

1 CITY OF SANTA FE, NEW MEXICO

2 BILL NO. 2018-3

3 INTRODUCED BY:

4
5 Councilor Mike Harris

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10 AN ORDINANCE

11 AMENDING SECTION 6-5 SFCC 1987 TO PROVIDE FOR THE PARTICIPATION BY
12 THE AUDIT COMMITTEE IN THE SELECTION OF THE INTERNAL AUDITOR AND
13 ANY CONTRACTOR PERFORMING INTERNAL AUDIT FUNCTIONS; MODIFYING
14 THE MANNER IN WHICH MEMBERS OF THE AUDIT COMMITTEE ARE
15 APPOINTED; CLARIFYING AND STRENGTHENING THE ROLE OF THE AUDIT
16 COMMITTEE; AND MAKING OTHER SUCH CHANGES AS NECESSARY.

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

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

20 6-5 AUDIT COMMITTEE.

21 6-5.1 Creation; Purpose.

22 A. There is created pursuant to the city of Santa Fe Municipal Charter the city of
23 Santa Fe audit committee, an independent advisory committee.

24 B. The purpose of the audit committee is to provide an independent body to review
25 such internal and external audits, assessments and investigations of the city's finances and

1 financial systems as may be conducted from time to time and to advise the city manager, the
2 finance committee and the governing body regarding [financial] such audits, assessments and
3 investigations, and [related] to recommend the adoption of policies and procedures [in order to]
4 with respect thereto as will promote the transparency, accountability, efficiency and effectiveness
5 of city government for the citizens of Santa Fe.

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

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

8 A. Participate in the selection of the internal auditor, [if the city employs one, or] of
9 any independent contractor charged with performing any internal audit functions for the city, or
10 of any external auditors;

11 ~~(1) Participate in the selection of the internal auditor by interviewing at~~
12 ~~least the top two applicants for the position and by ranking the candidates interviewed in order of~~
13 ~~preference, advising the city manager as to the basis for such rankings, and conferring with the~~
14 ~~city manager and the finance department director, as requested, throughout the hiring process;~~

15 ~~(2) Participate in the selection of any independent contractor performing~~
16 ~~internal audit functions, and make recommendations via two designated audit committee~~
17 ~~members who shall participate in the initial evaluation and selection of all candidates, the~~
18 ~~interview, if any, and the final recommendation for the independent contractor;~~

19 ~~(3) Participate in the selection of any external auditors, via two designated~~
20 ~~members, and make recommendations for the selection of such auditors;~~

21 B. Review and recommend for approval by the finance committee [the annual] any
22 internal audit plan proposed by the internal auditor[, if any, and] or any contractor performing
23 internal audit functions for the city, and any modifications thereto;

24 C. Independently review all internal and external audits, assessments and
25 investigations of the city[~~'s finances and financial systems~~] as may be conducted from time to

1 time, including audits and reviews conducted by federal and state agencies and make
2 recommendations to the city manager, the finance committee and the governing body regarding
3 actions which may be necessary or appropriate in light of any findings, corrective action plans or
4 issues identified in such audits, assessments or investigations;

5 D. Review and make recommendations to the finance committee regarding the city's
6 comprehensive annual financial report;

7 [A]E. [Ensure] Assure that all audits[~~-, internal and external,~~] certify [~~and~~] that they
8 conform to generally accepted governmental auditing standards;

9 [B]F. [Ensure] Assure that the [~~internal auditor position and~~] internal audit functions
10 are independent in accordance with generally accepted governmental auditing standards, whether
11 performed by city staff or outside contractors, or any combination thereof;

12 G. Receive a presentation of and review the city's financial reports, periodically, but
13 not less than twice per fiscal year;

14 [C. ~~Review applications for and make recommendations to the city manager for~~
15 hiring of the internal auditor, a city employee;

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

18 E. ~~Review and recommend for approval by the finance committee the annual~~
19 internal audit plan and modifications thereto;

20 F. ~~Review and make recommendations to the finance committee regarding internal~~
21 audit reports prepared by the city's internal auditor;

22 G. ~~Review and make recommendations to the finance committee regarding the city's~~
23 annual external audit;

24 H. ~~Participate in, via one designated member, the request for proposal process for~~
25 external auditors and make recommendations for the selection of the city's external auditors;

1 I. ~~Review the city's financial reports periodically;~~

2 J. ~~Review and make recommendations to the finance committee regarding the city's~~
3 ~~financial policies, procedures, practices and internal controls in place to control the operations,~~
4 ~~accounting, and regulatory compliance of the city.~~

5 K. ~~Review audit findings reported by an external audit and make recommendations~~
6 ~~to the finance committee concerning, the corrective action plans proposed by city departments;~~
7 ~~and]~~

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

10 **6-5.3 Membership; Chairperson; Terms; Vacancies.**

11 A. *Membership.* The audit committee shall consist of five (5) individuals [~~solicited~~
12 ~~and~~] appointed by the [~~municipal judge with the advice and consent of the~~] governing body based
13 upon the recommendation of the municipal judge. The members of the audit committee shall
14 include individuals that have experience and knowledge that would assist the governing body in
15 completing the audit committee's purpose and who are qualified by training, experience, and
16 ability to exercise sound and practical judgment regarding the duties and responsibilities of the
17 audit committee. Of the five (5) members no less than [~~one (1) member~~] two (2) members shall be
18 [~~a~~] certified public accountants, at least one of whom has extensive audit experience; no less than
19 one (1) member shall either be a lawyer [~~or have a law enforcement background~~]; and one (1)
20 member shall [~~be a management consultant~~] have business management experience. Members
21 shall reside in the State of New Mexico.

22 B. *Chairperson.* The [~~municipal judge, with the approval of the city council, shall~~
23 ~~appoint the~~] initial chairperson shall be appointed by the mayor with the approval of the
24 governing body. The chairperson shall designate the vice chairperson. The chairperson shall serve
25 as chairperson for a period of one (1) year. Following one (1) year of service, the chairperson

1 shall be elected (or reelected) by the members of the committee. The chairperson may appoint
2 subcommittees and sub-committee chairpersons as needed.

3 C. *Terms.* Two (2) of the members shall be *initially* appointed for two (2) year terms
4 and three (3) shall be appointed for three (3) year terms. Subsequent terms shall be for three (3)
5 years to maintain staggering of terms; limited to no more than four (4) [~~year~~] terms. The members
6 shall serve at the pleasure of the governing body and may be removed at any time with or without
7 cause.

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

10 **6-5.4 Meetings; Staff.**

11 A. *Meetings.* A quorum of the audit committee shall be at least three (3) members.
12 The audit committee shall conduct all meetings in accordance with adopted city policies and
13 procedures [~~and shall use Robert's Rules of Order in conducting its meetings~~]. The audit
14 committee shall meet at least quarterly or as needed to accomplish the duties and responsibilities
15 of the committee.

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

20 **6-5.5 Administrative Procedures.**

21 The audit committee shall recommend to the governing body for adoption administrative
22 procedures for the exercise of the audit committee's power and duties hereunder.
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1 APPROVED AS TO FORM:

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4 KELLEY A. BRENNAN, CITY ATTORNEY

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M/Legislation/Bills 2018/2018-3 Internal Audit Department and Committee Changes (Substitute)