is the one in the Committee's packet and is the latest version. The only changes made were as a result of a conversation with Members Borrego and Gonzales having to do with the makeup of the committee and the procurement process. Marcos Martinez from the City Attorney's Office made the recommended changes for two designated members to be active throughout the entire selection process.

Chair de Schweinitz pointed out on page 4, there was a slight change to the appointment process; the Governing Body will make the appointments based on the recommendations of the Municipal judge. He thought that was fine even though earlier he argued about the independent issue and how the City Council wanted an independent appointment process. This will fit back into the Charter itself which talks about the Council having the power to make the appointments to the committees, etc.

Councilor Harris said he used verbs that the City solicits in asking for resumes for any committee. Once solicited that would go to the municipal judge to review and make the recommendations based on the resumes. Then the recommendations go to the Governing Body to make the appointments. He thought the language was not that different than the old language.

Chair de Schweinitz conceded that point but wanted to raise an issue to consider going back to this year's auditors who contacted him about issues. He thought it better to give this Committee an independent contact route with the external auditors and that helps them get a better grip of what is happening.

He saw Ms. Brennan earlier and she thought the Audit Committee should be at the entrance and exit conference and points along the way have contact with the auditors. He offered to sit with Member Sommer to see if that point could be strengthened.

Councilor Harris said that would be fine. He added he looked at the schedule on the web site and this has gone to Public Works Committee and was not pulled off the consent agenda. The Request to Publish is on the 14<sup>th</sup> of March and is just a formality and March 19<sup>th</sup> this will go to Finance and the 11<sup>th</sup> of April to City Council.

Councilor Harris suggested amendments such as Chair de Schweinitz mentioned, should be developed and put in writing as an amendment sheet before going to Finance on the 19<sup>th</sup> of March.

Ms. Martínez confirmed that amendments do not need to be made for the Request to Publish.

Councilor Harris said no, there have been many amendments made after the Request to Publish.

Member Sommer noted that Ms. Brennan had suggested at the last meeting that all of this, many of which is already here, be put in the administrative policy because they would be easier to change. As an example, that is true for 6.5.2A 1, 2 and 3.

A better way to develop how the Committee "participates" is through the administrative regulations. They could draft the rules that govern the Committee and change the specifics where needed. She did not know the appropriate level of involvement from one year to the next, but they do not want to go through this amendment process again.

Member Sommer noted that Ms. Brennan was troubled by one, two and three and the details. Some of those could be deleted and "*participate in the selection*" even though it does not describe how could be left in.

Member Borrego agreed.

Chair de Schweinitz was not sure they had used the regulatory process much, but if they start using it that was fine.

Councilor Harris agreed.

Member Sommer confirmed they would streamline 1, 2, and 3, but exclude the details. Those could be drafted right away, including how the Committee participates with the auditor. The general language of participation would remain but not the specifics of how. That would be in the rules.

Chair de Schweinitz agreed.

Councilor Harris said he sometimes was in the loop but would like to be able to sit with a member or members to develop the final language.

Member Sommer said if he let them know they would get someone there, but it should be next week.

Chair de Schweinitz pointed out that it is crucial to have CPAs in the composition of the Committee because they could search the language, etc. The Committee currently has three that are a big help.

Councilor Harris indicated that was his only question, if that would be sufficient.

Member Sommer said there should be at least two CPAs.

Member Gonzales pointed out that all CPA's are not auditors and many only do tax. She suggested saying at least one CPA with an extensive audit background.

Councilor Harris asked the Committee what they recommend; one suggestion was for two members and no less than one as a CPA with an extensive audit background.

Member Sommer agreed that was good and if there were two CPAs, one should have the extensive audit background.

Mr. Johnson agreed. In his observation having 3 CPAs to watch the shop has been helpful.

Chair de Schweinitz was not clear about who the management consultant might be but thought Cheryl could play that role.

Member Sommers confirmed in terms of Chair de Schweinitz's suggestion; if the language is in accordance with regulatory procedures the audit committee would do X, Y, and Z.

Chair de Schweinitz thought that was fine.

Councilor Harris asked Member Sommer about her availability and was told it did not matter but no Mondays.

Chair de Schweinitz added also discussed was bringing down proposed people on the outsource of the internal auditor. Ms. Brennan had offered to get on that right away and ensure at the next meeting they have people to interview. He clarified for Councilor Harris it would be co-sourcing for the internal auditor.

Member Gonzales noted there are three perspective proposals coming in - two from Colorado and one from one from Albuquerque. She has the two waiting, but they would need time to pull their proposals together and make accommodate the schedule. She asked if this should be set for April or May.

Chair de Schweinitz noted the next meeting in April and suggested it be delayed until the 18<sup>th</sup> or the 25<sup>th</sup> of April.

Member Gonzales suggested if they meet the first week of May not meeting in April.

The Committee members discussed meeting without Chair de Schweinitz or with him calling in.

The members decided to keep the April 4<sup>th</sup> meeting and schedule the proposals the first week of May.

The Committee discussed a longer meeting in May and scheduling the proposals and nothing else on the agenda. The need for a larger room was discussed. Councilor Harris suggested looking into the City Council Conference room. Ms. Martinez suggested looking at the Convention Center for May.

Mr. Johnson was asked to be available that afternoon because he would be critical.

Members discussed proposal times and decided to start the meeting at 1:00 p.m. and each proposal have 30 minutes with 15 minutes in between. They agreed to extend an official invitation with the May 2<sup>nd</sup> date and the time scheduled. It was noted that the City would not pay for their travel.

- **Animal Shelter Control – Final Review (Chair de Schweinitz, Ms. Martínez Martínez)**

Chair de Schweinitz said he contacted Ms. Martínez's office regarding the PSA to understand the contract.

He asked if Councilor Harris had asked that this item come before the Committee.

Councilor Harris agreed he did. One of the leases was with the police department and in excess of \$400k and Nancy Jimenez, the fiscal administrator for the Police Department is very good.

The documents talk about audits every three years and he asked Ms. Jimenez about that. She was not aware of the last time there had been a City audit there. He thought this is a good exercise because it is the type of relationship the City has with an outside entity that is known only for doing good things.

The Regional Coalition seemed innocuous, but they have been on the front page for over a week. The City pays this organization a large amount of money. Reading the auditor's statement, the organization looks healthy financially, but he was curious what the Committee would say.

Chair de Schweinitz said the only thing they have is the financial statement, which is not an audit.

Member Sommer noted that the second page had the audit.

Member Gonzales explained the audit report does not give the findings and is for internal use only and not public unless the animal shelter wanted to provide that.

Member Borrego indicated they may provide the management letter.

Chair de Schweinitz noted a 990 is filed each year and is a good document to review and if over \$500k, they had to file an audit with the Attorney General's office.

Members explained the findings would not be on that either.

Chair de Schweinitz noted the statement talked about spending over their income every year, but he assumed the audit would supply information on that. He was sure the City has a number of property agreements with other nonprofits.

He disclosed he is on the board of the Santa Fe Food Policy Council another nonprofit that contracts with Farm to Table to do some of that work.

He questioned if the animal shelter was doing good all the time; there were statements made about selling a house to the executive director at approximately the fair market value. He indicated it has to be fair market value to avoid problems with money being tainted by the anti-donation clause.

Chair de Schweinitz asked if the City should consider having a policy to ensure the nonprofit is viable or at least has a strong 990 or audits and functioning properly when they work with a nonprofit.

Councilor Harris responded he has never seen a policy where the City looks at the financial strength. The analogous situation is in his own business where the City signed the contract for X amount of construction work and there are bonds and a lot of assurances that the company will perform.

He was not sure what level of assurance there was with an entity like Youth Works or the Food Depot.

Ms. Martínez said they go through an evaluation process before the City awards money and the City could terminate at any time they felt an organization did not live up to their agreement or if their financial situation did not allow them to provide services. The City has options.

Mr. Johnson added he would not assume the house brought up anti-donation issues because the City did not buy the house.

Ms. Martínez mentioned she talked with the City Manager and told him this would be discussed with the Committee and she would be asking for feedback on anything they saw as a concern. Generally, if something raised an eyebrow the Finance Department would consider that.

Chair de Schweinitz noted that in the Records and Audit part on page 6, the PSA requires the entity to provide the City with the date, time and nature of services rendered and was subject to City inspection. He did not know if that kind of follow up happens.

Member Gonzales added that auditors are required to do an analysis a year out from the finish of their test work to see if the organization could function and based on where they are whether they could meet their expenses for the next 12 months. If they could not the auditor has to disclose that, and the lack of that disclosure would mean the auditor was secure in the entity's ability.

Ms. Martinez said she would take that back to the City Manager.

Councilor Harris indicated on page 6 under working capital, that the shelter acknowledges losses over the last three years, etc. but also a combination of increased effort for public support and a reduction of operating expenditures.

Member Borrego thought the half million-dollar house for the executive director was above and beyond for this type of organization.

Councilor Harris agreed.

Ms. Martínez suggested pulling out the statement about the house and let the City Manager know.

Chair de Schweinitz asked to go back to working capital and confirmed the last sentence about having

enough to provide services was enough for the auditor.

Member Gonzales explained the auditor would have done test work to determine if there was a problem. The paragraph was probably something they thought should be included for assurance but did not feel it justified changing an opinion or issuing a growing concern.

Member Sommer asked if there a rule about having sufficient working capital for six months, etc.

Member Gonzales replied it would have to be 12 months in reserves or pledges, receivables, savings, etc.

Member Borrego pointed out the shelter does have that. The concern is why there had been such big losses in the last few years.

Councilor Harris stated he looked from the Finance Committee side at the lease of \$400k. They go through a process - Matt O'Reilly does – to determine the appropriate lease rates but he did not ask at that time how they determine the appropriate rate but could check with him.

He thanked the Committee for looking at this.

Chair de Schweinitz said they appreciated it.

Member Borrego was reminded of another issue. She asked if there is a copy of a lease agreement the Committee had been waiting for that was not on the books.

Ms. Martínez indicated it was in the January 3<sup>rd</sup> packet.

Member Borrego she said that was the only other question; was everything booked the way it should have been, especially with the new accounting standards requirement to book all of those.

Chair de Schweinitz commented that phrases like "*management plans to maintain*", is pretty "murky".

## **7. NEW BUSINESS**

- **'Moving Forward' of the committee given the new electoral environment (Discussion by Committee members)**

Chair de Schweinitz thought now that they know who the new administration is, was there anything the Committee should do; should they meet with the new mayor in the next month or so.

Councilor Harris suggested hearing what the Mayor's thoughts are because over time he may want to meet with all of the committees and absolutely he should meet with the Audit Committee. He thought a great time to meet the Mayor and say hello was at Request to Publish, the Finance Committee and when they go to City Council. If appropriate the Mayor could drop in on the meeting on April 4 to introduce himself prior to the ordinance going to the full Council.

He offered to bring that up when he meets with the Mayor.

#### 8. PUBLIC COMMENT

There were no members of the public present at the meeting.

Councilor Harris asked Ms. Martínez to check on term limits for committee members and those on the Audit Committee with a term expiring.

He said a big issue is for the Mayor to meet the group and have a focused discussion on the ordinance and get the Mayor's support before the ordinance goes to City Council.

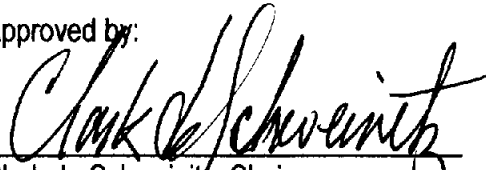
#### 9. NEXT MEETING DATE

April 4, 2018

#### 10. ADJOURNMENT

**MOTION: Member Sommer moved to adjourn at 3:23 p.m. Member Castillo seconded the motion and it passed by unanimous voice vote.**

Approved by:

  
Clark de Schweinitz, Chair

Submitted by:

  
Carl Boaz for Carl G. Boaz, Inc.