



Agenda

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SERVED BY Yolanda Green
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CITY OF SANTA FE AUDIT COMMITTEE MEETING
CITY COUNCILORS' CONFERENCE ROOM
Wednesday, June 5, 2013
2:00 P.M.

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF MINUTES:
 May 1, 2013
5. Report from External Auditor: Update on Timeline and Benchmarks
6. STATUS REPORT FROM CITY OF SANTA FE, AUDIT & FINANCE DEPARTMENTS:
 - A. Status of Audits (See Attachment)
 - a. Federal Transit Administration, Financial Management Oversight Review
 - b. Forensic Audit of Parking
 - B. Gross Receipts Tax Report
 - C. Lodger's Tax Report
 - D. Quarterly Investment Report, March 31, 2013
 - E. GOB Timeline
 - a. Existing Investment Policy
7. SUB-COMMITTEE REPORTS:
 - Internal Audit
 - External Auditor
8. OLD BUSINESS
9. NEW BUSINESS
10. OTHER MATTERS FROM THE COMMITTEE
11. ITEMS TO REPORT TO THE CITY MANAGER
12. NEXT MEETING DATE:
 - Next meeting scheduled on July 10, 2013
13. ADJOURNMENT

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

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AUDIT COMMITTEE
June 5, 2013

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MINUTES OF THE
CITY OF SANTA FÉ
AUDIT COMMITTEE

June 5, 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 Chair Maurice A. Lierz 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:

Maurice A. Lierz, Chair
Hazelidine Romero
Clark de Schweinitz
Marc A. Tupler

Members Absent:

Randy Randall (excused)

Others Attending:

Marcos Tapia, Finance Director
Liza Kerr, Internal Auditor
Martin Mathisen, Atkinson certified public accountants
Charmaine Clair, 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

Chair Lierz asked for the approval of the agenda with the understanding that Mr. Mathisen, the External Auditor would be present later and Ms. Kerr is present and Mr. Tapia would arrive shortly.

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

4. APPROVAL OF MINUTES – May 1, 2013

Ms. Romero said she and Mr. Randall met with Ms. Kerr and discussed the corrections to the minutes.

Ms. Romero said she sent a memo to Yolanda Vigil to explain to her how the Audit Committee normally did the corrections with Mr. Boaz. Ms. Vigil never responded to her memo.

Ms. Kerr said Ms. Vigil responded to her.

Ms. Romero said she usually sent a memo to Yolanda Green and to Carl Boaz giving the corrections and then the Committee got them with the corrections at the meeting and the committee could discuss the corrections. What Ms. Vigil told her was that the Committee had to actually read the corrections into the minutes.

She said she asked Yolanda if it was okay if she brought the memo of the changes, if she needed to discuss a couple of them but she didn't think they had to go through all of them line by line. She said she did not get any response so she didn't know the answer to that.

Ms. Kerr said the corrections did need to be read into the minutes. Ms. Vigil responded to her and said they needed to be read into the minutes to make them official.

Mr. de Schweinitz asked if the Committee couldn't just move to adopt this document. That is done all the time. They include those things and revise all their comments and stuff.

Ms. Kerr said the Committee could revise them any way they felt they needed to. She added that the minutes needed to document what was actually said but if there were revisions to be made, they must be read into the minutes of the next meeting.

Chair Lierz added, "Which is this meeting." Ms. Kerr agreed.

Chair Lierz asked that they go through each correction page by page because he had some comments.

He said Ms. Romero's first comment was on page three.

Ms. Romero asked if he had a comment on page one or two before that.

Chair Lierz said his was on the third paragraph on page 3, "Marty said by ordinance the enterprise fund balances could not be reverted to the General Fun." Chair Lierz said he would have to take issue with his comment. He thought when Mr. Mathisen came to the meeting the Committee needed to review that. He said he would explain that. He said that was an item that came from October, 2011 and it gave the impression ... one of the Councilors wanted to put a resolution in to say we couldn't take any money back from enterprise funds. To add to that, at the Finance Committee meeting, it was not approved. Then later, Marty thinks it was approved. But I can tell you, I've gone to the City Clerk's office and asked them to open up their files and see if they amended that section of the ordinance but it is silent.

Ms. Kerr said that might be old business or new business but the Committee cannot amend the minutes to say something that wasn't said.

Chair Lierz said okay. He said he was just calling into question.

Ms. Kerr said this part of the meeting was for amending the minutes. The Committee is amending minutes right now. This is one of the comments that came up with Ms. Vigil. She clarified that the Committee could not change the minutes to say something that wasn't said or to insert later thoughts because the minutes were a documentation of what was actually said.

Chair Lierz understood but said he could call it into question at this meeting.

Ms. Kerr thought so but she didn't think it was appropriate to do that during the amending of the minutes.

Mr. de Schweinitz agreed and said he would bring the comments up directly after the minutes.

Chair Lierz asked that it be under Old Business.

Ms. Kerr said okay and agreed to add "Comments about Prior Minutes" to the agenda next time.

Ms. Romero said that was hard to do because the way she corrected the minutes, sometimes it was a direct quote and a word was left out and it didn't make any sense. These were not direct quotes so she was inserting a word here and there to have it make sense. And some places it replaced "it" to refer to what it was – like "the contract." For example, the very first item she had was on page three, item 5, paragraph 4. She said she had to count paragraphs and lines and asked if the Committee could add that to Old Business too – the numbering of paragraphs and lines and pages.

Ms. Kerr agreed.

Ms. Romero requested the following corrections to the May 1, 2013 minutes:

On the second line it says, "The Finance Committee approved them and Ms. Garcia said he could sign it." She asked to replace "it" with "the contract." Because the Committee was talking about the contract.

Chair Lierz said, "Okay, you said on page three?"

Ms. Romero agreed.

[Mr. Mathisen entered the meeting at 2:09 p.m. He was provided with a packet.]

Ms. Romero went to page 4, item 5, first paragraph, second line: replace "have" with "has."

On page 4, paragraph 6 where it said, "...could move the work around if one of them had too much

work” she would change it to “could move the work around if an audit firm had too much work.”

[Stenographer’s note: The reference was not to an audit firm but to staff members in the State Auditor’s office.]

Ms. Romero said on the same page, paragraph 10, she asked to change it to “This was a good document schedule.”

On page 5, paragraph 7 where it said, the “IBM Disclosure and Management Software to sit on top of the General Ledger on our system so it update the report as we extract information. It was the CAFR Report.”

Chair Lierz in the previous paragraph Ms. Garcia said BDD books ... increased her chart of accounts by 400,000 accounts.” That is ridiculous. He asked if she could have said 400. Ms. Kerr said she did say 400,000 accounts. She remembered Ms. Garcia saying that.

Ms. Romero went to page 7, item 6, third paragraph, where it said “Chair Lierz appreciate that budget was #1 on his time.” She amended that sentence to say, “Chair Lierz appreciates that the budget audit is #1 on Mr. Tapia’s list at this his time.”

Chair Lierz recalled that he would have said “budget.”

[Stenographer’s note: The actual statement Chair Lierz made was, “We recognize at this time of the year that the budget is number one in consuming a lot of your time. We appreciate that. That’s why we pushed to get this external audit done before the Finance Committee. Because last year we came in in May and the City Manager pushed us off – which I understood why.”]

Ms. Romero amended her amendment to say, “Chair Lierz appreciates that the budget was #1 on his list at this time.”

Ms. Romero said on page 8- paragraph 4, the “you” should be deleted.

On the same page, Paragraph 11, should be changed to, “The accusation was against Robert that he voided some tickets, but the audit revealed he had voided none of them. The total voided tickets were around \$2,000 from 2005 to now.”

Chair Lierz referred to page 8, paragraph 10, second sentence where it said, “*They checked about 25,000 transactions all together.*” Chair Lierz said there was a total universe of 276,000 which called that number of tickets checked into question.

Ms. Kerr agreed. She had said a quarter of a million were checked. It was just missing a zero.

Ms. Romero went to page 9, 7 b, second paragraph where it should say, “Mr. Farber had noted that the Audit Committee had been established only by City Council resolution.”

In paragraph 4, she said it was the same thing and should say, "The Commission could recommend that the Audit Committee be a permanent Committee in the Charter."

Ms. Romero said on page 10, 7c, sixth paragraph, it should say, "Ms. Romero asked if the audit contract for Lodgers' Tax got done."

Ms. Romero said on the same page, the last paragraph should say, "Chair Lierz commented that prior duties were as a trouble shooter for the City Manager so the Audit Committee backed up on it..."

Ms. Romero said on Page 12, paragraph 5, the first sentence didn't make any sense to her and she couldn't determine what it should say. She asked that the stenographer should listen to the tape again.

[Stenographer's Note: The recording of that paragraph revealed that Chair Lierz said, "The cash flow we do on those enterprises use... But I can tell you, SWMA, we have debt we incurred not direct but associated with. You haven't distributed any money to the County or City for you to cover your own debt service, if you'll take a look. So cash flowing onto Water, we've got about ten million dollars of depreciation which we use both at depreciation and fund some annual operating capital lines. And when we look at it, you don't need to have it all designated ahead because current operations, if you will study your cash flows statements and what you use with the income before depreciation, what do you use it for, we need to have the depreciation into our revenue billing cycle so that we are charging enough to cover that – follow the operating costs. But I found SWMA sitting there with four million dollars of unrestricted cash and we have done no distributions back to the City or County. And they are not funding any funded debt that sits on your books or the county's."]

Chair Lierz noted Ms. Kerr said this had to be covered under Old Business.

Ms. Kerr said she was suggesting if the Committee wanted to have a discussion about the minutes that they could put it under Old Business. Or you could put another line under Approval of Minutes called Comments About Prior Minutes. You could do that on a going forward basis.

Chair Lierz said they would put that on the agenda under Item 8 to deal with these changes.

Ms. Kerr said okay.

Chair Lierz said while they were doing that he wanted the Committee to go to the top of page 3.

Ms. Kerr suggested first approving the minutes since he was addressing something outside of the minutes.

Chair Lierz asked for a motion to approve the May 1, 2013 minutes as amended. He said he wasn't going to approve the draft

Ms. Romero moved to approve the minutes of May 1, 2013 as amended. Ms. Tupler seconded the motion and it passed by unanimous voice vote.

8. OLD BUSINESS (Revised Agenda Order)

- **Comments on the minutes**

Chair Lierz referred to page 3, he questioned paragraph 3 that Mr. Mathisen said the ordinance- the enterprise fund balances could not be reverted to the general fund. He asked if Mr. Mathisen had found the minutes.

Mr. Mathisen said he brought those minutes.

Chair Lierz asked him to read what it was on page said that he was reported having said.

Mr. Mathisen said he brought some minutes to the last meeting that he had seen in his review of the CAFR and he had said they were relevant and that they (Finance Committee?) discussed where this came before the Council that there was a movement to pass an ordinance. He was unclear whether they had ever passed it and said he did not think they did.

Chair Lierz said they were now basically correcting Mr. Mathisen's statement.

Mr. Mathisen said he agreed with that. It was inaccurate as written.

Ms. Kerr asked if the recording could be listened to again.

Chair Lierz said that was irrelevant and this was his understanding.

[Stenographer's Note: The recording of the April 3, 2013 meeting revealed the following:

Chair Lierz: On page 11, what do you mean by Water Bill that the [inaudible] serves?

Mr. Mathisen: That paragraph at the bottom of the page – there's a little bit of information there in amending? A. It says much of the accumulated cash in Water, Waste Water, Convention Center and other business funds are being used for large capital projects begin or are complete. And so that is for you guys' interest.

Chair Lierz: Well, he's got a statement there – page 11. 'Water building up of reserves.' He says Finance Committee notes –

Mr. Mathisen: Well, I'd like to see notes for the Finance Committee. And this is ... it's probably just for you. Back in July 11, there was a request for approval of an ordinance so that the cash balance generated by Enterprise funds shall be retained in the respective funds and shall not be transferred. So I just... in my review, I saw those and was interested in that...

Chair Lierz: Yes. Okay. I'd like to see that.]

Chair Lierz said what he did to follow up on it was that he went to the City Clerk's office and asked them to open the ordinance to look at that. He understood here that this was brought up in a Finance Committee. Councilor Bushee was pushing the idea but Councilor Bushee never got support of the Finance Committee so they did not recommend adoption. It might have gone to the Council. He hadn't seen that. But when he went in, the City Clerk's office couldn't see where the ordinance had been amended.

So Chair Lierz said it might have been reported to Council, Council may have voted, but they would not have voted to approve this, which was consistent. But Mr. Mathisen wanted the Audit Committee to know there had been dialogue about the issue.

Mr. Mathisen agreed. Three or four citizens spoke in favor of Councilor Bushee's motion to not transfer funds out of enterprise funds to support the General Fund. Some of the people spoke against it. So it was a good information piece of what was on people's minds. But it hit resistance and seemed it did not go any further.

[Mr. Tapia entered the meeting.]

Chair Lierz concluded that the City did not have a resolution that would prohibit movement of cash funds from enterprise funds. Later on, this would become significant because the Audit Committee was dealing with cash and debt policies but there was no research on the movement of money. That was the key thing he wanted to get clarified.

Chair Lierz said that was all for comments on the minutes.

Ms. Romero said no – there were several others.

Ms. Kerr said she would ask that the tape be listened to.

The other thing that came up was a request that there be page numbering and line numbering on the pages so future revisions would be easier.

The next one was that Ms. Garcia made a comment during the last meeting that whoever set up the chart of accounts for BDD set up 400,000 different accounts and that number was being called into question. She asked if that was a correct number.

Mr. Tapia said Ms. Garcia was paraphrasing and it was irrelevant to the number. The Finance Department should have a list by Friday and they needed to evolve that into what the City does. He could not have BDD dictate how to do things. The City Finance Department could accommodate BDD with the City's chart of accounts. He said they do have the expansion to open that up but when they run the reports it is difficult and someone could probably do it faster by hand. Part of that is to bring it in line with the City's system.

Chair Lierz asked if would be under Mr. Mathisen's authority to dictate what the accounts should be.

Ms. Kerr said in the Audit Committee charter it was mentioned in the minutes here that Mr. Farber suggested that we change the Audit Committee resolution to put that into the Charter to make the Audit Committee an official committee. She said Mayor Coss agreed to sponsor that. She overheard him talking with Brian Snyder about that yesterday.

Chair Lierz pointed out that the Charter revision wouldn't be voted on until next year. The Audit

Committee could do a couple of things, to make sure he understood it, If the mayor was going to sponsor, he asked if that would be ordinance, or a resolution or going from a resolution of City Council to an ordinance.

Ms. Kerr said that was her understanding that the Mayor would sponsor that. But that was not what he said. He said that he would – he looked back at the minutes, at what the voters said which was that they wanted to get that changed from a resolution to have the Audit Committee be an official committee of the city. She asked Mr. Tapia if he heard that would be an ordinance.

Mr. Tapia said he did not hear.

Chair Lierz said the intent is to make it a permanent committee.

Ms. Kerr said he might find out the answer to that.

Mr. Tapia said if it was the will of the Audit Committee to do that, staff would pursue that with the understanding that the Mayor would sponsor it. So if the Audit Committee took action that they would like that, then staff could go on to pursue that.

Chair Lierz said the Committee would be doing that under Old Business. He suggested taking a moment because he thought they would want to have some discussion and the Audit Committee could put it in the form of a resolution. There are couple of options here as he understood. One would be a pre-charter amendment because as a committee the Audit Committee is under the existing city charter. But the City Council could make a change from a resolution to an ordinance or to embed it more- change from advisory to a permanent standing committee would be the other part. If they didn't want to do it now, they could do it as part of the Charter. He said there was discussion about an addendum to the Charter. City Council would prepare this to include as an amendment to include as a charter and would then be voted on by the citizens.

“If we put it in the City Charter, that's even more embedded than just a Council resolution or ordinance.”

Ms. Kerr said that was what she heard at the Charter Commission meeting with Mr. Farber speaking. He said that's what they wanted to do. And she believed that was the intention. She really liked the idea of making the Audit Committee more than just advisory because that would really help with her independence.

Ms. Kerr said the Committee could leave the details to the legal staff in the focus on pursuing to become a permanent committee. She liked the idea of making the Audit Committee more than advisory and comfortable with having a dual reporting relationship

Mr. Tapia said there were other ramifications that would now include Councilors. He could come back at the next meeting with a time line for making the Audit Committee a permanent part of the city government and voted on for next year. That way it would communicate the Committee's intention.

Chair Lierz asked if the Committee put a resolution on the table, whether the resolution should be kept

general in nature; or only disclose it as a discussion in the minutes today because the Audit Committee hasn't thought about it or discussed it previously.

Ms. Romero suggested the Committee approve a resolution to pursue this issue to have the Audit Committee written into an ordinance and ultimately into the charter. Also to have a subcommittee to work with Mr. Tapia and Ms. Kerr to use language to ensure what was proposed in the ordinance/charter would be something that would work

Mr. de Schweinitz said putting it into the charters was almost like the constitutional provision. The Audit Committee wanted something bland so the Committee could change the contours of what they were doing, if needed. But whatever went into the charter would be permanent.

Ms. Kerr thought that could be discussed in subcommittee.

Chair Lierz reported that when he and Ms. Ms. Kerr were at the Charter Review Commission there were concepts being put on the table but there was no vote or discussion by the Commission.

Ms. Romero moved that the Audit Committee pursue the issue of establishing the Audit Committee as a permanent committee within the City and to establish a subcommittee to work on the details of how this could happen. Mr. de Schweinitz seconded the motion and it passed by unanimous voice vote.

Mr. de Schweinitz asked to form the subcommittee and the Audit Committee agreed that Mr. Tupler and Mr. de Schweinitz would serve on it.

5. Report From External Auditor: Update on Timeline and Benchmarks

Mr. Mathisen handed out the Milestone Chart, second draft and new columns had been added and it was in landscape format. It established new dates and asked if there were further modifications...

Ms. Romero said there was a column deleted on who was responsible for what. It should be kept in the chart.

Mr. Mathisen agreed. He knew Ms. Garcia wouldn't have to do everything.

Ms. Kerr asked if this incorporated Mr. Tapia's timeline.

Mr. Tapia said he took an old timeline. He took basically what the auditor required and made it the staff's own timeline. He took the end of year functions that needed to happen for the city as a whole to include what the auditor saw and he went through the timeline. He needed to double back to ensure that everything Mr. Mathisen needed and required was included. He has staff responsible and timelines- Ms. Garcia had reviewed that and in the next few days he would meet with staff to confirm it. Their goal was to get the audit done on time.

Chair Lierz understood the two groups (city staff and Atkinson staff) would be working in concert. He wanted to see evidence of both. He asked if the Committee wanted one exhibit or two exhibits presented.

Mr. Tapia said Mr. Mathisen has his own work and would do his own plan. Chair Lierz would see internal things on his own time line and see some internal things on his. Mr. Tapia said he could show in a different color how the city staff tasks matched Mr. Mathisen's time line of tasks to see if they were getting the same thing.

Chair Lierz said they could give the Audit Committee two sets of paperwork. He definitely wanted to see Mr. Mathisen's report on a monthly basis.

Mr. Mathisen said he would need to coordinate with Mr. Tapia and ideally they should be able to cross between the two reports and work toward clarifying the progress.

Mr. Tapia said his time line worked off of the auditor's template and incorporated his entries. Mr. Mathisen would track differently than he would but it would work this way.

Chair Lierz asked Mr. Mathisen as external auditor if he had roadblocks that would slow down his audit progress.

Mr. Mathisen said he had no roadblocks to report. Regarding the schedule, in May, internally three people spent a week getting organized and had E1 training to run their own reports off of the city system from the office in Albuquerque they were not able to run a report. They have minutes off the website; Mr. Mathisen read all of those in the beginning of an audit and would ask, "What are your corrective action plans regarding last year's findings. Also his staff was doing significant work in June and that has been confirmed. He expected they would be in the field next week which was according to plan. He had nothing else to report.

Ms. Kerr recalled one of the deliverables in July was a review and analysis of the IT report. She assumed that meant the IT audit report.

Mr. Mathisen confirmed that it was.

Ms. Kerr wanted to sit down with Mr. Mathisen to identify the controls that she was testing and let him know which ones she would not be testing. There were a handful of controls she wasn't testing since they were outside the scope of the audit she was doing.

Mr. Mathisen agreed. He was interested in all external analysis reviews and audits. He had transportation in his bundle as well as parking. He said after the consultation parking turned out to be good based on a cursory review.

Ms. Kerr said transportation was illuminating.

Mr. Mathisen agreed. Her report would give them input for what they were doing.

Mr. Mathisen said it was a general and conceptually possibility to rely on her test work. It could save a lot of time and be higher quality that they might not have done to that depth.

Ms. Kerr said she should be done with the IT data center audit report with a deliverable time of approximately June 30 and she could identify the controls she was testing and the controls she was not testing.

Mr. Mathisen referred to the last page, Schedule C, big red line for the final deadline for entries. He wanted a drop dead deadline so there would be no other changes.

Mr. Tapia agreed that at some point the audit had to be cut off. He was trying to figure out why the audit was late last year. And found there were a lot of different things. One of them was regarding the loans and grants from the New Mexico Finance Authority. But until there was a resolution by County Commission to take half for those for the Buckman or their portion, the City owns it. Ms. Garcia got hung up on who owned it on June 30th. Well, the City owned it. And he could put a note on the financials that these were under resolution and indicate the transfers that would take place. Certain things like he had taken time to review and he hoped that he and Mr. Mathisen could get to an understanding on them.

Mr. Mathisen said he received questions about the status of Buckman. He brought drafts of the Buckman construction audit as of June 30, 2010 and as of June 30, 2011 and that about wrapped that up. He also brought the June 30, 2011 operating audit for Buckman.

Chair Lierz said they primarily had two months of physical operation that year.

Mr. Mathisen agreed. Some numbers did not roll forward and before the Finance Committee meeting he heard Robert Romero say that staffing had been an issue at Buckman. They had drafts but the FY 12 operating audit had not been started.

Chair Lierz asked Mr. Tapia to brief about staffing issues.

Mr. Tapia said he was shocked to find out the construction audit for 2010 and 2011 was handed to the Finance Department since December. Those were being worked on right now. He was adamant about getting those done. If there was not anything significant or material they should move on. He said this was the low hanging fruit and that was what they were trying to do. He thought the City Manager wasn't aware of the significance that these were still there.

Chair Lierz noted that for those three audits, Mr. Tapia has completed his initial part and the ball is now in the City Finance court and he would assume Mr. Tapia had to have exit conference and include management and a Councilor who was on their Board.

Mr. Tapia wasn't sure but said they would have to have someone from the Governing Body to include the City Manager and any relevant persons. Usually when they have an exit conference, because it was BDD that they would probably need someone from the County also. He would figure that out.

Ms. Kerr said she showed on her schedule that the BDD 6/30/11 Operations Report had been issued.

She asked if that was still in draft form.

Mr. Tapia agreed it was draft.

Ms. Kerr said with the 2012 audit, she thought that was in draft and completed.

Mr. Mathisen disagreed. That hasn't been started. He said he would schedule FY12 and 13 together and get the trial balance ready and accurate and then give her a list.

Chair Lierz asked if that was a separate audit contract.

Mr. Mathisen said there was a quoted piece for Buckman. SWAMA was a separate contract but Buckman was part of the city contract. The FY 13 would be in the new contract.

Chair Lierz asked if that was the contract sitting at the State Auditor's office. Mr. Mathisen agreed.

Mr. de Schweinitz asked which audit Ms. Kerr referred to that hadn't been started.

Ms. Kerr clarified it was for Buckman operations for 2012. That hasn't been started. She would provide an update.

Mr. Mathisen said he and Mr. Tapia would need to talk for a moment.

Chair Lierz said he would review the audit schedule with Ms. Kerr. He thanked Mr. Mathisen for his time.

6 STATUS REPORT FROM CITY OF SANTA FÉ AUDIT AND FINANCE DEPARTMENTS: (revised agenda order)

A. Status of Audits (report in packet)

a. Federal Transit Administration, Financial Management Oversight Review

Ms. Kerr said she sent the Status of Audits schedule to the members. The reports that were completed last month but the Committee didn't have yet were the Federal Transit Administration, Financial Management Oversight Review and the Forensic Audit. Nothing else has changed – nothing with the CAFR, nothing with SWMA. She just got the got the Buckman corrections and the operations audit for 2011 would be changed to read "in review by city staff" and the disposition would be changed to *draft* instead of issued. The BDD Operations 6/30/12 on the next page should be changed to "has not yet started" and on the comment column it would say "due with the 2013 audit report"

There were no changes to Civic Housing, Railyard. For Lodgers Tax, the 2012 and 2013 review needs to be done. The RFP has been sent purchasing and Shirley in purchasing said they need five volunteers

as evaluators on the RFP process including two from the Audit Committee. Mr. Tupler asked why five evaluators. Ms. Kerr said she would get back with him on that.

Mr. Tupler thought that five evaluators seemed excessive.

Ms. Kerr said she would like to evaluate, have at least two from the Audit Committee and Mr. Tapia and Ms. Garcia. It should take 1 month to 6 weeks for the process. All the information would be received back and then the committee would do the evaluation and make a decision.

Ms. Romero said it would depend on how much time because she would be out of town for a while.

Ms. Kerr explained that when RFP proposals were turned in the committee members would have a packet and then evaluate the potential. In order for her to complete the RFP she had to document who the evaluators would be and then could move forward with it.

If the Audit Committee members didn't want to volunteer now, she would send out an email for the members to review.

Mr. Tupler said he understood now this was to evaluate the RFP proposals and she didn't need to get back with him on his question.

Ms. Romero committed to the process and Mr. Randall was drafted.

Chair Lierz asked Ms. Kerr to send an e-mail to Mr. Randall and copy him.

She requested that the RFP work be done through 6/30/14. They would pay \$37,000 a year to get the Lodgers' Tax review done use that money to get her an extra person who could work on this audit part time and then the rest of the time she would have someone to help her.

Chair Lierz asked if Ms. Kerr wanted city personnel in the middle of the financial records of major hotels. How they fund her department was still an open question.

Ms. Kerr said the more independent she and her department could be, the more willing the lodgers would be to cooperate.

b. Forensic Audit of Parking

Ms. Kerr said the Committee had a copy of the report and she provided a hard copy to the members.

Chair Lierz noted as a follow up on the forensic audit, that there was \$2-\$3000 worth of uncollected tickets on city employees. That was just stated in the report. He asked why those weren't followed up by the Parking Division. He pointed out where he read that in the second to last paragraph.

Ms. Kerr searched for it and could not find it in the report. She suggested it be brought up under Old

Business at the next meeting.

c. Federal Transit Audit

Ms. Kerr didn't think the Committee members had seen the findings or recommendations. There was a section four called FTA corrective action requirements, status, findings and recommendations. The committee could read the findings on their own and the Committee could discuss them next time. She cited the material starting on page 7. Then there was a list of significant deficiencies. There were also two advisory comments. She received a draft of the management comments and their remediation plans and dates. She would have that information for the Committee at the next meeting for follow up.

d. ITT Data Center Operations Audit

Ms. Kerr said the last item on the agenda was the ITT Data Center operations audit. She was pushing the completion date to 6/30 rather than 7/30/2013.

Ms. Kerr said she received an IPRA request in regard to the audit and the response date she gave for providing it was June 30. The request was specifically worded she (Julie Anne Grimm from the Journal) was requesting the draft for the "ITT audit" and Ms. Kerr responded with the June 30 date.

Ms. Kerr said that was all she had for that report.

Chair Lierz said to get beyond the audit reports he would turn the floor over to Mr. Tapia.

Mr. de Schweinitz asked Ms. Kerr if she felt each month the Committee members could destroy the previous month's report. Ms. Kerr agreed.

B. Gross Receipts Tax Report

Mr. Tapia said the staff were working on the GRT and Lodgers Tax Reports to get that out and then there was the investment portfolio just for informational purposes. There were trends the Committee could see.

Mr. Tapia said the city was looking at investments and found some of their ideal investment in the re-funding of bonds. They were able to save money because of better rates.

Chair Lierz asked him to do the Lodgers Tax first. He wanted to talk a little bit more about investments and long-term debt. The GRT showed through 11 months actual and the report showed it was pretty much even with the budget which was the previous year's actual.

Mr. Tapia said they were actually balanced.

Chair Lierz said it looked like the city was up \$203,000 for the 11 months comparison or a quarter of 1 percent. So the city was not being hurt right now.

Mr. Tapia agreed and said that was the good news. They were seeing an increase. And even though they saw that as a trend, the City budget for the next fiscal year was flat. The City was seeing some trends for new construction and remodels, more business licenses and that was up. He was optimistic but the budget was flat. It was up on the quarter percent for the water as well. That was about \$6,000.

C. Lodger's Tax Report

Chair Lierz said the good news with the Lodger's Tax Report was that the lodging in the city was up. The report through April was 10 months that were a plus. He said he was looking at the July to April totals on the 4% and the 3%.

Mr. Tapia said to look at the bottom line. The previous FY was 6.3% and now they were looking at 6.8 percent. On the next one look for the City of Santa Fe analysis that talks about the different categories from agriculture to administration, etc. He said that gives a clue of where they are off, up or down. The fourth page after GRT showed the detailed categories.

D. Quarterly Investment Report, March 31, 2013

Mr. Tapia said this report comes out on a quarterly basis.

Chair Lierz pointed out that page two showed the Finance Department was managing on that date (March 31, 2013) roughly \$240 million of cash and cash investments. In March the city went through a re-financing. He asked if the effect of that was included in the residual numbers.

Mr. Tapia said the Committee would see where that took effect on the next quarterly report actually on the loans and some of the bonds being done.

Chair Lierz noted in the March report the average interest yield had dropped to half of one percent on the \$240 million portfolio. Last year it was about three-quarters of a percent. The other item Mr. Tapia took to Public Works -- a GO bond. He asked where Mr. Tapia found himself with debt issues and timelines. He wanted to know if the City was trying to do further refinancing.

Mr. Tapia said the Committee should understand how the city gets its capacity for GO bonds. The property values for residential and non-residential properties of the city of Santa Fe totaled about \$3.7 billion. And from that, by statute, the city is authorized to get in debt to about 4% of that or about \$148 million, but is not advisable to maximize that amount. The bond rating companies liked to see that the City had control over that and not getting into too much debt.

He explained that Chair Wurzbarger brought up a question because the Public Works Committee went to each facility owned by the city and saw that they were old facilities and in need of repair. They talked about requesting a bond issue for the next election cycle. It is a year out from the start of research to the end to have the bond issue approved by the voters. Looking at the last page of that document, at the time it was done, they valued the City at about \$148 million and the outstanding debt was \$26 million. But the City

had already issued another bond so about \$12 million more should be added to the \$26 million or a total of \$48 million.

Chair Lierz said it should be noted that the City had no GO bonds until 2008 because there hadn't been a need. He added that GO bonds had to be voted on by the public.

Mr. de Schweinitz asked why the City hadn't used GO bonds before that.

Chair Lierz said there was no need. He wanted the Committee to understand it was approximately \$400 million in outstanding bonds but at the same time the City had almost \$240,000,000 in cash and investments which equaled 60% of the outstanding bonds. On the \$240 million, the City had a half percent yield. So the City had a negative margin.

Chair Lierz said for the minutes that if they took \$100 million out of the \$240 million and applied it to the debt, they would save the city over \$3 million a year in reduced interest costs since the average bond was over 4%. It was probably a 3.5% negative margin for the luxury of management having that cash sitting around.

Mr. Tapia said for the record as Finance Director, he would have to evaluate a lot of the balances and investments and what that was tied to and how it was derived to determine if some of that was actually unrestricted cash. Then they could make the decision and go forward. They had to do the due diligence.

Chair Lierz asked what the practical review process was. He said to Mr. Tapia, there are 600 bookkeeping cash accounts and only about \$10 million of the \$240 million was restricted by third parties and there was about \$230 million of cash which had designations; designated internally to the city either by City Council or City Manager designation.

Chair Lierz said we have a lot of designations still there but whatever the designation was, the designation was now gone and the money should be transferred to an undesignated account within the departments and divisions and that has not been done. So the due diligence would be to review with the City Manager and department heads and honestly go through a third-degree level review to see if the designation even still applied today.

Mr. Tapia agreed that was a fair way to look at this, but he was starting in the process. He was cleaning the capital improvement accounts or those projects that have had no activity for three or four years. The next step was to try to get management in other departments engaged in knowing what they had so they could continue to budget every year. The city does not have the capability to have staff be on-site to review contracts or be managers. He knew they would only do about \$10 million. He was trying to get them to look at that to see what they could accomplish with this staff they had.

Chair Lierz wanted for Mr. Tapia to take on the enterprise funds, as a priority; SWMA, Wastewater, Water and the others.

Mr. Tapia said they didn't have a lot of capability in some of that because some was shared with the County or there were other agreements

Chair Lierz said the Audit Committee analyzed Water for three years in a row and there were so many balances that had been earmarks on them and nothing has transpired in three years. The Water Department has \$80 million sitting in their accounts. Each year there is appreciation that would fund a lot of recurring or new capital investments.

Mr. Tapia that was an education process. It was only this five years ago that the city started to book depreciation.

Chair Lierz felt the challenge from the Committee's viewpoint was that before a GO bond was done with all the cash, they should challenge that request to see if they even needed to borrow the money.

Mr. Tapia said people like to vote for parks and senior centers but don't like to pay for maintenance and that was what this GO bond would pay for. So the money would come from cash balances. He said the City Manager was looking at that. The buildings are falling apart and the parks had Astroturf but the equipment to maintain that wasn't purchased.

Mr. Tapia said there was one page written with the drop dead deadlines on Exhibit B. The Committee should review that for the process of how to go about doing a GO bond. There were some City Councilors that were enthusiastic about something being on the next election ballot.

Chair Lierz asked if City Councilors understood that it was costing the City over \$3 million each year.

Mr. Tapia said he thought they would ask him to show that and he would have to come up with the numbers and a memo to show some of the things they were looking at and that the City Manager had been advised of.

Chair Lierz said the city has boxed itself into this point. The City couldn't prepay a number of the bonds until 2017 but the city could become a bank within the city government.

Mr. Tapia agreed. He said the bonds were coming up in 2015 but because of the issue Chair Lierz brought up this could have been on the "hold harmless" that went away. And there were other issues. The City had loans that could be paid off like things at the MRC and Southside Library and Marty Sanchez. Those were things the Committee looked at to pay off with some of the cash.

Chair Lierz said for the benefit of the Committee that he and Mr. Randall met with the former City Manager and took the last audit report and gave him some insight. The City went through this budget cycle very calmly because in the details there was enough flexibility. The Committee knew that three years ago on the budget, it was horrible and it was all over the press. He would propose taking Mr. Randall and meet with Mr. Tapia and the City Manager within the next month and discuss some of this and what the city has that could be done.

The new City Manager had \$100 million under his belt as the facilities manager; but Chair Lierz was not proposing they do any resolutions at this point. They shouldn't blindly issue new debt when not looking at some of the City's potential.

Mr. Tapia said this was one of the best times to borrow money but agreed they had to take all of these things into consideration.

Mr. de Schweinitz asked if Chair Lierz and Mr. Randall would give the committee a report what they would tell the new city manager. He said he got bits and pieces of what Chair Lierz was saying but not all. He asked if next time the Committee could talk about how the \$3 million in additional expense fit into what was being proposed.

Chair Lierz said the City Councilors were shocked to find out that the Wastewater department had \$19 million in cash balances. They didn't know it because no one told them. The annual audit report was where the Audit Committee picked it up and the City Councilors didn't read the annual audit report.

He said the members of the Committee needed to study that report. The first balance sheet was where he started with Robert Romero and he circled numbers of amounts and not much of it was third-party restricted funds. They tried to show the City Manager all the other balances and he pulled out a report that showed he was only given part. He showed the cash, balances etc. and the three year study on wastewater management cash and water department and he could review that again with them.

Mr. Tapia said part of it was how the revenue was generated. Some people think that can be moved to operations or salaries but some cannot be moved that way.

E. GOB Timeline
a. Existing Investment Policy

This item was not discussed by the Audit Committee.

7. SUBCOMMITTEE REPORTS:

A. Internal Audit

Ms. Romero said she and Mr. Randall had a brief meeting and Ms. Kerr brought them up to date on the ITT audit.

B. External Auditor

Chair Lierz there had not been an external audit subcommittee meeting because they were asking Mr. Matheson to attend the full Committee meetings.

Ms. Romero mentioned in Mr. Matheson's draft 2 of the audit schedule that he had not received the audit findings from last year that he needed. Mr. Tapia said he had already discussed that with Mr. Matheson and would work on that himself.

8. OLD BUSINESS

This was discussed previously in the approval of minutes. The subcommittee of Mr. Tupler and Mr. de Schweinitz was formed.

9. NEW BUSINESS

Ms. Kerr asked to confirm that the acting director of BDD has resigned.

Mr. Tapia said she did resign. She was the environmentalist and also had the additional duty of the acting director. Because of the changes that had taken place, Mr. Tapia has a meeting with the City Manager as a way to get through the bump with other staff that has an understanding of the area.

Chair Lierz reasoned that if a new person could be hired it shouldn't be a bottleneck like it was last year.

Mr. Tapia said they would have to get someone. The BDD Board had 9 candidates and he was very hopeful that one would be chosen. Candidates took a basic skills test and he would receive a report from the Department of Labor and then from the interviews would be set up hopefully before the end of the month. Two staff members in his department had applied and both had degrees and were competent and it would be a good promotion.

Chair Lierz asked if the City Manager appointed another person to fill the acting role in BDD if that would have implications on the audit.

Mr. Tapia didn't have information on that but it would absolutely have implications because some decisions would be made by that director. But if they get an in-house financial person they could run with it. He said not having a director would have no impact on the 2010/2011 construction audits or the 2011 operating audit.

10. OTHER MATTERS FROM THE COMMITTEE

There were no other matters from the Committee.

11. ITEMS TO REPORT TO THE CITY MANAGER

Ms. Kerr asked if the Committee wanted to ask if the City Manager had authority to appoint someone to the BDD Acting Director.

Mr. Tapia said both the Director and the Finance Manager were critical.

Chair Lierz asked if the committee wanted to do a resolution, or call it to the attention of the City Manager that these two vacant positions for BDD would have an adverse effect on our CAFIR audit if the positions were not filled in the near-term. The Audit Committee was concerned about getting timely audits for the CAFIR completed.

Ms. Kerr said as the city liaison to the Audit Committee she would bring that up during her weekly meeting.

Chair Lierz clarified that the Audit Committee is asking Ms. Kerr, as liaison, to raise the concern.

Ms. Romero asked if the City Manager should be asked to attend the next meeting. Mr. Tapia replied that the new City Manager does want to attend.

Ms. Kerr offered to invite him as liaison.

Chair Lierz would like the City Manager to give a status report on those two key positions.

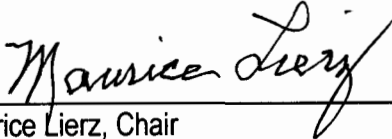
12. NEXT MEETING DATE: moved to the second Wednesday to get away from the holiday; July 10, 2013

13. ADJOURN

Ms. Romero moved to adjourn the meeting.

The meeting was adjourned at 4:10 p.m.

Approved by:


Maurice Lierz, Chair

Submitted by:


Carl Boaz, Stenographer