



Agenda

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CITY OF SANTA FE AUDIT COMMITTEE MEETING
CITY COUNCILORS' CONFERENCE ROOM
Wednesday, September 4, 2013 - 2:00 P.M.

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF MINUTES:
 - August 7, 2013 (send in advance & attach) (read in only items that change meaning)
5. REPORT FROM EXTERNAL AUDITORS: Update Timeline & Benchmarks (send in advance & attach)
6. STATUS REPORT FROM CITY OF SANTA FE, AUDIT & FINANCE DEPARTMENTS:
 - Timeline and Benchmarking for Financial Audit (Finance) (send in advance & attach)
 - Status of Audits (Internal Audit) (send in advance & attach)
 - Gross Receipts Tax Report, (monthly)
 - Lodger's Tax Report, and Quarterly Investment Report (Finance) (Quarterly).
7. SUB-COMMITTEE REPORTS:
 - Internal Audit, and External Audit, Ordinance Revision
 - Discussion of the Audit Committee Ordinance (Melissa Byers, Judith Amer);
 - Discussion of Internal Audit Ordinance:
 - Discussion of Draft Audit Plan.
8. OLD BUSINESS
 - Discussion of findings and remediation plan regarding parking audit, FMO FTA , and Financial audit, defer to October.
9. NEW BUSINESS
10. OTHER MATTERS FROM THE COMMITTEE
 - Invite Mackie Romero, Finance Manager, from BDD to November Meeting
11. ITEMS TO REPORT TO THE CITY MANAGER
 - Inclusion of Status of Audits Report in Finance Committee Packet – once a month following the Audit Committee meeting, September 16, 2013, and once a month thereafter.
12. NEXT MEETING DATE:
 - Next meeting scheduled on October 2, 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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CITY OF SANTA FÉ
AUDIT COMMITTEE
September 4, 2013

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10. OTHER MATTERS FROM THE COMMITTEE	No comments	17
• Invite Mackie Romero (BDD) to Nov. Meeting.		
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12. NEXT MEETING DATE: October 2, 2013	Announced	17
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MINUTES OF THE
CITY OF SANTA FÉ
AUDIT COMMITTEE

September 4, 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
Randy Randall
Hazeldine Romero
Clark de Schweinitz, J.D.
Marc A. Tupler

Members Absent:

Others Attending:

Teresita Garcia
Liza Kerr, Internal Auditor
Melissa Byers, Legal Division
Judith Amer, Associate City Attorney
Marty Mathisen, Atkinson Accountants
Sara _____, associate

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

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

4. APPROVAL OF MINUTES – August 7, 2013

Consideration of the minutes was deferred to the next meeting.

5. REPORT FROM EXTERNAL AUDITORS: Update Timeline & Benchmarks

Mr. Mathisen and associates made reported on the update for timeline and benchmarks which was in the packet.

Mr. Mathisen said he would finish the audit on time and thought about it every day.

Chair Lierz said what he would like to do on the agenda is move to the first bullet in 6 and have Ms. Garcia report. Mr. Tapia had told the Chair he could not be present at this meeting but that Ms. Garcia would and that she had been preparing this City's time line. He would go from Mr. Mathisen to her to get the City's view on where they were in the audit process.

6. STATUS REPORT FROM CITY OF SANTA FÉ, AUDIT & FINANCE DEPARTMENTS:

- **Timeline and Benchmarking for Financial Audit (Finance)**

Chair Lierz asked if they had a printed document in the packet on the time line.

Ms. Teresita Garcia said there was and gave the status report.

As she started to review it, Chair Lierz asked where she was on the schedule. Ms. Garcia said she was on the first page.

Chair Lierz asked if she was on page 20. Mr. Randall said it was page 20.

Ms. Garcia said they identified who would be responsible for each of the items. Not everything was a transaction. The first item was contract and she specified who would be responsible for it and who was to do it. She listed them and identified who was responsible. On Receivables, there was a receivables audit. That was audited through the bank statement. She identified also what was approved like the GRT for July and August so they had to wait until those were known. She had not reviewed all the receivables yet.

She said the inventory was all completed and all the transactions were available to the auditors. She was still working on capital assets. She had also specified what phase they were in.

Ms. Kerr asked her if she had run into any bottlenecks like items she thought would be completed but weren't or any other issues that she had seen so far.

Ms. Garcia said there were none so far. There was nothing unexpected that had arisen.

Debt service was complete and she listed any debt service that had expired. She recorded the payables for the Convention Center, Solid Waste, Water and the other areas identified as debt service. She also classified the type of payables they were for each of the debt service areas.

She noted that Councilor Dominguez had asked that she put the PERA liabilities as long-term debt. She explained that they didn't report until they had finished all the transactions. Accounts available was completed. Revenues were at Trial Balance Transfers were still pending until they could show the transactions. Accounts Payable were all completed. They had accounts payable up until August 2, 2013 and when they came in they did them on an individual basis. The listing of checks was done for testing by the auditor. They listed the procurement procedures regarding samples of travel and per diem. They completed samples on the RFPs. Payroll and benefits had been completed. New employees were listed by HR. Workers' Comp samples were completed. Final budget adjustments had already gone to Council so that was completed. Cost Allocation was not needed and then there was the Fund Balance.

The rest was still pending. The attorneys were working on some of it. Copies of the internal audit were completed.

Ms. Kerr agreed and she sent a copy to Mr. Mathisen yesterday.

Ms. Garcia wasn't sure regarding some of the other audits like grants from federal agencies.

Ms. Kerr said she didn't have the one for St. Elizabeth's yet.

Ms. Garcia asked if the other one was Housing compliance. Ms. Kerr agreed.

Ms. Garcia said that was the end of her report.

- **Status of Audits (Internal Audit)**

Ms. Kerr agreed to send copies of all audits that had been completed but not yet sent in so far.

Mr. Randall asked if there were any problems.

Ms. Garcia said no. The items were identified and someone was working on them.

Chair Lierz said on pre-paid items they had carried the water rights.

Ms. Garcia said she was still waiting for that balance to come from Claudia.

Chair Lierz said this might have been received in the past on special request. He suggested that among Ms. Kerr, Ms. Garcia and Mr. Tapia that he would like to see, as of June 30th the water rights summarized by source, water produced for the last year by source, water in storage and how the auditors relate water in storage to how the City had this prepaid expense covered. He said it was a one-page analysis and he could provide a copy of the one he got before.

Ms. Garcia said they had it in the packets and she would have staff provide it.

Chair Lierz said he had already mentioned the threshold of materiality for the financial statements and that was about a \$12 million item on the balance sheet. So it was material. But it was not noted in this process. Another thing was that it was disclosed in a footnote to the financial statements that the City had about 4,000 of land. He was not arguing with cost accounting but asked if the City had a breakdown of the 4,000 acres.

Ms. Garcia said it should be in material assets.

Chair Lierz explained that under material disclosure, it said the City had 2,600 acres in northwest Santa Fé that was not essential to the City's operation and had that on the books as zero. It was the Dempsey Estate lands and could be valued. He was looking at it for the purposes of bond ratings.

Ms. Garcia said they needed to do valued asset but she couldn't do that by October 13th.

Chair Lierz clarified that he wanted to know the big pieces of the land in the 4,000. He was not asking for an appraisal. She could cut out pieces of 500 or more acres.

Mr. Randall thought that was too high of a threshold. He thought 50 acres or more would be better.

Ms. Garcia said she would see what was available from Property Control.

Mr. Randall thought they might have a full detail list that could be forwarded. He offered to try to a listing for Ms. Garcia and Ms. Kerr could put it in the packet for the next meeting.

Chair Lierz clarified that he would just like a disclosure in the notes to the financial statements supplemental information to use later for bond rating. His knowledge was 40 years of Santa Fé. The 2,600 acres were in northwest Santa Fé and some had been developed for residential lands. It had a value probably between \$50,000 and \$100,000 an acre and translated to between \$130 and \$260 million which was material to the balance sheet. It was not for the average reader but for a later dialogue with the bond raters. That was external to GAP accounting.

Mr. Tupler said it was intended to strengthen the balance sheet.

Chair Lierz agreed. One negative they had that they discussed at the opening conference was in not having the unfunded part of pension liability which bond raters were already putting on their ratings because of the bankruptcy of Detroit. But the only negative that Santa Fé had was the City's proportion and it would not be put on the balance until FY 14 or FY 15.

Mr. Mathisen agreed.

Chair Lierz pointed out that at the same time, the City had these valuable assets that had no value put on them for bond rating purposes. That should be in the notes somewhere so that the finance department

would be able to use it in dialogue with the bond raters in the future.

He explained that the Audit Committee was not here to reconcile what Mr. Mathisen did or what Ms. Garcia was doing. But the Committee expected that they would have it coordinated. The Committee's only question was their coordinating and working and trying to file an audit on time was the bottom line.

Chair Lierz asked if the Committee had anything else for Mr. Mathisen and Sara.

Ms. Kerr wanted to go over the status of audit reports before they left.

Chair Lierz, for Sara, explained what they were doing which was a top level report of all audit activity going on in the city, whether internal or external, standard or limited procedures. It was to see that the facts were stated correctly and the Committee would then advance Ms. Kerr's report on to the Finance Committee. At last month's meeting, Councilor Ives was very impressed to see the number of audits the City had under way. Mr. Tapia had indicated that the Council did not have a good feel for all the audits we have going.

Ms. Kerr went through the report in the packet. The only change in the CAFR was that they now had Atkinson assigned as the auditor. The due date for the audit she updated to 12/01/2013.

The next area was SWMA and Atkinson was appointed the auditor there now, she believed.

Mr. Mathisen agreed. They now had a signed contract.

She asked if the SWMA trail balance was ready. Mr. Mathisen agreed.

Ms. Garcia said they were scheduled to start work on the trial balance in October. She would be sending the trial balance to him on Friday, September 23, 2013. The due date was 12/1/2013.

Ms. Kerr said the construction audits (BDD) for 2010 and 2011 change was pending City approval and she asked what that meant.

Ms. Garcia said she finished and reconciled all the construction, closed it out. She then gave it to Mr. Mathisen and schedule the entrance conference for all three (2010, 2011 and 2012) for the Audit Committee on October first.

Chair Lierz said to avoid confusion with the Buckman Operations audit, those audits should be titled "Capital Projects Fund."

Ms. Garcia agreed to make that request to the BDD Board.

Mr. Mathisen agreed to use the title change as approved.

Ms. Kerr asked for the status of the construction audit.

Ms. Garcia said the trial balance was completed and closed out and submitted to the auditor.

Ms. Kerr understood that the audit was ready to commence. She asked Mr. Mathisen if he had received it yet.

Mr. Mathisen said he should have received it but reminded her that he still didn't have a contract to do the work.

Chair Lierz asked if that was the contract for the operations audit or for the construction audit.

Mr. Mathisen said it was for both.

Ms. Garcia said there was a contract for operations for FY 13.

Ms. Kerr agreed but they didn't have a contract for the construction audit.

Mr. Randall clarified there was no contract for FY 12 operations or construction.

Chair Lierz asked Ms. Garcia to ask the BDD Board for a definition for that audit (construction).

Ms. Garcia said they had a designation of "carve out" from the CIP (construction) project. She would define the audit properly in all of their financials once she got it clarified with the BDD Board.

The Committee discussed further how to make the identification of those audits clear to the readers of the audits.

Chair Lierz thought the contract arrangement was with the City, the County and the BDD Board.

Mr. Randall asked if their Board operated with authority. Mr. Mathisen agreed.

Chair Lierz said those financial statements should disclose all relationships etc.

Ms. Kerr said page 5 of 6 had the Lodgers' Tax Review. They just received the packet of proposals for that review. They would meet on the 18th at 11:00 to go over the review committee's independent evaluations of the proposals and decide who would do that audit. The RFP covered 2011, 2012, and 2013. There were three responses to consider.

Next was the Santa Fé Civic Housing Authority. The auditor was Ritchie and Company and the date was 12/01/13 still.

Chair Lierz noted that the Housing authority was separate and apart but the properties were under lease from the City. He wondered if the city had disclosed the significant tie of the city with the Housing Authority because of the leased land. The Council should know the Audit Committee was continuing to monitor it. He wasn't sure whether they had \$20 million of land under lease but knew the City was leasing it to them for \$1.

Mr. Mathisen said he has suggested making that disclosure.

Chair Lierz said there was substantial economic dependence on those leases with the City and didn't know how to get that done. Perhaps Mr. Tapia could dialogue with them on it.

Chair Lierz asked Ms. Garcia to get a listing of all of their properties on a 1-2 page summary.

Ms. Kerr got permission to present findings to the committee next month.

She said the Area Agency on Aging was complete and she would bring it to the next meeting. Shelter Plus HUD did an audit report that was not issued yet. They did have a material weakness.

Mr. Tupler asked if there was any response from them. They not there to allow files to be looked at.

Ms. Garcia clarified it was a program audit.

Ms. Kerr said when she heard more she would let the Committee know.

Ms. Kerr gave the dates for the Railyard Community Corporation audit. The audit was due 12/31/13.

Ms. Kerr said the Presidio review of ITT report was complete.

Chair Lierz asked for the Committee to get a copy of the contract and asked when they could see a copy of the report.

Ms. Kerr said she had requested one and would work on that.

Chair Lierz would like to see the scope.

Ms. Garcia said Mr. Tapia said he was going to get permission from the City Manager to release it since the contract was a public record.

Mr. Tupler asked if the audit included the engagement letter etc...

Ms. Kerr didn't know but would get the copies.

Chair Lierz understood it was under \$50,000 so the City Manager could do that himself. The significance for the Committee was that the Presidio was building on top of the audit. He thought the scope of the work was the physical IT needs and an in depth management look at the IT program. He asked if they still had the same manager of that department.

Mr. Randall said Mr. Tapia was appointed as interim director.

Chair Lierz said then he appointed to a committee to deal with all ITT systems.

Ms. Kerr said it was a steering committee. They talked about it but have not done anything yet. The new director was to be appointed October 1.

Mr. Randall asked who the IT director reported to.

Ms. Kerr said he reported to the City Manager.

Chair Lierz this was a progression.

Ms. Kerr their scope was different from audit.

Ms. Kerr said the status of the IT report went out to the Governing Body yesterday.

Chair Lierz said the report was well done.

Chair Lierz thanked Mr. Mathisen and Sara for their participation.

Mr. de Schweinitz about the attachment.

Ms. Kerr said that was for the audit plan on the agenda.

- **Gross receipts Tax Report (monthly)**

Ms. Garcia said the report was in the packet and asked for any questions.

Chair Lierz noted it was still moving in a positive trend.

Ms. Garcia agreed and went over packet information. Receipts were up by 1.25 and moving up.

Chair Lierz for the moment it was an interim report. He noted the fire contract indicated a step in grade for fire department staff. That provision in the contract had been "unsuspended."

Mr. Tupler said that was clever negotiating.

Chair Lierz said they were merely adjusting pay rates then.

Ms. Garcia said the increase in budget would be \$64 to \$84,000 to implement for all fire employees.

Chair Lierz said that would have minor effect on financials.

Mr. Randall said the financials should have taken that into consideration. If \$84 million was the level that caused the pay increase to incur, if we budgeted in excess of \$84 million then we should have

budgeted that in.

Ms. Garcia said the difference between the she reported on an accrual basis.

- **Lodger's Tax Report and Quarterly Investment Report (Finance) (Quarterly)**

Chair Lierz said it was in the packet with a grand total of \$219 million. During the previous 4 years this had continued to increase the balance except for 2011. It was just a basis of understanding. They would have to wait for the annual audit report to see the debt. He asked if there were any bonds being contemplated for the future.

Ms. Garcia said there was a refinancing of a bond in May and new debt in July. She couldn't remember the sequence of events. The quarterly gives a picture in time of one day. One thing they decided to do was to separate restricted funds so it would give an idea of what type of investments and how much was restricted and how much available. She was trying to give an understanding of the cash. On the cover letter she put "restricted cash account."

Mr. de Schweinitz what was meant by cash accounts?

Ms. Garcia said it meant it was an overnight available. There was no security or instrument attached to that.

Mr. Tupler reasoned it was a time deposit versus a fully negotiable.

Mr. de Schweinitz was that a pretty high percentage to have in that kind of account.

Ms. Garcia explained that overnight had a higher interest rate.

Mr. Randall asked if there was anywhere that listed the return on investment.

Chair Lierz said it was on the middle of page 1.

Mr. Randall wanted to see what the CD yields were and the cash yield.

Ms. Garcia said that was on page 2.

Mr. de Schweinitz agreed but you have to know a lot to figure out.

Chair Lierz said the bottom line was ½ of 1 percent.

Mr. de Schweinitz asked if this kind of breakout was done per policy.

Ms. Garcia said it was on a daily basis and the investment consultant called her with them.

Mr. de Schweinitz asked if she had authority to make those changes right away.

Chair Lierz said they had an investment policy to follow.

Mr. Tupler this leads to your original intention to allow funds to pay some of our higher debt.

Mr. Randall said they were paying out more than taking in.

Chair Lierz said this involved \$100 million of cash. The City couldn't pay off some of this for 3 or 4 years because it didn't have a "call" provision. Ours was over a 3% negative margin. It was costing the City of Santa Fé up to \$3½ million in excess interest and at some point had to be addressed. What we have from the analysis was that our problem was that we have 600 cash accounts. 10% of them were restricted. About 90% had internal earmarks which could be changed. Now we get into a policy area. The biggest was the Water Department which last year had \$80 million in cash. Those balances fluctuated very little. He had to tell the former City Manager that he was not getting a full analysis. We could wave the flag to take a serious look at some of this but it was not our call. We probably have a certain amount of excess cash. We have become a bank inside the city. Although we can't pay off some of this we could use their money to fund other projects through internal borrowing. That was why he had started asking questions. Like why were you getting any new bonds? The City borrowed but they didn't necessarily do that because of need. Maybe that could be done as a future study not by us but by an outside group. We have been talking around these subjects for 2 years.

Ms. Garcia said the utilities have a 5-year plan. The plan had to be correlated with available cash balances. That was critical to do if we need a new bond. Water was a good example. IT was a balance with available cash and financial plan.

Mr. de Schweinitz asked if any committee dealt with this.

Ms. Garcia said no. The investment advisors looked at bonds and if they saw a way of paying down debt without penalizing the City in their long-term analysis in the market they reported that.

Mr. de Schweinitz asked if there was an ongoing way that the city understood what she was talking about.

Ms. Garcia said it depended on the forum. She gave examples.

Mr. de Schweinitz thought it seemed kind of fragmentary. He wondered if councilors were thinking in terms of overall excess cash in relationship to the utility plan.

Ms. Garcia said their consultants usually did that. The process looked behind the scenes. It went along with how strong the Finance Director and Department staff were.

Ms. Garcia left the meeting.

7. SUB-COMMITTEE REPORTS:

- **Internal Audit and External Audit – Ordinance Revision**
 - **Discussion of the Audit Committee Ordinance (Melissa Byers, Judith Amer)**
 - **Discussion of Internal Audit Ordinance**

Judy Amer presented the ordinance revision to the Committee.

Chair Lierz said from their last meeting they established a subcommittee and they were in the process.

Mr. de Schweinitz said they worked with Ms. Amer and Ms. Kerr and they had several meetings.

Ms. Amer explained there were two ordinances; one sponsored by Councilor Dominguez and one sponsored by Councilor Ives. The councilors wanted these to go together. They were placed on the Finance agenda and the City Manager had questions. There was not enough time to digest so Councilor Dominguez decided to take them off the agenda.

Ms. Amer had working drafts prepared that had no changes but Councilor Dominguez may want to make some changes in response to the City Manager.

Mr. de Schweinitz said his only concern was that in the committee's draft in August they had a phrase concerning the prior comments made to the prior City Manager before he left.

Ms. Amer said that was a big issue. Brian Snyder had communicated his feelings to the councilors.

Mr. Tupler asked what preference Mr. Snyder had.

Ms. Amer there said was an inconsistency between the governing charter and the accounting standards. Unless there was a charter change, there would always be that tension.

Mr. Randall said the Committee was just asking for ability to comment and provide advice. That was not contrary to the charter. It was just different when it comes to ordinance because you were telling the city manager to get advice.

Ms. Amer was waiting to hear. She briefed the issue and they would make the decision as to what they introduced.

Ms. Kerr said they had peer reviews.

Ms. Amer didn't know what the conversation would be but it would be between the Councilors and the City Manager. She had provided Councilor Dominguez with the information from the Dallas city manager. To explain how Dallas did it.

Ms. Kerr thought she was appointed by City Council to keep it independent.

Chair Lierz understood that Albuquerque had an independent inspector general system. There was some discussion at the Charter Commission meetings about whether to make the Mayor full time and have certain people report to the Mayor separate from the City Manager.

Ms. Amer agreed that might be a way to address it - to put it in the charter.

Chair Lierz understood between now and March whatever the charter commission proposed. Whatever was proposed the City Council must review and decide what they were going to present to the voters.

Ms. Amer thought by December they would get it on the ballot.

Mr. de Schweinitz asked if councilors could change the draft that the advisory committee put forth.

Ms. Amer said they could but it seemed they had accepted a lot of what the commission recommended. They were still having public meetings on it. They decided to hold 3 or 4 public meetings to get input.

Chair Lierz said they had a short term and a long term decision period.

Ms. Amer said under the existing charter it did not include the provision that the Audit Committee wanted to provide advice prior to termination of the Finance Director. That was an issue that was being discussed. They were going to keep the ordinances together and on track.

Mr. de Schweinitz noticed that the reference to the issue was deleted because of conflicts with the internal auditor ordinance.

Ms. Kerr clarified that was just her comment.

Ms. Amer said in looking at the working draft. Ms. Byers decided they needed to repeal the original. She showed with the internal audit department there were line outs and underlines to show changes. It was not as easy to see changes in the audit committee portion.

Mr. de Schweinitz said the Audit committee recommendation was much broader in the resolution to repeal. The draft gets a little convoluted when you get into the types or forms of audit. On page 4 for example number 1 launches into a discussion of investigations. It should be the general types of audits and it seems to leave out the audit committee in investigations.

Ms. Amer said she drafted that part and was trying to make it a generic section. Relevant city committee includes the audit committee. She did not mean to exclude them.

Ms. Kerr said the purpose of this section was that there was another resolution that stated we cannot have a report exist in draft format for more than two weeks.

Ms. Amer said it was draft until we say it was final.

Ms. Romero thought calling it an investigation was a problem.

Ms. Kerr liked audits or investigations but Ms. Romero makes a good point.

Mr. Randall said if this was the audit department why didn't it just say Audit Committee?

Ms. Amer said it could also be Finance Committee. She was looking for flexibility.

Mr. Randall asked if it would allow using the subcommittees.

Ms. Romero asked if they anticipated this going forward.

Ms. Amer said they had to have 10 days in advance for the packet. So this Friday or Monday at latest they would finalize it.

Ms. Amer said she was waiting on Council so she would just say a relevant city committee.

Mr. de Schweinitz said it mentioned budget on page 5 and that should be broken out.

Ms. Amer said that a mistake.

Mr. de Schweinitz said they had an audit plan and that would be guiding document for which audits would be done. He asked if it was strong enough. He asked if it should be funneled through the city manager if there was a demand for a special audit or something. How were special audits or investigations going to happen? Who initiates that?

Ms. Amer added "at the request of the city manager."

Ms. Kerr objected. It needed to come through the audit committee to prevent the city manager or anyone else to say you have to do the audit.

Ms. Amer said the City Manager did not want that. That was another issue up in the air. He would like to be able to say to the Internal Auditor, "I need you to look into this."

Mr. Randall said that as an audit committee we find that our auditor was being diverted so much that our plan was not touched then we need to report this to the council or city manager.

Ms. Amer said there were these day to day things that do arise.

Mr. Randall said they needed to report this to the Finance Committee and the City Manager that our audit plan was not getting done. They needed to stop giving her special things or hire more people.

Ms. Kerr said one of the things was that the internal auditor had the final say. If all of a sudden it was the City Manager then the city was reactionary and not part of a plan.

Mr. Randall said that was where we would report that. That was the Audit Committee's responsibility to report the audit program was not working.

Ms. Amer saw it only working if you have both. The audit plan and every once and a while a special thing. If 80% was reactionary she agreed it was not working.

Mr. de Schweinitz said that was what they found when they came into this job.

Ms. Amer said if there was an irregularity that would warrant a special investigation. Maybe we could say the City Manager and Internal Auditor decide jointly.

Ms. Kerr wasn't sure.

Mr. Tupler asked if the audit plan included time for specials.

Ms. Kerr thought that was a good idea.

Mr. Randall pointed out this was talking about if the auditor finds an irregularity

Chair Lierz said if the irregularity was significant. Irregularities depend on the eye of the beholder for what was significant. He didn't know how that comes in.

Mr. Randall said it was defined on page 5.

Mr. de Schweinitz said it should make gender neutral.

Ms. Amer said she used "the internal auditor" instead of he or she.

Ms. Romero said where we were talking about audit plan we need to add a sentence that if the city manager determines a special audit needs to be done we jointly approve it.

Ms. Amer said on page 3, it would say, "as decided jointly by the internal auditor and city manager."

Mr. Tupler asked what if one agrees and the other did not. The tie could be broken by the audit committee.

Mr. Randall said they were advisory and the City Manager would not go for that.

Ms. Amer said if Internal Auditor and City Manager could not agree on a special auditor that was a problem. They should have mutual interests.

Ms. Kerr said the City Manager needs to be able to come in and say this was important and here was why.

Ms. Amer agreed if it was urgent and immediate. Now there was a structure in-place.

Mr. de Schweinitz suggested they experiment with this for a couple of years.

Ms. Amer said she would recommend these few things to Councilor Ives and Councilor Dominguez.

Mr. Tupler asked Mr. de Schweinitz to call Councilor Ives and then he would meet with them.

- **Discussion of Draft Audit Plan**

Mr. Randall said this was not an audit plan but the result of the self-ranking.

Ms. Kerr said the first part was risk assessment. She would say that she was still gathering information on the ones that were left blank. She would like to sit down with the City Manager and say this was where we may have issues. The next part was available audit hours. (In the packet) That was part of the plan. The next page was a draft of how hours would be used. That was the plan.

Mr. Randall said he didn't see much there.

Ms. Kerr pointed out that she did a lot of administrative work in the first quarter and was now focused on audits.

Mr. Randall noted there were question marks there and there was nothing for the 3rd quarter.

Ms. Kerr said she still needed to sit down with the City Manager and go over the risk assessments and see where he wanted her to focus. Then she would get the Committee's feedback to develop the audit plan.

Mr. Randall suggested that in October she would have had a chance to meet with him and if not make a recommendation that he could react to with something in all quarters. He was interested in the future.

Ms. Kerr said she was still working on risk assessment. She only got to meet with him ½ hour every 2 weeks.

Mr. Randall urged her to make a proposal with all of it filled in for him to react to.

Chair Lierz suggested when she went to the city manager to not give him more than 3 items and prioritize the 3. She was getting consumed with administrative tasks. It was important that she complete her first audit. Now we need to be on to the second and third audits and pick the topmost.

Mr. Tupler thought it should be on a rolling basis.

Ms. Kerr noted that she had the risk assessment almost completed and had a basis for doing the higher items. And she could ask if he agreed. She would take samples of audits that she could do specifically that other cities were doing. Then she would populate the chart and plan.

Mr. Randall said they needed a plan that would get them through this fiscal year.

Chair Lierz thought if she tried to take on more than 2 or 3 projects that would be too much.

Mr. Randall said the thing needs to be filled out. He was worried about how they were going to spend the time they had and get it filled out.

The Committee decided to keep #8 on the agenda.

Ms. Kerr said she got City Manager approval to make this report to the committee.

Chair Lierz picked up on Councilor Ives' comment and would like to go with Ms. Kerr to explain to him how the Committee evolved this document then let her give an overview.

Ms. Kerr said she would take it first to the Finance Committee meeting after the Audit Committee meeting.

Mr. Randall recommended that in her comments she delete some of the old comments and just put current comments on the report of audit status. It made it more difficult to understand where we really are. And at the Finance Committee it needed to be more to the point.

Chair Lierz asked who would review the cleaned up document.

Mr. Randall asked that he and Ms. Romero read it.

Ms. Kerr said she was having a struggle getting all the items to the City Clerk on time for the packet.

Chair Lierz said he was going to the meeting on 16th assuming the ordinances would get there.

Ms. Kerr asked who they wanted there. Mr. Randall

Ms. Kerr said the City wished that the Audit Committee not have a quorum there.

The Committee briefly discussed the Open Meetings Act.

8. OLD BUSINESS

- **Discussion of findings and remediation plan regarding parking audit FMO FTA, and Financial audit – Defer to October Meeting.**

This matter was deferred to the next meeting

9. NEW BUSINESS

There was no new business.

10. OTHER MATTERS FROM THE COMMITTEE

- **Invite Mackie Romero, Finance Manager, from BDD to November Meeting.**

This item was stated and there were no comments.

11. ITEMS TO REPORT TO THE CITY MANAGER

- **Inclusion of Status of Audits Report in Finance Committee Packet – once a month following the Audit Committee meeting, September 16, 2013, and once a month thereafter.**

Chair Lierz stated that Ms. Kerr should just let him know the status of audits as stated in a report in the packet with updates.


12. NEXT MEETING DATE:

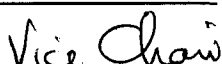
- **Next meeting scheduled on October 2, 2013**

13. ADJOURNMENT


The meeting was adjourned at 4:35p.m.

Approved by:


Maurice Lierz, Chair


Vice Chair

Submitted by:


Carl Boaz, Stenographer