



Agenda

DATE 2/1/13 TIME 10:00a

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CITY OF SANTA FE AUDIT COMMITTEE MEETING
CITY COUNCILORS' CONFERENCE ROOM
Wednesday, February 6, 2013
2:00 P.M.

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF MINUTES:
January 10, 2012
5. STATUS REPORT FROM CITY OF SANTA FE, FINANCE DEPARTMENT:
 - A. External audit timelines and benchmarks with report about 2012 audit completion
 - B. Status of Audits
 - C. Internal Auditor: Report on Audit Plan
 - D. Gross Receipts Tax Report
 - E. Lodger's Tax Report
 - F. Debt Management Policy
 - G. Distribute Cash Policy for Input and Work for March 6, 2013 meeting
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 March 6, 2013
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.

SUMMARY INDEX
CITY OF SANTA FÉ
AUDIT COMMITTEE
February 6, 2013

ITEM	ACTION TAKEN	PAGE(S)
1. CALL TO ORDER		
2. ROLL CALL	Quorum Present	1
3. APPROVAL OF AGENDA	Approved as modified	1
4. APPROVAL OF MINUTES January 10, 2013	Approved as presented	2
5. STATUS REPORTS		
A. External Audit Timelines/Benchmarks	Report/discussion	2
B. Status of Audits	Reported	3
C. Internal Auditor Report on Audit Plan	Report/Discussion	3
D. Gross Receipts Tax Report	Reported	2
E. Lodgers' Tax Report	Reported	3-5
F. Debt Management Policy	Discussion	5
G. Cash Policy for Review	Reported	6
6. SUB-COMMITTEE REPORTS		
A. Internal Audit	Reported	5
B. External Auditor	Reported	5-6
7. OLD BUSINESS	Discussion	6
8. NEW BUSINESS	None	6
9. OTHER MATTERS FROM THE COMMITTEE	None	6
10. NEXT MEETING DATE: March 6, 2013	Announced	7
11. ADJOURNMENT	Adjourned at 3:00 p.m.	7

MINUTES OF THE

CITY OF SANTA FÉ

AUDIT COMMITTEE

February 6, 2013
2:00 p.m. – 4:00 p.m.

1. CALL TO ORDER

A regular meeting of the City of Santa Fé Audit Committee was called to order by Vice-Chair Randy Randall on this date at approximately 2:00 p.m. in the City Councilors' Conference Room at City Hall, 200 Lincoln Avenue, Santa Fé, New Mexico.

2. ROLL CALL

Roll call indicated the presence of a quorum as follows:

Members Present:

Randy Randall
Hazeldine Romero-Gonzales
Clark de Schweinitz

Members Absent:

Maurice A. Lierz, Chair [excused]
Marc A. Tuppler [excused]

Others Attending:

Melville L. Morgan, PhD, Director, Department of Finance
Teresita Garcia, Deputy Director, Department of Finance
Liza Kerr, Internal Auditor
Carl Boaz, Stenographer

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

3. APPROVAL OF AGENDA

Ms. Romero-Gonzales moved to approve the agenda as presented. Mr. de Schweinitz seconded the motion and it passed by unanimous voice vote.

**4. APPROVAL OF MINUTES
January 10, 2013**

Ms. Romero-Gonzales moved to approve the minutes of January 10, 2013 as they had been amended. Mr. de Schweinitz seconded the motion and it passed by unanimous voice vote.

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

A. External audit timelines and benchmarks with report from external auditors about 2012 audit completion

Dr. Morgan reported there was no time line yet because the exit conference would be on Monday. Vice-Chair Randall and Ms. Romero-Gonzales will be present for it. The Chair of Finance declined to attend. Dr. Morgan and Ms. Kerr will also be there. Generally they would be given a list of findings beforehand in order to prepare for the exit conference.

He said Ms. Kerr would do B and C on the agenda and he would do D (handout on GRT).

B. Status of Audits

Dr. Morgan skipped over this item

C. Internal Auditor Report on Audit Plan

Dr. Morgan skipped over this item.

D. Gross Receipts Tax Report

Dr. Morgan reported GRT receipts were up 1% over the budget which meant they were "right on target."

B. Status of Audits

Mr. de Schweinitz asked if the Committee would discuss the findings.

Dr. Morgan said they could not discuss them until the Finance Committee received the report presented to them. It was not public because it hadn't been accepted. He also needed to be able to go through them before they were accepted.

Mr. de Schweinitz had been told it should have been completed by now.

Dr. Morgan said it was about one week late.

Ms. Garcia arrived.

Ms. Kerr reported she had been working on a spreadsheet for status of the audits and didn't have it finished yet.

Regarding the tri-annual audit of transit she wasn't expecting it. There were a couple of material weaknesses on it. She needed to know if there were others out there so that she could track all of them on the spreadsheet and have some assurance on them.

She thanked Ms. Garcia for helping her with it.

Ms. Garcia explained that the FTA (Federal Transportation Authority) was doing the financial oversight compliance review. They didn't call it an audit.

Dr. Morgan said the results looked just like a comprehensive detailed audit.

Ms. Garcia explained they reviewed the records, made recommendations, and then returned for a follow up. The tri-annual audit was for federal compliance and was geared more for larger cities and Santa Fé was very small in comparison. She thought it was more like an audit of a non-governmental agency.

Ms. Kerr said Jon Bulthuis was responsible for the transit service and they met with him. Those audits were external audits and she would have a separate report on internal audits such as the Parking Division.

C. Internal Auditor: Report on Audit Plan

Ms. Kerr said she tried to meet with all committee members over the past month and still needed to meet with Mr. de Schweinitz.

She reported that she did quite a bit of work on the risk assessment. It was a key component for devising the audit plan for next year and hoped to have it out shortly.

Vice-Chair Randall noted that Ms. Romero-Gonzales, Chair Lierz and Vice-Chair Randall met with Ms. Kerr already and might spend a few minutes after this meeting on the risk assessment issue. He believed if they tried to get the risk assessment perfect, they would run a risk of not getting it out. The risk assessment next year might be different.

E. Lodger's Tax Report

There was no Lodger's Tax Report.

Vice-Chair Randall announced a bill introduced in the legislature that would expand Lodgers' Tax Act so that it would be very clear that it encompassed the gross cost of lodging paid by the consumer as opposed to the net cost of lodging as seen by the lodging establishment. When you book on line with Expedia, for example, Expedia took a 25% commission out of the payment and in Santa Fé they charge an

additional 13.80% for taxes and fees. The hotel gets 75% for the cost of the room and pays the 25% commission and the \$9.01 paid on the \$75 room rate and Expedia kept \$4.80 of the amount collected for fees. Some states were modifying their laws to capture what Expedia was collecting and keeping. He was working with Senator Wirth on behalf of the Lodgers' Association to correct that. They wanted to make sure there was not an additional obligation for the hotel to collect, report and pay.

Dr. Morgan thought they needed to explain things better in the bill. "Room rent and fees" was not adequate because they could have any of several different fees.

Vice-Chair Randall understood that it should say fees directly related to the room rate.

Ms. Garcia asked if in reporting the lodging the lodgers just recorded the net revenue and not the full expenditure.

Vice-Chair Randall said they just recorded the net that Expedia gave them.

Ms. Garcia asked if Expedia did not collect the taxes.

The Committee discussed and tried to figure out how the total taxes and fees were calculated. It appeared that Expedia collected 13.8% but GRT was 8.2%, lodgers' tax was 5% and 2% went for the Convention Center, a total of 15.2%

Vice-Chair Randall explained the legislative bill was to clarify the charges that must be identified.

Ms. Garcia asked if this would open the door to on-line companies to be responsible for paying the lodger's tax instead of the hotel and if so, she wondered if the city would have to license the on-line company as a lodger to collect the lodger's taxes.

Vice-Chair Randall said the intent of the bill was to have the on-line company collect the difference. He wasn't sure how they would enforce that because there was no system.

Ms. Garcia said SB 102 sounded more like a form of franchise fee which the city had for utility companies.

Vice-Chair Randall said they might be collecting more than just the lodging fee. He asked if there was a separate lodgers' ordinance to enforce the state statute.

Ms. Garcia agreed. It mirrored the state statute and the city could make it more stringent than the state. She noted this was the third year it had come up.

Vice-Chair Randall commented on the new convention center bill.

The Committee discussed the problem of collecting taxes from on-line companies.

F. Debt Management Policy

Dr. Morgan said Chair Lierz emailed him to ask that the cash management policy and debt management policy be received at this meeting.

Vice-Chair Randall noted that the debt management policy was a draft. He asked the members to mark it as draft. This was the most current draft.

Dr. Morgan didn't believe the last minute suggestions were included in this draft.

Vice-Chair Randall asked members to take time and read through them before the March 6 meeting and it would be on March agenda.

G. Distribute Cash Policy for Input and Work for March 6, 2013 meeting

This item was overlooked until later in the meeting.

6. SUB-COMMITTEE REPORTS

A. Internal Audit

Ms. Romero-Gonzales said she picked up several items on risk assessment and the subcommittee sent them back and forth. It was a big help to get the risk assessment going this year.

Vice-Chair Randall was excited about having a professional internal audit system. Right now it was a huge task out there and it wouldn't happen if the Committee tried to do all of it at once.

Ms. Kerr was also looking at the ordinance that created the department and thought it might need some modification. It was appropriate at the time it was created but it might need modifications now to reflect where the City was now and where it wanted to be. She said she would spend a few months to get it all in before going to the Council for changes.

There was a definite concern to make sure the internal audit remained independent. If Ms. Kerr felt it was being compromised at any point she could inform the committee.

B. External Auditor

Mr. de Schweinitz said they had not met and asked the Committee to defer the report to a future meeting.

G. Distribute Cash Policy for Input and Work for March 6, 2013 meeting

Ms. Kerr clarified that the handouts were cash balances for the last three years and the small handout was on the highlights just for water and waste water. She explained that Chair Lierz asked her to pull out the three for special attention.

7. OLD BUSINESS

Mr. de Schweinitz recalled members were given an assignment to work on the second annual report. They had a very good meeting and divided up the responsibilities for each part of the report. They would do a draft report in time for the next meeting.

Ms. Romero-Gonzales said they did it in March last year.

Mr. de Schweinitz asked to put an executive session on the agenda for next time to discuss findings.

Dr. Morgan pointed out that they weren't talking about findings.

Vice-Chair Randall didn't think that the purpose for the executive session qualified as an exemption from the Open Meetings Act.

Dr. Morgan agreed to check with the City Attorney about it.

Vice-Chair Randall said the city position was that all city meetings were to be done in open meetings.

Vice-Chair Randall asked minutes on page 11 should say state committees are advisory; not state statutes.

8. NEW BUSINESS

There was no new business.

9. OTHER MATTERS FROM THE COMMITTEE

There were no other matters from the Committee.

10. NEXT MEETING: Scheduled for March 6, 2013

11. ADJOURNMENT

The meeting was adjourned at 3:00 p.m.

Approved by:



Maurice Lierz, Chair

RANDY RANDALL
VICE CHAIR

Submitted by:



Carl Boaz, Stenographer