



Agenda

DATE 11/11/13

TIME

11:40a

BY

Yolanda Green
[Signature]

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

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF MINUTES:
 - October 2, 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 progress of the Audit Committee and Internal Audit Ordinances;
 - Discussion of Fraud Waste and Abuse Hotline Bill;
 - Discussion of current audit projects;
 - Discussion of Final Audit Plan.
8. OLD BUSINESS
 - Status report on where we are at with the findings from the Parking Forensic Audit
9. NEW BUSINESS
 - Fitch AAA Report
10. OTHER MATTERS FROM THE COMMITTEE
 - Invite Matthew O'Reilly from the Land Use Department to the December meeting, and include in packet the 50 plus acres report – also include 50 plus acres report in the November packet.
11. ITEMS TO REPORT TO THE CITY MANAGER
12. NEXT MEETING DATE:
 - Next meeting scheduled on December 4, 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.

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

ITEM	ACTION TAKEN	PAGE(S)
1. CALL TO ORDER		
2. ROLL CALL	Quorum Present	1
3. APPROVAL OF AGENDA	Approved as modified	1-2
4. APPROVAL OF MINUTES		
a. October 2, 2013	Approved as amended	2
5. EXTERNAL AUDITORS REPORT	Reported & Action taken	10-13
6. STATUS REPORTS		
a. Timeline & Benchmarking for Financial Audit	Discussion	2-4
b. Status of Audits	Not considered	4
c. Gross Receipts Tax Report	Discussion	4-5
d. Lodgers & Quarterly Investment Reports	Discussion	5-6
7. SUB-COMMITTEE REPORTS		
a. Internal & External Audit/Ordinance Revision		
• Audit Committee/Internal Audit Ordinances	Discussion	7-8
• Fraud Waste and Abuse Hotline Bill	Discussion	8-9
• Current Audit Projects	Discussion	9-10
• Final Audit Plan	Discussion	10
8. OLD BUSINESS		
a. Parking Forensic Audit Status	Reported	13-16
9. NEW BUSINESS		
a. Fitch AAA Report	Discussion	6-7
10. OTHER MATTERS FROM THE COMMITTEE		
a. Invite Matthew O'Reilly to Dec. Meeting.	Not considered	17
11. ITEMS TO REPORT TO THE CITY MANAGER	None	17
12. NEXT MEETING DATE: December 4, 2013	Announced	17
13. ADJOURNMENT	Adjourned at 4:15 p.m.	17

MINUTES OF THE
CITY OF SANTA FÉ
AUDIT COMMITTEE

November 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 Chair Maurice 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, Vice Chair
Hazeldine Romero
Clark de Schweinitz, J.D.
Marc A. Tupler

Members Absent:

Others Attending:

Marcos Tapia, Finance Director
Liza Kerr, Internal Auditor
Marty Mathisen, Atkinson Accountants
Sevastian Gurulé, Parking Director
Jon Bulthuis, Transportation Director
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. Kerr said Mr. Mathisen would be here at 3:00; Mr. Tapia would be leaving at 3:20. Mr. Sevastian Gurulé would arrive at 3:30.

Mr. Randall moved to approve the agenda as presented with deviations as needed. Mr. Tupler

seconded the motion and it passed by unanimous voice vote.

4. APPROVAL OF MINUTES

a. October 2, 2013

Ms. Romero requested a change to the minutes on page 6 two paragraphs down, at the end of the line to add "from the Audit Committee."

There were no other changes to the minutes.

Ms. Romero moved to approve the minutes of October 2, 2013 as amended. Mr. Randall seconded the motion and it passed by unanimous voice vote.

5. REPORT FROM EXTERNAL AUDITORS: Update Timeline and Benchmarks

This item was considered later in the meeting.

6. STATUS REPORTS FROM CITY OF SANTA FÉ AUDIT & FINANCE DEPARTMENTS

a. Timeline and Benchmarking for Financial Audit

Mr. Tapia reported that staff members were pushing hard and even coming in on weekends. The biggest thing was that they inundated the auditors with information. Their MD&A (Management Discussion and Analysis) noted that they discussed what was going on with finance, budgets and economy. And they tied in the numbers and notes that had to be tied in and that would be turned in either tomorrow or Friday which would make it five days late. Staff had been giving them so much that they were not ready for it. He didn't think the City was holding them up and had given them plenty to work on.

The external auditors were to have their staff here but they had been finishing up SWMA and now they had six external auditors working and he asked them to share findings immediately so City staff could work on them. He would ask Ms. Kerr to review his responses.

Mr. Randall said it was really a preliminary finding and that would give Mr. Tapia a chance to make sure it was more than a communication error.

Mr. Tapia explained that by the time it reached him it was a finding and already had the due diligence review.

Ms. Kerr summarized that they were three weeks from their deadline to submit. She asked if there were any roadblocks.

Mr. Tapia said he needed Mr. Mathisen to put his full team on it and get it done. The City is months ahead of last year and he didn't see how they could not get it done.

Mr. Randall asked if Mr. Tapia felt the City had lived up to its side of the audit process.

Mr. Tapia agreed. He was confident that they could get all of it out to them and get it published in a bound document. The financials were all done but the notes to the MD&A were yet to be done. They just need to complete the audit now.

Ms. Kerr asked if the auditor had enough staff.

Mr. Tapia thought so but they had responsibility for SWMA and BDD and other parts. It was up to the Audit Committee to ask Mr. Mathisen about that. He had to get special permission for them to carry over leave for that. Their lead, Sarah, was meeting with Ms. Garcia, the City Manager and himself on a weekly basis.

Chair Lierz considered that significant. By having those meetings, the City Manager could weigh in if there were any problems.

Mr. Tupler asked if the portal had been helpful.

Mr. Tapia agreed. They had a ton of data to go although sometimes it took more than one effort. Sometimes it worked and sometimes not.

Ms. Kerr asked if they were using FTP.

Mr. Tapia agreed since 90% of it was data. Every software system had its quirks but Erica and Teresita said it was working. He got copied on those uploads.

Mr. Randall thought for the sake of the Committee he sensed a real urgency for this to be done on time and it was the first time he had felt that way. In the past it was considered acceptable to be late. Mr. Tapia was raising the sense of concern.

Mr. de Schweinitz said early on he got emails. He asked if those had stopped because all the information had been sent to the auditors.

Mr. Tapia said it was more because their staff were here. They were no longer worried about getting the notes to them.

Mr. de Schweinitz asked if the notes were things to explain the report.

Mr. Tapia agreed. The M, D & A had to match the financial statements. If they had trouble making sense out of the audit details, they could read the notes in the audit.

Mr. Tupler asked him to explain the MD&A a little more.

Mr. Tapia and Ms. Kerr explained it more and Mr. Tupler said he understood it.

Mr. Kerr said it was not a new requirement and had been around for 10-15 years.

Chair Lierz said it was a national standard for municipalities. The City got a certificate in the past when from some association they had met those requirements.

Mr. Tapia commented that the certificate was from an organization that charged \$250. Katherine Raveling got them years ago. He thought they would comply but it was Ms. Raveling's thing. The findings were at the end of the book and management's response was included. But looking at the MD&A would help understand a lot of it.

b. Status of Audits (Internal Audit)

This matter was deferred for Mr. Mathisen's arrival. [Subsequently, it was not considered.]

c. Gross Receipts Report (monthly)

Mr. Tapia reported that at this time compared with last year the City was up \$2 million. But he cautioned that because of the federal shutdown and potential for a repeat of it, the City lost a lot of federal travel money. Also the per diem allowed for Santa Fé was lowered. They were to have a big contingency of federal judges here and they checked they were told they had to go right back home or be considered on furlough.

He hoped the GRT would carry the City over that hump. We were still \$4 million short from where we used to be. GRT goes up and down and he had to estimate on the average. It was good news that came in on the retail side. He thought lodger's tax would mimic the GRT but it hasn't. It was down at this time.

Ms. Kerr asked if the GRT reduction was a trend nationwide.

Mr. Tapia couldn't say. Bonds that should have been called were not called. Santa Fé was unique. They were about 8 months behind the national trend. But Santa Fé had huge markets and fiesta here.

Mr. Tapia said there were about 20 different categories the state used for sources of that income and he needed to get a better handle on that. Retail was the biggest.

Chair Lierz said auto sales went up 15% during that time. The increase was for people upgrading to SUVs and trucks and not downscaling. State budgets had to be balanced. We were getting preached at that the feds were running this country but they weren't because the auto increase went on during the federal shutdown. He was not convinced the federal part was that much of our total economy.

Mr. Tapia said at the labs there were contractors laid off. So it wasn't as big as the local economy so he

didn't think Santa Fé would be hit as hard. He was really excited about the annexation. But costs would be high at first with equipment, etc. He estimated about \$1.7 million to \$2.4 million in GRT coming in from that area and it might be higher. About \$1.5 million would be needed for increases in staffing for public safety. That would be interesting to see.

d. Lodger's Tax and Quarterly Investment Report (Finance)

Chair Lierz wondered if the shortfall was because the City was lagging on collections.

Mr. Tapia said they got Barraclough and Associates and Ms. Kerr doing an amazing job getting that through. The hotels were getting letters from him and from the auditor. So they were getting it back to where it should be.

Ms. Kerr thought the ordinance should be amended to have a due date for the lodgers' tax audit. It just says "periodically."

Mr. Tapia thought it was annually. We know it has to be done.

Ms. Kerr pointed out that it said, "It may be conducted as necessary."

Mr. Tapia said they were using about \$12,000 per year and that was nothing to keep these guys in line. The auditors being independent would do a better job than staff could. Mr. Randall agreed.

Chair Lierz asked about franchise fees. Nobody was touching that. He didn't want to handcuff them to a rigid schedule on lodgers' tax and the Audit Committee would be bird-dogging this anyway.

Mr. Tapia said they put out an RFP for help on collections especially for those that were nearing the statute of limitations because the City had no luck in going after them. This Committee could ask the City Council for a resolution.

Ms. Kerr noted that Councilor Dominguez questioned her why they didn't have a due date for Lodgers' Tax in there.

Mr. Randall suggested the Committee could establish its own due dates even though the ordinance didn't have one.

Ms. Kerr said management could do that.

Mr. Tapia thought that was a great idea but it needed it to be a date away from audit deadlines.

Chair Lierz requested when Ms. Kerr gave her next report at Finance to come up with a management time table for them in lieu of doing it by legislation.

Mr. Randall didn't think a resolution was needed. It could be done internally.

Mr. Tapia said the City Manager would be grateful that the Committee was helping to guide him.

Mr. Randall said the Barraclough contract had a completion date identified in his proposal.

Ms. Romero said it was in June.

Mr. Tapia agreed but they could change it to any date for the future now.

Ms. Kerr said she would put it in as a recommendation to the City Manager and work with Mr. Tapia and the Audit Committee to establish the appropriate due dates.

Chair Lierz asked about the Quarterly Investment Report and Cash Report

Ms. Kerr said she had them for August and September.

Mr. Tapia asked if the Committee wanted them monthly.

Chair Lierz said no - quarterly. He noted on page 2 of the quarterly report that the City continued to increase the cash balance from year to year.

Ms. Kerr noted that Mr. Mathisen was not yet present.

Chair Lierz decided to go next to Item 9.

9. NEW BUSINESS

A. Fitch AAA

Chair Lierz noticed Fitch focused its attention on the one bond issue. for which the City had a AAA rating already.

Mr. Tapia agreed and they confirmed it. He said the City met all the debt requirements in addition to having a dedicated source of revenue to cover debt service, maintaining some cash balance they requested and that really helps us. They talked about cash balances would be going down as construction was completed. We were looking at that again to make sure it was feasible. The cash balances were to take care of major issues like a sewer line going down.

He added that Bernalillo and others who had gone after long term bonds were being called and they were not being picked up. Santa Fé didn't have that problem. That's more than likely why Fitch gave the AAA rating.

Mr. Randall asked if it was just for the water utility.

Mr. Tapia agreed but it was based on the City's ability and management. They did look at the City for

bonds back in July and it was like what they saw in Moody's. It didn't go much of anywhere.

Mr. Tupler noted there was \$96 million of GRT for the water utility.

Mr. Tapia agreed.

The Committee went back to item 7.

7. SUB-COMMITTEE REPORTS

a. Internal & External Audit/Ordinance Revision

- **Audit Committee/Internal Audit Ordinances**

Chair Lierz noted Ms. Kerr had been driving this with the City Attorney's office. He said he and Mr. de Schweinitz did attend the last Council meeting where she went through this and they were only in the audience. The Mayor picked up that we were there but this was all done at the staff level. So he asked Ms. Kerr to report what had been done.

Ms. Kerr said the last Council meeting was the last step in the process. So it was the actual public hearing for both the Internal Audit Ordinance and the Audit Committee Ordinance. She recounted that at the public hearing she got up but didn't have much to say because she had already talked with each of the Councilors beforehand. She felt like it was already covered by that time. Commissioner Ives was the only one who had any questions and he questioned how the city manager was to inform the Audit Committee regarding personnel issues before actions were taken. The rest of the Council felt that was the proper approach, given Mr. Zamora's characterization as a pressure relief valve. The City Manager always has the final decision but this was to be done to make sure it was not done for trivial reasons - not done for personal reasons but for performance reasons.

Council really got into that meaning and understood it. They did ask for an amendment to that section that added a statement that the City Manager had the authority at any time to put the internal auditor on administrative leave but had 7 days to meet with the Audit Committee in executive session. It really seemed to her that it was reasonable.

Mr. de Schweinitz said it was a close call. They almost pulled out the vote.

Ms. Kerr agreed and then Councilor Dominguez clarified it was for maintaining independent status. She clarified that the City Manager had only seven days to notify the Audit Committee and give them the reasons for the proposed personnel action. The decision was not finalized at that point.

Chair Lierz felt the Council was between rock and hard place since the City Manager had ultimate authority under the City Charter. This created a safety valve and dialogue between the Audit Committee and the City Manager in executive session. That was all it was doing.

Mr. Tupler asked if the Committee had power in it.

Mr. Randall said no - just advisory power to discuss it with the City Manager so the Committee could only recommend.

Ms. Kerr said other issue was on the duty of the Internal Auditor to review efficiency of procedures. Councilor Ives thought that meant the auditor would review every ordinance. Councilor Wurzbarger jumped in and was able to speak in a language Councilor Ives could understand. Ms. Kerr added that she wasn't even able to understand what he was saying. She said it wasn't her place to determine management roles so she audited to the policies. Setting policy was the Council's decision.

Chair Lierz said they finalized it by doing some wordsmithing. What the Audit Committee would ask for next time was to give the Committee the final language for those two ordinances when it gets codified.

Mr. Randall asked also for any public input.

Ms. Kerr agreed. She was told six months. She said there were no other comments from the public. She agreed to bring it to the Committee once it had the final wording.

- **Fraud Waste and Abuse Hotline Bill**

Ms. Kerr said they were going through the process. It was an actual ordinance and would be up for a public hearing on December 11. Basically, all the ordinance said was that the City could go out for an RFP. There was some discussion about pulling out the internal audit and putting it into a resolution instead.

Mr. Tapia explained they were talking about a concern of getting into forcing management to have a position and they didn't want that through an ordinance. The true purpose was for a hot line.

Mr. Tapia said this wouldn't keep them busy if it was for city employees.

Mr. Randall said they were to man the phones only and provide referrals to staff members to follow up.

Ms. Kerr agreed - whether by the Internal Auditor, HR or City Police, depending on the report.

Mr. Randall suggested housing it in HR. He agreed it wouldn't be full-time.

Mr. Tapia said the AG and the State Police had a hot line and the City got things from both of them.

Ms. Kerr said the actual cost to the company was about \$3,000.

Mr. Randall said this was strictly to establish a hotline so internally handling made more sense. The ordinance was dictating actions and that wasn't broad enough. It was much easier to modify if it was a broad resolution.

Chair Lierz said at the meeting, the Council asked for an estimate to get it started and then how they

would fund it so the Council could understand the cost/benefit.

Mr. Tapia thought the set up could be done quickly.

Chair Lierz said they just wanted management to come up with a cost estimate.

Ms. Kerr envisioned doing the RFP. She didn't think it should be an ordinance. It awaits the public hearing in December.

Mr. Tapia asked Ms. Kerr to ask Councilor Rivera to change it back to a resolution.

Mr. Randall thought it wouldn't have a big impact on the Audit Committee and they shouldn't spend much more time on it.

Ms. Kerr said it was all up to her now to do the RFP. They don't want an FTE but if she came back and said it would take a lot of time, they would look at it again.

Mr. Randall didn't care if it was a resolution or an ordinance but did care about the content.

Mr. Tapia suggested she could ask for postponement if there wasn't enough time.

Ms. Kerr agreed to send out the final language to the Committee.

Chair Lierz said they could ask Councilor Rivera to come to the December 4 meeting and discuss it on that agenda.

- **Final Audit Plan**

Ms. Kerr reported the final audit plan would be presented to Council on November 13. They moved it from discussion to consent which was better for her and it made sense. She had no problem with it.

Mr. Randall was happy with it but wanted a statement on the purpose of each audit.

Ms. Kerr said that was added in already. It was a good plan.

Mr. Tapia added that it went through Finance as was and on consent at Council.

Ms. Kerr said they were turning it around quickly and it would be done by April.

Mr. Randall pointed out that it was important because it was the first internal audit plan Santa Fé had ever had and that was outstanding.

Chair Lierz added that the substantive part was the communication.

Mr. Tapia agreed and the attitude of leadership was changing.

- **Current Audit Projects**

Ms. Kerr said she was working on a couple of vendor audit projects now. One was the alarm on the software system for public works. The audit plan called for her to set up a sample of 25 for the Accounts Receivable listing which seemed reasonable. But the first one she selected with the account history was 513 pages long. The way they did their billing was so different from anything she had ever seen before. It could issue a new invoice every day after it was late and would have a new invoice number so there was no way to track it through the system. It could have a new invoice every day for three years for the same transaction.

Mr. Tapia clarified that this went along with collections. They get a percentage if they go after it.

Ms. Kerr said the audit itself would address those issues. She didn't have to agree with the ordinance but just follow it. She would be commenting about the efficiency of the company complying with the ordinance. It was up to Council to decide.

She said she was also auditing Elevate Media, the vendor for media placements at the Marty Sanchez Golf Course. The last one was Redflex.

Mr. Mathisen arrived at this time and the Committee went back to item # 5.

5. REPORT FROM EXTERNAL AUDITORS: Update Timeline & Benchmarks

Mr. Mathisen said he filled out the update last Friday and had changed lots of no's to yeses. There was only a handful of items left. He didn't have the PERA healthcare data yet.

Mr. Tapia noted that some of those left had been done since then.

Mr. Mathisen agreed it looked good on Friday. They got the CAFR data yesterday afternoon but not the footnotes.

Mr. Tapia said the footnotes would be there either tomorrow or first thing Friday.

Mr. Mathisen said he had 4-5 staff people here trying to get it done. SWMA was out and BDD was out. The BDD was submitted to the BDD Committee yesterday. The reports were renamed so you could tell at a glance what they were for. They were on new ground now because the City was so much earlier. Not much was left as of Friday. "So we were rocking and rolling."

Mr. Randall asked if they were going to be on time.

Mr. Mathisen thought so. It was not even a concern but there was a lot to do in a month. They finished the single audit, planning, investments and they were well into payables at the end of October. Sarah was

here most of the time. They were not waiting until after Thanksgiving. They were making a maximum push to get it done.

Mr. Randall asked if nothing was holding him up at this point.

Mr. Mathisen agreed. There was nothing outstanding but a few were just a little bit late.

Mr. Tapia asked Mr. Mathisen, if he had a finding, to please let him know so he could work on it right away.

Ms. Kerr offered to help with that too.

Mr. Mathisen advised that for next year, the City could develop its own timeline but should use one. The dates seemed to be very reasonable. The City had worked hard and that's where they were.

Chair Lierz said as of today they had roughly 3.5 weeks to go so the auditors were in the heat of battle right now and without any roadblocks, it was just execution.

Mr. Tapia remarked that the staff Mr. Mathisen had here had been very helpful and worked extremely well. They even brought doughnuts and they reported to the City Manager that there were no report blocks.

Mr. Mathisen added that meeting with the City Manager added push to both sides.

Mr. Tapia excused himself from the meeting.

Mr. Mathisen said Buckman wouldn't be done by December 1 because they were giving priority to the City. The person who was on Buckman was also here at City Hall. Their contract with the City ends on January 1, 2014 and there were four deliverables there.

Chair Lierz asked if they would have audited enough on materiality that they could do the CAFR on it.

Mr. Mathisen agreed. The completed BDD project would be \$325 million and that would be on Buckman's financials. And then the city and county have to deal with interest in it. That's the right way to do it. Right now we just have fixed asset costs but it really was a joint venture.

Mr. Gurulé joined the meeting at this time.

Mr. de Schweinitz asked if he had any comment on the findings he was coming up with.

Mr. Mathisen said it was too early yet and they gave attention to all of those. He thought it was going okay. He knew that was not a satisfying answer but it was too early.

Chair Lierz suggested putting January 31, 2014 for completion of the four deliverables (audits).

Mr. Mathisen agreed and listed them. The fourth was a very small one on procedures for final

construction cost. They were doing what the City wanted although it was not an audit. It was on the agreed upon procedures for verification of cost. BDD 2012 operations and 2013 operations were also deliverables.

Ms. Kerr asked if SWMA was on schedule.

Mr. Mathisen agreed. It was out of the field and on his desk for review and was due December 2, 2013.

Mr. Randall complimented him on a nice job.

Ms. Kerr agreed it was a really good job and she appreciated how responsive Mr. Mathisen and his staff had been. They were easy to work with.

Mr. Randall said the City needed to be sure the audit schedule was written into the RFP next time to maintain a monthly schedule of audit work. Mr. Mathisen said it was beneficial and so did Mr. Tapia -

Mr. Randall made that motion as a recommendation to the City Manager that the RFP include monthly charter for the CAFR audit. Mr. de Schweinitz seconded the motion and it passed by unanimous voice vote.

Ms. Kerr said she took out the old ones that were done and would take each one of when it was completed.

Mr. de Schweinitz thought she was going to keep them on the list but identify those that were closed out.

Chair Lierz explained there was a separate section for completed ones. This was a brand new process for reporting so Council and Finance would get a better picture.

Mr. Randall said it should keep those from the prior FY and then at year end drop off the old year's audits.

Chair Lierz understood that one full year was in front of the group. That's the message for the Council.

Ms. Kerr agreed.

8. OLD BUSINESS

a. Parking Forensic Audit Status

Mr. Gurulé was present to report on the results of the Parking Forensic Audit.

Chair Lierz said the Committee was aware of what was done for activities in the forensic audit. The Committee was interested in when it was completed and in hearing about any residual problems.

Mr. Gurulé said he had been employed by the City for the past 23 years and had been overseeing

Parking for the last 3 years. People sometimes only thought of audits as negative but it helped him identify internal controls and find efficiencies. In the page 34 of Council minutes, Nancy Young stated to Council that staff knocked themselves out by going through every single document for him. It showed the dedication they had in this forensic audit. Moss-Adams was very professional on it.

The forensic audit focused on parking citations that were issued between January 2005 and December 2012. The objective was to determine if the Parking Division was following all policies and procedures of code, had policies and procedure controls in place and were following them in collections and had documentation on file regarding parking tickets issued to support disposition of tickets and approval and to determine if any irregular transactions had occurred during that time and amounts associated with them.

Moss -Adams reviewed 278,000 tickets that were issued. They looked for those that were adjusted or waived, zeroed out or were issued to City employees.

Out of the 278,000, 249 were the focus of their scope of service. Of those, only 25 did not have proper back up. That was over the past seven years. That resulted in total shortfall of \$2,888 and that has been addressed and the details were confidential. In that seven years, Moss -Adams included all parking revenue. The City collects more than \$4 million per year in real income. So out of \$28 million, only \$2,888 was in question.

In the audit itself, nine issues were identified related to record keeping. He listed them.

As a result, Councilor Ives introduced Resolution 2013-64 which took all the recommendations of the audit as marching orders for the Parking Division. In the directives of the resolution it addressed how parking tickets issued to city employees would be handled.

Mr. Jon Bulthuis, Transportation Department Director, joined the meeting and took the resolution to make copies for the Committee.

Mr. Gurulé said no staff member would change a ticket issued to any employee. The staff member submits a request for dismissal with supporting documentation. The Division doesn't have authority to dismiss tickets. That was done by Judge Yalman who reviews the citations and decides to approve or deny. That information was then recorded in our system.

Mr. Randall asked if that was the same as the general public. Mr. Gurulé agreed.

Mr. Gurulé said all documents including what the judge signs was scanned right away.

Ms. Kerr asked if he had implemented all of it.

Mr. Gurulé agreed. He met with the judge to make all of it clear. The whole paper trail was scanned and attached to the individual's license plate in their system.

Internally, the enterprise accountant shows when a person had appeared in court and was cross referenced by a citation number with the court documents. They would go a step further and utilize the sign

in sheet as well. A new software system was in place so they were checking on electronic transfers between court system and the parking division.

Ms. Kerr recalled that was a major weakness before. So she wanted to make sure those vulnerabilities were addressed. It was clear that the audit did a lot of good.

Chair Lierz agreed. He asked if the City provided operational manuals on the procedures and those were documented.

Mr. Gurulé said the manual was now in process for all employees both existing and new. They were collecting all the information and once it was comprehensive, they would have the Finance Department review them. Then HR, Legal and a third party would review all documents to make sure they met auditing standards. Ms. Kerr had offered to help with that. We would have all of them in the manual.

Ms. Kerr said this would help the City address the issues from years back. There was no sense in doing a follow up review until he had that all in place.

Mr. Gurulé added that they were exploring interfaces to automate all police issued citations for parking and every citation in their system. The interface would bring them into our system every night. The system was T-2 and the Police system was Sun Dart and the software would interface both of them. More new software would automate data with MVD (TRD) to have an interface with them. The City's information would be sent to MVD each night and MVD would send back the results of the queries. The City system would track every user change also.

So the forensic audit had been extremely helpful to him and addressed things that were missing in controls before. They also needed to have detecting controls to spot what wasn't working. They would develop a training schedule and the department trainer would implement that. Parking had taken this extremely seriously and with this the result would mean they would be in good standing eventually.

Ms. Kerr excused herself from the meeting at this time.

Mr. Gurulé closed by saying they had a great opportunity with the help of Ms. Kerr and Mr. Bulthuis to make the needed changes. For several years the Parking Division had operated in the red and this year had a profit of \$162,000.

Mr. Randall asked if that was the result of better procedures and monitoring.

Mr. Gurulé agreed. It was a result of the changes they put in place.

Mr. Bulthuis add that the steps he had taken have made it easier for people to pay their citations.

Ms. Romero asked what staff reactions were with these changes being made.

Mr. Gurulé said their reactions were mixed. Some were a little stressed with the change and that required them to rethink their performance. Many of them participated in the forensic audit and felt the changes needed to happen. With change usually come some difficulties but it helped them to do their job

better.

Mr. Randall said this was exciting to hear because it was what the audit function was supposed to be.

Mr. Tupler asked if Parking was an enterprise center. Mr. Gurulé agreed and they were now completely self-sufficient.

Chair Lierz asked about the scope of the Parking Division whether that included on-street and all city garages.

Mr. Gurulé agreed. There were 7 facilities and almost 3000 spaces.

Chair Lierz had heard for monthly people in garages that renewals on the contracts had a problem. The collection system had \$2,300 claimed as embezzled through cash handling and he presumed Mr. Gurulé had addressed those. The other thing he heard was that the City had a low rate of collection on citations.

Mr. Gurulé replied that three years ago the collection rate was about 20% and now was up to 40%.

Chair Lierz asked if 50% was the national average.

Mr. Gurulé said the average was 40%.

Mr. Bulthuis said the relationship with the court had been essential. A value coming out of the audit was when he makes proposals for technology to help manage properly the audit had been very useful. Now when Mr. Gurulé makes those requests for the modules needed to run efficiently, the City agrees.

Mr. Randall said they was because they were investments rather than costs.

Chair Lierz said he noticed they were moving toward credit card use at parking meters which should help with controls.

Mr. Gurulé said it was fabulous. When they got complaints, the meter would provide data on what was deposited and the meters could also send malfunction messages.

Mr. Bulthuis said it made it easier to comply and to do business with the Parking Division. The electronic deposit was part of the success story.

Mr. de Schweinitz said the Committee had a big report for FTA and asked if they were supposed to discuss that.

Mr. Bulthuis said that was under his umbrella and slated for next time.

Mr. Randall left the meeting at 4:05 p.m.

Chair Lierz asked if the monthly garage renewals were built into the system.

Mr. Gurulé said right now those permits were run through the City but they were getting new software to handle renewals and decided to go for a three-year process. They were not prorated/ they were January through December. He got lots of positive feedback on it.

Mr. de Schweinitz asked about an MVD interface.

Mr. Gurulé said they didn't have any way to do that. He explained how it would work with MVD and the data would not be put on MVD records.

Mr. Tupler asked if there was any way to go beyond New Mexico.

Mr. Gurulé said there was a way but the cost was about \$12,000. About 80% of their citations were New Mexico licenses.

Chair Lierz thanked Mr. Gurulé for coming today.

Mr. Gurulé clarified that he had handled parking for 3 years; not 23 years.

9. NEW BUSINESS

A. Fitch AAA

This item was considered earlier in the meeting.

10. OTHER MATTERS FROM THE COMMITTEE

a. Invite Matthew O'Reilly to Dec. Meeting.

This matter was not considered.

11. ITEMS TO REPORT TO THE CITY MANAGER

This matter was not considered.

12. NEXT MEETING DATE: December 4, 2013

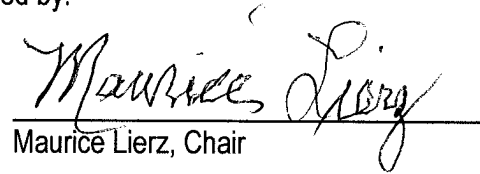
13. ADJOURNMENT

Mr. de Schweinitz moved to adjourn the meeting. Ms. Romero seconded the motion and it passed by unanimous voice vote.

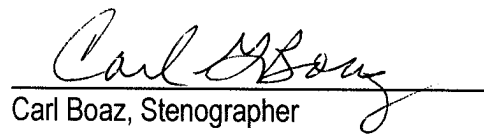
The meeting was adjourned at 4:1t p.m.

Mr. de Schweinitz asked to be excused on December 4 as he would have to be out of town.

Approved by:


Maurice Lierz, Chair

Submitted by:


Carl Boaz, Stenographer