



Agenda

**CITY OF SANTA FE AUDIT COMMITTEE MEETING
CONVENTION CENTER – ADMINISTRATIVE CONFERENCE ROOM
WEDNESDAY, AUGUST 1, 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
June 20, 2018**

- 5. NEW BUSINESS**
 - **Recommendation for selection of Internal Audit Services provider
RFQ 18/46 (Renee Martinez)**
 - **Introduction of Mary McCoy, Finance Director (Renee Martinez)**

- 6. PUBLIC COMMENT (5 minutes)**

- 7. NEXT MEETING DATE – September 5, 2018**

- 8. ADJOURNMENT**

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CITY OF SANTA FE AUDIT COMMITTEE
August 1, 2018

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

August 1, 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
Cheryl Pick Sommer, Vice-Chair
Al Castillo
Carolyn Gonzales

Members Absent:

Barbara Borrego [excused]

Others Attending:

Renee Martínez, Deputy City Manager
Mary McCoy, Finance Director
Brad Fluetsch, Cash & Investments Manager
Georgie Ortiz, CliftonLarsonAllen LLP
Carl Boaz, Stenographer
Jana Benad, visitor

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 City Clerk's Office.

3. APPROVAL OF AGENDA

Chair de Schweinitz explained the agenda is missing the CAFR item and proposed to determine (from Legal) if it could be later added to the agenda.

MOTION: Member Sommer moved, seconded by Member Castillo, to approve the agenda as published.

VOTE: The motion passed on a unanimous voice vote with Members Castillo, Gonzales, and Sommer voting in the affirmative and none voting against.

4. APPROVAL OF MINUTES

a. June 20, 2018

MOTION: Member Sommer moved, seconded by Member Castillo, to approve the minutes of June 20, 2018 as presented.

VOTE: The motion passed on a unanimous voice vote with Members Castillo, Gonzales, and Sommer voting in the affirmative and none voting against.

Those present introduced themselves.

5. NEW BUSINESS (Revised Agenda Order)

b. Introduction of Mary McCoy, Finance Director (Renee Martínez)

Ms. McCoy introduced herself and said it had been an exciting 2½ weeks. She provided her experience working both at the State and municipal level and the City of Boston school budget and managed \$3 billion in revenue for the Boston. Additionally she was the CFO for the New Mexico State Livestock Board and worked at the Legislature, with DFA and for the City of Albuquerque.

She said she is looking forward to continuing progress in earning the public's trust in how the City's finances are managed and the ERP installation and having an on time, clean audit. Going forward she is looking forward to investing strategic operating capital budget to support the Mayor's goals of having a clean, user-friendly and sustainable Santa Fe.

Member Castillo asked if Santa Fe has signed a contract that has been approved by the State Auditor for the external audit for 2018.

Mr. Fluetsch clarified they still have an invoice outstanding with CliftonLarsonAllen (CLA) and the State Auditor had said the audit was closed and the invoice should have been paid. Ms. Ortiz has been in touch with the State Auditor and once the invoice is paid, the audit contracts will go to the State Auditor for approval.

Ms. Ortiz indicated they are a month behind but CLA decided Santa Fe would be one of their last, but the audit will still be on time. They have scheduled around the City of Santa Fe and possibly have more people help on the audit by then because they will have a shorter timeframe.

Member Gonzales asked when Ms. Ortiz anticipated starting the audit.

Ms. Ortiz explained many of their other engagements are wrapping up and if they receive everything by the middle of September they could meet the deadline. They want to have a good trial balance and CLA is preparing the financial statements.

Member Gonzales asked if that would increase their fee and she was told it does.

Mr. Fluetsch added that Staff scheduled September 3 as the deadline for a clean, deliverable trial balance.

Member Sommer asked to confirm the issue that the City owes CLA money and the State Auditor would not let them pay CliftonLarsonAllen.

Ms. Ortiz explained CLA's RFP would have been higher had they known about the fraud audit and the time it took to look at each new trial balance. They amended their proposal and asked for an additional \$35,000 and was told the invoice was past the one-year deadline.

She noted that the State is working on the payment after she talked with Jack Inman regarding the City approval process which seemed to be a technicality. Mr. Inman is aware that it is an independent issue with auditing when money is still owed. The State is just doing what they are supposed to in order to ensure any amendments are clear.

Reapproval of the Agenda

Chair de Schweinitz asked if they could discuss the audit.

Ms. Martínez replied that they could have a presentation and discussion, according to the City Attorney, as long as the Committee does not act on an ordinance, resolution or decision.

Chair de Schweinitz added the item under Old Business on the agenda.

MOTION: Member Castillo moved, seconded by Ms. Sommer to approve the agenda as amended showing Old Business item A as discussion only.

VOTE: The motion passed on a unanimous voice vote with Members Castillo, Gonzales, and Sommer voting in the affirmative and none voting against.

6. OLD BUSINESS

a. 2017 CAFR Reported Findings from External Auditors CLA's Staff. (Discussion only)

NOTE: An opinion from Legal Counsel had been received allowing the Audit Committee to proceed with a presentation on the CAFR if no formal action is taken.

Member Sommer asked Ms. McCoy about the timeframe for the ERP implementation.

Ms. Martínez explained there are multiple phases and currently work is being done on the financial modules from the General Ledger (G/L), Accounts Receivable (A/R) (Accounts Payable (A/P), cashiering capital assets, etc. The group is doing process training - making final business process decisions and documenting them for standard operating procedures and developing the curriculum to support the new software. In addition there is a lot of code building.

On the Human Resources side, they are performing a test parallel process for payroll. There are still staffing challenges and a list of tasks that are overdue that needs to be caught up by mid-September. Ms. McCoy has asked for an exacting resource model of critical things that need to be done and operations, including the CAFR and the work required with ERP and making the January date, etc. At this point staff is going through detailed resource planning to get caught up because January 2, 2019 is the target to go live for all of the modules.

Chair de Schweinitz asked how this connects to the 62 issues in the McHard Report.

Ms. Martínez explained items have been identified that can be addressed by the software, and if there are policies and procedures missing or procedures are unclear or outdated, etc. There are security issues and system limits in terms of specifying access to the data. The system being implemented is modern and role-based and the person who enters contracts would not be able to approve contracts. Safeguards will be in place to address some of the issues.

They have a tracker to cross-reference a McHard finding and the project management team will look at those quarterly and cross them off when completed.

Mr. Fluetsch added that a lot of functionality is not in the current system such as project accounting capabilities, especially regarding capital assets. The E-1 system was not designed to track projects the City needs to track and was a major area in the external audit findings as well as in the McHard Report.

He explained the new system allows them to track projects specifically by the project budget.

Chair de Schweinitz asked if there had been a tracking issue or just not having enough staff to pull the information together.

Mr. Fluetsch replied it is a tracking issue. They have not been using the subledger and rarely used the

subsidiary code because it was cumbersome. A subsidiary code was determined for reporting all expenses related to the flood emergency to FEMA and the State to submit for reimbursement.

Mr. Fluetsch continued there have also been problems with department facilities project managers wrapping up, closing documents and delivering them to the Accounting Department. A big part of the problem was knowing that the project had been finished and could be taken out of the work in progress and put into depreciable assets.

Member Castillo asked if there are assets that can be identified now as completed projects to the point they have a project in inventory.

Mr. Fluetsch replied he would need to get back to the Committee on that because he thought the current systems had not changed and it is not down to the actual numbers.

Chair de Schweinitz confirmed that the Committee would be looking at that under a finding since it would start next January and the CAFR is happening now. He thought that would have been solved by the Park Bond audit and follow up.

Mr. Fluetsch explained that once the ERP is fully designed by Staff in the standard operating procedures they will get into the fixed assets and work backwards to fill in from July 1 to January 1 and then the capital assets will be correct. That should be done by June 30, 2019.

Chair de Schweinitz asked who would see the update on the McHard findings.

Ms. Martínez replied the project-specific findings would go to the project management team. The Mayor has met on a regular basis with appropriate departments to go through the findings and they have discussed what is being done and what the ERP will be able to do. The City Manager has shared those discussions regularly with the Governing Body.

Chair de Schweinitz asked if the Committee wanted to hear anything over time regarding the McHard implementation.

Member Gonzales thought the Committee should just receive updates on the progress of the software implementation and the status of whether they are on track.

5. NEW BUSINESS

a. Recommendations for Selection of Internal Audit Service Provider RFQ 18/46

Ms. Martínez talked about the internal auditor functions requested. The RFQ was posted a month ago and they are on the website and five proposals were received. An Evaluation Committee was established that included Members Gonzales and Borrego. The proposals were scored individually and discussed by

the team and there were three finalists invited to interview.

There were six questions agreed upon follow-up questions given to the three finalists ahead of time. The finalists were brought in last Friday and then the interviews were scored, and the preferred vendor was identified.

Ms. Martínez indicated she resolved some issues on the contract and the PSA has been submitted to the City Attorney for approval for legal form. The scope of work is to perform an enterprise risk assessment and interview key staff across all City departments and review key reports which would include McHard, the CAFR, CliftonLarsonAllen and Anderson background material regarding the operation and financial. They would then develop a risk assessment and strategic audit plan for a two or three-year horizon and perform one internal top priority audit.

The scope of work cost is under the \$60,000 threshold and the City Manager is authorized to sign the agreement. Work would probably begin within two weeks with a draft risk assessment target date by the end of September.

Member Gonzales added the preferred firm only does internal auditing and is based out of Colorado and is a network of seasoned internal auditors with a minimum of 15 years' experience. That was a big selling point because it is critical to have a seasoned group.

Ms. Martínez added the network of auditors are all senior-level.

Member Castillo confirmed the initial engagement was for \$60,000, but the budget was approved for more.

Ms. Martínez replied they would see how the company performs and if satisfied, the agreement could be amended to give the City options to evaluate the firm selected and select another firm moving forward.

Member Castillo liked the idea and said conceivably the City could have direction by mid-October.

Ms. Martínez indicated the audit plan would be done after the risk assessment was completed.

Member Gonzales said for \$60,000, the firm would conduct the risk assessment, propose a three-year audit plan based on the risk assessment, and conduct one audit.

Member Sommer asked if that is consistent with the Mayor's plan regarding the number of audits.

Ms. Martínez was not sure this would contribute to the 10 audits committed to by the Mayor.

Mr. Fluetsch noted that Ms. Ortiz thought the forensic audit is the most important of the three categories of audits and was concerned about having an internal audit at the time CLA was performing the financial audit. He asked Ms. Ortiz if she had the same concerns about the internal auditor.

Ms. Ortiz explained she only mentioned the forensic audit because the internal auditor may find something CLA is unaware of and the communication between the two firms is important. Forensic audits are somewhat detailed in a small area and CLA's is broader and the concern is not having another audit being conducted at the same time, but that CLA would want to know about findings that could impact their audit.

Chair de Schweinitz agreed communications are mandatory and CLA would need to know if the internal auditor found fraud.

Mr. Fluetsch indicated he had not yet drafted the RFP.

Chair de Schweinitz confirmed that the other six audits were yet to be determined. He noted the Committee would be tracking those as well as the other audit as part of what they are supposed to do.

Chair de Schweinitz asked about inviting the new people to the September meeting.

Member Gonzales thought an October meeting should be considered instead of meeting in September.

Ms. Martínez agreed. She thought they might want to interview some of the Committee members.

Chair de Schweinitz thought all of the members would be open to that.

Chair de Schweinitz asked if Ms. McCoy had an organizational chart and she was still at the top of the hierarchy. He read there was discussion about restructuring of the Finance Department.

Ms. McCoy said that was correct. She offered to get him an updated org chart. There were changes in the FY19 budget different than in the McHard, and Mr. Fluetsch could speak to the changes made in the last 6-9 months. They are looking at making changes after the organizational assessment and in addition to the changes to the FY19 budget. They are adding positions for a Controller and a Financial Assurance and Compliance Officer that is currently advertised with a Purchasing Officer.

Mr. Fluetsch added the Controller has been hired. Debra Harris Gomandia who came from Buckman Direct Diversion, is the new Controller. She is a highly qualified CPA and started the same day Ms. McCoy did and has already made good changes.

He said in January when most of the restructuring happened after the McHard Report, Adam Johnson had eliminated the Budget Office and created a Financial Planning and Reporting Office. He heads that department and his two primary responsibilities are the budget and the CAFR. Below that is Ms. McCoy and then Teresita Garcia, the Deputy Finance Director and other direct reports such as the Treasury Officer, himself, the Fiscal Administrator, the Purchasing Officer and Fleets and Risk.

Ms. Martínez added the City is currently going through an organizational assessment and Robert

Garza, the former City Manager for the City of Las Cruces was brought in as a consultant. Mr. Garza is interviewing department staff with the Mayor and other key people. He will provide sensible recommendations for changes for the City to become organized and more effective and efficient.

Chair de Schweinitz asked who was under Mr. Fluetsch.

Mr. Fluetsch explained the idea is everyone under him operates as a group and there are three key people: Andy Hoffman leads the Capital side, Erica Martínez leads Operations and then the Controller and her Financial Analyst.

Mr. Fluetsch said Erica and all of the financial analysts report to him and this year they have the addition of the Controller who is currently working on the General Ledger for the September 3rd target date.

Chair de Schweinitz confirmed the Assistant Planner has as great a role in the CAFR.

Ms. McCoy agreed, and she is confident that changes being made are appropriate.

Member Castillo asked if the employees were trained in information technology (IT) because part of the problem last year with the CAFR was that people did not understand the ERP system.

Mr. Fluetsch replied that Caseware, a CAFR writing software, was used last year to map numbers of everything from financial statements to footnotes. When one number was changed, the software was supposed to change all of the numbers and this was the first time the department had used the software.

This year, CliftonLarsonAllen will actually write the CAFR with the intent to parallel and build their own CAFR internally. There has been a lot of discussion amongst Staff that it would be something that could be easily subcontracted to the auditor. The auditor does that all the time and could do it efficiently.

Member Castillo could not understand why they would duplicate the software.

Mr. Fluetsch explained it is for the experience and Staff feels they have something to prove as well as that they do not have time to fight with the Caseware, the ERP and the audit and do their regular work. The cost to contract CLA was justified because of the uncertainty of demands ERP would put on Staff.

Chair de Schweinitz thanked Ms. McCoy for attending and invited her to come on a regular basis.

2017 CAFR Discussion Continued:

Chair de Schweinitz noted that the CAFR is online. He asked if members had any questions.

Ms. Ortiz offered to go over the findings. She pointed out there were three material weaknesses, three significant efficiencies, and eight other compliance matters.

Ms. Benad left the meeting at this time.

She reviewed the findings:

-The first related to the internal control over the financial close process and the reporting process and multiple versions of the trial balance. The biggest issue was that nothing tied to the underlying documentation.

Ms. Ortiz explained the trial balance is never clean and there are always adjustments but not to this magnitude. The last trial balance still had entries made over debt, which is not typical. Even if the City had met the deadline of December 1, they would not have received a clean opinion. After they worked on the books, they did receive a clean opinion.

Ms. Ortiz confirmed CLA received four trial balances and usually they only receive two and a number of items were different.

Mr. Fluetsch added debt had been a big problem last year and July 2016 through June 2017, the City refunded six bonds. The person doing the debt accounting had passed away and he was hired to replace her, and he had no experience in debt.

He noted for this year only, one bond was issued, and he expects this year to be much cleaner, quicker and accurate.

Member Castillo asked about the bond rating.

Mr. Fluetsch replied in March 2017 the City's subordinate lien GRT was upgraded from AA to AA+ and senior lien GRT is AA+ and the GO Bond rating is AA+ and Water is AAA. Both the municipal bond advisor and the bond counsel have reviewed this and there are things that will raise red flags, but that is balanced against the substantial change in leadership of key positions. The economy is strong; GRT revenue has been strong and the response to the McHard Report has been good and they do not think it will impact the AA+ rating.

Member Castillo asked if there was a target date to get to AAA.

Mr. Fluetsch did not know, but the movement from AA+ to AAA was only 15-20 basis points and that means a lot on a 100 million dollars.

Member Sommer asked if the new software addresses the issues related to managing the debt.

Mr. Fluetsch explained the City has procured debt software.

Member Castillo asked if the refunding was done to get better rates.

Mr. Fluetsch replied the City refunded six bonds to get better rates and the Railyard Bond was

refunded with NMFA because tax exempt debt was used to finance the facility. The City wanted to rent to nongovernment tenants and had to refund from tax-exempt to taxable to do that.

NMFA refunded to taxable bonds for the City and except for Market Station - parking and other facilities - everything is private.

Ms. Ortiz added she had spent a lot of time on debt and took the spreadsheets down to individual accounts to ensure every line item tied back. She also looked at the previous spreadsheets which were in good order because that person knew how to do debt.

Mr. Fluetsch indicated some policies have changed and six bonds have been refunded into four and two of those that remain were split between government/nongovernment purposes and enterprise. Sometimes the multiple people working on that used exact percentages, but others used to the first two digits, so they ended up with variances.

Ms. Ortiz indicated that material weaknesses found within the financial reporting system - that was the biggest problem. There were liability accounts no one knew what they were made up of which should have been written off, if possible.

Chair de Schweinitz pointed out over the years, the Committee always talked with the Finance Director about closing issues and now at least they are thinking about it.

Ms. Ortiz said they will not have a problem with staff that can reconcile accounts monthly/quarterly.

Chair de Schweinitz asked if the responses could be done this year.

Ms. Ortiz replied she did not know until they look at the trial balance and tie those to the underlying documentation. The responses were on track with what needs to be done to correct the issues this year and Capital Assets probably will be a modification.

They could work on getting the material weakness down to a significant efficiency in 2018, depending on how the trial balance is cleaned up. The material weakness would not go away but could change significantly.

- Capital Assets (page 243) was the next finding. There were items that could not be located, the CIP was cumbersome, and the documentation could not be provided in a timely manner. Items that have been moved into a building or completed a couple of years ago should not be in CIP.

Mr. Fluetsch provided background. He explained the City does not have an impairment program, and Adam Johnson and the City Manager refused to attest that they do and would not include that in the disclosure. During that time the work on the capital assets by CLA deceased, but they did come back to see if it could be modified. That lack of impairment and inability to find certain things is led to this finding.

Ms. Ortiz indicated that capital assets are the most common modification in local governments and few organizations do it right.

- Accounts Receivables (page244) was a material weakness as well with some erroneous entries and duplication of entries. There appeared allowances were not done on some accounts which also contributed to the material weakness.

Member Castillo asked if the City ages a receivable, because by State law they cannot be written off.

Mr. Fluetsch replied the City does have aging and has written off \$2.2 million in Water receivables and is looking at other areas for write-offs. There is a statute of limitations and after four years they cannot collect, and the City has hired a collection agency for delinquent accounts. Accounts that are beyond the statute limit have been and will be written off.

Member Castillo asked if CLA audits the accounts written off and compares them with the statute and what amount is in that bucket.

Ms. Ortiz did not know the amount but confirmed that items were never written off without approval by City Council. CLA's concern is whether the Accounts Receivable is valid, and the proper allowance has been made. The City may say they have utility billings of \$2 million, but that has not been received for a couple of years and CLA may say that is overstated and \$1 million of that needs to be written off.

Member Castillo asked if CLA was provided with an aging schedule.

Ms. Ortiz replied they were but are not aware of what was written off years ago. Accounts Receivable is a good place where it pays to hire someone to collect the money because their salary would be paid if they collected one third of what would have been written off.

Member Sommer asked to clarify the statement on #2: it is a '*material weakness and a basis for a modified opinion*' and the cover letter statement: it is '*an unmodified and qualified audit opinion*'.

Ms. Ortiz explained that qualified and unmodified are the same thing. They used to say unqualified was a clean opinion, but it was confusing, so they went to unmodified meaning nothing happened. The majority of funds were okay but funds hitting the Capital Assets was modified, or there was a qualification that led to that.

Member Castillo asked if that affected the bond rating.

Mr. Fluetsch replied they have not gone to market yet, but the City did issue the Gasoline Tax Bond and was two months late and had no problem. They met with both S&P and Fitch and the municipal advisor explained it is the City's ability to pay and the strong GRT and growth in property values that carry a lot of weight.

Ms. Ortiz noted there are two significant deficiencies regarding the single audit. The first was IT (Information Technology) and CLA always brings in IT experts to do that because they have special certification.

"*Changed management*" means any changes done to the system. The experts found there was no process to track the changes into the system. Also there was a Disaster Recovery Plan that was not updated and there was no cross training.

Ms. Ortiz indicated the IT experts thought the most important of their findings was in C: *The organization utilizes software that has reached end-of-life and no longer receives support*. Also they are people who were terminated who potentially could still have access.

Ms. Martínez asked if the report specified which software is no longer supported.

Ms. Ortiz offered to provide that.

Chair de Schweinitz recalled there had been previous IT audit by the internal. He was told it was around five years old.

Ms. Martínez talked about the complexity of IT in Santa Fe, compared to other cities the same size. She talked about staffing issues and constraints on pay in a seniority-based system that make it hard to hire.

Ms. Ortiz continued with the Federal Programs deficiencies (page 252) where they looked at major programs based on risk. There are federal government guidelines for what to audit and there were a couple in the programs.

- 6 out of 8 reimbursements lacked the review process which is important with the federal guidelines since CLA is audited by the Federal government and does more single audits in the United States than any other firm. They often receive more information from federal related to State and local monies. The government often sends a letter to the organization that they have reviewed the audit report and it passed their inspection and they send a copy to CLA.
- 2017-006 is allowable costs - meaning certain costs can be assigned to that and tracked. There is a small amount of \$1203 that needs to be recorded and reported to the federal agency.
- The remaining findings do not arise to the level of having to do with underlying numbers for federal funding or the financial statement. One finding was the late submission of the audit report. CLA luxé at the census data related to PERA and found a few things that could be done better and may affect the overall liability, although it did not in this case. They wanted to be sure the overall contributions were accurate for the year.

Ms. Ortiz explained PERA sends all of the information of what their liability should be to the City, State and local agencies and the City did not double check the information they sent to PERA.

CLA was asked to give the journal entries to PERA which typically CLA receives from the City and should be doing that in the future. She can help with the City's journal entry and is happy to give them CLA's worksheets with the numbers. There is a new GASB for 2018 using the pension as well as the retiree numbers which will be an additional liability to the CAFR. Moss Adams is doing the audit and CLA is the second reviewer and will be getting information ahead of time and would be happy to share that worksheet with the City.

Mr. Fluetsch indicated the previous auditor did the PERA worksheet for the City and provided the journal entries and the City thought that was the way it worked. He has talked with the executive director of PERA and the RHC (Retiree Health Care) is a \$5 billion liability to the State. The impact to the City was about \$58 million a year and \$1.5 million of that was an increase in liability. The City is looking at about \$125-\$150 million as their share of the \$5 billion.

- The lack of adequate cash collection procedures for the parking garage is the next finding. CLA's auditors parked at the City lot and found they could easily come and go without paying.
- Cash Management Operations having to do with bank accounts, the utility cash registration process – processes were lacking and CLA thought recommendations were needed to strengthen the operation.
- The Lodgers' Tax Audit and untimely completion – There will be a meeting today to share CLA's findings. They have contacted every lodger in their sample – one who insisted they had no lodgers in 2016/2017 but appears they are still doing business. CLA recommended the City Attorney send something to procure the records.
- Also there is a lack of process to the City's purchasing manual. Of 16 tested, only one did not follow the guidelines.
- Lack of documented review of the Payroll time sheets showed 1 out of 22 did not have approval by the employee / supervisor.

Mr. Castillo asked if there's any indication there may be bogus payroll checks from 2016 or 2017.

Mr. Fluetsch indicated as of the first payroll of this fiscal year they have enforced that both the employee and the supervisor have to approve the paycheck before the employee receives it.

- Budgetary Noncompliance – CLA looked at the budget compared to actual numbers and a finding is the overage on the numbers. Included is a list of the final numbers with the actual amounts for expenditures and the amount of difference over.

Ms. Gonzales asked if anything could be done with the Santa Fe Convention Center that is \$1 million over budget.

Ms. Ortiz explained that is just noted. The majority of the time they find there should have been budget adjustments, but they cannot go back and make an adjustment once they are in the audit.

Member Castillo asked if there were consequences.

Mr. Fluetsch explained they are still accruing and reconciling accounts through August. It is a timing issue because they will make adjustments to various fund balances and that creates the overages. The ability to do BARS (Budget Adjustment Requests) and adjust the budget ended yesterday, but they will still be adjusting fund balances.

He indicated this has been a finding since 2006 and there has been no consequence to the finding.

Ms. Ortiz said with timely reconciling and knowing what PO's have been received and what is amount is outstanding, the City could ensure they had all of the Accounts Payable related to the fiscal year. She was not sure there was enough City Staff to do that amount of work.

The Committee discussed various procedures on the finding.

Ms. Ortiz said if there is a problem with revenue, especially with enterprise funds, CLA would look at that and hold the funds accountable because it is important for the organization's fiscal stability.

Chair de Schweinitz commented on the letter of transmittal written. He noted it did not indicate that this year, there had been a major watershed problem, or make clear there was not a total modified opinion. There were typos etc. and the letter passed over what has been happening this year. He found the document somewhat unclear until getting to the findings in the back.

Mr. Castillo said they could not veer far from the language used, for instance, to introduce the work that had been done and in writing the opinions.

Ms. Ortiz agreed, but indicated they do correct typos and let the auditors know if the numbers do not tie, etc. There are still notes that could be updated and there are old GASB items that should be removed and CLA could help them update things.

6. PUBLIC COMMENT

None.

7. NEXT MEETING DATE – OCTOBER 10, 2018

Chair de Schweinitz asked if they should not have a meeting in September. The audits might not be ready, and the new internal audit person would not be available until October.

Ms. Ortiz wanted to be sure if the trial balance was not ready by September 3 – not meaning it would not be - that at least Chair de Schweinitz would be aware of that.

The CLA team was discussed and that Laura may be in the group, but not certain yet. CLA is waiting to finish with other agencies when they will have more people and this audit could be done more quickly because of the short timeframe.

Member Sommer had a conflict on October 3rd and Mr. Castillo would had a conflict October 10-12; the members decided the next meeting would be on 10 October.


8. ADJOURNMENT.

The meeting adjourned at 4:00 p.m.

Approved by:

Clark de Schweinitz, Chair

Submitted by:


Carl Boaz for Carl G. Boaz, Inc.