



Agenda

CITY CLERK'S OFFICE

DATE 6-1-12 TIME 11:10 am

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CITY OF SANTA FE AUDIT COMMITTEE MEETING
CITY COUNCILORS' CONFERENCE ROOM
Wednesday, June 6, 2012
2:00 P.M.

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF MINUTES:
May 3, 2012
5. STATUS REPORT FROM CITY OF SANTA FE, FINANCE DEPARTMENT:
 - A. Budget Update
 - B. Gross Receipts Tax Report
 - C. Lodger's Tax Report
 - D. Internal Audit Ordinance Draft
 - E. (1) identify each CAFR deficiency noted for FY 6/30/2011 audit, (2) identify each department affected and (3) set up proposed audit committee requests to such departments for their proposed plans for corrective action of such deficiencies.
 - F. Meeting with City Manager
6. SUB-COMMITTEE REPORTS:
 - Internal Audit
 - External Auditor
7. OLD BUSINESS
8. NEW BUSINESS
9. OTHER MATTERS FROM THE COMMITTEE
10. NEXT MEETING DATE:
 - A. Next meeting scheduled on July 11, 2012
12. 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.

**Index Summary of Minutes
City of Santa Fe Audit Committee
June 6, 2012**

<u>INDEX</u>	<u>ACTION TAKEN</u>	<u>PAGE(S)</u>
Cover Page		1
Call to Order	Call to order by the Chair at 2:00 pm	2
Roll Call	A quorum was declared by verbal roll call.	2
Review and Approval of Agenda	<i>Mr. Randall moved to approve the agenda as presented, second by Ms. Romero-Gonzales, motion carried by unanimous voice vote.</i>	2
Approval of May 3, 2012 Minutes Corrections: Page 8: Paragraph 4: Mr. Matheison said their last published report was very though <i>thorough</i> in booking receivables held by the City and the County, and he doesn't <i>know</i> how those were resolved in the discussions.	<i>Mr. Randall moved to approve the minutes of May 3, 2012 as amended, second by Mr. de Schweinitz, motion carried unanimous voice vote.</i>	2-3
Status Report from City of Santa Fe Finance Department. A. Budget Update B. Gross Receipts Tax Report C. Lodger's Tax Report D. Internal Audit Ordinance Draft E. (1) identify each CAFR deficiency noted for FY 6/30/2011 audit, (2) identify each department affected and (3) set up proposed audit committee requests to such departments for their proposed plans for corrective action of such deficiencies. F. Meeting with City Manager	<i>B. Staff Direction The Audit Committee would like to continue monitoring the evolution of this project. Dr. Morgan will meet with Jameson Barkley from the City Legal Department to discuss next steps on this large collection problem. The Audit Committee endorses and encourages the Finance Department to pursue as a priority a policy for bad debt and collection as this is an issue that has serious financial implications to the city.</i> <i>D. Mr. de Schweinitz moved to authorize the sub- committee to work with Dr. Morgan to finalize the ordinance and move forward with the ordinance and make the edits by June 14th, second by Mr. Randall,</i>	3-9

**Index Summary of Minutes
City of Santa Fe Audit Committee
June 6, 2012**

	<p><i>motion carried by unanimous voice vote.</i></p> <p><i>E. Staff Direction:</i> <i>Ms. Garcia's commitment to the Auditors is to provide them with the action plans to resolve the issues by June 30, 2012. The Chair said that under due diligence the committee would like to see a written report of what the action plans are from the departments with a timeline for corrective action.</i></p> <p><i>The Chair asked staff to go back and look at the resolution which provides the operational responsibilities of the Audit Committee in order to cohesively work with the Finance Department to understand what the progress is on findings and shortfalls. The reports should be provided to the committee on a fact finding basis as needed vs. once a year. There needs to be consistency and informational streamlining on the timeline of how the findings are addressed. It was noted that assessment and accountability for all departments is required. It was asked if Ms. Garcia could provide the committee with a report on who complied and didn't, is further action necessary and continue discussion. The committee is requesting a status report not a completion report.</i></p>	
Sub-Committee Reports Internal Audit	<i>Informational / discussion</i>	9-10

**Index Summary of Minutes
City of Santa Fe Audit Committee
June 6, 2012**

External Auditor		
Old Business		10
New Business	<i>None</i>	10
Others Matters from the Committee	<i>None</i>	10
Next Meeting Date	<i>August 1, 2012</i>	10
Adjournment	<i>Meeting was adjourned at 4:00 pm</i>	10
Signature Page		10

CITY OF SANTA FE AUDIT COMMITTEE MEETING

Wednesday, June 6, 2012
2:00 P.M. – 4:00 P.M.

MINUTES

1. CALL TO ORDER

A regular meeting of the City of Santa Fe Audit Committee was called to order on Wednesday, June 6, 2012, at approximately 2:00 pm, by the Chair Maurice A. Lierz, in the City Councilors' Conference Room, City Hall, Santa Fe, New Mexico.

2. ROLL CALL

MEMBERS PRESENT:

Maurice A. Lierz, Chair
Hazeldine Romero-Gonzales
Randy Randall
Clark de Schweinitz
Marc A. Tuppler

OTHERS ATTENDING:

Dr. Melville L. Morgan, Director, Department of Finance
Teresita Garcia, Deputy Director, Department of Finance
Fran Lucero, Stenographer

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

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

3. APPROVAL OF AGENDA

Mr. Randall moved to approve the agenda as presented, second by Ms. Romero-Gonzales, motion carried by unanimous voice vote.

4. APPROVAL OF MINUTES

May 3, 2012

Corrections:

Page 8: Paragraph 4: Mr. Matheison said their last published report was very ~~though~~ *thorough* in booking receivables held by the City and the County, and he doesn't *know* how those were resolved in the discussions.

Mr. Randall moved to approve the minutes of May 3, 2012 as amended, second by Mr. de Schweinitz, motion carried unanimous voice vote.

5. STATUS REPORT FROM CITY OF SANTA FE, FINANCE DEPARTMENT

A. Budget Update – Dr. Melville L. Morgan

Dr. Morgan provided the committee members with the GAP report dated 5/31/12. In November a new format for the GAP analysis was introduced and the present format is what was presented to the City Council and how the budget is balanced and will be used moving forward. The report as presented was approved by the City Council on May 31st to accept the City Manager's recommendations as indicated on this report. The initial documents have been submitted to DFA and a month is allowed for any adjustments. In the past they talked about bringing over the balance from the last year GAP and Dr. Morgan did not see that brought over from the last year and this year it does show this amount. (Clarified that GAP means shortfall). Subtotal Reserves Used 2011 – 2012: \$3,422,000

Highlights of what was recommended are; a 2% increase for all city employees. There are four distinct groups; Police, Fire, AFSCME [large municipal union] and non-AFSCME employees. When this was passed a resolution was also passed that said; "we will allocate the amount which equal 2% for everybody and had to allocate chunks based on percentage distribution into those particular unions." A 2% raise cost the general fund \$1,080,000. The first asterisk note shows the equal amount from the enterprise fund making the total \$2,122,000. The budget is approved on the general fund amount.

We have a self-funded, public employee insurance policy. The City of Santa Fe, in its desire to take care of its employees, has three plans which are funded through United Health Care and designed for the City of Santa Fe. Dr. Morgan said that the problem was based on the way it is structured, there has to be a significant cash balance because it is self funded. The City was drawing on that account to balance the budget each year. Dr. Morgan did an actuarial chart that showed that by the end of next year they would be at a negative \$2 million dollars. The city will contribute \$1,000,000 more in to the health plan, \$500,000 from the general fund and \$500,000 from enterprise funds and the employees will sustain about an estimated 8% increase in premiums. There are three plans; Union negotiation says that the city will pay 76.5% of the premium and

employee will pay 23.5% of the premium and it works on the premium plan. When you go to the Core Plan and the HCA Plan it doesn't work. In the Core plan the city was paying 83% and in the HCA plan the city was paying 97.7%. Single employee was paying \$5 per pay period for HCA which included a reimbursement of up to \$1500 depending on how many members were insured.

It was asked if this was negotiated and the response was no. Dr. Morgan could not address any questions before September 19, 2011. However, the Finance Department did discover it and the rate for the premium plan will minimally go up. The minimum that the core plan will go up is \$19 and the HCA plan will go from \$5 per individual to \$53. Committee comment was that the cost was not going up they were overly subsidized in the past. Dr. Morgan stated that the stop loss insurance doesn't kick in until \$75,000.

Every year a Minimum Wage Adjustment is done according to the Consumer Price Index. The amount in the report indicates the catch up.

The City will do a one-time vehicle purchase. The vehicles that are good will not be retired or sold; they will be placed in service with other departments.

Police Incentive/Fire Incentive: Police were divided into three groups, those who live within the city limits, those who live within 15 miles of the city limits and those who live outside the 15 miles. Dr. Morgan had the employees plotted on a map to reach a number of who would be affected. In addition, AFSCME has about 900. The 2% raise approved is to offset or defray the cost of any increase in insurance.

Police Personnel: 8 civilian employees added to get the sworn police officers back in the field. Police cadet pay has been raised to Police Level 1.

Fire Personnel: 8 fire fighters added which is the needed amount and is the first step to addressing any annexation that we may have in the future.

Three Street workers were added and no one was added to parks.

When you add all that up and you add it to the GAP that we went in to the year with, our GAP, the amount of money we need is \$7,092,000. At the time that we did this report, the GRT was up \$3.3 million dollars for this year which we are using. Dr. Morgan will be budgeting flat for next year at whatever this year is. Our GRT will be higher next year but we did not use that amount. The water owes \$12.5 million dollars and we took \$2 million. Thank you to the Audit Committee for supporting these actions. Dr. Morgan said that the cost allocations was very difficult to do to make it fair and equitable, but once it was

done what it did was it fairly and adequately smoothed out the cost and it actually put in \$1.1 million

Dollars in the General Fund - It was noted that this is now \$6.4 million dollars, not the needed \$7.1 million. Dr. Morgan said that there was a mortgage residual from a payoff since 2009 for \$360,000 that could be applied to the automobiles. All that was used from the cash reserve was \$332,000. Dr. Morgan reiterated his discussion with the Mayor, City Manager and the Audit Committee that his goal to balance the budget was to not use any cash. In the scope of this commitment, the goal was met by not using any of the \$332,000 reserve money. However, we will go in to next year with a GAP of \$2.1 million dollars.

The chair asked about the concept of annexation. Dr. Morgan has the annexation document and will provide this information to the Committee. The committee members preferred to have the Executive Summary portion of the annexation report.

Mr. Randall asked if the \$3,422,000 was the GAP from last year and the total known increases are \$3,670,000 which ends up at the \$7,092,000. Then why do we have the \$2,122,000 gap next year? Dr. Morgan answered; because of the cash that we are using from the Water. This is the worst case scenario and we cannot guarantee that we can always take money from Water.

The City Manager did an outstanding job in presenting the budget and acquiring approval from the City Council.

From the Committee standpoint having understandable numbers presented to the City Council in a magnitude that they could understand them makes huge sense.

What is subject to negotiations is in the resolution which was one of the last pieces passed, we set aside 2% raise, \$2.16 million dollars; based on employees and amount for AFSCME, Fire, Police and non-union. We can enter the non-union immediately, and the other three remaining, we do not know. If they do not finish by July 1, 2012 they don't get the raise until they figure it out. They do not give any retroactive raises; that is against state law. The Negotiating Team will have Ike Pino as the Lead Negotiator and Dr. Morgan will serve on that team.

B. Gross Receipts Tax Report

The most recent report up to May includes receipts up to March. It reflects:
Actual: \$77,473,726 with a difference to actual of the previous year is \$3,707,011.

Actual to Budget: \$79,388,382 – over/under budget \$4,902,728

Dr. Morgan looked in to the numbers for Albuquerque, Las Cruces, Clovis and Rio Rancho who also showed a significant increase.

What is causing this? January-February we could say construction is up but if you look at the next page of number with the comparison of May 2011 to May 2012, distributions are spread out. Next chart shows cumulative July-May for compared years.

Lodger's Tax: Occupancy tax collection is off -2.67%. We have five large hotels that have not paid their lodgers tax. A figure cannot be specified as to how much they have not paid because you need to have their receipts. City of Santa Fe Legal Department has contacted all five hotels to discuss this debt owed. The city has made many attempts to work with these hotel properties to reach a payment agreement. They are apprised of interest and payments. This is not OTABs role; the pursuance of payment is a dual effort from Finance and the City Legal Department. Estimate owed is several thousand of dollars. From an enforcement standpoint the city should be filing liens. There are two who have not paid for a year and the others are routine, they pay as they get the revenue from their occupancy. There is a penalty for not reporting which is 10%. There is no penalty on the interest.

Dr. Morgan is working with the Legal Department on the hotel Lodgers' Tax delinquencies. The list is large not only in identifying who they are but the amounts owed. Dr. Morgan is recommending a discussion to issue an RFP for a collection agency to be contracted with to collect these delinquent accounts. A policy will be needed from the governing body to have this type of management process for collections.

Teresita clarified that you can put a lien on properties. It was noted that due to the statute of limitation there is a limited amount of time that the lien can be enforced. It was also stated that those hotels who report but don't pay, do not get assessed a penalty, just interest. Mr. Randall said that this is something that needs to be looked at. The Chair asked who would be responsible for looking in to the interest and penalties. Dr. Morgan said it would be himself, Teresita and Legal who will work on this.

Dr. Morgan reported that there is \$3,000,000 in bad debt for Utilities. Finance is working on the final draft for a bad debt policy.

It is not lawful to net receivables and payables. It was asked if a common ID number could be issued to an individual if they do business with the city. The answer was no.

The Audit Committee would like to continue monitoring the evolution of this project. Dr. Morgan will meet with Jameson Barkley from the City Legal Department to discuss next steps on this large collection problem on 6/8/12.

Parking: There is an ongoing abuse of annual parking ticket holders. They purchase an annual ticket to park and they continue to use the pass indefinitely and don't pay for any delinquent amounts.

The Audit Committee endorses and encourages the Finance Department to pursue as a priority a policy for bad debt and collection as this is an issue that has serious financial implications to the city.

The Audit Committee said that there are management problems that need to be addressed and they have to be looked at as a priority to get them taken care of. Dr. Morgan said that Sebastian is working on as much as he can right now.

C. Lodger's Tax Report
(Discussed above)

D. Internal Audit Ordinance Draft

Randy, Hazeldine and Dr. Morgan worked on the ordinance related to establishing the Internal Auditor Department and asked the committee to review and send Dr. Morgan the edits by end of business June 14th. Dr. Morgan will send the ordinance electronically to the committee members for editing.

Mr. de Schweinitz moved to authorize the sub-committee to work with Dr. Morgan to finalize the ordinance and move forward with the ordinance and make the edits by June 14th, second by Mr. Randall, motion carried by unanimous voice vote.

Update on letters requested by the Committee.

Letter received from Mr. Martin Mathiesen from the Atkinson Certified Public Accountants / Consultants reporting the audit procedures performed during the FY 2010 in relation to a specific city vendor – Advantage Asphalt. These procedures were performed as part of the annual audit of the City by the Atkinson Firm under contract with the Office of the State Auditor.

Letter to the Auditors reflecting that the Housing Authority is not a component Unit of the City of Santa Fe.

E. (1) identify each CAFR deficiency noted for FY 6/30/2011 audit, (2) identify each department affected and (3) set up proposed audit committee requests to such departments for their proposed plans for corrective action of such deficiencies.

Teresita Garcia, Deputy Director, Finance Committee

Chair asked for an update on the Audit Report and clarified that the Committee does not want a simple verbal report. The committee wants to be prepared to answer any questions that could be derived from the Audit Report. The Chair asked if all of the recommendations are tied in to the Finance Department or are there other Departments involved. Dr. Morgan said there are other departments involved. As a committee they would like Ms. Garcia to define which departments are affected. We need a written request that we direct to those departments asking them to respond as to what their action program is.

Dr. Morgan explained the response from the auditors on the findings which are documented in the audit report. Management response is also included in the report and Dr. Morgan said that a timeline should also be requested to monitor the timeline.

Dr. Morgan complimented the work of Ms. Garcia on completed work for the Federal Grant status which is included in the audit reports. She completed a 2-year audit in 6-months.

Ms. Garcia's commitment to the Auditors is to provide them with the action plans to resolve the issues by June 30, 2012. The Chair said that under due diligence the committee would like to see a written report of what the action plans are from the departments with a timeline for corrective action.

The Chair asked staff to go back and look at the resolution which provides the operational responsibilities of the Audit Committee in order to cohesively work with the Finance Department to understand what the progress is on findings and shortfalls. The reports should be provided to the committee on a fact finding basis as needed vs. once a year. There needs to be consistency and informational streamlining on the timeline of how the findings are addressed. It was noted that assessment and accountability for all departments is required. It was asked if Ms. Garcia could provide the committee with a report on who complied and didn't, is further action necessary and continue discussion. The committee is requesting a status report not a completion report.

F. Meeting with City Manager

The Chair is confident that the City Manager supports the Internal Audit concept. Mr. Randall stated that the City Manager recognizes the significance of an Internal Auditor who would be responsible to identify the problem, not solve the problem. He may make brief recommendations to the City Manager. The City Manager did ask if it is only one person. This position has been identified in the existing budget as it is a position that is vacant, it will be a change in job

description; title remains the same. The Chair wants to assure that there is consistency on how we refer to this position; in one area we say Internal Audit Department or Department of Internal Audit.

The Chair stated that this individual will be an administrator of a higher quality than what the city has had in the past and might be invited to the weekly Director meetings so there is a mutual respect and importance of the Auditors work.

6. SUB-COMMITTEE REPORTS

Internal Audit – Hazeldine: Question: After we finish with the ordinance we need to work on the Risk Analysis. Dr. Morgan said that this is work in progress.

External Auditor – The sub-committee has not done anything additional. The Chair asked if there will be a formal meeting with the external Auditor Report with Kathryn Raveling and the Finance Committee. It was recommended that the External Audit Committee meet with Teresita on the progress of the findings to assure that the proper direction is agreed upon. The sub-committee is composed of Mr. Lierz and Mr. de Schweinitz and Teresita will coordinate a meeting with the Auditors.

The Chair has met individually with Mr. Tuppler and committee opportunities will be looked at for future involvement. One of the sub-committees needed is to address Policy and Procedures. Mr. de Schweinitz had served on that P&P committee in the past and at a later date a decision can be made on which committee he and Mark would like to serve on.

Accounting and Administrative Manual

Purchasing Manual

Fixed Asset Manual

Administrative Rules Manual

The above four manuals are what exist at this time.

Hazeldine's recollection was that they were to first review the Purchasing Manual related to the procurement policies to assure they were current. Teresita suggested that the Purchasing Manual would be the first manual that could be reviewed. Dr. Morgan could invite Mr. Robert Rodarte to talk about what updating is being planned. Teresita will send Mr. de Schweinitz a copy of the Purchasing Manual.

The Chair read from the resolution:

Section 4E – Review and make recommendations regarding the city's policies and practices and internal controls in place to control operations, accounting and with regulatory compliance with the city.

Section 4F – Review the findings in the external audit and the proposed plans from the departments for correction of the findings.

7. OLD BUSINESS

The Chair would like to see Cash Balances.

8. NEW BUSINESS

None

9. OTHER MATTERS FROM THE COMMITTEE

None

10. NEXT MEETING DATE

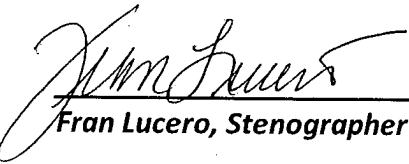
A. Next meeting scheduled on July 11, 2012 – skip the July meeting and meet on August 1, 2012.

12. ADJOURNMENT

There being no further business to come before the Audit Committee, Mr. Randall moved and Mr. Tuppler second the motion to adjourn at 4:00 pm.

Signature Page:

Maurice Lierz, Chair



Fran Lucero, Stenographer

Reviewed by:

*Dr. Melville L. Morgan, Director
Department of Finance*

GAP

GAP 2011-2012 (Funds used for 2011-2012 budget)		Recommended F C 5/14/12 & 5/21/12	Approved City Council 5/30/12
	Potential		
Waste Water 1/16 GRT	\$1,700,000	\$1,700,000	\$1,700,000
Fund Reserves	\$1,322,000	\$1,322,000	\$1,322,000
Senior Reserves	\$400,000	\$400,000	\$400,000
Subtotal Reserves Used 2011-2012	\$3,422,000	\$3,422,000	\$3,422,000

New Expenses 2012-2013		Recommended	Approved
	Potential		
1% raise (All City Employees)*	\$540,000		
2% raise (All City Employees)*	\$1,080,000	\$1,080,000	\$1,080,000
Insurance GAP**	\$1,500,000	\$500,000	\$500,000
Minimum Wage Adjustment	\$150,000	\$150,000	\$150,000
General Fund Vehicle/Equipment Purchase***	\$570,000	\$570,000	\$570,000
Police Incentive	\$375,000		
Fire Incentive	\$370,000		
Police Personnel (8 civilians)	\$550,000	\$550,000	\$550,000
Increase Police Cadet Pay to Police I Level	\$120,000	\$120,000	\$120,000
Fire Personnel (8 fire fighters)	\$550,000	\$550,000	\$550,000
Streets (3 streets workers)	\$150,000	\$150,000	\$150,000
Parks (5 parks workers)	\$175,000		
Subtotal Reserves Used 2011-2012	\$3,422,000	\$3,422,000	\$3,422,000
Subtotal New Expenses 2012-2013		\$3,670,000	\$3,670,000
Total GAP 2012-13		\$7,092,000	\$7,092,000

Revenue

Revenues 2012-2013		Recommended	Approved
	Potential		
Increase in 2011-2012 GRT (by approx 4.0%)	\$3,300,000	\$3,300,000	\$3,300,000
Increase GRT .25%	\$7,000,000		
Increase Property Tax	\$17,000,000		
Increase Summer Program Fees	\$80,000		
Water Payback Balance****	\$12,500,000	\$2,000,000	\$2,000,000
Electric Franchise Fee	\$500,000		
Waste Water 1/16% GRT Transfer to General Fund	\$1,700,000		
Solid Waste 1/16% GRT Transfer to General Fund	\$1,795,721		
Cost Allocation for City Services	\$1,100,000	\$1,100,000	\$1,100,000
Subtotal	\$38,780,000	\$6,400,000	\$6,400,000

Reserves 2012-2013		Recommended	Approved
	Potential		
G F Cash Reserve (keep at 10%) amount above reserve*****	\$3,000,000	\$332,000	\$332,000
Proportional Cash Reserves	\$1,000,000		
Mortgage Payoff Residual	\$360,000	\$360,000	\$360,000
Subtotal Reserves	\$4,360,000	\$692,000	\$692,000

Total Revenue		\$7,092,000	\$7,092,000
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GAP 2013-2014		\$2,122,000	\$2,122,000
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* \$540K (1%) or 1.08K (2%) raise applies to the General Fund only and a like amount will come from other funds for raises for those employees

** Enterprises will fund equal amount of approx. \$500K for a total of \$1M into health fund

*** One time purchase

**** analysis indicates water can afford to pay back \$2.0M on loan w/o rate increase.

***** will have approximately \$3 million above the 10% directed by previous council.

City of Santa Fe
Gross Receipts Taxes Collected (less Water 1/4%)

MONTH	FY Actual 2007/08	% Inc/Dec	FY Actual 2008/09	% Inc/Dec	FY Actual 2009/10	% Inc/Dec	FY Actual 2010/11	% Inc/Dec	FY Actual 2011/12	% Inc/Dec	\$ Diff to PY	FY Budget 2011-12	% Actual to Budget	Over/Under Budget
JUL	7,375,729	15.39%	7,522,492	1.99%	6,801,875	-9.56%	6,253,785	-8.06%	6,868,168	9.82%	614,382.99	6,476,221	6.05%	391,947
AUG	8,237,747	-2.16%	8,126,772	-1.35%	7,373,937	-9.26%	7,692,859	4.32%	7,651,436	-0.54%	(41,423.05)	7,538,849	1.49%	112,587
SEPT	7,534,469	9.30%	7,711,349	2.35%	7,220,436	-6.37%	6,865,871	-4.91%	7,162,003	4.31%	296,132.39	6,754,382	6.35%	427,617
OCT	7,792,052	4.44%	7,750,530	-0.53%	7,133,369	-7.96%	7,300,775	2.35%	7,456,520	2.13%	155,744.54	6,997,282	6.56%	459,238
NOV	7,767,989	2.05%	7,590,931	-2.28%	6,887,336	-9.27%	6,788,772	-1.43%	7,169,747	5.61%	380,974.91	6,987,395	2.61%	182,352
DEC	7,385,740	-2.52%	7,808,652	5.73%	6,665,415	-14.64%	6,492,101	-2.60%	6,576,396	1.30%	84,295.30	6,501,396	1.15%	75,000
JAN	6,986,767	4.62%	6,511,739	-6.80%	6,118,876	-6.03%	6,284,002	2.70%	6,653,844	5.89%	369,841.96	6,208,382	7.18%	445,462
FEB	8,725,121	8.61%	7,679,717	-11.98%	7,568,323	-1.45%	7,786,459	2.88%	8,240,913	5.84%	454,454.15	7,504,576	9.81%	736,337
MAR	6,680,180	-4.15%	6,307,310	-5.58%	5,774,583	-8.45%	5,705,183	-1.20%	6,242,865	9.42%	537,682.22	5,741,540	8.73%	501,325
APR	5,957,049	-4.68%	6,038,584	1.37%	5,685,314	-5.85%	5,775,585	1.59%	6,318,974	9.41%	543,389.09	5,620,815	12.42%	698,159
MAY	6,903,178	-34.00%	6,517,131	-5.59%	6,580,129	0.97%	6,821,323	3.67%	7,132,860	4.57%	311,536.90	6,260,156	13.94%	872,704
JUN	7,201,012	-4.48%	6,123,927	-14.96%	6,212,278	1.44%	6,687,665	7.65%				6,817,384		
TOTALS	\$88,547,033	2.07%	\$85,689,145	-3.23%	\$80,021,871	-6.61%	\$80,454,380	0.54%	77,473,726	5.03%	3,707,011.40	\$79,388,382		4,902,728

Prior Years' Comparison:
 July - May \$81,346,022

2.69% \$79,565,218 -2.19% \$73,809,592 -7.23% \$73,766,715 -0.06%

Amount over(under) budget
 Cumulative year-to-date comparison to prior year-to-date: \$77,473,726 5.03% 3,707,011.40 72,570,998.00 6.76% 4,902,728.40
 Cumulative year-to-date comparison to FY 07-08 year-to-date: (3,872,295.28) 5.03% 3,707,011.40 -4.76%

July 2005 1/4% GRT Increase: WATER

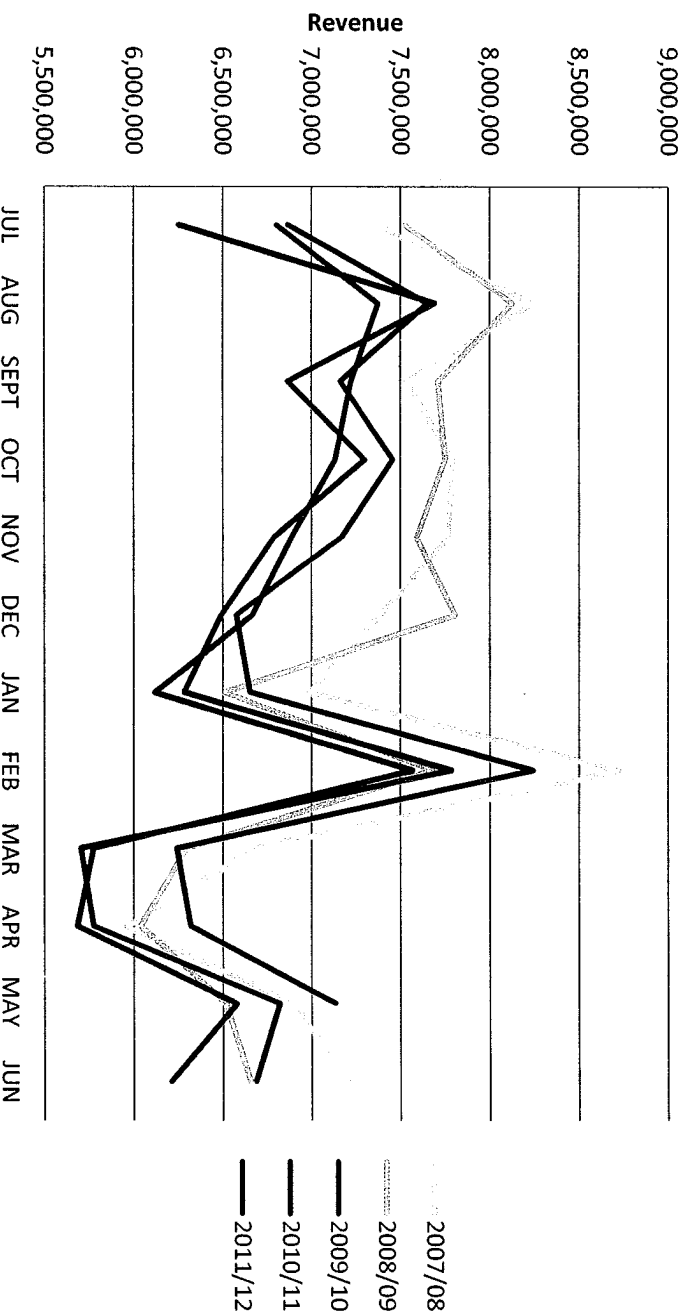
MONTH	FY Actual 2007/08	% Inc/Dec	FY Actual 2008/09	% Inc/Dec	FY Actual 2009/10	% Inc/Dec	FY Actual 2010/11	% Inc/Dec	FISCAL YR 2011/12	% Inc/Dec	\$ Diff to PY	FY Budget 2011-12	% Actual to Budget	Over/Under Budget
JUL	633,957	14.35%	654,025	3.17%	592,723	-9.37%	545,951	-7.89%	598,654	9.65%	52,702.87	565,302	5.90%	33,352
AUG	714,599	-95.00%	710,669	-0.55%	641,975	-9.67%	671,821	4.65%	667,629	-0.62%	(4,192.09)	658,058	1.45%	9,571
SEPT	653,432	9.04%	670,318	2.58%	629,159	-6.14%	597,858	-4.98%	625,006	4.54%	27,148.07	587,838	6.32%	37,168
OCT	676,530	3.87%	679,674	0.46%	622,467	-8.42%	636,744	2.29%	648,133	1.79%	11,389.12	610,785	6.11%	37,348
NOV	679,250	4.49%	662,766	-2.43%	596,377	-10.02%	590,905	-0.92%	625,532	5.86%	34,627.23	609,922	2.56%	15,610
DEC	647,257	2.30%	683,888	5.66%	580,333	-15.14%	566,931	-2.31%	573,490	1.16%	6,559.16	567,500	1.06%	5,990
JAN	612,303	2.59%	570,156	-6.88%	534,889	-6.19%	549,104	2.66%	580,657	5.75%	31,553.24	541,922	7.15%	38,735
FEB	765,368	9.23%	672,413	-12.15%	661,900	-1.56%	680,339	2.79%	722,964	6.27%	42,644.82	655,065	10.37%	67,918.80
MAR	585,468	-0.35%	550,145	-6.03%	503,595	-8.46%	499,794	-0.75%	543,902	8.83%	44,107.80	536,088	1.46%	7,813.82
APR	546,057	4.90%	527,862	-3.33%	496,222	-5.99%	494,776	0.71%	551,043	10.26%	51,267.30	490,635	12.31%	60,408.30
MAY	951,790	57.65%	570,683	-40.04%	572,672	0.35%	594,603	3.83%	622,468	4.69%	27,865.10	546,443	13.91%	76,025.10
JUN	631,448	4.36%	534,251	-15.39%	541,828	1.42%	580,691	7.17%				560,168		
TOTALS	\$8,097,459	8.74%	\$7,486,850	-7.54%	\$6,974,146	-6.85%	\$7,014,517	-1.37%	6,759,499		325,673	\$6,929,726		389,941

Prior Years' Comparison:
 July - May 7,466,011

9.10% 6,952,598 -6.88% 6,432,318 -7.48% 6,433,826 0.02%

Budget vs Actual year-to-date comparison
 Current year-to-date comparison to prior year-to-date: 6,759,499 5.06% 325,673 6,369,558 6.12% 389,941
 Current year-to-date comparison to FY 07-08 year-to-date: (706,513) 5.06% 325,673 -9.46%

Comparison of Actual GRT - 5 Fiscal Years



City of Santa Fe
Gross Receipts by Category
Fiscal Years 2011-12 vs. 2010-11

Category	May (March Activity)			
	May 2011-12	May 2010-11	Dollar Difference	Percent Difference
Agriculture, forestry, hunting	12,821	15,032	(2,211)	-14.71%
Mining	0	794	(794)	0.00%
Utilities	234,433	223,048	11,385	5.10%
Construction	835,094	517,901	317,194	61.25%
Manufacturing	126,426	122,070	4,357	3.57%
Wholesale	119,034	125,548	(6,514)	-5.19%
Retail	2,203,719	2,165,861	37,858	1.75%
Transportation & warehousing	20,308	38,760	(18,452)	-47.61%
Information & Cultural Indust.	291,956	231,216	60,741	26.27%
Finance & Insurance	91,999	84,350	7,650	9.07%
Real estate, rental & leasing	139,906	146,913	(7,007)	-4.77%
Prof, Scientific, Technical	588,119	627,942	(39,823)	-6.34%
Management of companies	13,856	18,079	(4,223)	-23.36%
Admin & Support, Waste Mgt	71,124	56,818	14,306	25.18%
Educational Services	58,047	54,900	3,147	5.73%
Health Care & Social Assist	415,168	498,332	(83,165)	-16.69%
Arts, Entertainment & Recr	35,105	34,275	830	2.42%
Accommodation & Food	790,004	742,967	47,037	6.33%
Other Services	840,926	786,311	54,615	6.95%
Public Administration	0	0	0	0.00%
Unclassified	28,445	11,988	16,457	137.27%
State reimb-food/med tax	808,280	884,388	(76,108)	-8.61%
Muni. Equivalent Distribution	30,559	28,434	2,124	7.47%
Total Distribution	7,755,328.00	7,415,925.86	339,402.14	4.58%

City of Santa Fe
GRT Analysis By Category
Fiscal Years 2011-2012 VS 2010-11

Category	Cumulative 2011-12 vs. Cumulative 2010-11 (May - March Activity)			
	July - May 2011-2012	July - May 2010-2011	Dollar Difference	Percent Difference
Agriculture, forestry, hunting, fishing	181,802	270,903	(89,101)	-32.89%
Mining	1,043	3,100	(2,058)	0.00%
Utilities	2,319,584	1,950,746	368,838	18.91%
Construction	8,481,924	6,876,468	1,605,456	23.35%
Manufacturing	1,482,146	1,472,398	9,748	0.66%
Wholesale	1,473,538	1,327,936	145,602	10.96%
Retail	24,830,716	24,330,437	500,279	2.06%
Transportation & warehousing	464,899	448,650	16,250	3.62%
Information and Cultural Indust	3,164,243	2,912,991	251,252	8.63%
Finance & Insurance	844,314	830,204	14,110	1.70%
Real estate, rental & leasing	1,536,370	1,325,580	210,790	15.90%
Professional, Scientific, Tech	6,448,477	6,068,712	379,765	6.26%
Management of companies	192,346	204,275	(11,929)	-5.84%
Admin & Support, Waste Mgt	832,970	741,060	91,910	12.40%
Educational Services	496,885	441,312	55,572	12.59%
Health care and social assist	4,053,402	4,112,984	(59,582)	-1.45%
Arts, Entertainment & Recr	398,754	434,918	(36,164)	-8.32%
Accommodation & Food	9,116,755	8,964,480	152,275	1.70%
Other Services	7,846,350	7,671,648	174,702	2.28%
Public Administration	1,168	0	1,168	0.00%
Unclassified	181,130	363,439	(182,310)	-50.16%
State reimb-food/med tax	9,553,326	9,158,428	394,898	4.31%
Muni. Equivalent Distribution	331,086	289,872	41,213	14.22%
Total Distribution	84,233,225	80,200,540	4,032,685	5.03%

City of Santa Fe
GRT Analysis By Category
Fiscal Years 2011-12 vs. 2010-2011 and 2007-2008

Cumulative July-May
(May-March Activity)

Category	July-May 2011-2012	July-May 2010-2011	July-May 2007-2008	Dollar Dif FY 11-12 vs FY 10-11	Percent Dif FY 11-12 vs FY 10-11	Dollar Dif FY 11-12 vs FY 07-08	Percent Dif FY 11-12 vs FY 07-08
Agriculture, forestry, hunting, fishing	181,802	270,903	376,756	(89,101)	-32.89%	(194,954)	-51.75%
Mining	1,043	3,100	112	(2,058)	-66.37%	930	0.00%
Utilities	2,319,584	1,950,746	2,109,816	368,838	18.91%	209,767	9.94%
Construction	8,481,924	6,876,468	12,125,871	1,605,456	23.35%	(3,643,947)	-30.05%
Manufacturing	1,482,146	1,472,398	1,826,578	9,748	0.66%	(344,432)	-18.86%
Wholesale	1,473,538	1,327,936	1,772,040	145,602	10.96%	(298,502)	-16.85%
Retail	24,830,716	24,330,437	27,177,683	500,279	2.06%	(2,346,967)	-8.64%
Transportation & warehousing	464,899	448,650	581,299	16,250	3.62%	(116,400)	-20.02%
Information and Cultural Indust	3,164,243	2,912,991	1,498,119	251,252	8.63%	1,666,124	111.21%
Finance & Insurance	844,314	830,204	1,056,707	14,110	1.70%	(212,393)	-20.10%
Real estate, rental & leasing	1,536,370	1,325,580	1,972,999	210,790	15.90%	(436,629)	-22.13%
Professional, Scientific, Tech	6,448,477	6,068,712	5,797,916	379,765	6.26%	650,561	11.22%
Management of companies	192,346	204,275	307,243	(11,929)	-5.84%	(114,896)	-37.40%
Admin & Support, Waste Mgt	832,970	741,060	408,673	91,910	12.40%	424,297	103.82%
Educational Services	496,885	441,312	239,913	55,572	12.59%	256,972	107.11%
Health care and social assist	4,053,402	4,112,984	3,582,799	(59,582)	-1.45%	470,603	13.14%
Arts, Entertainment & Recr	398,754	434,918	366,810	(36,164)	-8.32%	31,944	8.71%
Accommodation & Food	9,116,755	8,964,480	9,311,266	152,275	1.70%	(194,511)	-2.09%
Other Services	7,846,350	7,671,648	9,246,757	174,702	2.28%	(1,400,407)	-15.14%
Public Administration	1,168	0	274	1,168	0.00%	893	325.56%
Unclassified	181,130	363,439	1,177,505	(182,310)	-50.16%	(996,376)	-84.62%
State reimb-food/med tax**	9,553,326	9,158,428	11,737,897	394,898	4.31%	(2,184,571)	-18.61%
Muni. Equivalent Distribution	331,086	289,872	0	41,213	14.22%	331,086	100.00%
Total Distribution	84,233,225	80,200,540	92,675,034	4,032,685	5.03%	(8,441,809)	-9.11%

**City of Santa Fe
Lodging Tax Report
For the Month of April 2012**

4% Lodging Tax													
Month		Fiscal Year		Fiscal Year		Fiscal Year		Fiscal Year					
		2008-2009	% Gain/Loss	2009-2010	% Gain/Loss	2010-2011	% Gain/Loss	2011-2012	Monthly				
									% Gain/Loss				
July	\$	474,642	2.49%	\$	368,059	-22.46%	\$	466,349	27%	\$	429,660	-8%	
August	\$	578,255	3.03%	\$	508,480	-12.07%	\$	559,878	10.11%	\$	584,497	4%	
September	\$	655,056	34.15%	\$	604,580	-7.71%	\$	621,818	2.85%	\$	587,900	-5%	
October	\$	477,328	-34.34%	\$	420,868	-11.83%	\$	417,264	-0.86%	\$	457,746	10%	
November	\$	364,609	-30.31%	\$	400,356	9.80%	\$	489,309	22.22%	\$	447,667	-9%	
December	\$	374,153	67.69%	\$	229,101	-38.77%	\$	234,852	2.51%	\$	223,558	-5%	
January	\$	184,871	-53.42%	\$	268,342	45.15%	\$	260,667	-2.86%	\$	275,908	6%	
February	\$	222,910	-10.69%	\$	167,499	-24.86%	\$	201,287	20.17%	\$	184,248	-8%	
March	\$	235,832	11.17%	\$	200,011	-15.19%	\$	198,305	-0.85%	\$	167,482	-16%	
April	\$	224,625	-41.67%	\$	306,086	36.27%	\$	285,430	-6.75%	\$	276,748	-3%	
May	\$	296,021	-14.32%	\$	275,292	-7.00%	\$	265,120	-3.69%			-100%	
June	\$	409,259	-9.44%	\$	384,175	-6.13%	\$	349,553	-9.01%			-100%	
Fiscal Year/Totals		\$	4,497,561	-10.53%	\$	4,132,849	-16.75%	\$	4,349,832	5.25%	\$	3,635,414	
Cumulative Months													
July - April/Totals		\$	3,792,281	4.40%	\$	3,473,382	-8.41%	\$	3,735,159	7.54%	\$	3,635,414	-2.67%

Convention Center 3% Lodgers Tax									
Month		Fiscal Year		Fiscal Year		Fiscal Year		Monthly	
2008-2009		% Gain/Loss	2009-2010		% Gain/Loss	2010-2011		% Gain/Loss	% Gain/Loss
July	\$ 355,983	2.49%	\$ 276,043	-22.46%	\$ 349,762	27%	\$ 322,245	-8%	
August	\$ 433,691	3.03%	\$ 381,360	-12.07%	\$ 419,908	10.11%	\$ 438,373	4%	
September	\$ 491,292	34.15%	\$ 453,435	-7.71%	\$ 466,364	2.85%	\$ 440,925	-5%	
October	\$ 357,996	-34.34%	\$ 315,651	-11.83%	\$ 312,948	-0.86%	\$ 343,310	10%	
November	\$ 273,456	-30.31%	\$ 300,267	9.80%	\$ 366,982	22.22%	\$ 335,750	-9%	
December	\$ 280,614	67.69%	\$ 171,826	-38.77%	\$ 176,141	2.51%	\$ 167,668	-5%	
January	\$ 138,653	-53.42%	\$ 201,256	45.15%	\$ 195,500	-2.86%	\$ 206,931	6%	
February	\$ 167,182	-10.69%	\$ 125,624	-24.86%	\$ 150,965	20.17%	\$ 138,156	-8%	
March	\$ 176,874	11.17%	\$ 150,008	-15.19%	\$ 148,729	-0.85%	\$ 125,611	-16%	
April	\$ 168,469	-41.67%	\$ 229,566	36.27%	\$ 214,072	-6.75%	\$ 207,561.00	-3%	
May	\$ 222,016	-14.32%	\$ 206,469	-7.00%	\$ 198,840	-3.69%		-100%	
June	\$ 306,944	-9.44%	\$ 288,131	-6.13%	\$ 262,165	-9.01%		-100%	
Fiscal Year Totals		\$ 3,373,170	-10.53%	\$ 3,099,636	-8.11%	\$ 3,262,376	5.25%	\$ 2,726,530	
Cumulative Months									
July - April Totals		\$ 2,844,210	12.11%	\$ 2,605,036	-8.41%	\$ 2,801,371	7.54%	\$ 2,726,530	-2.67%

Fiscal Year Comparison	2008-2009	2009-2010	2010-2011	2011-2012
Combined Total 4%+3% Fiscal Year Total	\$ 7,870,731	\$ 7,232,485	\$ 7,612,208	\$ 6,361,944
Current Year to Date Comparison to Prior Year to Date	2008-2009	2009-2010	2010-2011	2011-2012
July - April 2012	\$ 6,636,491	\$ 6,078,418	\$ 6,536,530	\$ 6,361,944
		-8.41%	7.54%	-2.67%

§ TITLE.

“Ordinance Establishing the Internal Auditor Department”.

§ FINDINGS; PURPOSE; GOALS.

The City Council finds that good governance, transparency and accountability are critical in the public sector for the effective and credible functioning of a healthy democracy, and in fulfilling the government’s responsibility to citizens and taxpayers. Transparent and reliable reporting and effective auditing in government serve to promote accountability, enhance the effectiveness of government services to its citizens, and increase the public’s confidence in their government.

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 end, the City requires the services of an independent organization to perform internal audits, conduct management studies and investigate claims of waste and mismanagement.

The City Council does establish the Internal Audit Department, an independent City Department of City Government reporting to the City Manager, which shall oversee the Internal Auditor and the functions thereby established. It also directs the Finance Department, in cooperation with the Audit Committee, to establish a job description, a code of Ethics, operating procedures, and a departmental risk analysis.

DEFINITIONS.

For the purpose of this article, the following definitions shall apply unless the context clearly indicates or requires a different meaning.

AUDITEES. Auditees are the city related departments, programs, activities, agencies, vendors, contractors, employees, public officials or other city related entities affected by an audit or investigation.

COMMITTEE. The Audit Committee.

CONTRACTORS. All city contractors.

INTERNAL AUDITOR. The Internal Auditor is the head of the Department of Internal Audit.

EMPLOYEE. All city employees.

OFFICIAL. The Mayor and Councilors.

SPECIAL AUDITS. Exigent audits because the need for the audit was not foreseen.

CREATION OF THE OFFICE OF INTERNAL AUDIT; RESOURCES; STAFF.

(A) The Department of Internal Audit is created as an independent office of city government. The Internal Auditor is the head of the Internal Audit Department and shall report to the City Manager.

(B) If necessary, the Internal Auditor shall recommend to the City Manager for hire, employees for the efficient and effective administration of the Department of Internal Audit.

(C) The City Manager shall receive applications from candidates, interview candidates and select an Internal Auditor based on the candidates' integrity, capability for strong management and demonstrated ability in accounting, auditing, financial analysis, law, management analysis, public administration, investigation, criminal justice administration or other closely related fields.

INTERNAL AUDITOR'S DUTIES; RESPONSIBILITIES; AUTHORITY; ADMINISTRATIVE SUBPOENA POWER.

(A) If the Internal Auditor detects apparent or potential violations of law or apparent instances of misfeasance or nonfeasance by an official or auditee, he shall report the irregularities in writing to the City Manager, the City Council, the Mayor and the Audit Committee. If the irregularity is criminal in nature, the Internal Auditor shall immediately refer the irregularity to the appropriate prosecuting authority. If the irregularity warrants an investigation, audit, and/or special audit, then the Internal Auditor shall conduct an investigation, audit and/or special audit. The Internal Auditor shall not accept complaints related to discrimination or labor law matters, or other matters that are the subject of pending litigation.

(B) The Internal Auditor shall have the power to subpoena witnesses, administer oaths and require the production of records subject to the New Mexico Rules of Civil Procedure. In the case of a refusal to obey a subpoena issued to any person, the Internal Auditor may make application to any District Court in the state that shall have the jurisdiction to order the witness to appear before the Internal Auditor and to produce evidence if so ordered, or to give testimony touching on the matter in question.

(C) The Internal Auditor shall adhere to generally accepted government auditing standards in conducting its work and will be considered independent as defined by those standards.

SCOPE OF AUDITS.

(A) The Internal Auditor is authorized to conduct audits (based on a yearly Audit plan), forensic audits and special audits of any auditees recommended by the City Manager, the City Council, Mayor, and the Audit Committee to independently determine whether:

- (1) The city, state or federal law authorizes implemented activities and programs;
- (2) The objectives intended by city, state or federal law are efficiently and effectively accomplished in the implementation of activities and programs;
- (3) The expenditure of funds complies with applicable laws;
- (4) The revenues are properly collected, deposited and accounted for;
- (5) Resources, including funds, property and personnel, are adequately safeguarded, controlled and used in a faithful, effective and efficient manner;
- (6) Financial and other reports fairly and fully disclose all information as required by law necessary to evaluate and ascertain the nature and scope of programs and activities;
- (7) Management established operating and administrative procedures and practices, accounting internal control systems and internal management controls are adequate and functioning as intended; and
- (8) City policies, budgets, goals and objectives are fully implemented.

REPORTS

(A) The Internal Auditor, following the yearly Audit plan, shall report all results of the audits, forensic audit, and/or special audit to the auditees, the City manager, The City Council, the Mayor and the Audit Committee. All audits shall contain the professional opinion of the Internal Auditor or the contract auditor concerning the financial statements issued by the auditees, or if the audit is a management audit, the report shall contain the professional conclusions of the auditor regarding the management activities audited.

(B) The Internal Auditor's audit reports shall include:

- (1) A precise statement of the scope encompassed by the audit;
- (2) A statement that the audit was performed in accordance with generally accepted government auditing standards;
- (3) A statement that an examination for compliance with applicable laws, policies and regulations was conducted, and a presentation of the findings associated with that examination;
- (4) A statement of significant audit findings, including a statement of the underlying causes, evaluative criteria used and the current and prospective significance of the findings;
- (5) A statement that internal control systems were examined and a report of any material weaknesses found in the internal control systems;
- (6) Statements of response submitted by the auditees relevant to the audit findings;
- (7) A concise statement by the auditees of the corrective actions previously taken or contemplated as a result of the audit findings and a timetable for their accomplishment; and
- (8) Recommendations for additional necessary or desirable action.

REPORTING.

The Internal Auditor shall, following the Audit plan, report to the City Manager, the City Council, the Mayor, and the Audit Committee regarding all audit activities, results, and conclusions. Depending on the type of audit, the Internal Auditor shall report more frequently when requested.

CONTRACT AUDITORS, CONSULTANTS, AND EXPERTS.

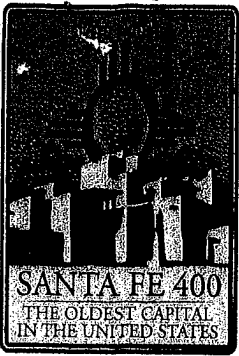
Upon approval by the City Manager, the Internal Auditor may obtain the services of certified public accountants, qualified management consultants, certified fraud examiners, forensic auditors or other professional experts necessary to perform the functions of the Office of Internal Audit. Contractors performing an audit shall not have any financial interest in the affairs of the auditees, officials or employees. The Internal Auditor shall coordinate and monitor auditing performed by persons under contract to the Internal Auditor.

PENALTY; COOPERATION; RETALIATION PROHIBITED.

(A) All city officials, employees and contractors shall provide the Internal Auditor full and unrestricted access to all city offices, employees, records, information, data, reports, plans, projections, matters, contracts, memoranda, correspondence, electronic data, property, equipment and facilities and any other materials within their custody. At the Internal Auditor's request, an official, employee or contractor shall prepare reports and provide interviews. If an official, employee, vendor or contractor fails to produce the requested information, the Internal Auditor shall notify the City Manager requesting his assistance in causing a search to be made and germane exhibits to be taken from any book, paper or record excepting personal property. The City Manager shall require the officials, employees, vendors or contractors to produce the requested information.

(B) No person shall retaliate against, punish or penalize any other person for complaining to, cooperating with or assisting the Internal Auditor in the performance of his office.

(C) Any official or employee who violates this Ordinance may be subject to discipline as may be specified in applicable City Ordinances or any applicable collective bargaining agreement.



City of Santa Fe, New Mexico

200 Lincoln Avenue, P.O. Box 909, Santa Fe, N.M. 87504-0909

David Coss, *Mayor*

Councilors:

Rebecca Wurzbarger, Mayor Pro Tem, Dist. 2

Patti J. Bushee, Dist. 1

Chris Calvert, Dist. 1

Rosemary Romero, Dist. 2

Miguel M. Chavez, Dist. 3

Carmichael A. Dominguez, Dist. 3

Matthew E. Ortiz, Dist. 4

Ronald S. Trujillo, Dist. 4

October 6, 2011

Atkinson & Co. LTD.
6501 Americas Pkwy NE STE 700
P O Box 25246
Albuquerque, NM 87110

Dear All:

The City of Santa Fe Finance Department has engaged in an extensive analysis using the "Component Unit Determination Worksheet Using GASB 14 and GASB 61" published on the State Auditor's Website. We also worked with Ed Romero, Executive Director of the Santa Fe Civic Housing Authority (Housing Authority) to determine if the Housing Authority is a component unit of the City of Santa Fe. Below is a summary of those questions and responses as well as the conclusion. Based on the results below, it has been determined that the Housing Authority IS NOT A COMPONENT UNIT of the City of Santa Fe.

Funding Structure:

The Housing Authority receives all its revenue from federal HUD Subsidy and rental income. If the Housing Authority loses funding from HUD due to mismanagement there are several possibilities

- Close the Housing Authority, in which low – income housing will no longer be available to the community,
- HUD will ask another housing authority to take over,
- The State Housing Authority will take over operations, or
- The City of Santa Fe can take over operations.

Furthermore, the operation of the housing authority is fully funded by HUD and rental income.

Summary of the Component Unit Determination Worksheet Using GASB 14 and GASB 61:

Question 1: Is the potential component unit a legally separate entity from the primary government per GASB 14 par 15?

Response: Yes the Housing Authority is a separate entity from the City of Santa Fe based on the criteria set forth by GASB 14.



Question 2: Does the primary government appoint a voting majority of the potential component unit's board per GASB 14 par 22 to 26?

Response: Yes the five member board is appointed by the Mayor of the City of Santa Fe

Question 3: Is the primary government able to impose its will on the potential component unit per GASB 14 par 25 to 26? Does it have the ability to:

- a. *remove appointed members of the Housing Authority's governing board at will?*
Answer No -- cause must be demonstrated to do this
- b. *modify or approve the budget of the Housing Authority?* Answer No
- c. *modify or approve rate or fee changes affecting revenue?* Answer No
- d. *ability to veto, overrule, or modify the decisions of the Housing Authority's governing body?* Answer No
- e. *ability to appoint, hire, reassign or dismiss those persons responsible for the day-to-day operations (management) of the organization?* Answer No

Question 4: Is there a potential for the possible component unit to provide specific financial benefits to or impose specific financial burdens on the primary government based on the criteria set forth in GASB 14 par 29, GASB 14 par 30,31, GASB 14 par 27c ?

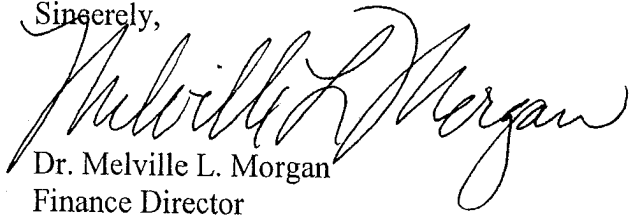
Response: There does not appear to be potential for the Housing Authority to provide financial benefits or financial burdens to the City of Santa Fe.

Conclusion:

At the end of question 4, the checklist provides that if none of the criteria apply, the determination has been made that the potential component unit (Housing Authority) is **not** a component unit. Based on the above criteria we have concluded that the Housing Authority **IS NOT A COMPONENT UNIT of the City of Santa Fe.**

Thank you for your attention to this matter. If you have any questions or concerns about this matter please contact myself at mlmorgan@ci.santa-fe.nm.us or 995-6531, or Teresita Garcia, Assistant Director at tmgarcia@ci.santa-fe.nm.us or 995-6532.

Sincerely,



Dr. Melville L. Morgan
Finance Director



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April 27, 2012

Dr. Mel Morgan
Finance Director
City of Santa Fe, New Mexico

Dear Dr. Morgan:

This letter reports to you the audit procedures performed during FY 2010 in relation to a specific City vendor---Advantage Asphalt. These procedures were performed as part of the annual audit of the City by our firm under contract with the Office of the State Auditor.

BACKGROUND

Advantage Asphalt was in the newspaper for the first time during the year ending June 30, 2010 due to certain County of Santa Fe transactions. It appeared to us that Advantage Asphalt represented a potential source of risk for error or irregularity based on alleged news stories. The City of Santa Fe was concurrently considering the implications of these reports for its business done with Advantage Asphalt. It was mutually agreed by us and the City to test Advantage Asphalt as part of the annual audit. We designed the tests and scope of work and reported to the City.

OUR TEST WORK OBJECTIVES were:

1. To review bid files to determine whether a competitive bid process was followed for each contract entered into with Advantage Asphalt.
2. We reviewed payments to Advantage Asphalt during FY 2010 to determine whether amounts were properly recorded and applied to the correct business unit and whether such payments exceeded maximum amounts allowed under contracts.
3. To perform a physical walkthrough of jobs completed by Advantage Asphalt.
4. Atkinson obtained composition reports from a 3rd Party to determine whether NMDOT specifications were being met by Advantage Asphalt.

Our testing is documented in the attached work paper memos (referred to work paper memo 1+2) previously given to the City. Main points and results are noted as follows:

1. All contracts that were listed by the City Clerk as open during FY 2010 were tested.
2. Atkinson tested 7 contracts as detailed on work paper memos 1+2.
3. Advantage Asphalt (AA) was the low bidder for all seven contracts.

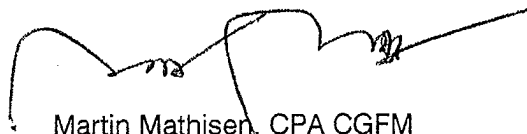
4. We did not document at the time but have been informed by City review that AA bid on other contracts for which they did not receive the contract during this time period.
5. Atkinson obtained from the general ledger of the City, a summary of all payments made to AA beginning 2-13-2008 (the earliest start date for open contracts).
6. We compiled aggregate payment sums on the contracts and compared it to total allowable contract amounts to determine if AA was paid in excess of contract amounts.
7. All aggregate sums we compiled were within contract amounts.
8. For certain contracts, contracts were amended by change order to increase the scope of work.
9. Contract amendments were determined to be for an increase in scope of work based on reasonable circumstances. All contract amendments were documented and approved by responsible City officials.
10. Atkinson obtained the Accounts Payable file and reviewed expenditures to AA for FY 2010. We confirmed that amounts per invoice were properly recorded to the correct business unit and was approved by the responsible project lead or delegate.
11. Atkinson communicated with responsible project lead employees of the City for each contract. Project leads are documented in work paper memos 1+2.
12. Per our inquiry, the project lead employees indicated that project engineers are in the field verifying work is satisfactorily completed prior to submitting invoices to accounts payable for payments.
13. Atkinson drove to the locations listed on the work paper memorandum in relation to contract work to observe that projects were indeed worked on or completed.
14. It appeared to our staff from observations and discussion with project leads that projects were indeed worked on or completed in all cases.
15. We obtained third party inspection reports that applied to work performed on open contracts. Per discussion with project leads and per the reports, it appears that project materials testing are performed on a routine basis and that requirements as set forth by NMDOT were met.

SUMMARY

We had no exceptions to any test procedures identified above. Atkinson concluded that the contracts with Advantage Asphalt appear to be properly obtained through competitive bid, expenditures appear properly accounted for and within contracted amounts, and services appear to be complete and materials within engineering standards. Based on these results, testing was considered complete with no need for further tests. At the time, based on our report of results, the City concurred with this assessment.

Incorporated by reference to this letter is work paper memorandum numbers 1+2.

Sincerely,



Martin Mathisen, CPA CGFM