



Agenda

**CITY OF SANTA FE AUDIT COMMITTEE MEETING
CONVENTION CENTER ADMINISTRATIVE CONFERENCE ROOM
WEDNESDAY, FEBRUARY 6, 2019
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**
December 5, 2018
January 9, 2019
- 5. NEW BUSINESS**
 - Report from Finance Department on Status of Risk Assessment
(Mary McCoy and John Olenberger)
 - ERP Timeline (Mary McCoy)
- 6. OLD BUSINESS**
 - Continue discussion on Distribute and Discuss risk assessment documents approved by audit committee – 3 year plan
 - Continue discussion on Distribution and Discussion of enabling ordinance (i.e., the law that created the Audit Committee)
- 7. PUBLIC COMMENT – (5 Minutes)**
- 8. NEXT MEETING DATE – To be determined**
- 9. ADJOURNMENT**

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DATE: January 24, 2019

TIME: 7:07 AM

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CITY OF SANTA FE AUDIT COMMITTEE
February 6, 2019

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

January 9, 2019
2:00 p.m. – 4:00 p.m.

1. CALL TO ORDER

A regular meeting of the City of Santa Fé Audit Committee was called to order by Member Al Castillo 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:

Al Castillo
Mary Ellen Erpelding-Chacón
Paul Margetson
Stephanie Woodruff

Members Absent:

Cristina Mulcahy [excused]

Staff Attending

Erik Litzenberg, City Manager
Brad Fluetsch, Cash and Bonds Manager
Christine Keyes, Deputy Finance Director
Debra Harris-Garmendia, Controller
Mary McCoy, Finance Director.
Pat Lucero, Finance Department Case Manager
Joshua Elicio, IT Department

Others Attending:

Councilor Carol Romero-Wirth
Carl Boaz, Stenographer

3. APPROVAL OF AGENDA

Member Erpelding-Chacón requested an amendment of the agenda to switch enabling legislation and risk assessment discussions.

MOTION: Member Margetson moved, seconded by Member Erpelding-Chacón to approve the agenda as amended.

VOTE The motion was approved on a unanimous (4-0) voice vote.

4. APPROVAL OF MINUTES:

a. December 5, 2018

These minutes were previously approved at the January 9, 2019 Audit Committee meeting. There was an inconsistency with an incorrect date.

b. January 9, 2019

MOTION: Member Margetson moved, seconded by Member Woodruff, to approve the January 9, 2019 minutes as presented.

VOTE: The motion was approved on a unanimous (4-0) voice vote.

Chair Castillo asked that those present introduce themselves and they did.

5. NEW BUSINESS

a. Report from Finance Department on Status of Risk Assessment (Mary McCoy and John Olenberger)

Mr. Litzenberg understood the Committee has had the Risk Assessment previously. He reached out to Mr. Olenberger over the last few weeks on where to start. You probably remember procurement as #1 recommended audit. He understood the Committee had approved starting at the top and going down the list.

He also had a conversation with staff on whether it is appropriate to do the procurement audit now, since we just revised the procurement manual. Mr. Olenberger gave him his pros and cons and was fine with choosing another if the Committee wants to just go down the line. He would be happy to share his comments.

Mr. Litzenberg asked Ms. McCoy to check if Mr. Olenberger had called in.

Mr. Litzenberg agreed to make copies of for every one of Mr. Olenberger's comments.

Member Woodruff asked when the last procurement audit was done.

Mr. Litzenberg didn't know.

Member Woodruff reasoned that we are at ground zero.

Ms. McCoy said that was done in January 2017 in preparation for the revision. When she started in mid-July, Ms. Harris-Garmendia also just started and one first things they did was to review current policies and procedures for procurement. They put together a draft and worked with Legal and Procurement Staff. The draft is completed and out to departments for feedback and now going through the feedback and answer questions and then will decide how to adjust it. The revised policy will go to the Finance Committee and to Council for approval. It has taken a little more than a year and, in part, was why Procurement rose to the top on risk.

Ms. McCoy wanted the rules written and clearly defined. They got guidance from other municipalities and talked to them about what works or doesn't work. It was important to issue a draft to the departments for their review and feedback. They had received the feedback by Friday, February 1. That will go to Legal for review of the feedback provided. And the policies will be adjusted, if necessary. When it is approved, staff will be required to follow the policies for procurement.

Member Margetson asked if there were no policies in place before.

Ms. McCoy said there were some, but the City was up to the point of adopting the State's policies and procedures in January 2017.

Member Woodruff wondered about the internal auditor's review. That is always the biggest area of risk.

Ms. Harris-Garmendia said they were open to review of liabilities and anything falling through the cracks. The City was using a consultant for A/P and looking to see if there was any duplication. It wasn't specifically a scope for her but when one was caught, we would address it larger. We didn't come across any duplicates. That's not to say it wouldn't happen in the future.

Member Woodruff thanked her for that background. It provides a progression.

Mr. Litzenberg circulated the email from Mr. Olenberger. He is traveling and the Committee could contact him if needed.

[A copy of the email is attached to these minutes as Exhibit A.]

Councilor Romero-Wirth joined the meeting at 2:16 pm.

Member Woodruff suggested a hybrid. She said the Committee should see if there is anything glaring and later in the year, start more policies of procurement to make sure Staff understands them and the internal controls. Some of that 250 hours budgeted should go to that effort to give some assurance.

Ms. Harris-Garmendia asked if she meant internal controls for A/P.

Member Woodruff said yes. She noted there is audit software that will kick out questionable payments. It is worth a few days and if nothing is glaring, it is probably okay.

Ms. Harris-Garmendia agreed and commented that A/P goes with procurement.

Member Woodruff recalled Mr. Olenberger mentioning overlap of duties.

Ms. Harris-Garmendia said we could do that on processes for A/P and align it.

Member Woodruff suggested that because the procurement manual has just been completed and out for comment, we might say we don't need a three-way review, because it is more than adequate. And if there is proper security and more efficient policies, you don't need to double-check the checker. 250 hours is adequate and maybe is a lot. She asked how many there are in a year.

Ms. McCoy said she would get back to her on the amount in a year.

Chair Castillo asked where Mr. Olenberger got the idea, we were looking at skipping procurement.

Mr. Litzenberg said it was referenced in his comment in the email.

Chair Castillo asked if City Staff is on board with the procurement audit.

Mr. Litzenberg agreed.

Member Woodruff explained that she was just looking to see that there is no funny business and asked about the City's process. That has not had a chance to work or break down. It would be good to look at the past year to look for anomalies and make sure that after six months under the new policies, the controls are deemed appropriate.

Ms. McCoy said she would also welcome a review of the draft before putting it into place.

Member Margetson asked if the current audit has been successfully completed.

Ms. McCoy assured him it has.

Member Margetson asked if the audit did not get into this area or would not have looked at that.

Ms. Harris-Garmendia said it was not in their scope to go look at it.

Member Woodruff briefly explained the difference of the external audit which starts with the balance sheet, whereas an internal audit starts at policies and goes forward from there to see that they are working properly.

Member Margetson understood. He asked about having an internal auditor and Member Woodruff explained the situation handled by Mr. Olenberger. The Audit Committee will decide where to spend those resources.

Member Erpelding-Chacón, in reading Mr. Olenberger's comments suggested if there are things in policy that could be improved, it would be caught beforehand. She thought it would be wise to test those to see that they are working properly.

Mr. Litzenberg asked if there has been a previous decision made by the Audit Committee.

Chair Castillo said no. This is an area we didn't worry about and appreciated that. He thought the sense of the Committee is to proceed with the procurement.

Ms. McCoy said it would be helpful to have a few members of the committee to summarize that direction (scope) for Mr. Olenberger, which is a little different than what was provided.

Member Woodruff agreed and said she would speak with Mr. Olenberger about it.

b. ERP Timeline (Mary McCoy)

Mr. Joshua Elicio is leading the IT update and wanted to cover the key elements for the Audit Committee - real time security.

He first talked about what the ERP is - the Enterprise Resource Planning Tool. It is taking decentralized systems for planning. One main priority for him is to look at what we have and how to bring it under one umbrella with confidentiality and accuracy of data. We started ERP because of a lot of deferred maintenance. We have adequate systems. But technology has progressed quickly. In Land Use, the system is 27 years old and IT is 12 years ago, so ERP is addressing the deferred maintenance in this effort.

The system that has been used for finance, planning and HR processes was the E-1 system that now needs to be transitioned. He is now working into April to track HR for compensation plans and risk management. For Land Use, he is anticipating an August time frame.

He was originally the security officer for the City and has made a number of adjustments, but the antiquated system doesn't have adequate security. From a security perspective it means data checking regarding who signs off and who is accessing and moving them to those modules.

The City now has the capability to go down to exactly who can see a screen and now identifying who has which role; why they have it and what it is to achieve. We identified the signature process for contracts. There are several steps to take it through and each step has an integrity checker and who has ultimate authority. We also have real time auditing. Based on my user name it records when I accessed or made changes. And if someone changes a feature or functionality, those capabilities will be monitored real time to make sure the check is done appropriately. And, it enables fraud control. If it does not have enough signatures, it is halted until that signature is provided.

There is a lot of work to do over the next few months and he was confident it will be ready for auditing and much more confident with this new system. We had to do a lot of back-end work after the McHard report with VPN traffic from staff and make sure who is requesting from it. It has much more robust security.

Once we move to the new system, we will see more of the transactions. There is also a business component.

Member Margetson asked about outside hacking.

Mr. Elicio said, to his knowledge there has been no hacking with the network perimeter security fire wall. We see a lot of phishing traffic. We get millions of emails and when employees click on the message it lets them in. We have seen attempts to steal someone's identity. We had a case where a phisher got a staff member's identity. But we were alerted right away and corrected it. That was in the last two days. We have been moving through Office 365 email and using the phishing capability. We have those security features and will have them rolled out to Staff in March. It is worth it to move in that security division.

Councilor Romero-Wirth asked about staff training regarding phishing.

Mr. Elicio said all new staff members coming in get Security 101 training. And when he gets invited to staff meetings, they also get 101 training. The City is a member of an anti-virus group and can see who is taking the bait. And their computer shuts down with forced training before they can go back to using their computer.

When we see phishing, we block that source. That is our plan of action and the first time the City has had anything like that. We are now at allergy zero.

Member Woodruff thanked him for that update.

Member Woodruff saw that Mr. Olenberger added to contract management which will dovetail with the roll out. And We need from Mr. Olenberger if we have enough hours for that.

She asked Mr. Elicio, regarding the time frame of HR in March or April and LUD in July or August, if there is a specific contract for those modules.

Mr. Elicio agreed. The contract module will come a little later.

Member Woodruff proposed that the contract management audit should be pushed back a little.

Mr. Elicio agreed. We will be doing electronic signature and hope by then to have a dedicated staff member to handle that e signature process.

Member Margetson hoped they could speed up the LUD processes.

Mr. Elicio hoped so, too. Taking a 27-year-old system to something more modern, doesn't happen overnight but they are moving in that direction

Ms. McCoy asked if he had the schedule for staff training built in.

Mr. Elicio said that for all of them he does have a schedule and can share the training calendar.

6. OLD BUSINESS [amended agenda order]

b. Continue discussion on Distribution and Discussion of Enabling Ordinance (the law that created the Audit Committee)

Ms. McCoy asked which version the Committee is dealing with.

Chair Castillo explained that a revised ordinance was approved about a year ago. It was not a rewrite of the ordinance but with amendments.

Ms. McCoy recommended dating the versions. The one she had has a lot of typos in it.

Mr. Litzenberg agreed to get the new one.

Ms. McCoy pointed out that the website has only the original that was approved by Council.

Member Margetson said his version was the 2013 ordinance.

Chair Castillo asked Ms. McCoy to make sure the Committee members have the new one.

Member Margetson wanted to know if the ordinance requires the Audit Committee to interview.

a. Continue discussion on Distribution and Discuss Risk Assessment Documents approved by Audit Committee - Three-Year Plan

This item was discussed earlier in the meeting.

7. PUBLIC COMMENT

There were no public comments.

8. NEXT MEETING DATE - To be determined.

The Audit Committee agreed to meet on March 6, 2019 at 2:00 p.m.

Mr. Boaz will send draft minutes ahead of time.

Ms. McCoy asked for agenda items for the next meeting.

Chair Castillo mentioned the CAFR update on Old Business and the Risk Assessment be a monthly review.

Member Woodruff asked for an update from Mr. Olenberger. The discussion with Mr. Olenberger should be under New Business.

Member Margetson asked that all members get a copy of the approved CAFR.

Chair Castillo asked about a contracting place for external auditor.

Ms. McCoy agreed. This will be the third year for the CAFR contract.

Chair Castillo asked if they are now working on the next CAFR.

Ms. McCoy said they will not start on it until after the current fiscal year is over on June 30.

Member Margetson asked about Audit role in recruiting for new CAFR provider.

Ms. McCoy said the 2013 ordinance provides the roles of the committee and read from it that the Audit Committee has a representative to participate in the selection.

9. ADJOURNMENT

MOTION: Member Margetson moved, seconded by Member Erpelding-Chacón to adjourn the meeting.


VOTE: The motion was approved on a unanimous voice vote.

The Audit Committee, having completed the agenda, adjourned the meeting at 3:00 p.m.

Approved by:


Alvino Castillo, Chair

Submitted by:


Carl Boaz for Carl G. Boaz, Inc.