



# Agenda

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**CITY OF SANTA FE AUDIT COMMITTEE MEETING  
CONVENTION CENTER ADMINISTRATIVE CONFERENCE ROOM  
WEDNESDAY, MAY 15, 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**
  - February 6, 2019 Meeting
  - April 3, 2019 Meeting
- 5. NEW BUSINESS**
  - Progress report on Procurement Audit – John F. Olenberger, CPA, Colorado Independent Consultants Network, LLC
  - Internal Audit outsource agreement with Colorado Independent Consultants Network – Discuss possible renewal and moving forward
  - Site Visits by Audit Committee – should we implement?
  - Elections – Chair, Vice Chair
- 6. OLD BUSINESS**
  - Continue discussion on 2019-2020 risk assessment 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**
- 8. MATTERS FROM STAFF**
- 9. MATTERS FROM COMMITTEE**
- 10. NEXT MEETING DATE – To be determined**
- 11. ADJOURNMENT**

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**RECEIVED AT THE CITY CLERK'S OFFICE**  
DATE: May 6, 2019  
TIME: 7:07 AM

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**CITY OF SANTA FE AUDIT COMMITTEE**  
**May 15, 2019**

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

May 15, 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 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  
Cristina Mulcahy  
Stephanie Woodruff

**Members Absent:**

**Staff Attending**

Erik Litzenberg, City Manager  
Christina Keyes, Treasurer Officer  
Debra Harris-Garmendia, Controller  
Mary McCoy, Finance Director.

**Others Attending:**

John Olenberger, CICN  
Carl Boaz, Stenographer

**3. APPROVAL OF AGENDA**

Member Erpelding-Chacón moved, seconded by Member Woodruff unanimous 4-0.

**MOTION: Member Erpelding-Chacón moved, seconded by Member Woodruff to approve the agenda as presented.**

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

#### **4. APPROVAL OF MINUTES:**

##### **a. February 6, 2019**

**MOTION: Member Mulcahy moved, seconded by Member Margetson, to approve the February 6, 2019 minutes as presented.**

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

##### **b. April 3, 2019**

**MOTION: Member Mulcahy moved, seconded by Member Margetson, to approve the April 3, 2019 minutes as presented.**

**VOTE: The motion was approved on a (3-0-1) voice vote with Member Margetson abstaining.**

#### **5. NEW BUSINESS**

##### **a. Progress report on Procurement Audit – John F. Olenberger, CPA, Colorado Independent Consultants Network, LLC**

This was reported later.

##### **b. Internal Audit outsource agreement with Colorado Independent Consultants Network – Discuss possible renewal and moving forward**

Director McCoy reported the possible renewal of the agreement will be going to Council in June. The budget was approved for the internal audit function. The work had a successful conclusion and that can carry forward throughout the next year. The budget amount is \$50,000.

Chair Castillo said the Audit Committee does not need to get involved. He presumed either the Mayor or City Manager signed off on it. Director McCoy agreed.

##### **c. Site Visits by Audit Committee – should we implement?**

Chair Castillo asked if there was any desire to do site visits. He would like to see the recycling center.

Mr. Litzenberg said Shirleen Sitton is Director of Environmental Services and could make a presentation to the Audit Committee.

Member Mulcahy thought that would be good. She said it is fascinating how it all works and how they project out 20 years.

Chair Castillo suggested asking her to present at the next meeting, if not a site visit, to summarize what they do.

Member Woodruff could not find that in the risk assessment.

Director McCoy asked if the Committee also wanted a presentation on water.

Member Margetson was curious where it is in the risk assessment. It is either somewhere on the 3-year plan or he wanted the department head to report.

Director McCoy noted that all utilities are enterprrie funds.

Member Margetson asked if Finance is comfortable with the controls.

Ms. Keyes said the Staff does reassess as frequently as possible. They did the first one just over a year ago and it was brought to Finance for their review and the policy was updated two months later. They have made sure there is secure cash handling at the City's 27 cash handling locations. Six months after that, they reevaluated each site. And in June, an annual update on the policy will be done.

Member Mulcahy asked if the City has GPS tracking cash bags so it is known where they are and have been.

The City does not have them.

Member Woodruff pointed out for public utilities, there was an overall ranking in the 2019 budgeted assessment review of 1 (highest). The contact was Shannon Jones. But it doesn't appear on the risk assessment matrix.

Director McCoy said additional questions are within the purview of this committee.

Member Woodruff agreed it might be good to have a presentation overview.

Chair Castillo was open to that.

Member Woodruff felt \$150,000 was not a lot and meant there was only so much Mr. Olenberger could do. But Audit is not the authority.

Chair Castillo asked for either Ms. Sitton or Mr. Jones to present.

Director McCoy said water and wastewater are the largest ones in Utilities. She asked for an email to get the questions for a targeted presentation.

Member Woodruff favored an overall view and then include recycling.

Director McCoy suggested multi-month presentations, focusing under financing policy and recommendations that staff would forward to the Committee for followup - the things Audit wants to tackle in financial policy like cash-handling policy improvements. It would lead to any recommendations the Audit Committee wants to make to the Governing Body as a consequence of its work.

Member Mulcahy disclosed that her firm is Water Counsel to the City so she would recuse herself.

Member Margetson asked if the present policy is working.

Ms. Keyes agreed, for the time being.

Director McCoy said Mr. Olenberger referenced the McHard report and where we are with the risk assessment by McHard and that is pertinent as we review the procurement audit best practices. We want the risk to match the level of authority we have. It is something we are working on with Mr. Olenberger to make sure the response to the audit and the changes being made are matching the level of risk.

Member Woodruff asked if the \$150,000 for next year would be committed from an RFP.

Director McCoy recommended that an RFP go out and to have some Audit Committee members on the evaluation committee. CICN would be eligible to submit a proposal.

#### **d. Elections – Chair, Vice Chair**

**MOTION: Member Castillo moved, seconded by Member Margetson, to elect Stefanie Woodruff as Chair and Christine Mulcahy as Vice Chair.**

He felt it helpful to have an attorney as an officer on the Committee. Member Mulcahy agreed.

**VOTE: The motion passed by unanimous (4-0) voice vote.**

Member Woodruff chaired the rest of the meeting.

## 6. OLD BUSINESS

### a. Continue discussion on 2019-2020 risk assessment approved by audit committee – 3 year plan

Member Castillo said we are on track with the assessment.

Chair Woodruff asked when the RFP would be issued.

Member Mulcahy asked if the Committee could review the RFP before issuance.

Director McCoy explained she wanted to issue it as soon as possible. She offered to bring the RFP to the next Audit Committee meeting. She added that there was some money left over from this year because the work could not all be done in this FY. So some amount will revert to the General Fund.

Member Castillo asked if waiting until the next meeting would slow it down too much.

Mr. Litzenberg said it would not.

Member Castillo asked that it be on the agenda under new business for next month.

Member Mulcahy asked if members could have the copy ahead of time.

Director McCoy agreed.

[moved from earlier on the agenda]

### a. Progress report on Procurement Audit – John F. Olenberger, CPA, Colorado Independent Consultants Network, LLC

Mr. Olenberger had a written report for the period since the last Audit Committee meeting in which the bolded copy were new items since last time. The work dealt with samples, purchasing transactions and the City's approval thresholds. He is reviewing management responses and making recommendations. He clarified that for those where he disagreed he would explain why. He expected to have a draft report in upcoming weeks.

On page 4 - A/P and P-Card process, currently the City reviews every P-Card transaction. But it should be handled within the departments to meet all requirements of the P-Card policies. "That is overboard" and he recommended doing it on a cash basis. Because the City just had the McHard Report with fraud issues, going to random selection might be moving too quickly.

On page 5, he would like to see a signatory approval matrix, showing those specified

for authorization. With changes in personnel, he recommend a signatory matrix. Someone in A/P could do the updating.

Director McCoy said HR also has a role in that.

On page 6, purchases by electronic means, there were two eliminations from the recommendations.

On page 7, he recommended a broadened approach for bid websites.

Member Margetson asked about the formula for preferential treatment.

It is 3% for a total preference of 6% and is either subtracted from the bid amount or added to the RFP evaluation. Letter c for sole source is also on the bidding website. To place an ad in the newspaper, with price of an ad, a P-Card could be used for that purpose.

Member Margetson asked if that includes the Albuquerque Journal and Santa Fe New Mexican.

Director McCoy agreed.

Mr. Olenberger said on page 8 - P-Card purchases approved by subordinates, the problem is when fiscal administration reports to the Director and ends up approving the Director's purchases. Director levels should be approved by the City Manager. He used Police and Tourism as examples where a supervisor makes such an approval. One of the eight was not reviewed by the cardholder to ensure goods and services were received. His recommendation was a 100% review that A/P could check electronically who approved the purchase. The City should make sure all are appropriately reviewed.

On the competitive process for bids with a set scope of work, the lowest bidder is easy. But the RFP is more subjective with different criteria and numerically ranked. But he did not see much support for the numerical score. Justifying the score would help. His other recommendation is to have a clear matrix of the cost.

He summarized that those were the things they saw and are part of the draft report to the City and the Audit Committee could see the report after that. They issued it a week ago.

Chair Woodruff asked if that could be reviewed at the June meeting.

Director McCoy said it could be reviewed by the July meeting.



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

Ms. Keyes shared a copy of her report. She noted the law was originated in 2013 and amended in 2017. "We can only act within the authority, so it is limited exercise and any outside are null and void. It provides two broad powers and goes to the very specific." It is broadly, an independent investigation of financials and to review policies for transparency. This should be done in this committee.

Page 2 has specific duties for review of state and federal agencies for the city.

Sections G and H item are not specifically enumerated as long as requested by City Manager or Council. And the Committee could have the authority to look at other things.

Member Margetson understood the limited authority. He posited that the Committee could tell Animal Control that they can't work on Saturdays. He asked if the Committee could see how parking meter guys deal with the money.

Member Mulcahy said that is okay. And we would need to know what the policy is but it is within our authority.

Also on page 2, the Committee must review financial reports at least semiannually.

Member Castillo asked what goes to CAFR.

Member Mulcahy said. "potentially the interim and then the final." That was her recommendation. The other could be the final. The other important requirement is on page 3. Three members are required to have a meeting. It doesn't say what is needed to act but, at a minimum, a quorum. And it is safest not to leave the meeting early. After review, we appear to be within our enabling powers and authority.

The other document is the 2018 ordinance. That could be seen in older ordinances more detail but is not the case here. She also offered to email it.

**7. PUBLIC COMMENT**

There were no public comments.

**8. MATTERS FROM STAFF**

There were no matters from Staff

**9. MATTERS FROM THE COMMITTEE**

There were no matters from the Committee.

**10. NEXT MEETING DATE - To be determined.**

The Audit Committee agreed to meet on June 5, 2019 at 2:00 p.m.

Member Mulcahy will be in Europe then and will be excused.

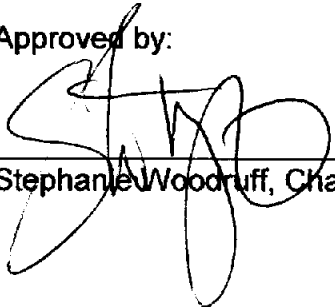
**9. ADJOURNMENT**

**MOTION: Member Castillo moved, seconded by Member Margetson 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 3:03 p.m.

Approved by:



Stephanie Woodruff, Chair

Submitted by:



Carl Boaz for Carl G. Boaz, Inc.