



# Agenda

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CITY OF SANTA FE AUDIT COMMITTEE MEETING  
CITY COUNCILORS' CONFERENCE ROOM  
JUNE 1, 2011  
2:00 PM

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF MINUTES:  
MAY 4, 2011
5. SUB-COMMITTEE REPORTS:
  - A. INTERNAL AUDITOR
  - B. EXTERNAL AUDITOR
6. PROPOSED RECOMMENDATIONS REGARDING CITY OF SANTA FE EXTERNAL AUDIT PROCESS
7. REPORT ON INTERNAL AUDIT REVIEW OF PARKING DIVISION'S CASH HANDLING PROCEDURES – INTERNAL CONTROL ANALYSIS
8. CITY OF SANTA FE CASH AND CASH INVESTMENTS
9. STATUS REPORT FROM CITY OF SANTA FE, FINANCE DEPARTMENT
10. OLD BUSINESS
11. NEW BUSINESS
12. OTHER MATTERS FROM THE COMMITTEE
13. NEXT MEETING DATE:  
WEDNESDAY, JULY 6, 2011
14. ADJOURNMENT

**INDEX OF MINUTES**

**OF THE**

**AUDIT COMMITTEE**

**MEETING**  
**June 1, 2011**

<b><u>ITEM</u></b>	<b><u>ACTION</u></b>	<b><u>PAGE(S)</u></b>
1. CALL TO ORDER		1
2. ROLL CALL	Quorum	1
3. APPROVAL OF AGENDA	Approved [as published]	2
4. APPROVAL OF MINUTES May 4, 2011	Approved [as amended]	2
5. SUBCOMMITTEE REPORTS		
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8. CITY OF SANTA FE CASH AND CASH INVESTMENTS		9-10
9. STATUS REPORT FROM CITY OF SANTA FE, FINANCE DEPARTMENT		10
10. OLD BUSINESS	None	10
11. NEW BUSINESS	None	10
12. OTHER MATTERS FROM THE COMMITTEE		
	None	10
13. NEXT MEETING DATE		
a. Next meeting scheduled for July 6, 2011		10
14. ADJOURNMENT	Adjourned at 4:00 p.m.	10

**MINUTES OF THE**  
**CITY OF SANTA FE**  
**AUDIT COMMITTEE MEETING**

**June 1, 2011**

The meeting of the City of Santa Fe Audit Committee was called to order by Deborah A. Moll, Chair at 2:03 p.m. on this date in the City Councilors Conference Room, 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  
Maurice A. Lierz  
Randy Randall

**MEMBERS ABSENT**

Hazeldine Romero-Gonzales, excused

**STAFF PRESENT**

Sevastian Gurule, Parking Division Director  
Helene R. Hausman, Finance Department, Cash Management & Investment Officer  
Richard Mares, Internal Auditor  
Kathryn Raveling, Finance Director  
Sara Smith, Parking Division Administrative Assistant

**OTHERS PRESENT**

Julie Ann Grimm, *The New Mexican*  
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**

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

## **APPROVAL OF MINUTES: May 4, 2011**

The following changes were made to the Minutes of the May 4, 2011 meeting:

Page 3, top paragraph was changed to read: *“Ms. Garcia said at one time, the State Auditor required that the same auditor audit the Housing Authority but they changed this two years ago, **after** which the **Housing Authority chose to use another auditor to audit the Housing Authority.**”*

Page 3, 6<sup>th</sup> paragraph was changed to read: *“Mr. Lierz asked Ms. Garcia if she could get the Committee a copy of the Housing Authority Audit for year ending June 30, 2009; a copy of the Audit Contract for June 30, 2010 and check to see what **Housing Authority’s intentions are for June 30, 2011. He also asked for a copy of the Housing Authority Audit.**”*

**Mr. de Schweinitz made a motion to approve the Minutes of the May 4, 2011 meeting as amended. Mr. Lierz seconded the motion, which passed unanimously by voice vote.**

## **SUBCOMMITTEE REPORTS**

### **a. INTERNAL AUDITOR**

Chair Moll said that Ms. Romero-Gonzales wanted her to report that they were not able to meet with the Internal Auditor this time around.

Chair Moll asked if there was an update on the City of Bernalillo and the City of Las Cruces with regards to obtaining information from them to put together a general guideline and ordinance.

Mr. Mares said yes, there is documentation included in the members’ packets from the City of Las Cruces. He noted that the City of Rio Rancho does not have an internal department/audit unit and Bernalillo County did not respond, despite multiple requests.

The purpose of the Internal Audit Office (in Las Cruces) is to provide independent, objective assurance and consulting services designated to add value and improve the City of Las Cruces’s operations. The Internal Audit Office helps the management team of the City of Las Cruces accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Mr. Randall asked how many employees they had in their Internal Audit Department.

Mr. Mares said they have three FTE's.

Mr. Lierz asked what the potential numbers are for the population of the City of Santa Fe-given that the Committee is looking at the City of Las Cruces for comparison.

Ms. Raveling offered to get this information.

Mr. Mares explained that the City of Las Cruces also has an Internal Audit Office Charter. The purpose of this Charter is to ensure the Internal Audit Office is compliant with the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing* by stating their purpose, authority, and responsibility as an internal audit function for the City of Las Cruces.

**b. EXTERNAL AUDITOR**

Mr. Lierz reported that the External Auditor Committee has not met.

Mr. Lierz asked Ms. Raveling to brief the Committee on the process for selecting an external auditor since the Committee is not acting on the selection process for an external auditor. He asked Ms. Raveling to advise the Committee where the evaluation panel is with regards to this.

Ms. Raveling said they issued a Request for Proposal and received six proposals. They summarized what their pricing was; how many employees they have, etc. Ms. Raveling and Teresita Garcia met with Robert Rodarte, the City Purchasing Director, and evaluated the proposals and will be making a recommendation soon.

Ms. Raveling explained that they are looking at the possibility of staying with the same auditor because the financials for the City are so complex, and they feel it would be advisable to stay with the same auditor, rather than switching- because the learning curve is so high, however, this will decision will be at the discretion of the Finance Committee.

Mr. Lierz asked when they will meet with the Finance Committee.

Ms. Raveling said at their next regular meeting in about two weeks and then it will go to City Council the week after.

Chair Moll asked if the State Auditor will have the final say on this issue.

Ms. Raveling said yes.

Mr. Lierz asked Ms. Raveling to summarize the number of audits she is talking about. He asked if they have included all the entities to be audited.

Ms. Raveling said yes- it includes the City of Santa Fe, SWMA and BDD.

Mr. Lierz asked about the Housing Authority.

Ms. Raveling said the Housing Authority will be doing their own audit.

Mr. Lierz asked if this would have to be approved by City Council.

Ms. Raveling said not any more.

Ms. Raveling said there will be another small audit for the lodgers' tax.

Mr. Lierz asked what the purpose was for this.

Ms. Raveling said they have always done an audit on the lodgers' tax.

Mr. Randall asked if this is required by statute.

Ms. Raveling said this is required by a city ordinance and they do a separate report on this.

Mr. Lierz requested that Ms. Raveling provide the Committee a copy of the City's last audit report for the lodgers' tax. Ms. Raveling agreed.

#### **PROPOSED RECOMMENDATIONS REGARDING CITY OF SANTA FE EXTERNAL AUDIT PROCESS**

Mr. Lierz referred to a draft that he came up with for the proposed recommendations regarding the City of Santa Fe External Audit process. He noted that Ms. Raveling has not seen this. He said the overall objective, from the Committee's standpoint, is how the city can bring itself current on the audit process, in the next year. He noted that this is under the State Audit Act and the rules of the State Auditor. He said in looking at the June 30, 2009 Audit and its process, the audit was not completed until July 12, 2010; and in looking at the June 30, 2010 Audit, the original deadline was December 1<sup>st</sup> of last year - this audit is not complete and is yet to be completed by the auditors and reviewed by the State Auditor. The City also has the BDD that has not been audited for June 30, 2010 and he would assume that this would be part of this audit cycle.

Mr. Lierz said for a timely review and evaluation, generally there is a cycle to plan, the second cycle to execute and the third cycle is for review, the City is "frustrating" the review cycle by not getting the audit reports out on a timely basis.

Mr. Randall said which in turn frustrates the planning cycle – if you don't have the benefit of the review of the immediate past.

Mr. Lierz said the Committee would like Ms. Raveling to review the draft and provide some feedback to the Committee.

Chair Moll said the Committee just received the draft today therefore the members need to review it.

Mr. Lierz said the Committee wants to be factual in the process. He referred to the second page of the draft noting that number one states that the City needs to address a plan in the annual preparation for this so that it could be done on a timely basis; and that this matter needs to become a high priority item within the City's management of its fiscal affairs. He said this is the underlying basis for drafting the recommendations.

Chair Moll said the Committee also added a few things that the plan should have and staff could add other things/recommendations that they feel would give them better resources, so that the City can meet this deadline.

Mr. Lierz referred to item 3 noting that the 1% fee, from what he understands; came from within the Project Manager/Fiscal Service Agreement but it does not kick in until May 1 of this year- because it ties to the 1% of the operating budget that the City could charge to BDD. He said the Committee is making this statement because this could be a source of new revenue, which would help fund some positions.

Mr. Lierz asked Ms. Raveling to review this and the Committee could discuss this further at the next meeting.

Ms. Raveling said she also had some discussions with the Auditor and he has some ideas too and she could share this at the next meeting.

Chair Moll said the last thing in this matter is the logistics - on how the Committee will present this and to whom. She said the Resolution states that it goes to the Governing Body (City Council) and the City Manager and a suggestion was made to go to the Finance Committee and present it to them. She said the Committee needs to discuss whether or not this complies with the Resolution.

In response, Ms. Raveling said she would like to be able to go to the Finance Committee with some solutions rather than just saying it is a problem. She requested some time to work on the problem and come up with a plan.

Mr. Randall said Ms. Raveling should be able to have an outline of a plan to accomplish this, so long as this does not hold this up because it (the report) has to come out after the next Audit Committee meeting. He suggested that the report be finalized by July and Ms. Raveling could work on some points of a plan.

Mr. Lierz thinks the Committee needs to bring the City Manager into the process and therefore would ask that Ms. Raveling and the City Manager meet with the Committee at their next meeting.

Ms. Raveling proposed that she come back with an outline of a plan at the next meeting and discuss it with the Committee and then decide how to move forward from there.

Mr. Lierz thinks the recommendations should be in datum with Ms. Raveling's plan, which also has incorporated the City Manager with the Committee because the Committee is not trying to go around him. Then if something is presented to the Finance Committee, it is jointly presented and the Committee is working within the system in this process.

Chair Moll said she would prefer that the Committee, as a whole, would meet with the Finance Committee and she will check with legal on this - on how to address the Open Meetings Act.

Mr. de Schweinitz asked if this would take place of a regular Audit Committee meeting.

Chair Moll said it would not.

It was agreed that Ms. Raveling would decide whether or not to invite the City Manager to the next meeting.

Mr. Lierz said the implications here go way beyond the Finance Department: staffing needs; budgetary impacts and therefore there are other people involved in executing the plan.

Ms. Raveling said it is very hard to find experienced accounting people especially when you are talking about people who may have worked in the private arena; and the learning curve could be 1-2 years before they have effective staff. Another issue is that there is no place for an accountant to move up in the Finance Department; there is not a climbing ladder for employees and the City has lost accountants this way.

Chair Moll asked if there were levels, for example (I, II, and III) for accountants.

Ms. Raveling said at one time the City did have these levels but they did away with it.

Chair Moll asked Ms. Raveling if she knew why they did away with the levels.

Ms. Raveling said she did not know why but she could look into this. She noted that they had a high-level accounting person and she left to work at SWMA. She is being paid the same salary with less responsibility.

Mr. Randall thinks that both of these things need to be looked at.



## **REPORT ON INTERNAL AUDIT REVIEW OF PARKING DIVISION'S CASH HANDLING PROCEDURES – INTERNAL CONTROL ANALYSIS**

[Copies of the Memo {*Exhibit A*} to Robert Romero from Richard Mares regarding the Internal Review of the Parking Division – Cash Receipts Handling Procedures were distributed in the members' packets. Copies of the Memo {*Exhibit B*} to Robert Romero from Richard Mares regarding the Parking Division Review Status Report dated May 31, 2011 were also distributed in the members' packets.]

Mr. Mares introduced Sevastian Gurule, the interim Parking Division Director. Mr. Gurule was appointed as the (full-time) interim Parking Division Director in January of 2011.

Mr. Mares said back in July of 2010, he was directed by the City Manager to conduct a review of the Parking Division's cash handling receipts procedures relative to internal controls. He began the audit with an entrance conference with appropriate members of the Parking Division staff on July 30, 2010. A preliminary draft report was issued on September 9, 2010, and was discussed with Parking Division staff and the City Manager on September 20, 2010. An updated report was issued on September 22, 2010, as a result of additional information being provided by the Parking Division.

Mr. Mares said the emphasis of the review was on the equipment utilized, written operating procedures, and other processes intended to provide the checks and balances necessary to ensure parking fees and fines are securely processed and accounted for. The review also consisted of an analysis of all aspects of the cash receipts close-out procedures relative to shift closings and daily deposits for on-street parking and off-street parking as well as the Parking Division's main office cash receipts window.

Mr. Mares said since the issuance of the September 22, 2010 report, Parking Division staff has been in contact with his office as corrective action was being taken on many of the issues noted in the report. The Parking Division ultimately submitted a written response to the report on May 2, 2011, with a final written response being provided on May 25, 2011.

Mr. Mares noted that the report contains information on the internal review activities undertaken by his office and provides recommendations for corrective action for each of the major cash receipts collection operations where internal control issues were identified. As a result of a formal written response being provided by the Parking Division, he requested the City Manager's approval of his report on May 31, 2011. Mr. Romero approved his report on June 1, 2011.

Mr. Mares thanked Mr. Gurule and the Parking Division staff for being fully cooperative in the review process. He explained that the Parking Division staff has been working on updating policies and procedures relative to the handling of cash receipts. Check lists have been developed and are in use by the morning supervisor as well as the closing supervisor for the off-street parking operations. Also, the process for the deposit

of cash receipts by the off-street parking operations has been changed whereby all prepared deposits are submitted to the City cashiers office. The enterprise staff accountant monitors the deposits through the use of the on-line banking system in order to ensure the accounting of all required deposits are for both the on-street and off-street parking operations. The monthly bank reconciliations performed by the Finance Department were verified for timeliness. Cash receipts collection and close-out activities were monitored and reconciled at four of the off street parking facilities, the meter cash collections process including collections from the “yellow drop boxes”, one Pay and Display parking lot collections, and the main Parking Division office cash collection windows. Ultimately, the deposits were tracked to the actual deposit into the City’s Parking Division bank accounts.

Mr. Randall asked Mr. Mares if this was the most recent audit he has done.

Mr. Mares said yes this is one of the most recent audits he has done but he is also working on two other audits at this time: the utility billing and the process for shutting off water for customers who are delinquent; and the other is the senior citizen program.

Chair Moll mentioned that one of the things that the Committee will look into in the future is the internal control procedures throughout the departments – to ensure that they are adequate, in writing; that they are functioning properly and if they are updated frequently. She asked Mr. Mares if he has done this yet.

Mr. Mares said this is done as he is directed to do so. He also makes recommendations to the City Manager on a regular basis. He explained that the Parking Division is now conducting random field cash drawer audits of off-street parking operations, which are being performed by the enterprise fund accountant, as well as the shift supervisors on a routine basis.

Mr. Randall asked if Mr. Mares initiated the audit for the Parking Division or was there a problem.

Mr. Mares said it was a management decision, to better understand what internal controls are in place; which controls are lacking and what internal controls are not there. The City Manager requested the audit and he is also adamant about securing the City’s assets.

Mr. Lierz asked if the Parking Division has been working on improving the procedure documents.

Mr. Gurule said yes, they have been working diligently on reviewing all the policies and procedures of the Parking Division. He said there were some that were outdated and some that needed to be implemented and developed, especially with regards to technology today. He said this will be an ongoing effort as long as he is there. He noted that they are getting ready to finalize the policies and procedures. In addition to that, they are also working with some of the shift supervisors to work on bi-weekly

training to ensure that the employees are fully aware of their responsibilities and that the shift supervisors and lot attendants are working consistently; and to make sure that they are taking full advantage of technology.

Mr. Lierz asked if doing all this work (by tightening the procedures) has improved the revenue flow stream.

Mr. Gurule said they are working more on ensuring that they are securing/protecting the City's assets. He noted they are doing an analysis on how the results of the findings have a financial effect. He said in addition to this, they have also seen an improvement in employee morale.

Mr. Randall asked Mr. Gurule if the Parking Division enterprise fund is making money.

Mr. Gurule said they are falling short on the projected revenue for FY 2010-2011- at the end of this fiscal year; they will be at a deficit. He explained that they are working hard to market two parking facilities: the Railyard and the Community Convention Center parking facilities, which are heavily underutilized presently. The Parking Division has thoroughly analyzed their revenue capabilities, have made some projections for the next fiscal year and feel that they will meet these projections.

Chair Moll asked Mr. Gurule if the supervisors go out on the field or visit the parking lots.

Mr. Gurule said he has an administrative manager who supervises the accounting section of the office and an operations manager who interacts with all of his section supervisors.

### **CITY OF SANTA FE CASH AND CASH INVESTMENTS**

Chair Moll noted that Mr. Lierz had asked for some documents pertaining to this issue. The following reports were distributed in the members' packets:

*June Quarterly and Year End Investment Report as of June 30, 2009*  
*Second Quarter Investment Report as of December 31, 2010 and*  
*Fiscal Year-End Investment Report as of June 30, 2010*

Ms. Raveling introduced Helene Hausman, the Cash Management and Investment Officer.

Mr. Lierz asked Ms. Hausman if she prepares monthly reports.

Ms. Hausman said yes, she does an alternate report between the quarterly reports for Ms. Raveling. She said there is no difference in the content of the reports. She noted

that the Committee had requested a copy of the April report, but the report is not done as of yet. The Second Quarter Investment Report went through March 2011.

Mr. Lierz said he appreciates these reports from an investment standpoint; however the request he had made was more from an accountancy standpoint-taking Ms. Hausman's numbers; and how it is maintained on the books, and of those balances, what are restricted and designated.

Mr. Lierz asked who was making decisions on these items.

Ms. Raveling explained that City Council has asked her to set policies for the key funds.

### **STATUS REPORT FROM CITY OF SANTA FE, FINANCE DEPARTMENT**

There was no status report from the City of Santa Fe 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 July 6, 2011 at 2:00 p.m.

### **OTHER MATTERS FROM THE COMMITTEE**

Chair Moll asked the Committee Members if they want to do a cover letter to the Finance Committee. Mr. de Schweinitz will draft the letter.

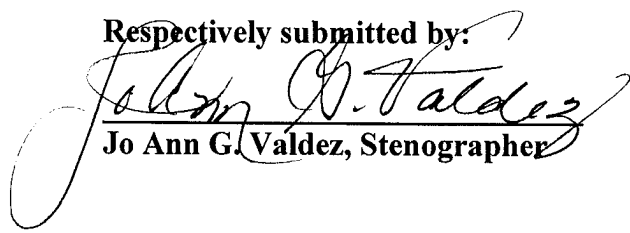
### **ADJOURNMENT**

There being no further business to come before the Committee, Mr. Lierz moved to adjourn, second by Mr. Randall, the meeting adjourned at 4:00 p.m.

Approved by:

\_\_\_\_\_  
Deborah Moll, Chair

Respectively submitted by:

  
Jo Ann G. Valdez, Stenographer