



Agenda

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CITY OF SANTA FE AUDIT COMMITTEE MEETING
CITY COUNCILORS' CONFERENCE ROOM
APRIL 6, 2011
2:00 PM

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF MINUTES

MARCH 2, 2011
5. FURTHER DISCUSSION REGARDING BUCKMAN DIRECT DIVISION (BDD) PROJECT INCLUDING REQUESTED DOCUMENTS REGARDING BDD
6. DISCUSSION OF AUDIT COMMITTEE PRIORITIES, INCLUDING INTERNAL AUDITOR POSITION
7. SUB-COMMITTEE REPORTS
8. STATUS REPORT FROM CITY OF SANTA FE, FINANCE DEPARTMENT
9. OLD BUSINESS
10. NEW BUSINESS
11. OTHER MATTERS FROM THE COMMITTEE
12. NEXT MEETING DATE
 - A. Next meeting scheduled on May 4, 2011
13. ADJOURNMENT

Persons with disabilities in need of accommodations, contact the City Clerk's office at 955-6520 five (5) working days prior to the meeting date.

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OF THE

AUDIT COMMITTEE

MEETING
April 6, 2011

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6. DISCUSSION OF AUDIT COMMITTEE PRIORITIES, INCLUDING INTERNAL AUDITOR POSITION	Motion[s] passed	3-5
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MINUTES OF THE
CITY OF SANTA FE
AUDIT COMMITTEE MEETING

April 6, 2011

The meeting of City of Santa Fe Audit Committee was called to order by Deborah A. Moll, Chair at 2:00 p.m. on this date in the City Councilors Chambers, City Hall, Santa Fe, New Mexico.

Roll Call indicated the presence of a quorum for conducting official business as follows:

MEMBERS PRESENT

Deborah A. Moll, Chair
Clark de Schweinitz
Hazeldine Romero-Gonzales
Maurice A. Lierz

MEMBERS ABSENT

Randy Randall, excused

STAFF PRESENT

Kathryn Raveling, Finance Director
Richard Mares, Internal Auditor

OTHERS PRESENT

Jo Ann G. Valdez, Stenographer

NOTE: All items in the Committee packets for all agenda items are incorporated herewith by reference. The original Committee packet is on file in the Finance Department.

APPROVAL OF AGENDA

Ms. Romero made a motion to approve the Agenda as published. Mr. Lierz seconded the motion, which passed unanimously by voice vote.

APPROVAL OF MINUTES: March 2, 2011

The following changes were made to the Minutes of the March 2, 2011 meeting:
Page 2, 4th paragraph from the bottom the word “Assistant **County** Attorney” was changed to read: “Assistant **City** Attorney”.

Page 10, 2nd paragraph was changed to read: “*Mr. Mares said the reason that the Franchise Financial Reviews are not being done is due to the ongoing litigation (for at least 10 years) on the **Telephone** Franchise; therefore he was not allowed to audit the **Telephone** Franchise.*”

Page 10, 9th paragraph was changed to read: “*Mr. Mares said with regards to **Qwest** telephone, the amount of revenue...*”

Mr. Lierz made a motion to approve the Minutes of the March 2, 2011 meeting as amended. Ms. Romero seconded the motion, which passed unanimously by voice vote.

FURTHER DISCUSSION REGARDING BUCKMAN DIRECT DIVERSION (BDD) PROJECT INCLUDING REQUESTED DOCUMENTS REGARDING BDD

Mr. Lierz said the Committee appreciated the receipt of the documents, particularly the summary on the water rights. However, the Committee did not receive copies of the JPA for the BDD and a copy of the Housing Authority Audit. Ms. Raveling offered to get copies of the JPA for the Committee members; and one copy of the Audit for the Housing Authority for the Committee.

Mr. Lierz said the one thing that stands out to him in the Summary is that the Water Director (Mr. Snyder) had reported at the last Committee meeting that they had 20,000 acre feet of water in storage at the Heron Reservoir; however, the summary indicates that the 20,000 acre feet of water is stored at Elephant Butte Reservoir. The Committee would like clarification on this. Also, the font on the four schedules that are attached to the summary is too small. The Committee requested that the font be larger for easier reading.

Ms. Romero-Gonzales said at the last meeting there was discussion that staff was trying to amend the contract to include the BDD audit with the State Auditor to piggyback on the City’s contract. She asked if this has occurred.

Ms. Raveling said she has not seen it but she will check on this.

Mr. Lierz asked if they have completed the work on the 2010 audit.

Ms. Raveling said no, but she will check on the anticipated completion date. She explained that the staff shortage in the Finance Department continues to be a problem; however, the External Auditor has indicated that he may be able to assist them with the accounting paperwork to get the 2010 audit done.

Mr. Lierz said these staffing problems could get the City in some trouble. He said the Committee is here to be supportive and help staff make this happen and for the City to retain their fiscal integrity.

Ms. Romero-Gonzales suggested that the audits for the Solid Waste Management Agency, the Housing Authority and the BDD be done before the City audit is done or at the same time, so that the City could use this information/numbers for the City audit.

Ms. Romero-Gonzales said another thing to consider is that the federal government is not issuing any extensions for audit reports and this could affect federal funding in the future for the City.

Ms. Raveling said with regard to the CAFR and the auditing field itself, there are more requirements and this is time-consuming. For example, the continuing disclosure has gone from four pages to 40 pages.

Mr. Lierz said he did not see the water rights listed as inventory-they are listed as a fixed asset. He did not know what value is given to water rights for accounting reporting purposes. He questioned how they come up with the number in the financial statements with regards to water rights and stored water rights. He said they need to have disclosure of material fact in the financial statements. The Committee requested more detail on the value of the water rights and how they are characterized-some type of summary analysis or an explanation as to how the value of the water rights was compiled.

DISCUSSION OF AUDIT COMMITTEE PRIORITIES, INCLUDING INTERNAL AUDITOR POSITION

Ms. Romero-Gonzales noted that copies of the City of Albuquerque Internal Auditor job description; and the Ordinance that created the Office of the Inspector General are included in the members' packets.

Chair Moll said in talking with Mr. de Schweinitz, they thought the Committee should zero in on certain areas that will help the City.

The following suggestions were offered:

- Recommendations were made on how the role of the Internal Auditor could be improved:
 - o Strengthen the role of the Internal Auditor. The duties and responsibilities of the Internal Auditor be specified by Ordinance-to include the Internal Auditor reports.
 - o The Internal Audit role be done as a department, versus a one-person department.
 - o Establish/create a separate inspector general office.

Mr. Mares explained that the inspector generals' conduct investigations-for example, the public could call in and report tips of waste and mismanagement and they will investigate them.

Mr. Mares announced that he would be retiring in June or July of this year.

Mr. Lierz said possibly they need a subcommittee to focus on this issue and come back to this Committee and make recommendations. Chair Moll agreed.

Mr. de Schweinitz asked if this is realistic, given the present constraints.

Chair Moll said they could break this down in phases.

Mr. Lierz said maybe phase it in two to three phases. He said the Committee could compare how the City of Albuquerque and the County of Bernalillo address their structure for this, i.e., staffing and things of this nature.

Mr. Mares said currently there are some significant differences. He said under the "Accountability in Government Act", the Department of Internal Audit (of the City of Albuquerque) reports to a Committee. This committee is made up of members of the City Council, the Mayor and members of the public. *"The Mayor and City Council share a duty to insure that the actions of public officials, employees and contractors of the city are carried out in the most responsible manner possible and that city policies, budgets goals and objectives are fully implemented. To accomplish this, the city requires the services of an independent organization to perform internal audits; conduct management studies and investigate claims of waste and mismanagement."*

Chair Moll said another thing would be what the internal controls are; and how they are set.

Ms. Romero-Gonzales mentioned that she met with Mr. Mares before the last meeting and they discussed the release of audit reports. She asked Mr. Mares if any of the audit reports have been released, particularly the audit on the Parking Division and the Senior Services reports.

Mr. Mares said he did not know if they would be released because this is not his call.

Mr. Lierz moved that the pre-existing Internal Auditor Committee meet to research and investigate the issue of how to strengthen the Internal Auditor position, utilizing staff input as necessary. Mr. Clark seconded the motion, which passed unanimously by voice vote.

Mr. Lierz noted that the External Audit is on hold until the Committee knows where the 2010 External Audit is. He said the Committee needs to review the Request for Proposals for an external auditor for 2011.

Ms. Romero-Gonzales said they are keeping the same auditor so they will not do a Request for Proposal.

Ms. Raveling said they can keep the same auditors for four years. She invited the Committee members to attend the entrance conference. She noted that they also invite the City Councilors to the entrance conference and she thinks it would be appropriate that the Committee also be invited.

Mr. Lierz said the Committee has asked for a copy of the Audit Contract. He requested two sets of the Audit Contract. Ms. Raveling agreed.

Mr. Lierz referred to Section 4 of the Resolution that created the Committee noting that 4b and 4c indicates that the Committee shall make recommendations regarding the City's Annual External Auditor.

After brief discussion, the following motion was made:

Ms. Romero-Gonzales moved that Section 4b and 4c be assigned to the External Auditor Subcommittee. Mr. Lierz seconded the motion, which passed unanimously by voice vote.

Mr. Lierz noted that Section 4d states that the Committee shall review the City's preliminary financial reports semi-annually. He requested that staff provide a detailed report of the cash investments and cash balance. Ms. Raveling agreed.

SUB-COMMITTEE REPORTS:

There were no subcommittee reports.

STATUS REPORT FROM CITY OF SANTA FE, FINANCE DEPARTMENT

There was no status report from the Finance Department.

OLD BUSINESS

There was no Old Business.

NEW BUSINESS

There was no New Business.

NEXT MEETING DATE

The next meeting is scheduled for May 4, 2011.

OTHER MATTERS FROM THE COMMITTEE

There were no other Matters from the Committee.

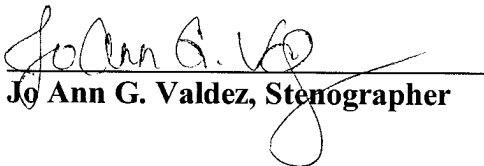
ADJOURNMENT

There being no further business to come before the Committee, Ms. Romero-Gonzales moved to adjourn, second by Mr. Lierz, the meeting adjourned at 5:00 p.m.

Approved by:

Deborah Moll, Chair

Respectively submitted by:


Jo Ann G. Valdez, Stenographer