



Agenda

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CITY OF SANTA FE AUDIT COMMITTEE MEETING
CITY COUNCILORS' CONFERENCE ROOM
AUGUST 3, 2011
2:00 PM

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF MINUTES – July 6, 2011
5. CLOSED SESSION PURSUANT TO SECTION 10-15-1(H)(7), NMSA 1978, WITH ASSISTANT CITY ATTORNEY FOR LEGAL ADVICE REGARDING POTENTIAL LITIGATION INVOLVING DISCLOSURE OF DRAFT DOCUMENTS PROPOSED BY THE CITY OF SANTA FE AUDIT COMMITTEE
6. ADVISORY RECOMMENDATIONS REGARDING CITY OF SANTA FE EXTERNAL AUDIT PROCESS
7. MEETING WITH EXTERNAL AUDITORS REGARDING AUDIT FINDINGS
8. SUB-COMMITTEE REPORTS
 - Internal Auditor
 - External Auditor
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
 - A. Next meeting scheduled for September 7, 2011
14. ADJOURNMENT

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SUMMARY OF ACTION
AUDIT COMMITTEE MEETING
August 3, 2011

<u>ITEM</u>	<u>ACTION</u>	<u>PAGE</u>
CALL TO ORDER & ROLL CALL	Quorum	1
APPROVAL OF AGENDA	Approved	1-2
APPROVAL OF MINUTES – JULY 6, 2011	Approved [corrected]	2
CLOSED SESSION PURSUANT TO SECTION 10-15-1(H)(7), NMSA 1978, WITH ASSISTANT CITY ATTORNEY FOR LEGAL ADVICE REGARDING POTENTIAL LITIGATION INVOLVING DISCLOSURE OF DRAFT DOCUMENTS PROPOSED BY THE CITY OF SANTA FE AUDIT COMMITTEE		2-3
DISCUSSION AFTER RETURNING TO REGULAR SESSION		3-4
ADVISORY RECOMMENDATIONS REGARDING CITY OF SANTA FE EXTERNAL AUDIT PROCESS	Approved [amended]	4-6
MEETING WITH EXTERNAL AUDITORS REGARDING AUDIT FINDINGS	Information/discussion	7-8
<u>SUBCOMMITTEE REPORTS</u>		
INTERNAL AUDITOR	Information/discussion	8-11
EXTERNAL AUDITOR	Information/discussion	11
STATUS REPORT FROM CITY OF SANTA FE FINANCE DEPARTMENT	Information/discussion	11-14
OLD BUSINESS	None	14
NEW BUSINESS	None	14
OTHER MATTERS FROM THE COMMITTEE	None	14
NEXT MEETING DATE – SEPTEMBER 7, 2011		14
ADJOURNMENT		14

**MINUTES OF THE
MEETING OF THE
CITY OF SANTA FE AUDIT COMMITTEE MEETING
City Councilors Conference Room
August 3, 2011**

1. CALL TO ORDER

A regular meeting of the City of Santa Fe Audit Committee was called to order on Wednesday, August 3, 2011, at approximately 2:00 p.m., by Chair Deborah Moll, in the City Councilors Conference Room, City Hall, Santa Fe, New Mexico.

2. ROLL CALL:

MEMBERS PRESENT:

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

OTHERS ATTENDING:

Teresita Garcia, Deputy Director, Finance Department
Melessia Helberg, Stenographer

There was a quorum of the membership in attendance for the conducting of official business.

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.

3. APPROVAL OF AGENDA

MOTION: Randy Randall moved, seconded by Clark de Schweinitz, to approve the Agenda as published, and to keep Item #5 flexible to be heard when Judith Amer arrives.

VOTE: The motion was approved unanimously on a voice vote:

4. APPROVAL OF MINUTES – JULY 6, 2011

Ms. Helberg noted the corrections provided by the Chair prior to the meeting were made and replacement pages were provided.

The following corrections were made to the minutes:

Page 11, Paragraph 2, lines 1 and 4, under B. External Auditor, correct as follows: Change “City Manager” to “Audit Manager.

Page 12, Paragraph 1, line 1 under 8(A) Award of External Auditor, correct as follows: Change “Mr.” to “Ms.”

Page 13, Paragraph 1, line 1, correct as follows: Capitalize Auditor.

Page 13, Paragraph 4, line 2, correct as follows: “the ~~first~~ draft ~~didn't~~ did include...”

Page 115, paragraph 4, line 2, correct as follows: “... is that ~~is~~ it is...”

MOTION: Randy Randall moved, seconded by Maurice Lierz, to approve the minutes of the meeting of July 6, 2011, as amended.

VOTE: The motion, as amended, was approved unanimously on a voice vote.

Replacement pages will be provided to the City Clerk for the approved minutes as amended.

5. CLOSED SESSION PURSUANT TO SECTION 0-26-2(H0(7)), NMSA 1978, WITH ASSISTANT CITY ATTORNEY FOR LEGAL ADVICE REGARDING POTENTIAL LITIGATION INVOLVING DISCLOSURE OF DRAFT DOCUMENTS PROPOSED BY THE CITY OF SANTA FE AUDIT COMMITTEE

MOTION: Maurice Lierz moved, seconded by Randy Randall, to go into Executive Session for legal advice regarding potential litigation involving disclosure of draft documents proposed by the City of Santa Fe Audit Committee.

VOTE: The motion was approved on the following roll call vote:

For: Hazeldine Romero-Gonzales, Maurice A. Lierz, Randy Randall and Clark de Schweinitz

Against: None

The Committee went into Executive Session at 2:15 p.m.

MOTION: At 2:42 p.m., Randy Randall moved, seconded by Maurice Lierz, to return to regular session, and stated that the only item which was discussed in executive session was the item which was on the agenda, and the subject of the motion for an executive session, and no action was taken.

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

Chair Moll said the Committee has some general questions about the open meetings act.

Mr. De Schweinitz said he raised the issue that this is an advisory committee and making recommendations, and not promulgating policy or dealing with personnel, and as such questioned whether it falls under the Open Meetings Act. He said it will be difficult for this Committee to do its job with all of the meetings always being open.

Ms. Amer said all of the other advisory committees follow the Open Meetings Act as far as she knows, with published agendas and such.

Mr. De Schweinitz said then we all "just shoot our mouths off and hope we don't get sued."

Responding to a question from the Committee, Ms. Helberg said, although she can't speak for the other committees, all of the committees, including Council Policy Committees, and the City Council, which she covers follow the provisions of the Open Meetings Act.

Ms. Amer said in speaking of other people, and there is no proof, the Committee should say "it was alleged," if you're worrying about getting sued.

Mr. Randall said, "I think that we should accept the fact that we are covered by the Open Meetings Act as specified by the City Clerk, or whoever made that determination, and that we move on with the agenda."

Chair Moll asked if the City adopts its own Ordinance on open meetings, or just say "we are going to follow the Open Meetings Act."

Ms. Amer said the City adopts the Open Meetings Resolution annually.

Chair Moll asked if all Committees follow that same Resolution, and Ms. Amer said yes.

Chair Moll said then we don't have to have our own resolution and Ms. Amer said that isn't necessary.

Mr. Lierz asked, for the record, for a written copy of the Open Meetings Resolution adopted by the Council.

Ms. Amer noted that the Attorney General's Open Meetings Act Compliance Guide of on the AG's website as a public document, and members of this Committee as well as the public can print that document. She said they also can go to the AG's Office and get a bound copy free of charge.

Ms. Garcia said the Open Meetings Resolution is on the City's website as well.

Mr. Lierz reiterated for the record that he wants a hard copy of the Open Meetings Resolution as adopted by the City Council.

Ms. Amer said she will provide that information for the Committee.

Mr. de Schweinitz asked if this Committee is covered by the City's insurance.

Ms. Amer said members of this Committee are non-salaried public officials and are covered in the course of their official duties. Responding to Mr. De Schweinitz, Ms. Amer said the members of this committee are public officials.

Ms. Amer asked if members of City committees receive per diem.

Ms. Raveling said no.

6. ADVISORY RECOMMENDATIONS REGARDING CITY OF SANTA FE EXTERNAL AUDIT PROCESS

The Committee discussed the draft *Advisory Recommendation No. 1, External Auditing Process*, to the City Council and City Manager, pursuant to Resolution No. 2010-83. A copy of the draft is incorporated herewith to these minutes by reference. A copy of the final document will be incorporated herewith to these minutes as Exhibit "1." The following changes were made to the draft:

Page 1, Paragraph 2, line 3, correct as follows: "...determined the followinging..."

Page 2, Paragraph 1, line 4, correct as follows: "...Auditor Office for review..."

Page 2, Paragraph 1, line 5, correct as follows: "...Direct Division Diversion..."

Page 3, Item 4, line 5, correct as follows: "...related to the College..."

Page 3, Item 4, line 6, correct as follows: "...the Rail ~~Yard~~ Railyard project..."

Page 3, Item 5, line 5, correct as follows: Financial Statements – add an "s" to make it plural.

Page 3, Item 6, line 2, correct as follows: "...ending June 30, 2009..."

Page 4, Paragraph 1, line 2, correct as follows: "...recommends that the following..."

MOTION: Randy Randall moved, seconded by Clark de Schweinitz, to accept the proposed Advisory Recommendation No. 1, External Auditing Process, as final, subject to the aforementioned corrections made today.

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

Ms. Romero-Gonzales asked what is the process now in terms of the document.

Chair Moll said she will make the changes and finalize the document. She said the plan is to present it to the Finance Committee at its next meeting.

Mr. Lierz asked if we provide the original to the City Manager as a courtesy, and the original will go to the Finance Committee.

Chair Moll asked where the final document will go once it is approved by the Committee.

Ms. Garcia said the City Clerk has custody of all public records, and the original document will go to the City Manager who will send it to the City Clerk for the next Finance Committee meeting. She said staff will insure this item is on the next Finance Committee agenda.

Mr. Lierz said he wants a copy of the final document sent to him and the other members of the Committee.

Mr. Lierz asked the Chair if she discussed the cover letter with the City Manager and the Mayor.

Chair Moll said not our letter, noting the City Manager would be preparing a transmittal letter with the report to the Finance Committee. She will redraft the cover letter with the recommended changes.

It was the consensus among the Committee that Chair Moll will sign the cover letter and send it with the original recommendation to the City Manager and the Finance Committee.

Ms. Romero-Gonzales said the next meeting of the Finance Committee is August 15, 2011, at 5:00 p.m. She asked if all of the members of this Committee should attend.

Chair Moll said she would like members of the Committee to attend. She asked if the published agenda showing the Committee will be making a presentation is sufficient notice that there is a possible quorum of the Committee is in attendance.

Ms. Garcia said yes.

Responding to Mr. Lierz, Ms. Raveling said it is her understanding that it is the intent of the City Manager to put this item on the next Finance Committee meeting agenda.

Ms. Garcia noted that the agendas of all committees are published in the newspaper and on the City's website.

Chair Moll said they will provide a copy of the Recommendation and cover letter to Ms. Raveling at City Finance.

Mr. Randall said the City Manager and the Mayor were very positive about this, and there is already a plan on the City Manager's white board.

7. MEETING WITH EXTERNAL AUDITORS REGARDING AUDIT FINDINGS

Chair Moll asked if the external auditors will be attending this meeting, noting the Mayor and City Manager indicated in their meeting that they could have the external auditors at our next Committee meeting to go over the findings. She was unclear whether are at that point and asked if we have audit findings.

Ms. Garcia said the audit has been submitted to the State Auditor and the State Auditor approved the report with no changes.

Responding to Mr. Lierz, Ms. Garcia said the audit will be final and released prior to the next meeting of this Committee.

Mr. Lierz suggested that we invite the auditors to our next scheduled meeting on September 7, 2011. He said because of the voluminous nature of the report, he would request that a hard copy of the final report be mailed to each of the members of the Committee.

Ms. Garcia said she will mail the reports, and will issue the invitation to the auditors to attend the next meeting.

Mr. Randall said this item was added to this agenda because the City Manager offered to ask the auditors to attend this meeting and give us a preview, and it doesn't mean this is our only opportunity to have that dialogue.

Mr. Randall asked if the auditors will be attending this meeting.

Ms. Garcia said no, they are starting their work on the Buckman Direct Diversion audit.

Item tabled to the next meeting and asked staff to invite auditors to review the audit findings. Audit Manager and Audit partner. Audit Report and Findings.

Mr. Lierz would like the Audit Manager and the Audit Partner to be invited to attend the meeting, because the Audit Manager has the in-depth knowledge, and the Audit Partner gets into the high level concepts and signs the letter. He said some of our questions may go to detail which the Audit Manager can answer.

Ms. Garcia asked if the Committee wants to review both the audit report and findings.

MOTION: Randy Randall moved, seconded by Ms. Romero-Gonzales, to table this item to the next meeting, and ask that staff invite the Audit Manager and Audit Partner to the next meeting to review the audit and findings with this Committee.

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

8. SUBCOMMITTEE REPORTS

A. INTERNAL AUDITOR

The Committee commented as follows:

- Mr. Randall said he called Dean Carruthers at NMSU to see if there is any support through their programs which would be available to the City, but he hasn't heard back from him.
- Ms. Romero-Gonzales said when she was at the State Auditor's Office, they had support through an internal audit program at ENMU which was part of the curriculum. She said she will contact them to see if this is still available.
- Ms. Romero-Gonzales noted in June meeting minutes on page 8, Mr. Mares presented the Parking Division audit and said, "The Parking Division is now conducting random field cash drawer audits of off-street parking operations." She asked if those are documented, and who sees those, and if there is a problem, does something more happen.

Ms. Gonzales said they are establishing reporting procedures, and if there are any inconsistencies it is reported to the division director, and to the City Manager.

- Ms. Romero-Gonzales asked if there are other Divisions that do random cash audits, such as the Water Department, and if there is written policy.

Ms. Garcia said there usually is controlled environment for the cashing and receipting is at a permanent location, except for the Parking Division which is the only one with field cash, and the Senior Division where they have a lock box for donations and they bring that money in and count it.

- Mr. Lierz asked if Mr. Mares is still in City employment, and Ms. Garcia said yes.

- Mr. Lierz noted he is not in attendance today, noting the last meeting minutes reflect that he could help the Committee get additional data. He asked if he will be doing this additional work.
- Chair Moll said Mr. Mares had said he could do additional work for us at the last meeting.
- Mr. Lierz asked if anyone has talked to him about getting assistance.
- Mr. Randall said Mr. Mares was to get information about the Internal Auditor from Roswell, Hobs and other municipalities and make further inquiries about Bernalillo County.

Ms. Garcia said he was notified that the Committee had requested that information.

- Mr. Lierz would like a status report at the next meeting on what he's doing.
- Ms. Romero-Gonzales said she will contact Mr. Mares and help him to get that information and update the Committee at the next meeting.
- Mr. Lierz said this Committee needs to decide when come to a conclusion as a recommendation with regard to the Internal Auditor, and we will need to task it between now and then.
- Mr. Lierz said he doesn't think we're looking at an individual job description, and we probably should discuss the feelings of the Committee in this regard. He said Santa Fe, after annexation, will bring the population close to 100,000, and this Committee should, as a committee, think about a department and the mission of the department. He said once that is done we can consider job descriptions. He wants to elevate the discussion to the conceptual concepts and it will cost money. He doesn't know how much the City may "win," but we are no longer a small time operation.
- Mr. Randall said we need to set a goal where we think it should be, and then define a realistic process to get there. He said to suggest a department all of a sudden is probably a little strong for the current financial situation of the City.
- Lierz ask subcommittee to come back with preliminary at the next meeting.
- Mr. Lierz would like to ask the subcommittee to come back with some preliminary

ideas at the next meeting.

- Mr. Randall would like to get some of the documentation and have it as an agenda item for discussion, rather than the two of us come up with something, commenting he believes we need to get input from everyone.
 - Mr. Lierz believes the subcommittee should come up with some ideas, and would like to distribute any documents Mr. Mares is able to obtain, so we can be reading.
 - Mr. Randall suggested we target this for the October agenda, and the members of the Committee agreed.
 - Mr. de Schweinitz said he is beginning to think we might get bogged down with all of the information, and suggested the Subcommittee study the information and come back with a more formed recommendation.
 - Chair Moll said that would be fine, but she would like the Committee members to get all of the information.
 - Mr. Lierz said his vision is beginning to open up as to what the Internal Auditor would do, and we need to think about a broader vision of risk. He said this is an evolutionary process and what we're thinking about may not be implemented for 1-2 years, but in the meantime we're starting to formulate ideas.
 - Ms. Romero-Gonzales said in the Internal Audit field, risk is the biggest thing right now, noting the articles in the trade magazines are focused on how to determine where the biggest risks are, and the different levels of risk, and how does a problem in one area affect the rest of the City – the amount of money, the number of people and departments. She said the Internal Auditor right now is functioning without a plan.
- Ms. Garcia said when the City had two auditors, they were determining the risk areas and planning audits, but once it became a one man shop it changed.
- Mr. Lierz said there is a layer with State Auditor, but once we are at the point of dealing with the internal audit and developing a plan, by that time we will have some thoughts and will want to have interaction in how they execute the plan.
 - Mr. Randall said this is an area where this Committee can be very effective.

- Chair Moll said we need to look at the enabling resolution when we are looking at structural things.

B. EXTERNAL AUDITOR

Mr. Lierz said the subcommittee has been on hold and waiting for conclusion of the audit.

9. STATUS REPORT FROM CITY OF SANTA FE FINANCE DEPARTMENT

Ms. Garcia noted there is a draft schedule in the Committee with regard to how we will complete the audit report.

Ms. Romero-Gonzales said some of the items don't have dates.

Ms. Garcia said that is because it is in draft form, and those dates are depending on other things happening. She said each month, she will bring an updated version of this document.

The Committee commented as follows:

- Ms. Romero-Gonzales noted some dates are in the past, and asked if those have been done, and Ms. Garcia said yes.
- Responding to Mr. Randall, Ms. Garcia reiterated that this is a draft document and we will update the dates.

Ms. Garcia said the contract has not been approved by the State Auditor, noting she was asked to combine the BDD audit with the City's, and currently the contract auditors are looking at auditing the BDD.

- Mr. Lierz said this implies that you can do this with the existing staff.

Ms. Garcia said she is implying they will make it work with the existing staff.

- Mr. Lierz said If we can't get it done and we are now going to be late, and we are asking for a plan by the Finance Committee meeting of how to deal with these.

- Ms. Garcia said there is now seasoned staff who have been through an audit, and the accounts payable will include the City, the Buckman and SWMA – the accounts payable is across the board and not separated. She said 5th is the last deadline which is two months ahead of last year. She said the foundation is there. She said they are on line to complete the audit in time.
- Mr. Randall asked if the actual date completed is the date the Auditor's complete it, or the date that your department completes it.

Ms. Garcia said this is the date the auditors have finished.

- Mr. Randall would like to add a column which would be the actual date of completion by the Finance Department, and the next column would be the date the auditors completed it. He said, "So the first column would be the target date and the next column would be the actual date it was ready."
- Mr. Randall said he is concerned when things don't have dates.

Ms. Garcia said this is a draft document and they will be adding dates and providing a updated document.

- Mr. Randall said we still need target dates, and the first column should be the target date, the second when it is done and the third would be when the audit will be completed.

Ms. Garcia will provide target dates by the next meeting.

- Mr. Lierz said then we're talking about 4 audit reports: The CAFR, the BDD. SWMA and the Housing Authority. He said we are moving toward 4 separate audits, but he doesn't see a path of achieving on the schedule. He asked if there will be a path for the BDD.

Ms. Garcia said currently the auditor is doing the beginning of the field work on the BDD so he can provide a time frame, noting the only one which impacts the BDD is the capitalization of the BDD.

- Mr. Lierz asked if we have contracted with the Housing Authority.

Ms. Garcia said the Housing Authority contracts its own audit.

- Mr. Lierz asked how we will get a path on the completion of the Housing Authority.
- Ms. Garcia said we first need to determine whether the Housing Authority is still a component unit, and if not, she has no control over the Housing Authority.
- Mr. Lierz said then this Committee will call them in.
- Chair Moll asked the reason we would look at the Housing Authority if they're really not considered part of the City of Santa Fe. The City has no responsibility if it is not a component unit and outside the jurisdiction of the City.
- Ms. Garcia said she needs to meet with the auditors and the Housing Authority to discuss this matter.
- Mr. Lierz asked if it would be possible to request a formal memo from the Finance Department with regard to the progression and of the decisions.
- Chair Moll said we can ask the auditor to make a formal finding and that the Committee get copies of that.
- Ms. Garcia said it has to be approved by the State Auditor, but she doesn't know if that all will be done by the next meeting.
- Mr. Randall would like to leave this as an open item for the next meeting.
- Mr. Lierz would be more comfortable if this was expanded, first deal with CAFR, secondly the two fiscal items – BDD and SWMA – with a timeline on the completion of those two audits.
- Chair Moll said we can request that, but we can't require them to do that.
- Mr. Lierz said it may impact our discussion with the Finance Committee.
- Chair Moll asked what they intend to discuss with the Finance Committee, and is unsure they would be interested in this particular document.
- Ms. Romero-Gonzales said one of the issues is where they are in terms of the target date and actual completion date which will help us to do our work.
- Chair Moll said we don't control the Finance Department.

- Ms. Romero-Gonzales said this is true, but we can oversee where they are in terms of the target dates.
- Mr. Randall said the recommendation is to establish a similar chart for the BDD and SWMA, which Ms. Garcia said will be done.
- Mr. Randall noted it says "2005," and asked if this is a misprint, and Ms. Raveling said it is.

10. OLD BUSINESS

There was no Old Business.

11. NEW BUSINESS

There was no New Business.

12. OTHER MATTERS FROM THE COMMITTEE

There were no Other Matters from the Committee.

13. NEXT MEETING DATE

A. NEXT MEETING SCHEDULED FOR SEPTEMBER 7, 2011

14. ADJOURNMENT

There was no further business to come before the Committee.

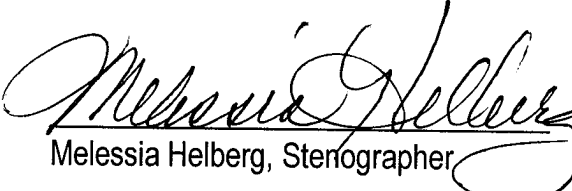
MOTION: Ms. Romero-Gonzales moved, seconded by Randy Randall, to adjourn the meeting.

VOTE: The motion was approved unanimously on a voice vote, and the meeting was adjourned at approximately 4:00 p.m.

Deborah Moll, Chair

Reviewed by:

Kathryn L. Raveling, Director
Department of Finance



Melessia Helberg, Stenographer