



# Agenda

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

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF MINUTES:
  - November 6, 2013 (send in advance & attach) (read in only items that change meaning)
5. REPORT FROM EXTERNAL AUDITORS: Update on Audit Status
6. STATUS REPORT FROM CITY OF SANTA FE, AUDIT & FINANCE DEPARTMENTS:
  - Timeline and Benchmarking for Financial Audit (N/A Audit issued)
  - Status of Audits (Internal Audit) (send in advance & attach)
  - Gross Receipts Tax Report, (monthly)
  - Lodger's Tax Report.
7. SUB-COMMITTEE REPORTS:
  - Internal Audit, and Ordinance Revision
    - Distribution of Internal Audit Ordinance and Audit Committee Ordinance (Please note – that these have been passed by City Council, but have not been codified);
    - Discussion of Fraud Waste and Abuse Hotline Bill;
8. OLD BUSINESS
9. NEW BUSINESS
  - Approve 2014 Audit Committee Meeting Schedule, LK to reserve room once approved
  - Matt O'Reilly, Director, Land Use Department, Discussion of 50 plus acres report.
10. OTHER MATTERS FROM THE COMMITTEE
  - Invite Jon Bulhuis, Director, Transit, to discuss Federal Transit Administration, Financial Management Oversight Audit.
  - Presidio Report
  - Park and Recreation Report
11. ITEMS TO REPORT TO THE CITY MANAGER
  -
12. NEXT MEETING DATE:
  - Next meeting scheduled on TBD - January 8, 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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**December 4, 2013**

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**MINUTES OF THE  
CITY OF SANTA FÉ  
AUDIT COMMITTEE**

December 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 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  
Hazeldine Romero  
Marc A. Tupler

**Members Absent:**

Randy Randall, Vice Chair [excused]  
Clark de Schweinitz, J.D.

**Others Attending:**

Liza Kerr, Internal Auditor  
Matt O'Reilly, Land Use Director  
Bette Booth, POSAC member  
Carl Boaz, Stenographer

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

**3. APPROVAL OF AGENDA**

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

**4. APPROVAL OF MINUTES**

- **November 6, 2013**

**Ms. Romero moved to postpone consideration of the November 6 minutes to the next meeting. Mr. Tupler seconded the motion and it passed by unanimous voice vote.**

**5. REPORT FROM EXTERNAL AUDITORS: Update on Audit Status**

Mr. Mathisen was not present.

Ms. Kerr said Mr. Mathisen reported that the audit was submitted to the State Auditor on time (CAFR).

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

**a. Timeline and Benchmarking for Financial Audit (n/a - Audit issued)**

This was not considered because the auditing was completed.

**b. Status of Audits (Internal Audit)**

Ms. Kerr reported that the first three pages of her handout included what was not approved yet. She had updated the CAFR and it was received by the State Auditor on December 2, 2013.

Chair Lierz said the report would be officially released by the State Auditor once it was approved.

Ms. Romero said the Governing Body then had ten days to approve it.

Mr. Tupler asked if they could also amend it. Ms. Romero agreed.

Chair Lierz said he and Ms. Kerr attended the exit conference in this room last week. The good news was that this was the first time in six or seven years the City had submitted it on time.

Mr. Tupler said that was a critical moment because now we've reset the bar.

Ms. Romero added that the Governor has held back capital projects for those entities with late audits.

Ms. Kerr reported that the SWMA audit was finished by December 2 (Dec. 1 was a Sunday).

Mr. Tupler noted that the second part of her report was the history of those that had been completed.

Ms. Kerr agreed. She thought that somehow she needed to make that part completely different.

Chair Lierz asked her to go through the pages for each one.

Ms. Kerr said the BDD construction audits had been delivered on November 5 so by next month they would be rolled off the chart.

Chair Lierz went through them and had a question on page 22 either in operations or construction

regarding the City's 1% administration fee. He asked if it was still being charged and when the issue would be addressed by the BDD Board. It ought to go to the City Manager.

Mr. Tupler asked if it was 1% of revenues.

Chair Lierz didn't know. The auditor said the City should be able to charge it but it hadn't been considered by BDD Board. They would have to resolve it going forward. It was by contractual agreement. The City would have to become proactive with it.

Ms. Kerr agreed to send an email to him about it.

Chair Lierz added that for BDD, the auditors were coming back on December 4 to complete them.

Ms. Kerr said she hadn't had time to update the Lodger's Tax. She got a file on charges of taxation at the Marriott that indicated they had already disposed of the records since they were more than 3 years old. That was still going on. She added that Mr. Snyder said he and Mr. Tapia had talked about it.

There were questions on the PSA also. Mr. Tapia said it was to be renewed annually. If it was to be extended, this would be the sixth year with Barraclough.

Chair Lierz asked if Ms. Kerr was involved in the selection of the hotels that were to be audited.

Ms. Kerr said she had some input. They went back and forth on it. They did a judgmental sample for each year. She had asked them to select three randomly.

Chair Lierz asked how many were to be done annually.

Ms. Kerr said it was 10 each year and there were about 84 entities. She wanted the random selection but they wanted to do judgmental selections on them. Random generator picks up on things you might not choose.

Mr. Tupler believed random was more proper.

Ms. Kerr said judgmental has good reasons but she liked using random too.

Ms. Kerr said for Civic Housing she hadn't talked to Ricky yet. It was the same thing with the Railyard and before the end of the month she would check. She thought Parks was done.

Chair Lierz directed Ms. Kerr to ask the City Manager what the status was on the Parks and Trail 2008 Park bonds.

Mr. Tupler asked what instigated this.

Chair Lierz said it came from the Parks and Open Space Advisory Commission.

Chair Lierz asked about the Presidio work.

Ms. Kerr said Ms. Lisa Martinez had the report and it was 237 pages long.

Chair Lierz clarified that it was a formal request of the Audit Committee to be provided a copy of the 237 page report.

Ms. Kerr said Lisa Martinez indicated she could provide a link to the site.

Chair Lierz said she hasn't provided anything yet on Presidio. The Committee didn't have it.

**Mr. Tupler moved to request the full report be provided to Ms. Kerr who could provide an executive summary to the Audit Committee members, one full copy for the Committee, and a link to the full report. Ms. Romero seconded the motion and it passed by unanimous voice vote.**

Ms. Kerr explained that Lisa Martinez was the new Director of ITT. She comes from the State where she was in charge of Construction.

Ms. Kerr reported that the Public Safety Corporation (PSC) was coming along well. The financial statements reflected that the balance statement showed the balance at about \$2 million. Mr. Mathisen didn't think it was material but Ms. Kerr did.

Ms. Booth joined the meeting.

Ms. Kerr said if it was not defined in the ordinance, the income was not reportable. If not appealed in 30 days then it was an account receivable to the City. That was one of the biggest findings.

Elevate Media was the PR consultant working with the Marty Sanchez Golf Course.

Mr. Tupler asked how the PSC was selected for audit.

Ms. Kerr said it was by request of the City Manager. It was clear what was reportable or not.

Chair Lierz was concerned because this was not the only bank account that was not on the books.

Ms. Kerr explained that it was a lock box account at Wells Fargo who deducted bank fees and merchant fees for it and whatever was left was split between City and the PSC by their agreement. There was a residual balance in the account. There was \$253,000 in there that should be recorded on the books. Ms. Garcia told her it wasn't a city bank account but Ms. Kerr disagreed.

Chair Lierz asked, from the standpoint of the City's accountability, that he was going to request that any money expended out of that account be included. He assumed the split was approved by Council so it was under contractual agreement.

Ms. Kerr said they booked it on net. But the amount to PSC never comes to the City. It was all by ACH transfer.

Chair Lierz suggested that Ms. Kerr needed to pose the proper question that had to be responded to by management.

Chair Lierz said the Committee heard there was follow-on contract work with the IT Department. He gathered Presidio's work was done. Ms. Kerr agreed.

Chair Lierz added that now there was a new contract for IT and the Audit Committee should request from the City Manager who the new contract was with.

Ms. Kerr said they were contracted to do services.

Chair Lierz agreed but it was a follow-on from the IT problems.

Ms. Kerr said she had no authority to do that.

Chair Lierz explained that Ms. Kerr did an internal audit of IT and then the City contracted for management to resolve the problems. The Audit Committee had not been advised of the new contractor and the scope of their work. The Committee had unresolved findings of IT so the Committee had a right to pursue IT.

Mr. Tupler suggested that Ms. Kerr follow up on it and report back, if it wasn't to her satisfaction.

Ms. Kerr said she could follow up on her findings and would need to pull the contract to look at the scope of their work.

Chair Lierz said they had audits that came up with problems and the Committee thought the auditor's work was like a band-aid on the wound so the City brought in a consultant to figure out the cause of the problem and not just use a band aid. "We have a problem and don't know how it is being addressed."

Ms. Romero thought as part of the follow up to the IT audit the Presidio would tell us what approach they were going to take. Probably as part of that, Ms. Kerr would find that out through the scope of the contract and use it as her follow-up on that audit.

Mr. Tupler agreed. And if Ms. Kerr was not satisfied with it, she could report to Audit Committee about that.

Chair Lierz asked if she could report next month on where it had evolved.

Mr. Tupler asked that it include if there were issues the Committee needed to be aware of. Ms. Kerr was the Committee's conduit and she could give a final report unless she needed the Committee's help.

Ms. Kerr said the rest of her report was just a listing of those that were completed.

Mr. Tupler had some ideas on how to distinguish the completed section and offered to meet with Ms. Kerr on it.

The committee went on to Parks and Recreation at 2:48

### **c. Parks and Recreation Report**

Ms. Booth gave some background on the issue. POSAC has been around since 2007 and worked closely with the Parks Department on the Parks Bond in 2008. \$20 million was for Parks and the remainder of \$10 million was for trails. Because of the financial situation, POSAC recommended, since it was close to the end, that they now have an independent audit. Councilor Wurzbarger introduced the recommendation and Council approved it. From what she understood, Audit Committee was in the loop. But there seemed to be some confusion. The suggestion was made to attach it to the general audit of 2014.

Chair Lierz noted that the memo said it was to be with the 2013 audit.

Ms. Booth said Parks presented a report in October to POSAC and it raised more questions than it answered. So we agreed to work with Finance and Audit because of the questions it raised.

Chair Lierz said they were dealing with a \$30 million project and of that, \$20 million dealt with parks. The other \$10 million dealt with trails. According to the memo done by the Assistant City attorney, it encompassed about 84 projects. It came about when the economy was going down and it was infrastructure. He asked if it would be fair that of those 84 projects the City might have had city staff doing about 2/3 and 1/3 with contracts.

Ms. Booth clarified that it was with additional staff under Locals.

Chair Lierz said he broke it down into phases. First, it encompassed at least six fiscal years. So to expend any of it, Parks would be required to adopt budgets, either summary or details, and the budgets would be approved by Council and then the state.

To get to intelligent information, they would have to use the data from the Finance system that would show salaries, materials, contracts, etc. but on top of that system, they would have to form some kind of analysis format by project so that they could see if that was auditable.

Mr. Tupler said if it was part of a bond, it had to be auditable.

Chair Lierz reminded the Committee that there was nothing to go beyond the accounting system for the CAFR. They had a Commission set-up that should break it down by project. This was on top of and beyond our accounting system. It was project job cost accounting.

Ms. Kerr thought their function should be to hire an independent auditor since it was not the job of the Committee to do that analysis. The Audit Committee's job should be to make sure the procurement of a qualified PA be hired to do that and for the Committee to have some input about how much they would do and not just brush over it.



Chair Lierz then asked what kind of project they would have. In the financials you would get to capitalization of these and last part - was it being depreciated.

The theory was, from the attorney's memo, that there was some dialog with Finance that staff wanted to coordinate this with the Audit Committee. It said they were tagging it onto the 2013 CAFR audit. But we don't know where it stood.

Chair Lierz asked Ms. Booth if this project was approved by City Council.

Ms. Booth didn't know but Ms. Kerr thought it was. That needed to be confirmed.

Ms. Kerr said she needed to ask the City Clerk about it. There was not a separate contract that she could see.

Chair Lierz asked for the confirmation of approval of the resolution.

Mr. Tupler asked what this memo was.

Chair Lierz said it was an internal memo that Ms. Booth sent to him.

Ms. Booth said she was told that before the audit was done they would meet with POSAC on it.

Chair Lierz cautioned at this point to not assume anything. He didn't think this part of the audit had even been addressed. There was no discussion on it at the exit conference.

The thrust at the moment had been to get the CAFR out and this would be a separate thing.

Ms. Kerr said with a resolution there should be a PSA. She agreed to follow up with Legal.

Chair Lierz asked if the Council approved this.

Mr. Tupler said the resolution was in there.

Chair Lierz understood but didn't know what Council approved.

Ms. Booth said the original resolution was for an independent outside audit.

Mr. Tupler surmised that they could validate that. The next step would be to engage an auditor.

Chair Lierz didn't know the scope.

Ms. Kerr said if they did engage Mr. Mathisen to do it, she wanted to make sure what was asked for. She added that she just got an email today from the Clerk's office and there was no contract signed by Atkinson. If they engaged someone else, she didn't know about it.

Ms. Booth commented that in talking with the councilors, they wanted an independent audit on it. That was what they expected.

Mr. Tupler said the bonds needed to be protected by proper management and budget. He printed out a master plan budget on the bonds. He asked who produced the report.

Ms. Booth said it was given to POSAC by Parks. The larger one had yellow and blue columns that compared actual with budget.

Mr. Tupler pointed out that there were hidden columns and he questioned the formulas. It was gobbledegook.

Chair Lierz agreed the Committee needed to understand this. They had non-accountants in the Parks Division working with reports from Finance and how they did their work was a big question mark. That was the bottom line. Few people know cost accounting.

The City got itself involved in infrastructure work during a down economy and created a little construction company inside the City to fulfill those 84 projects. But he wondered if the Finance Department, knowing the task at hand, supplemented its budget accounting with project cost accounting. That's why this was a really vague situation about how competent the data was that has been provided to the Committee. So far the Committee had no idea how this information came about.

Ms. Booth said in October, POSAC posed about 14 questions and were told at that meeting that it would take Public Works some time to answer the questions. When asked how long, Mr. Pino told them it would be provided at the next POSAC meeting. They gave us that report but they couldn't make the formulas work. So it wasn't done and that was why she was here.

Mr. Tupler said the Audit Committee needed to make sure they could support whatever the issue might be and wouldn't stay with the status quo.

Ms. Romero asked when Mr. Pino would get back with POSAC.

Ms. Booth said it would be December 17. But back to the original issue - it was to be an independent audit.

Ms. Romero noted the memo was dated back in August and asked what happened.

Ms. Kerr agreed to follow up with Judith Amer.

Chair Lierz asked if the Committee could get a copy of the resolution that was passed and the scope of the contract.

Mr. Tupler said the Committee would get it under the microscope.

Chair Lierz thought it might be long and drawn out.

Ms. Booth thanked the Committee for considering it.

Ms. Booth left at 3:14 and Mr. O'Reilly joined the meeting.

The Committee went back to Mr. O'Reilly's item on the agenda.

**b. Matt O'Reilly, Director, Land Use Department - Discussion of 50+ acres report.**

Chair Lierz explained to Mr. O'Reilly that the Audit Committee was trying to get an understanding of the resources the City had at its command. They had to rely on others for the information and the thought was, to improve understanding, to ask just what the City had. He assumed Mr. O'Reilly prepared this summary and asked if he could quickly review what lands the City had.

Mr. O'Reilly explained first that, in general, there were three categories. The first was for city-owned land on which the City had made improvements such as City Hall property, GCCC, and others. The City used those facilities for city purposes.

Then The City had property which was for most part- vacant. There were some lots of little snippets either from ROW acquisitions and they were all over the city. The Land Use property management section handled requests from individuals for management or purchase of them. They might be 20 sq. ft. to 3,000 sq. ft. Some of them the City was not even sure existed. Sometimes they found out from individuals. They were varying in shape.

The process created by the Governing Body for seven years now was to first bring the sale or lease to the Governing Body through Finance and Public Works for conceptual approval. Then the purchaser or lessee must have the property appraised and surveyed. State law said that must be by a certified appraiser or surveyor. Once the City had the appraisal and a survey on the bounds, they went back through the process and hoped the Governing Body approved the sale or lease.

Under state law, if the value was \$25,000 or less it didn't require an ordinance but if the value was over \$25,000 they must create an ordinance for it. That was the second category.

The City tried to sell or lease the very small portions and tried to determine if there was an easement or something else for them. If they got any negative feedback they would do a survey. Right now they were selling a small portion on Old Santa Fé Trail that had been in dispute for many years.

The City manages properties they leased to make sure they were paying for the lease. Some people struggle to pay them. Some owe the City from 2010 and the City was going to court on some of them. Most people make payments on time.

For a number of those leases the City was saddled with very low rates approved by prior administrations. One was the northwest corner of Jaguar and Cerrillos where the 1968 lease was for

\$100/year. Some were when a Councilor of past governing bodies wanted to use a lease like the Archers of Santa Fé that leased 200 acres near the MRC for \$200/year.

The Audit Committee's request was to provide a list of those parcels over 50 acres in size. They were largely vacant. For some of them the City had planned uses like the Northwest Quadrant. Some of them might have minimum improvements on them. The City didn't do much work on them and didn't put them up for sale unless the Governing Body requested it. They resisted selling them. So they had some large parcels on the list and didn't know how to handle the financial implications on them.

The City did respond to complaints like dumping trash on them. In the Northwest Quadrant the City had vagrants and undertook some joint efforts to get them off the property.

Ms. Romero asked if any of the second category were on the list.

Mr. O'Reilly said no and added that most of what the City sold were less than 10,000 sq. ft. The City owned some of the sidewalk around the Plaza and some portals. The Marble Brewing Company pays a lease to use the roof on the plaza. Outdoor seating on Burro Alley was paid for and they were expensive rates. And when people used them without a lease, the City did enforce the law.

Mr. Tupler asked what the third category was.

Mr. O'Reilly said it was the list he just provided.

Chair Lierz said to answer his question about accounting, the general principles were that land would be recorded at cost but with the Governor Dempsey land there was no cost so they were carried at zero.

It was not to change our accounting on the books but there were bond rating companies looking at cities with an eye to downgrade if they could. So maybe if the City could alert the bond rating agencies that it had some valuable properties it would help. If the bond rating agency knew about the Dempsey Estate the City had a valuable asset that had substantial value that could impact their view on our risk. It would be the City's management that would affect the rating. It would be a flag for them and could improve our bond ratings.

Chair Lierz assumed on the Housing Authority lease and it was for \$1/year. He asked if there were many acres tied with housing.

Mr. O'Reilly said there were 7-8 locations around the city. The one on West Alameda was negotiated a couple of years ago. They took the payment in other ways. Warehouse 21, for instance, provided certain services to the City and the value of those services paid its lease. With the Housing Authority, the General Plan called for provision of such services.

Mr. Tupler asked if there was anything in eminent domain to take property for things like a fire station.

Mr. O'Reilly said the State trumps the City. The State used the fire station for training and an emergency underground center.

Chair Lierz thanked Mr. O'Reilly for the overview. The Committee was committed to get a better understanding of the complexity of city government and was grateful for this information.

Chair Lierz asked about the master plan for the Governor Dempsey property. It was about 2,400 acres.

Mr. O'Reilly said he would have to look to see how much was in the master plan. It was done in 2008 or 2009 and might expire this year or next. Maybe someday it would be developed and they would use that plan.

Mr. Tupler said the accountant in him wanted to ask if the City should have those assets on the balance sheet.

Chair Lierz said it was what existed for whatever reason and was valuable.

Ms. Kerr thought the chart didn't give the magnitude of what they were talking about.

Mr. O'Reilly said most were given. He was not aware of any large parcels the City paid for.

Chair Lierz said one measure of accounting was that they wouldn't put values on those parcels but would call it a disclosure of material fact. The City had about 4,000 acres of land. But in looking at this list, he thought that was a conservative estimate. So in their dialogue they might want to re-estimate that amount. Most any other cities in the country would be delighted to have an asset like the Northwest Quadrant.

Mr. O'Reilly said so much of the land in this state was government owned. And when those bumped up against municipal boundaries there were certain ways in which the city could use them with rezoning to make best use of those properties for the municipality. You couldn't find that kind of thing in the eastern part of the country.

Mr. O'Reilly said in the Land Use Department staff looked for the opportunity with those. The annexation would become effective very soon and 4,000 acres of County land would go to the City. It included 200 acres of State land Office controlled land. It would happen on January 1.

### **c. Gross Receipts Tax Report**

Ms. Kerr said the GRT was in pretty good shape

### **d. Lodger's Tax Report**

Ms. Kerr said the Lodger's Tax revenue was still lagging but had no area of concern on those.

## 7. SUB-COMMITTEE REPORTS:

### a. Internal Audit and Ordinance Revision

- **Distribution of Internal Audit Ordinance and Audit Committee Ordinance (passed by City Council but not codified)**

Chair Lierz said this was put in the packet just so the Committee would have the final wording.

Ms. Kerr said this was the final version.

Chair Lierz said this would be their "bible" from now on.

- **Discussion of Fraud Waste and Abuse Hotline Bill**

Ms. Kerr said she was still working on the RFP. She reached out to one entity who sent her an example of what the scope should look like. She just wanted to be prepared and the ball was in Council's court now.

## 8. OLD BUSINESS

There was no old business.

## 9. NEW BUSINESS

### a. Approve 2014 Audit Committee Meeting Schedule

The Meeting Schedule was handed out. Chair Lierz suggested January 8 for the next meeting.

**Ms. Romero moved to adopt the 2014 meeting schedule as presented. Mr. Tupler seconded the motion and it passed by unanimous voice vote.**

### b. Matt O'Reilly, Director, Land Use Department - Discussion of 50+ acres report.

This was covered earlier in the meeting.

## 10. OTHER MATTERS FROM THE COMMITTEE

### a. Invite Jon Bulthuis, Director, Transit - to discuss Federal Transit Administration Financial Management Oversight Audit

Ms. Kerr noted the Committee had wanted him to come a couple of months ago regarding the transit audit.

Mr. Bulthuis just sent me a new report this week and said it was final.

Ms. Romero asked if it was possible to get it ahead of time.

**b. Presidio Report**

This item was covered earlier in the meeting.

**c. Parks and Recreation Report**

This item was covered earlier in the meeting.

**11. ITEMS TO REPORT TO THE CITY MANAGER**

There were no items to report to the City Manager.

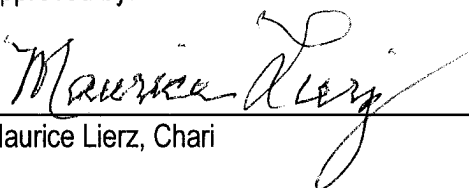
**12. NEXT MEETING DATE: January 8, 2014**

**13. ADJOURNMENT**

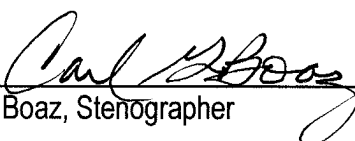
**Mr. Tupler moved to adjourn the meeting. Ms. Romero seconded the motion and it passed by unanimous voice vote.**

The meeting was adjourned at 4:05. p.m.

Approved by:

  
Maurice Lierz, Chari

Submitted by:

  
Carl Boaz, Stenographer