



Agenda

FINANCE COMMITTEE MEETING
CITY COUNCIL CHAMBERS
MARCH 31, 2014 – 5:00 P.M.

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF CONSENT AGENDA
5. APPROVAL OF MINUTES:

CITY CLERK'S OFFICE

DATE 3/27/14 TIME 3:40 p

SERVED BY Yolanda Green

RECEIVED BY [Signature]

Regular Finance Committee Meeting – March 17, 2014

CONSENT AGENDA

6. Request for Approval of Amendment No. 2 to Professional Services Agreement – Advertise and Promote City of Santa Fe Recreation Division and Genoveva Chavez Community Center; Hutton Broadcasting, LLC. (Ivie Vigil)
7. Request for Approval of Amendment No. 1 to Professional Services Agreement – Construction and Engineering Services for Baca and North Railyard Districts; Santa Fe Railyard Community Corporation. (Robert Siqueiros)
 - A. Request for Approval of Budget Increase – Santa Fe Railyard Project Fund
8. Request for Approval of Amendment No. 2 to Memorandum of Understanding – Use of Parking Permits for County Employees; Santa Fe County. (PJ Griego)
9. Request for Conceptual Approval of Sale of Real Estate – Approximately 139 Square Feet with a Portion of Designated Park Parcel of the Evelyn H. Lischke Subdivision Located at 2119 Rancho Siringo Road; Mary E. Schruben. (Edward Vigil)
10. Request for Approval of Amendment No. 1 to Lease Agreement – Incorporating Additional Requirements of Lessee Regarding Services Provided in Lieu of Rent and Better Collaboration with City Staff to Provide Services to the Public at 201 W. Marcy Street by Aggie Damron-Garner, Managing Director; Lensic Performing Arts Center D/B/A Tickets Santa Fe Box Office. (Edward Vigil)



Agenda

FINANCE COMMITTEE MEETING
CITY COUNCIL CHAMBERS
MARCH 31, 2014 – 5:00 P.M.

11. Request for Approval of Grant Application and Award – FY 2013 Section 5307 Urbanized Area Appropriation for Transit Division; Federal Transit Administration. (Ken Smithson)
 - A. Request for Approval of Budget Increase – Grant Fund
12. Request for Approval of Grant Application and Award – FY 2014 Section 5307 Urbanized Area Appropriation for Transit Division; Federal Transit Administration. (Ken Smithson)
 - A. Request for Approval of Budget Increase – Grant Fund
13. Request for Approval of Professional Services Agreements – 2014-15 Affordable Housing Trust Fund Allocation; Six (6) Various Vendors. (Alexandra Ladd)
14. Request for Approval of Professional Services Agreements – 2014-15 Community Development Block Grant (CDBG) Funds Allocation; Eleven (11) Various Vendors. (Alexandra Ladd)
15. Request for Approval of Professional Services Agreement – Santa Fe Metropolitan Planning Organization Public Transit Master Plan (RFP #14/25/P); KRH Group, Inc. (Erick Aune)
 - A. Request for Approval of Budget Increase – Grant Fund
16. Request for Approval of Amendment No. 1 to Professional Services Agreement – Completion of Phase II of Santa Fe Metropolitan Pedestrian Master Plan for Metropolitan Planning Organization; Design Office. (Mark Tibbetts)
 - A. Request for Approval of Budget Increase – ½% GRT Income Fund
17. Request for Approval of Grant Award – FY 2014 Santa Fe Metropolitan Planning Organization Work Authorization; New Mexico Department of Transportation. (Mark Tibbetts)
 - A. Request for Approval of Budget Increase – Grant Fund



Agenda

FINANCE COMMITTEE MEETING
CITY COUNCIL CHAMBERS
MARCH 31, 2014 – 5:00 P.M.

18. Request for Approval of a Resolution Authorizing the Establishment of a LEAD Policy Committee and LEAD Case Coordination Subcommittee to Ensure the Efficient and Ethical Operations of the LEAD Santa Fe Program. (Councilor Dimas) (Terrie Rodriguez)

Committee Review:

Public Safety Committee (no quorum)	03/18/14
City Council (scheduled)	04/09/14

Fiscal Impact – Yes

19. Request for Approval of a Resolution Directing Staff to Explore Potential City of Santa Fe Taxpayer Empowerment Policies Related to Outsourced City Services that Would Promote Transparency, Accountability, Shared Prosperity and Competition. (Councilor Dominguez) (Judith Amer)

Committee Review:

City Council (scheduled)	04/09/14
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Fiscal Impact – No

20. Request for Approval of a Resolution Directing Staff to Study the Feasibility and Fiscal Impact of Establishing a Single-Stream Recycling Program for the City of Santa Fe. (Councilors Bushee and Ives) (Nick Schiavo)

Committee Review:

City Council (scheduled)	04/09/14
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Fiscal Impact – No

END OF CONSENT AGENDA

DISCUSSION

21. Update on Audit Report and Status of Audits Report. (Liza Kerr)
22. Pre-Budget Presentation. (Brian Snyder)



Agenda

**FINANCE COMMITTEE MEETING
CITY COUNCIL CHAMBERS
MARCH 31, 2014 – 5:00 P.M.**

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23. OTHER FINANCIAL INFORMATION
 24. MATTERS FROM THE COMMITTEE
 25. ADJOURN

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

**SUMMARY OF ACTION
FINANCE COMMITTEE MEETING
Monday, March 31, 2014**

<u>ITEM</u>	<u>ACTION</u>	<u>PAGE</u>
CALL TO ORDER AND ROLL CALL	Quorum	1
APPROVAL OF AGENDA	Approved	1
APPROVAL OF CONSENT AGENDA	Approved [amended]	2
CONSENT AGENDA LISTING		2-3
APPROVAL OF MINUTES: REGULAR FINANCE COMMITTEE MINUTES – MARCH 17, 2014	Approved	3
<u>CONSENT CALENDAR DISCUSSION</u>		
REQUEST FOR APPROVAL OF PROFESSIONAL SERVICES AGREEMENT – SANTA FE METROPOLITAN PLANNING ORGANIZATION PUBLIC TRANSIT MASTER PLAN (RFP #14/25/P); KRH GROUP, INC.	Approved	3-6
REQUEST FOR APPROVAL OF BUDGET INCREASE – GRANT FUND	Approved	3-6
REQUEST FOR APPROVAL OF AMENDMENT NO. 1 TO PROFESSIONAL SERVICES AGREEMENT – COMPLETION OF PHASE II OF SANTA FE METROPOLITAN PEDESTRIAN MASTER PLAN FOR METROPOLITAN PLANNING ORGANIZATION; DESIGN OFFICE	Approved	6
REQUEST FOR APPROVAL OF BUDGET INCREASE – ½% GRT INCOME FUND	Approved	6
REQUEST FOR APPROVAL OF GRANT AWARD – FY 2014 SANTA FE METROPOLITAN PLANNING ORGANIZATION WORK AUTHORIZATION; NEW MEXICO DEPARTMENT OF TRANSPORTATION	Approved	6-7
REQUEST FOR APPROVAL OF BUDGET INCREASE – GRANT FUND	Approved	6-7

END OF CONSENT CALENDAR DISCUSSION

<u>ITEM</u>	<u>ACTION</u>	<u>PAGE</u>
<u>DISCUSSION</u>		
UPDATE ON AUDIT REPORT AND STATUS OF AUDIT REPORTS	Information/discussion	7-14
PRE-BUDGET PRESENTATION	Information/discussion	14-36
OTHER FINANCIAL INFORMATION	None	36
MATTERS FROM THE COMMITTEE	None	36
ADJOURN		36

**MINUTES OF THE
CITY OF SANTA FE
FINANCE COMMITTEE**
Monday, March 31, 2014

1. CALL TO ORDER

A meeting of the City of Santa Fe Finance Committee was called to order by Chair Carmichael A. Dominguez, at approximately 5:00 p.m., on Monday, March 31, 2014, in the Council Chambers, City Hall, 200 Lincoln Avenue, Santa Fe, New Mexico.

2. ROLL CALL

MEMBERS PRESENT:

Carmichael A. Dominguez, Chair
Councilor Ronald S. Trujillo
Councilor Joseph M. Maestas
Councilor Signe I. Lindell
Councilor Christopher M. Rivera

OTHERS ATTENDING:

Brian K. Snyder, City Manager
Marcos A. Tapia, Finance Department
Yolanda Green, Finance Division
Melessia Helberg, Stenographer.

There was a quorum of the membership in attendance for the conducting of official business.

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

3. APPROVAL OF AGENDA

MOTION: Councilor Trujillo moved, seconded by Councilor Lindell, to approve the agenda, as presented.

VOTE: The motion was approved unanimously on a voice vote.

4. APPROVAL OF CONSENT AGENDA

MOTION: Councilor Trujillo moved, seconded by Councilor Rivera, to approve the following Consent Agenda as amended.

VOTE: The motion was approved unanimously on a voice vote.

CONSENT AGENDA

6. REQUEST FOR APPROVAL OF AMENDMENT NO. 2 TO PROFESSIONAL SERVICES AGREEMENT – ADVERTISE AND PROMOTE CITY OF SANTA FE RECREATION DIVISION AND GENOVEVA CHAVEZ COMMUNITY CENTER; HUTTON BROADCASTING, LLC. (IVIE VIGIL)
7. REQUEST FOR APPROVAL OF AMENDMENT NO. 1 TO PROFESSIONAL SERVICES AGREEMENT – CONSTRUCTION AND ENGINEERING SERVICES FOR BACA AND NORTH RAILYARD DISTRICTS; SANTA FE RAILYARD COMMUNITY CORPORATION. (ROBERT SIQUEIROS)
 - A. REQUEST FOR APPROVAL OF BUDGET INCREASE – SANTA FE RAILYARD PROJECT FUND.
8. REQUEST FOR APPROVAL OF AMENDMENT NO. 2 TO MEMORANDUM OF UNDERSTANDING – USE OF PARKING PERMITS FOR COUNTY EMPLOYEES; SANTA FE COUNTY. (PJ GRIEGO)
9. REQUEST FOR CONCEPTUAL APPROVAL OF SALE OF REAL ESTATE – APPROXIMATELY 139 SQUARE FEET WITH A PORTION OF DESIGNATED PARK PARCEL OF THE EVELYN H. LISCHKE SUBDIVISION, LOCATED AT 2119 RANCHO SIRINGO ROAD; MARY E. SCHRUBEN. (EDWARD VIGIL)
10. REQUEST FOR APPROVAL OF AMENDMENT NO. 1 TO LEASE AGREEMENT – INCORPORATING ADDITIONAL REQUIREMENTS OF LESSEE REGARDING SERVICES PROVIDED IN LIEU OF RENT AND BETTER COLLABORATION WITH CITY STAFF TO PROVIDE SERVICES TO THE PUBLIC AT 201 W. MARCY STREET BY AGGIE DAMRON-GARNER, MANAGING DIRECTOR; LENSIC PERFORMING ARTS CENTER D/B/A TICKETS SANTA FE BOX OFFICE. (EDWARD VIGIL)
11. REQUEST FOR APPROVAL OF GRANT APPLICATION AND AWARD – FY 2013 SECTION 5307 URBANIZED AREA APPROPRIATION FOR TRANSIT DIVISION; FEDERAL TRANSIT ADMINISTRATION. (KEN SMITHSON)
 - A. REQUEST FOR APPROVAL OF BUDGET INCREASE – GRANT FUND.

12. REQUEST FOR APPROVAL OF GRANT APPLICATION – FY 2014 SECTION 5307 URBANIZED AREA APPROPRIATION FOR TRANSIT DIVISION; FEDERAL TRANSIT ADMINISTRATION. (KEN SMITHSON)
 - A. REQUEST FOR APPROVAL OF BUDGET INCREASE – GRANT FUND.
13. REQUEST FOR APPROVAL OF PROFESSIONAL SERVICES AGREEMENTS – 2014-15 AFFORDABLE HOUSING TRUST FUND ALLOCATION; SIX (6) VARIOUS VENDORS. (ALEXANDRA LADD)
14. REQUEST FOR APPROVAL OF PROFESSIONAL SERVICES AGREEMENTS – 2014-15 COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) FUNDS ALLOCATION; ELEVEN (11) VARIOUS VENDORS. (ALEXANDRA LADD)
15. *[Removed for discussion by Councilor Rivera]*
16. *[Removed for discussion by Councilor Rivera]*
17. *[Removed for discussion by Councilor Trujillo]*
18. REQUEST FOR APPROVAL OF A RESOLUTION AUTHORIZING THE ESTABLISHMENT OF A LEAD POLICY COMMITTEE AND LEAD CASE COORDINATION SUBCOMMITTEE TO ENSURE THE EFFICIENT AND ETHICAL OPERATIONS OF THE LEAD SANTA FE PROGRAM (COUNCILOR DIMAS AND COUNCILOR LINDELL). (TERRIE RODRIGUEZ) Committee Review: Public Safety Committee (no quorum) 03/18/14; and City Council (scheduled) 04/09/14. Fiscal Impact – Yes
19. REQUEST FOR APPROVAL OF A RESOLUTION DIRECTING STAFF TO EXPLORE POTENTIAL CITY OF SANTA FE TAXPAYER EMPOWERMENT POLICIES RELATING TO OUTSOURCED CITY SERVICES THAT WOULD PROMOTE TRANSPARENCY, ACCOUNTABILITY, SHARED PROSPERITY AND COMPETITION (COUNCILOR DOMINGUEZ AND COUNCILOR RIVERA). (JUDITH AMER) Committee Review: City Council (scheduled) 04/09/14. Fiscal Impact – No.
20. REQUEST FOR APPROVAL OF A RESOLUTION DIRECTING STAFF TO STUDY THE FEASIBILITY AND FISCAL IMPACT OF ESTABLISHING A SINGLE-STREAM RECYCLING PROGRAM FOR THE CITY OF SANTA FE (COUNCILORS BUSHEE AND IVES AND COUNCILOR RIVERA). (NICK SCHIAVO) Committee Review: City Council (scheduled) 04/09/14. Fiscal Impact – No.

END OF CONSENT AGENDA

5. APPROVAL OF MINUTES: REGULAR FINANCE COMMITTEE MINUTES – MARCH 17, 2014.

MOTION: Councilor Trujillo moved, seconded by Councilor Rivera, to approve the minutes of the Regular Finance Committee Meeting of March 17, 2014, as presented.

VOTE: The motion was approved unanimously on a voice vote.

CONSENT CALENDAR DISCUSSION

15. REQUEST FOR APPROVAL OF PROFESSIONAL SERVICES AGREEMENT – SANTA FE METROPOLITAN PLANNING ORGANIZATION PUBLIC TRANSIT MASTER PLAN (RFP #14/25/P); KRH GROUP, INC. (ERIK AUNE)

A. REQUEST FOR APPROVAL OF BUDGET INCREASE – GRANT FUND.

Councilor Rivera asked how Items #15 and #16 work together, or should work together, or even if they work together.

Mark Tibbetts, MPO Officer in charge of staff, Metropolitan Planning Organization (MPO), said they are in the process of updating the Metropolitan Transportation Plan, and these are components of the Plan. He said Item #15 is the Public Transit Plan and #16 is a Pedestrian Master Plan, and these work together with the Bicycle Master Plan adopted in 2012. He said these 3 components, along with the 4th being the condition of roadways, etc., make up the Long Range Plan.

Councilor Rivera asked if all of these groups communicate with one another for the overall Plan.

Councilor Rivera said, "Yes. What we're looking at is..... the update of our MTP is required every 5 years. The last time we did that was 2010. It's due in June 2015. We've started this process earlier, 18 months before, because we found that it takes time to get the public involved, to get them aware of what the plan is, and then to start making contacts. So what we've doing is having a consultant that's going to help us on this Public Transit Plan, #15. This consultant is also familiar with the area. They're working on the Service Plan for the North Central RTD, the Regional Transit District. And so, we will be working together on public input, working together with the Transit Advisory Board, working together with any of the organizations we've been in contact with. There are several local groups, whether from the south side, east side, west side, different parts of the City. So yes, and our job is to help coordinate all the efforts and input we get."

Councilor Rivera asked if Design Office works directly with the KFH group, or is that all coordinated through Mr. Tibbetts staff.

Mr. Tibbetts said, "We do the coordination. The consultants are not necessarily required to be working together, but the committees we have, the main steering committee is with staff in each of these, but we kind of commingle on these issues, especially with Transit, Pedestrian and Bicycle, because we see they're all together. And for every Transit ride, basically, a pedestrian trip is involved in getting to and

from the transit stop. So it definitely is an integral part. In fact, the Transit Plan focused on schools, as well as all transit stops. So they will be working together on the results and what not."

Councilor Rivera asked if there is one consultant, or does it ever make sense to have one consultant look at all these little pieces and then put the big picture together, or does this seem to work very well.

Mr. Tibbetts said, "That's an interesting question. Right now, we're working on another consulting contract for updating the MTP itself. That's where this integration would occur, and trying to take it more as a higher level view of bring all these points together. We have our own staff overseeing the issues, but we are trying to put together another consultant contract for the general update of the MTP. These component parts are separate or segregated in a way, because there's a lot more expertise in dealing with Transit, for instance, Public Transit Planning is very specialized. They look at a lot of timetables and routes and what not, to try to develop the best efficiencies. But these are called a service plan development, it's a 5-year plan. What we're looking at is beyond that. These are long range going out to a 25-year plan. We're trying to do both the short term, mid and long range plan. But we will look to having an on-board consultant to just look at some of the goals and objectives and integrating to each of those plans and then developing a rating system. Funding is the big issue for a lot of the improvements we're talking about and getting some, I don't know if we can call it equitable investment of resources. Most of these things are short in that there is not adequate funding for Transit for pedestrian facilities, bicycles and our roads. And so, we're trying to develop in this plan a rating system to help rank these projects, within and across the different modes."

MOTION: Councilor moved Rivera, seconded by Councilor Rivera, to approve this request.

DISCUSSION: Councilor Maestas said perhaps we should take a step back, because the MPO is working on different components that tie into the Long Range Transportation Plan. He said, "Typically, what's happened in the past, is don't you do like a 20-year socio-economic forecast with population projections and land use assumptions and all of that, especially since we've gone through an annexation and we've had a population gain, so why wouldn't that come at the very front end and take it to the Governing Body – the whole socio-economic 20-year forecast that will be the basis for the Long Range Pedestrian Plan, the Long Range Transit Plan and then the overall Transportation Plan. Would you maybe just explain how the MPO does that."

Mr. Tibbetts said we have a Metropolitan Transportation Plan, and it has, in the front section of it in fact, the demographics and the projections of shifting populations, and what not, the demand issue and where the needs are and what not, through the existing conditions. Part of our update of the MTP will be to review those demographic changes and economic changes and what not. In fact, we don't see a lot of difference between 2010 and now. There's still a trend that basically most of the growth is in the South and Southwest part of the City. We know that in our MPO area, includes the City and beyond, basically the central part of the County as well. We go as far as to Lamy, and include Tesuque Pueblo as well. So our area of study is all the demographic area we look at as the whole MPO planning area. We're right now looking at public input. Right now, we're trying to assess what are the issues right now that are dominant in peoples' minds. And we've been hearing from different groups that are represented in different

organizations. Through the survey we had on the Pedestrian Plan, for instance, we had over 1,000 responses, the survey and public input. We are getting responses on our MTP right now, up to 200 that Eric was working on with his work on that. We have a newsletter now."

Mr. Tibbetts continued, "But in terms of the studies you're talking about, projections and economic, that is part of the MTP. We're working right now on more of a specific level to see how the transit planning, for instance... We know there are centers where there is need for more public transportation facilities right now, because we've done that through a Title 6 Plan we have. We've done that through our Public Participation Plan, from looking at the profile of the area. And so, we were conscious of that. And we're reviewing our goals and objectives in the existing plan, but they're still pretty much the same as they were back then, but it is something we will review, and see what more tweaking we have to do with those changes. But you're right, we generally look at an overall view of the needs and the projections and whatnot, population, economic growth sectors and what not. We're trying to dis-aggregate these. Typically a long range plan can be very general and not very effective a lot of times. This time, we're trying to look more specifically at these components and see where they have this integration, like I was talking about before, where you have the common issues that you can be more effective in investing in improvements in these areas."

VOTE: The motion was approved unanimously on a voice vote.

- 16. REQUEST FOR APPROVAL OF AMENDMENT NO. 1 TO PROFESSIONAL SERVICES AGREEMENT – COMPLETION OF PHASE II OF SANTA FE METROPOLITAN PEDESTRIAN MASTER PLAN FOR METROPOLITAN PLANNING ORGANIZATION; DESIGN OFFICE. (MARK TIBBETTS)**
 - A. REQUEST FOR APPROVAL OF BUDGET INCREASE – ½% GRT INCOME FUND.**

MOTION: Councilor Rivera moved, seconded by Councilor Lindell, to approve this request.

VOTE: The motion was approved unanimously on a voice vote.

- 17. REQUEST FOR APPROVAL OF GRANT AWARD – FY 2014 SANTA FE METROPOLITAN PLANNING ORGANIZATION WORK AUTHORIZATION; NEW MEXICO DEPARTMENT OF TRANSPORTATION. (MARK TIBBETTS)**
 - A. REQUEST FOR APPROVAL OF BUDGET INCREASE – GRANT FUND.**

Councilor Trujillo said, "Anytime there is anything given with the New Mexico Department of Transportation, I pull it just to clarify that I work for the New Mexico Department of Transportation. I do not work in this bureau, I work in the State Management Bureau, so there is no conflict, so I move for approval."

MOTION: Councilor Trujillo moved, seconded by Councilor Rivera, to approve this request.

VOTE: The motion was approved unanimously on a voice vote.

END OF CONSENT CALENDAR DISCUSSION

DISCUSSION

21. UPDATE ON AUDIT REPORT AND STATUS OF AUDIT REPORTS. (LIZA KERR)

A copy of *False Alarm Monitoring System Performance Audit*, dated March 2014, prepared by the Internal Audit Department, City of Santa Fe, is incorporated herewith to these minutes as Exhibit "1."

A copy of *Status of Audits, Current Audits*, dated March 20, 2014, prepared by Lisa Kerr, Internal Auditor, is incorporated herewith to these minutes as Exhibit "2."

Chair Dominguez noted this is an information item only and no action will be taken.

The Committee commented and asked questions as follows:

- Councilor Lindell said, regarding packet page 6, at the bottom of the page, in the Executive Summary, it says, "....could be greatly improved with a single point of ownership that is responsible for all aspects of leadership, including coordinating with PSC and all City Departments, such as finance or legal, to comply with the various aspects of the Ordinance." Councilor Lindell asked if there is a proposed time frame, or a plan of action.

Ms. Kerr said Finding #1 on Report page 9, addresses that issue and the City did respond in regards to that issue, and the Police Department has agreed to take primary ownership of this program. She said, "One of the complexities of this program is that it does cross several different departments, so we're dealing with Finance, Licensing, Land Use that does the permitting, the third party administrator of the program, so everything was a little bit scattered. And the Police Department has agreed to become that point of ownership to help give the program cohesion. And I believe there is a date in there. They have agreed to also advertise for a position and they hope to have that position filled by July 1, 2014. That is in the *City's Response and Implementation Date*."

- Councilor Lindell asked, on a program such as this, when a second audit would occur.

Ms. Kerr said, "I would like to do a follow-up audit within 6 months to a year of them completing the.... of the implementation, so that would be ideal."

- Councilor Lindell said, "So, if by this, the implementation is July 1, 2014, you're thinking early in 2015.

Ms. Kerr said, "The second or third quarter, probably third quarter in 2015. It will be on the audit plan."

- Councilor Rivera said, "Lisa, also on the Executive Summary, the Expense portion of the table talks about Operations. What is included in the Operations piece."

Ms. Kerr said on Packet page 36, Appendix B, "It says Summary of Revenue and Expenses by Year, and Nancy might be able to better address this as well. You're asking what the Operating Expenses include."

- Councilor Rivera said, "What goes into that, what goes into the Operations Expense."

Ms. Kerr said, "They include office supplies, copy machine paper and a shredder."

- Councilor Rivera asked, "So where does the personnel cost come out of."

Ms. Kerr said, "The personnel cost is salaries and benefits, and what we're seeing being paid out of salary and benefits, that's number 8 on the bullets there, '*..8) FY 13/14 is the first year that salaries are being allocated to the false alarm program.*' And right now, I believe Alfred Walker's salary is being taken out of there. He's in the Legal Department, and 75% of his salary is being budgeted to this, and Dorothy Encinias is the False Alarm Monitoring System Administrator for the City."

- Councilor Rivera said then those costs weren't included in the Executive Summary.

Ms Kerr said, "I didn't include the 13/14 in there, because the year had not been completed."

- Councilor Rivera asked the source of funding these positions previously.

- Ms. Kerr deferred to Marcos Tapia, Finance Director, to answer this question.

Mr. Tapia said, "Walker was, I think, being funded right out of Legal, which would be funded out of the General Fund. But since was doing 100% of the Legal work for this Alarm for the litigation, at the time, I think Robert wanted to do about 75% of his salary for that."

- Councilor Rivera asked source of funding for the False Alarm Administrator.

- Ms. Kerr said, "Her salary had not been previously been allocated to the program, but I think they wanted to have a clearer picture of the expenses in that program, so they started allocating it, which seems appropriate actually. It is being allocated in the fiscal year ending 2014 and is not included in the summary. But if you look again in Appendix B, you will see there's \$89,000 in

salaries expense in that column for 13/14. It previously was paid from the General Fund."

- Chair Dominguez said, "So, any revenues that were collected from this program.... did they go straight to the Police Department and then disbursed from there to Legal, or how did that work."

Mr. Tapia said, "As far as the allocation for this fiscal year, for his part of the salary, all we would designate, even in our system, I could designate that part of the salary be paid out of this, a percentage. What it should do, is hit the Alarm Fund and then is allocated to that Fund."

- Chair Dominguez asked who manages the Alarm Fund.

Mr. Tapia said it is the City Police Department.

- Councilor Rivera, referring to Report page 5, "Number 1 through 6 at the bottom, it says, 'Several findings are noted' and it lists several things that need to be improved, and I see that there is a plan to do that. Has everything been reconciled to this point."

- Responding to Ms. Kerr, Councilor Rivera said it is on Report page 5, under 'Several findings'."

Ms. Kerr said, "So, in regards to the findings for PSC, PSC is addressing the issues in regard to errors in the billing. Every time I've sent them a request, they have been very responsive in making corrections, going into their system, trying to find out at a systems level, what was happening and making the corrections. Their findings, again, are listed in the back here. There's several findings related to PSC, and so I know they're working on them, and it is a work in progress."

- Councilor Rivera said, "So they have a plan moving forward, but have they reconciled as much as possible in the past."

Ms. Kerr said, "I think they have. I think they're waiting for some direction from the City, to tell the truth. There are some issues where they were under billing that they don't know if they need to go in and now assess those bills to these customers, or if the City wants them to call that a moot point and move forward. They're just waiting for some direction from the City at that point."

- Councilor Rivera said, "At the bottom of Report page 7, it talks about the City needing to record in the General Ledger as an asset. Has that been addressed on the City side."

Mr. Tapia said, "Yes. One of the things we struggled with is putting an accurate Accounts Receivable in our CAFR. And it is to our benefit to include that accounts receivable, because it makes our books look better. However, I have to determine whether it is attainable, whether I can count on that cash, that it is a true amount. And that's where we struggled. But I think, at the end of the day, we considered some of the arguments Lisa made to Teresita, who is my assistant, and we came to the conclusion that we will review it with all receivables and include it this fiscal year for the first time."

Mr. Tapia continued, "And some of these findings Lisa brought to light, and part of this Report, and part of the auditor's responsibility, in my opinion since I was an auditor, is to highlight certain areas that can be improved upon. What you are going to see though, is there are some suggestions here.... what is going to fix a lot of these, even with the vendor, is that we're going to be going out for RFP for this. And in addition to that, we've got an RFP that we are evaluating and going to bring to you, as far as having someone for collections."

- Councilor Rivera said then we will be looking at something for collections, and Mr. Tapia said, "Absolutely."
- Councilor Rivera asked, "I imagine when you have repeat offenders, and I don't know if PSC discussed this at all, but if you have repeat offenders that really aren't sent to collections after 1 or 2 bills, they know that nothing's really going to happen because of this. So, does PSC have an idea of how much revenue has been lost."

Ms. Kerr said, "Right now, the accounts receivable balance is about \$876,000, and of that, if you look at Finding #3, it talks about that. And \$635,000 of the \$876,000, or 73% of that balance is greater than 180 days old. To your point, Councilor Rivera, once you get a receivable that is that old, it is very difficult to collect, and people realize you're not going to do anything, so they don't feel compelled to pay. And one of the issues that came up with PSC in talking with them, and I found them very responsive when I worked with them, one of the issues that came up is the way we do the billing. And that is driven by the Ordinance."

Ms. Kerr continued, "The Ordinance says that we bill \$10 per day and they say we're the only customer they have out of 70 customers, 70 different cities they do that type of work for, that bills every day. The other cities bill a flat fee per month, so they will charge \$300 for a month instead of \$10 per day. And I think what's happening with some of these old bills is... I looked at an invoice that was five hundred and something pages long, because we bill every single day, and a new invoice has to be created every day, and it's very problematic. I think it's difficult from a customer service perspective for the customers to look at the... to try to drill down and to, gosh what is that I really owe."

Ms. Kerr continued, "Anyway that was one of the recommendations that they had, is that, if it was at all possible, to change the billing structure to a monthly rate instead of a daily rate. That would help from a customer service perspective, it would help them from their perspective in catching errors in the billing and answering questions the customers had. So, whether we go with them or with the new vendor, that still is going to be an issue unless it is addressed at the root. So thank you."

- Councilor Rivera, referring to Finding #8, on Report page 20, "that the billings are not always accurate, your recommendation is, 'In regards to existing accounts receivable balances, the City and PSC staff need to work together to determine the current balance.' I know you're just auditing, and probably that is your recommendation. In my opinion, that should be more of a priority. I don't know if there is stronger language that you can use as an auditor in that, or if it is typical for you just to make recommendations to us and then we do the rest."

Ms. Kerr said, "That's typical. I would make the recommendation. I really can't force a hand here, but the strong recommendation is, 'yes, the City needs to work with PSC. Of that \$876,000, do they want to just start at a certain point and say from this point forward, this is what we're going to do. Or, I'm not sure that all of that balance is valid. To Marcos's point, we need to determine... there are accounts that have been under-billed, over-billed, I have a complete reconciliation of all those accounts. But do we want to go back in time and make those corrections, or do we want to start fresh, or with a new vendor, or.... I can't force the hand there. That has to come from you guys or from Finance. They need to direct that."

- Councilor Rivera noted this is not an action item, and said, "In my opinion, there are several items in here that require action."
- Chair Dominguez said, "What it really comes down to, is determining whether or not the City Manager and the Finance Director have indeed put some of these recommendations in place. I imagine that some of them don't necessarily need policy decisions, or policy written for them, but some of them are just more coordination and administrative. So maybe what we can do is to ask the City Manager to go ahead and write us a summary about whether or not, or how much of this has actually been implemented, and of these recommendations, which ones have a fiscal impact. So, are we going to have to buy a whole new set of software to get some of it done. I have no idea, but some of that information might be helpful to the Committee."
- Councilor Rivera asked, "If the audit goes to the City Manager and the Finance Director, it has your recommendations. Now they can choose to accept your recommendations and implement your plans, or they could choose not to. So when it comes back to this Governing Body for either an update, and maybe this is for you Mr. Chair, how do we know which recommendations have been accepted, which ones were...."

Ms. Kerr said, "The way the process works, is that I make a recommendation, and then the auditee has to respond to that recommendation. They have to tell me what they're going to do, when they're going to do it, and the date they're going to do it by. If they give a response that doesn't have those components, or I think doesn't address the issue, it is my responsibility to evaluate their response and include a negative evaluation in my Report. I would say that the response doesn't meet the recommendation, or does not follow the recommendation, I do not agree with it. They can disagree with the recommendation. They can come back and say, the fiscal impact or the cost benefit of remediating that finding is prohibitive and we will not be addressing it for that reason, or whatever the reason is, and then I evaluate that. I come back and say.... give my opinion. So I went through the process with Deputy Chief Schaerfl and Nancy, and the False

Alarm Administrator. We went back and forth several times until we got the responses we have in here. I believe that these responses do address the implementation dates, who's going to be doing it, timelines, all of that. So that I can come back to Councilor Lindell's point, and audit them in 6 months and say, you said you were going to do this. Is it done. And then, I can give you an update at that point in time, so does that answer your question.

Councilor Rivera said yes.

Responding to the Chair, Mr. Tapia said, "I think Lisa answered that. Management has to respond, and she does evaluate that. Now if she didn't agree with the plan we put forth to correct these findings. She would say, evaluation of management's response, if she agreed with it or not, and that would also be in here. But she would go and come back in 5-6 months, or whenever, and evaluate whether we acted. And as you see, in most of these, there are some dates of implementation, but again, I think the RFP is going to throw some of this off a little bit. I do see this coming back to you guys to review the Ordinance, and maybe changing it so that \$10 isn't in there, because I think it does hamper. And so, we're looking at that coming forward, probably to you. And that is one of the things that I'll be discussing with Legal and with the Police Department."

- Councilor Rivera said he assumes a lot of the findings and changes would be included in the new RFP.

Ms. Kerr said she isn't involved in that process and doesn't know the answer.

Mr. Tapia said, "There are some changes in the type of reporting we are going to require from the vendor. Going through this audit, we've talked to the PD, and that will need to be done by them, some of the reports. And some of the reviews they will need to do, such as business license and/or if they are a business here in town, or whether they are an alarm company through the internet, or whatever. They will have to comply. So yes, because of this audit, there will be some implementation that we will require in the RFP."

- Councilor Rivera asked what happens if a new company is selected, is it in the contract for PSC to reconcile everything before the new company takes over, or if we are starting over.

Mr. Tapia doesn't believe there is something like that in the contract, and he will look at that. He assumes they reconcile the alarms to what has gone out to individuals. We will reconcile those items, and ensure that all funding which has been collected is returned to the City. He will have to look at the contract specifically.

Ms. Kerr said at the point the audit was finished, she and PSC reconciled \$471,460 worth of these accounts, out of the \$876,000, so 46% of them were reconciled at that point in time. She said they know what's there, but it is again, a matter of decision-making by the City and what they want to do about it.

- Responding to the Chair, Ms. Kerr said, "The bulk of it was with the alarm company. The biggest offenders were the alarm companies, not the residential. The residential worked very smoothly, actually."
- Councilor Maestas said he thinks some kind of close out conference is necessary, noting a plan was presented and she concurred with that. He said July 1st seemed to be the milestone date to implement these changes. He would like a goal to implement all requirements prior to the expiration of the current contract October 28, 2014. And if you back out the timeline for issuing an RFP, that would be after June 30th, but well before the expiration of the contract. He thinks we need to come back before issuing the RFP to look at the status of all recommendations and what has been implemented, commenting perhaps that could be the closeout. He thinks one year, even six months, is too long to come back to the Committee. He said the timeline to implement the recommendations will be the end of October. He asked if that is possible – to implement all recommendations before issuing the RFP.

Judith Amer, Assistant City Attorney, said she understands that the RFP has already gone out. She has no further information, but Robert Rodarte can speak to that.

Mr. Tapia said the RFP for collections has been issued, but no RFP for the Alarm company has been issued.

Ms. Amer said, "Marcos is correct, but you were talking about collections, and as part of the collections RFP, one of the components was to do collections for the alarms. We haven't decided whether or not we're going to do that. So that's a decision point that needs to be made when we actually award the agreement."

- Councilor Maestas asked, "If there are unfinished findings to be implemented, why can't we put that on the consultant and include that in the scope of work, to have a work element to help resolve the findings from this audit. I realize it may not be totally clean, we may not implement everything, but perhaps we might consider incorporating the final resolution of a lot of these recommendations in the next scope of the alarm contractor RFP." He complimented Ms. Kerr on the fine job she has done
- Chair Dominguez said follow-up needs to happen, asked if this will come back in 6 months.

Mr. Tapia said we need to work on the implementation of the \$10 which is crazy and keeps on, and after a while it isn't collectible. He said the recommendation for the industry standard is to have one main one for a month, "get 300 pop, that's what it'll be. We're going to look more into that."

Mr. Tapia said, "What I do see is coming to you as to whether we're going to use a collection company, or if that will be part of the RFP and then the Council/this Committee needs to decide how aggressive you want to be in terms of collections."

- Chair Dominguez asked if we have to amend the policy to have "teeth" in the penalties associated with this Ordinance. He said it sounds like what is happening is, because there is not a severe penalty, people just aren't paying. Or, can that be handled through the RFP process.

Mr. Tapia said he would have to go back, with the help of Police and Legal, to see if there are enough teeth, commenting he thinks we may "have enough teeth," it just needs to be put in a different way. And then, allow the contractors to go beyond a soft collection. And that's something this body will have to decide.

- Chair Dominguez asked if there is direction to staff, and do we want this to come back to this Committee.
- Councilor Maestas asked when will the RFP will be ready for advertisement.

Mr. Tapia said the RFP can go out any time in June or July and then we can evaluate it from there. He said we can look at the way the Ordinance is written and come back with suggestions and options for the Finance Committee and the City Council.

- Councilor Maestas suggested perhaps in early July 2014.
- Chair Dominguez asked Mr. Tapia and Ms. Green to keep that in mind, and said perhaps we can have an update on this in July, commenting it may be the second meeting in July.

22. PRE-BUDGET PRESENTATION. (BRIAN SNYDER)

A copy of *City of Santa Fe Pre-Budget Review Fiscal Year 2014/2015* is incorporated herewith to these minutes by reference as Exhibit "3." This document can be inspected in the Finance Department.

Chair Dominguez said this is intended to be an introduction of the budget, and for us to be able to ask questions, although he doesn't want to get into the weeds too much because that is part of what budget hearings are for. But certainly we will have a dialogue, hopefully a healthy dialogue. He said, hopefully, with the information we have received, we can understand the dynamics of the budget, where the gaps may be, the processes in place to get us to the end, which is the adoption of a balanced budget, and lastly, to think about priorities.

Brian Snyder, City Manager said this is one of two Finance Committee meetings minutes where we can go through the budget book, ask questions and run through it. He said he looks at this as an open dialogue. He said he and Mr. Tapia are always available to the Committee, off line, to answer any specific questions you may have on the budget process. He said many of the documents were prepared for past budgets, so those who have been on Council have seen this kind of summary. He said if someone wants to see it in a different manner to let him know and they can do this.

Brian Snyder reviewed Exhibit "3." Please see Exhibit "3" for specifics of this presentation.

The Committee commented and asked questions as follows:

Tab 2 – Revenues

Tab 3 – GRT by Category

- Councilor Maestas asked, "Have you come up with projections for GRTs for the next budget year."
- Chair Dominguez said we will come to that.

Mr. Tapia said he has preliminary projections, and assuming, based on actuals and what is coming in, it will be about \$2.5 million above what we received last year, but is not budgeted at that level, and he probably will recommend approximately 80% of what we will receive.

Mr. Snyder noted budgets were due from staff to the Finance Department by March 4, 2014, and they have been working the numbers since then, and he will be reviewing the numbers over the next week, and then meeting with each of the department directors individually over the upcoming weeks, and then we will roll into formal budget hearings with the whole Council, commenting he hasn't seen those numbers yet.

- Councilor Rivera asked Mr. Snyder if his direction to staff is to remain at a flat budget.

Mr. Snyder said, "That is correct. My direction to staff was to prepare a flat budget, that being said, I also believe it is important to identify needs, capital expansions as well as personnel expansions staff feels they need to perform at the requested level of service. He has asked staff to prioritize the lists, and he will share those lists along with his recommendation in certain areas where we may not have given enough attention to in years past. He said two areas he's already looking at are training which he believes is very important, noting there has been very limited out-of-state travel over the past years. The other area is IT infrastructure and how we stay up with technology, not buying everything at once, but chipping away at staying on top of things. Those are the two areas I would expect to bring forward to the Committee as a recommendation for expansion, but I'll share the whole list with you and we can run down through it during the budget hearings."

Tab 4 – GRT Summary

GRT summary broken down as to where collected.

Tab 5 – Property Tax

Budget breakdown of balance in the Property Tax fund, summary about property and breakdown of where the Property Tax goes – Police, Fire, Various Bonds.

- Councilor Maestas asked, regarding the municipal property tax, if we add 1 mill of City Property Tax to the budget, is there any process outside of the budget adoption process, to change the property tax rate.

Mr. Tapia said yes, there is. He said it has to be done by Resolution approved by the Governing Body, and it also goes through DFA Local Government Division, so it can be implemented. He noted after the Council approves the budget, it has to be part of our budget so it can be included.

- Councilor Maestas said then there is no independent process associated with the levying of that mill.

Mr. Snyder said, “No. The City can implement up to 4.833 additional mills by Resolution, above what we already levy without going to the voters.”

Tab 6– Lodger’s Tax

Tab 7 Overview of Funds.

- Councilor Maestas said, with regard to General Fund Services , Tab 6, the last page, he noticed there were some big differences from actual 12/13 to department requests for 14/15, specifically the Community Convention Center, Utility Customer Service, Transit Bus Operations and also the BDD Operating Fund. He asked the reason those fluctuate so much, assuming these are overhead fees for the different enterprises.

Mr. Snyder said a budgetary formula is used, and he hasn’t really looked at the numbers for 14/15 yet, but he will look into the variability between the previous numbers. He said it is basically services performed by the General Fund and billed to each of the Enterprise Funds, noting there is a value associated with that – number of employees and the need for those services and such.

- Councilor Maestas asked if they do a cost allocation study limited to that enterprise and update it every year.

Mr. Snyder said there is a cost allocation study, but there is a formula that is used and it is plugged into the number of employees, the level of services needed, etc. There will be variability, based on all the factors, each year. He said he needs to verify what those are as compared to previous years.

- Councilor Maestas asked Mr. Snyder to at those and come back to the Committee with that information.

Tab 8 – General Fund

- Councilor Maestas asked if a column could be added to the right for the percentage remaining. He asked the "as of date" on the current actuals for 13/14.

- Chair Dominguez said the percentage remaining behind another tab which we will cover.

Mr. Tapia said we took it out for this report to fit in, so you could view it better, but we do have another report which has a percentage remaining as of March 9, 2014.

- Chair Dominguez asked, going back to Tab 4, GRTs, he thinks we need a better picture of how much of the GRT is paid to subsidize some of the enterprise funds.

Mr. Snyder that it is behind one of the later tabs, and as he goes through, he or Marcus will point that out.

- Chair Dominguez said there are so many ways that shell gets moved around. He would like a summary of the GCCC, for example, noting there is an allocation mandated by the voters. So, aside from that, how much of the General Fund is subsidizing, for example, the Chavez Center.

Mr. Snyder reiterated there are tables that show that.

Mr. Tapia said he had a report done prior to the time the book was starting to be assembled. He said it is a breakdown of GRT showing what goes where and what is earmarked, what part of the General Fund GRT goes to departments, and shows total they get from the GRT. He said along with those numbers, there is a pie chart, which gives a good view of how the GRT is distributed, but that isn't in the book. He will get a copy to the Committee members.

- Chair Dominguez said it would helpful to get that information, noting in some instances last year, we balanced the budget by taking funds from enterprises. However, we take from the General Fund to make sure the enterprises are sound.
- Chair Dominguez said, regarding CIP, we will be working with Public Works to get a better picture of what CIP looks like in terms of how much of that is being used to balance our budget as well, so we can try to move more of those funds to capital projects and not operations. He said two members of this Committee are not on Public Works. He hopes we get some of that at Public Works, sooner rather than later, so we can transition that information into the budget hearings and the budget process..

Tab 9 – Cash

- Chair Dominguez asked if there is a way to pull the golf course out of the MRC

Mr. Tapia said everything is thrown into the MRC, and he is looking to see if we can do that for the next budget cycle, if we can somehow separate those, but the costs and revenue going in are not separated by the soccer fields, baseball fields and/or the golf course, it's all combined.

- Chair Dominguez wants to see if there is a way for us to pull that out, in terms of internal bookkeeping and information for the Committee. He said there are some restrictions on that because of the structure of the bonding instrument.

Mr. Tapia said he thinks there are other staff that may have this information. He said, "Out of my system, my accounting system, I cannot pull those numbers and separate them." He said he probably can give the Committee a pretty good estimate of the allocation of those costs and revenues.

- Chair Dominguez wants to know whether the Golf course is covering its operations, and if the debt is coming from the fields.

Mr. Snyder said he can come up with new business units or sub-business units to extract that information fairly easily.

Tabs 9-10-11 – Cash balances

- Councilor Maestas asked, if a balance is negative at the end of the fiscal year, does the negative balance carries over, commenting that if the fund isn't making money that deficit could grow and grow. He asked, "As a matter of policy, are you going to make any recommendations to try and hit the reset button on some of these problematic funds and make some positive changes to ensure we have more of a positive cash flow on them."

Mr. Snyder said this is exactly what he is doing, is working with Finance on. He said they are looking for funds to take away the negative balance. He said they are looking to establishing minimum target balances with some basis in logic behind them. If it is an operating fund – establishing a 90-day operating supply. If it is a capital fund – what does it have to fund ultimately and then getting a good target for a minimum balance. He said once established, we may create a gap in our budget, something we may need to fill in year 1, or over a period of time, and figure out how to fill those. He wants to know what this number is, and make the fund whole, rather than carrying forward negative balances throughout the year. He will be bring forward some new policies for consideration by the Committee and the Council during the budget process.

Tab 12 – Revenues/Expenditures

- Chair Dominguez would like a simple explanation about what the percentages mean, what the current encumbrances are and what you look for, and gave examples in Exhibit “1.” He said we should be at 40% right now. He would like to know the methodology between the spending patterns.

Mr. Snyder said each department is different, and it depends on its function. He said, with regard to contractals in utilities, the 30%, we are tracking pretty well, because the funding for most contracts has been encumbered. He said the money for utilities also is encumbered at the beginning of the fiscal year. He said these figures aren’t alarming to him. He said, depending on the type of usage for Contracts and Utilities in other departments, you could have 10% left. He said if you encumber properly at the beginning of the year, there may not be much money left in the line item.

- Chair Dominguez said, for the most part, salaries and benefits should be pretty much consistent.

Mr. Snyder said everyone seems to be 41%, but it depends on the vacancies.

- Chair Dominguez said, “Hopefully, we’re not holding positions back just to kind of have this balance. You’re making sure that departments are hiring people and getting the personnel that has been budgeted.”

Mr. Snyder said, “I don’t look at it as holding positions back. Each position that becomes vacant, an analysis is done, ‘is this position needed,’ and if it is, then you’re right, we hire it right away. If it is in evaluation phase, we don’t hire it right away. And some positions will sit vacant throughout the budget cycle and be revisited at the end of the fiscal year – do we even need the position, or do we need it in a different role, whether it’s done at the end of the fiscal year, during the budget process or throughout the fiscal year, from the standpoint of working with H.R. and re-establishing the position as a different function, to perform the level of positions needed.”

- Chair Dominguez said, if we’re holding positions back, then we shouldn’t have any expansions. If we have a funded position, but are not hiring it, we aren’t going to ask for an expansion because we’ve been doing the job without a person in that position.

Mr. Snyder said this is correct, in that specific section of that department, yes. So when an expansion request come in, he looks at it, and the department director and H.R. and Finance look at it and at the org charts, to see what positions are available, how long they’ve been sitting vacant. And we then ask the question, does this position need to be filled. If the answer is no, this has been on the books for whatever reason and we don’t need this position, we will reclassify that position, rather than do an expansion and using funding from that position toward expansion of a new position.

- Chair Dominguez said, "I don't want to get into the weeds too much, so I apologize for kind of treading there. But, I think it's important when we look at the position remaining in salaries and benefits, we want to make sure that positions that have been approved are being filled, so we can continue to operate and provide those services to the public.

Mr. Tapia said he scrutinizes every BAR request, and if we find that a director may be trying to use personal services for a contract or to buy a new vehicle, that just doesn't happen. He said anything coming from personnel will be reviewed by him, and all the way to the City Manager.

Mr. Snyder said, in looking at the salary line item on the high level summary, they range from 35 to 50%, so that is right in line for what he just described and what he would expect to see.

- Councilor Rivera said tab 12 has both revenues and expenditures, but is listed only as an expenditure. He asked if it is good to have both shown on one sheet, or is it best to have revenues in a separate tab and expenditures in a separate tab.

Chair Dominguez said we can do it that way, noting we have done it like that in the past.

Mr. Snyder said there definitely is a mixture of revenue and expenditures.

Tab 13 general fund expenditures by department

Tab 14 are enterprise funds

Tab 15 Unfunded mandates.

Mr. Snyder said this is something new he has requested, which basically is legislation with a fiscal impact, noting he refers to it as unfunded mandates. He said each cycle a budget is approved and implemented. During the fiscal year, any new legislation or ordinances, are not in that approved budget cycle. He said, if it is funded, we go into our cash reserves, or move money around within the fund.

- Chair Dominguez said we have an FIR on each piece of legislation, so those should track with some of this information.

Mr. Snyder said this is a cumulative of the individual ones.

- Chair Dominguez said some of it is enterprise, and Mr. Snyder said that is correct.
- Chair Dominguez said, "Theoretically, they should be able to come up with the revenue to pay for that cost, if it's a true enterprise."

Mr. Snyder said, "Correct. That being said, theoretically if it is a true enterprise, it is run like a business, and you're dipping into reserves like we do in the General Fund, and you may have to adjust the rates to get the funding for the Resolution in place."

- Chair Dominguez said some of this is partially mandated by the State, such as the Open Meetings Act. We must have a stenographer. He said some of this is absolutely mandatory such as the stenographers. He said, "... I would say that the stenographer needs to get a raise, but that's just my opinion." He said he likes this idea because it reminds us that many pieces of legislation that we approve have a fiscal impact, but we don't necessarily see the cumulative effect of that, we just look at it as each piece comes through. He said, "I think maybe reorganizing that a little better might be helpful, but I like it."

Mr. Snyder asked Chair Dominguez if he has any recommendation(s) to reorganize.

- Chair Dominguez said, "No off the top of my head, but maybe by Departments."

Mr. Tapia said, "What I'm doing there is putting more thought into it, looking to see what is recurring and that will have a significant impact going forward. What is a one-time shot. Then breaking it out, whether by enterprise or that it's General Fund impacted. And one of the things I think Brian was trying to allude to, is that if you set up a certain fund that we fund at \$500,000 or \$300,000 or whatever, that's what you dip into. And then going after that you would have go through the board [council?] because it wasn't budgeted, knowing that you had some stuff that would cause fiscal impact. If it's above and beyond that, that's when you look at it again. You could set money aside in the budget process automatically. Like, for example, we had the LEAD program, that everybody remembers, it was a fiscal impact of \$100,000 this fiscal year when it wasn't budgeted, and it is budgeted at \$200,000 for next year."

- Chair Dominguez said there is a social savings to the LEED program, and hopefully we save on the back end somewhere. He asked if we can include that as well, commenting some of this stuff can't be measured, like the nighttime economy one. It's costing us whatever it's costing us, but we will hopefully see a gain in the GRTs on the end of that. He is unsure how to organize it, but believes it would be good to find a way to measure that. He said, for example herbicides. We can't use herbicides to clean the medians which means we have to spend money on personnel to do that. And so it's this kind of thinking that he is looking at. He said there should be a measurement and some sort of benefit to it.
- Councilor Maestas said, "Marcos, you're right on." He said he wants to see summary of one-time initial and then recurring and perhaps separate the recurring to discretionary. He thinks what we should do for those discretionary, recurring, unfunded mandates, is to perhaps ask the Internal Auditor to look these and evaluate them on a routine basis after year to determine if they are effective. He said if it is an effective recurring, discretionary expenditure, that could be a good cost savings, and a routine exercise for our Internal Auditor. He realizes these came from the Governing Body, but things change, circumstances change, and it might be beneficial to evaluate these things annually.

- Councilor Rivera said, under Legislation with a fiscal impact, the graffiti transition to the Environmental Services Division, there is a fiscal impact for year 1 and 2. He said you're just moving people to a different division and asked how there be a fiscal impact.

Mr. Snyder said, if that is the case, then there wasn't a fiscal impact. However, he is uncertain if there was more involved than just moving positions, and if there was an expansion. He said in moving positions from an enterprise to the General Fund, there is a direct hit. He said in this case, he doesn't believe there is.

- Councilor Rivera said he thinks there just needs to be some cleanup of the fiscal impact and the resolutions. He is unsure all of these "potentially would be in there, and the graffiti one was just an example."
- Mr. Snyder said he was trying to get a snapshot of everything that has been approved with some fiscal impact. And similarly, to Mr. Tapia's point that \$200,000 on the LEAD program – you will see this in the budget and it will be reviewed and considered during the budget process.

Mr. Tapia said this is the reason we did an approximation of the cost.

- Councilor Rivera reiterated his believe that there needs to be some cleanup of the FIR's, the Resolutions, commenting he hasn't looked at the Ordinances yet. He said this is the first time he's seen this.
- Councilor Lindell said there needs to be a second check on the reduction of impact fees, commenting she thinks it might be a bigger number, so there should be a second check on those figures.
- Councilor Trujillo asked Mr. Snyder to send an email to the Councilors with regard to the loss in revenue for the fees for the facility for the 9 events – what is allotted to that and to make the new Councilors aware of this so they know they can take advantage of that benefit for any non-profit..

Mr. Snyder said one Councilor has already taken advantage of that and he can make sure Councilor Maestas is aware of that.

Tab 17 – Human Resources

Tab 18 vacancy savings.

Mr. Snyder said he budgets with a 4% vacancy rate, so they budget at 96% of the overall salary budget.

- Councilor Maestas suggested adding a column on the right, so we can see a grand total of vacancies by department on the spreadsheet.
- Councilor Rivera said right after the Vacancy Savings Page, there is the Forecast Over/Under budget, noting several departments are way over budget and some are under budget, and asked if all of those numbers are correct.

Mr. Tapia said funding will be allocated to correct some of them. He said there are some costs which will have to be absorbed through their funds which already are budgeted. This means we will reallocate funding to cover the cost. He doesn't believe any of them will go above the overall budget.

- Councilor Rivera said it indicates that Public Utilities is \$3.5 million over budget.

Mr. Tapia said this is correct and what is in the current report.

- Chair Dominguez said that is because there are 55 vacant positions, and Mr. Tapia said this is correct.
- Councilor Rivera asked how long those positions have been vacant.

Mr. Snyder said it depends on the position. He said there are some operator's position which have been vacant for a month and others vacant two years.

- Councilor Rivera said that seems like a lot of money for 55 positions.

Mr. Snyder said he is unsure of the details, but he will look at this.

- Chair Dominguez said he is unsure how to get a better report on that, noting he too is concerned about this.

Mr. Tapia said they have supporting documentation, reports by individuals, which shows, by department, how these numbers were calculated. He said that supporting documentation is available, but not included. He said that number is in line with the vacancies, noting at the time it might have been 65 or 75 vacancies.

Mr. Snyder said he did the quick math, and it is an average of \$64,000 each for those 55 positions – salaries and benefits – which he thinks is reasonable.

- Chair Dominguez said his concern is what positions are being held back, and the reason they aren't getting filled. He thinks it's different for some departments, and there will always be vacant positions in Public Utilities because there may be a lot of turnover. He said, "But if there are positions that are being held back purposely..."

Mr. Snyder said he doesn't like to use the term "held back." He said when he ran the Utilities Department, as an enterprise, he ran it like a business. He said, "So if a position became vacant, I made the management decision to determine if this position was needed or not. It wasn't holding it back. I knew the level of service we had to provide, I knew the staffing, but I also needed to see, from a staffing standpoint, did we need that additional staff, did we need a full FTE, did we need a part time or a half FTE. I can speak to Utilities directly, and then applying that throughout the City, I go through this exercises with each of the department directors, H.R. and Finance every time I see a position come through the process – do we need this position, do we need it for this purpose. Because I think, too often in the years past, we just filled a position for the sake of filling the position. When levels of services are changing, types of service that we need to provide are changing, I think it's our responsibility to make sure we evaluate them, and fill them when we need to and with the right job that we need, as well as the person in that position. And if we don't need to fill it, I believe it's our responsibility not to fill it, from the standpoint of the public because it saves us budget."

- Chair Dominguez asked the reason we continue to budget for a position which has been vacant for a number of years. He doesn't have enough information to give an example. He asked why we don't just cut that position and move those funds elsewhere where there may be another priority.

Mr. Snyder said, "I dealt with the same thing. I'll go back to my Utilities experience, where there were a number of vacant positions for years. I scaled those positions back. The challenge is, if we don't have some vacancies in the budget, you aren't budgeting for those positions. So, throughout the year, if you feel there is a need for an expansion, there is no money there appropriated for that budget."

- Chair Dominguez said, plus you don't want to lose that tool number, in case you need it later on.

Mr. Snyder said that is correct, and it is a matter of striking a balance between too many vacant positions and not enough. And, it depends on the department.

- Chair Dominguez said if lower level managers are asking to fill a position, and they can justify it to you, then you're going ahead and filling it.

Mr. Snyder said, yes, that's correct.

- Councilor Trujillo said for the budget hearings, he would like a listing of positions which have been vacant for two years or longer.

Mr. Snyder said that will be done.

- Councilor Maestas asked Mr. Snyder if he could identify the vacant positions as General Fund, or in any department which is an enterprise. He said he gets the sense that perhaps the General Fund positions, not subsidized by a dedicated funding source, are being left vacant longer because of that very reason. He noted the table indicates there are 79 vacancies in the General

Fund and 86 vacancies in Enterprise Fund. He hopes there isn't a trend where we are keeping General Fund positions open longer because our budget is in such flux. He said, "So in that table, if you could differentiate those positions so we can see..."

Mr. Snyder said he definitely can do that. He said for example, there are 106 vacancies in Community Services, and the reason is these are the Summer Youth Program hires, which are part time. So they appear as vacant positions, but they're not vacant positions, so those factor in down to the totals. He said they aren't sitting there vacant year round, and they are vacant at the time we are running the report, because they haven't yet been hired. He said the two-year Vacant Position Report will get at this, he believes. He said these numbers are inter-mixed, and this is how it was budgeted. He said they are getting ready now to hire the Summer Youth positions.

- Councilor Maestas asked if he can show the total positions to see what is the vacancy rate is. He said if we segregate out the total positions filled, what would be the vacancy rate, commenting he thinks it is more than 4%.
- Chair Dominguez asked staff to get that information as well.
- Councilor Trujillo said, "And Brian, the reason is, you've seen what the press has done lately anytime we give raises, they're not here. But that's the thing. Some people get raises, some people don't. I just want to be transparent on that. Our constituents come back and they'll say this person got a huge raise, but yet why aren't you hiring, there are all these vacancies. This way, we can justify this. For me, it would be a better transparency to the constituents and the people of Santa Fe."

Mr. Snyder said, "I am 100% in support of that, and why we're trying to portray this in a different way, just so you guys can see the real numbers, because there is a lot behind it. And that's why we've changed some things around and trying to show it in a different manner."

- Councilor Rivera noted there are a number of people in acting positions right now, and asked, with the new Mayor still having to make permanent decisions, if the positions they vacated are considered to be vacant, or if those still are being carried.

Mr. Snyder said it depends on the position. Some of them are vacant, depending on the funding source, they may not always be considered vacant. An example would be Kate Noble's position in Housing & Economic Development, as an Interim Department Director. She is fully funded out of her old job, and since she is filling in for Nick, Energy Specialist, who is also funded by a different funding mechanism. So it depends on the position.

Tab 19 – Worker Compensation Fund

- Mr. Snyder said there is a Memo in the packet that summarizes the balances and claims and litigation costs, and a table that shows the four-year history for the Workers Compensation Fund, and talked about the efforts to establish a stable cash reserve for this Fund.

Tab 20 – Health Fund

- Chair Dominguez asked how many positions work in the Wellness Program and how much revenue they generate.

Sandra Perez, Interim H.R. Director, said there are 1½ employees. *[The balance of Ms. Perez's remarks are inaudible here because she was speaking from the audience.]*

- Chair Dominguez said there was to be a savings in the health program.

Mr. Snyder said they don't generate revenue, the goal is to offset the expenditures from hitting our health fund from employees going to the E.R. The thought is, if you are living a healthy life style, you are going to the hospital less.

- Chair Dominguez said, "So the new Councilors can hear this, staff is prepared to start trying to measure that, correct."

Mr. Snyder said, "Correct."

- Chair Dominguez asked how much potential revenue is being lost. He said it's a good program, a great program for the new Councilors. What we did is we said those employees who were paying to get into the Chavez Center no longer have to pay, which includes family members and dependents, so that is lost revenue.

Mr. Snyder said it is a whole program at all of the facilities, and it is for employees, their significant others, families. He said it is those as well as programming. He said, "On the first page, you will see the back care seminars, stress reduction seminars, diabetes prevention, those things which we believe, and in our evaluations of other programs around the country, help us save money. On the second page, you will see the ER costs in the year January 2013, the ER costs are down 19%, and attribute a good portion of that to this program,. And what that means is, that was a 6-month savings of about \$128,000, so these are some of the metrics we're trying to put in place and get a good handle on – what does this program, other than just the well being of an employee, how does it impact our health fund. So these are types of metrics you'll be seeing as we move forward."

- Councilor Maestas said there are 1,581 employees and 1,245 employees are receiving benefits. He said some employees may be covered through their spouse's plan. He asked if all City employees are covered in some way or another.

Mr. Snyder said the part time employees are not all covered.

- Councilor Maestas asked if we are striving to have 100% coverage for our full time employees.

Mr. Snyder said he is unaware of an overall goal, and all employees are offered the health benefit, and whether they have it with their spouse or another, it is a top-notch program. He is unaware that there is a goal to get 100% of full time employees to be a part of the program, those with the opportunity to take on the benefits.

- Councilor Maestas said he wants to know why they don't have any kind of coverage, those employees that don't, and perhaps we can use this information as a means to make improvements to our overall health benefits and wellness programs.
- Chair Dominguez said they have to be covered somewhere, somehow.

Ms. Perez said, "To that point, regarding the Affordable Care Act, you're right. There is a mandate or else a penalty for next year which people would have to pay on their personal income taxes. But what we don't collect is... when people refuse the coverage, we get a card back that says they refused the coverage. There is nothing that says they have to tell us why they're refusing it. Sometimes they say, well I'm covered under my spouse's benefit, or they have their own insurance somewhere else that they thought was more affordable, or there is some other family plan. I can tell you there is a growing trend, and as we get into this more, through the budgeting process and we start talking about the Affordable Care Act, that the trend among larger employers now is, if your spouse or domestic partner has available coverage with their own employer, they want you to use that, and not be on the plan that's covered. They're starting to split that up more, and a lot because of the Affordable Care Act. So we'll have to talk some more through that as we move forward."

- Councilor Maestas asked when the certification of the mandate is for large employers such as the City of Santa Fe.

Ms. Perez said, "Our first fee is due in January 2015, and then it is staggered throughout after that, and it is \$62 per member, of all members covered. So it's personal coverage, and we have to pay that on the 3,300 members. So by the time it is all said and done, it is a chunk of change. But we can get the metrics on the reason, if they said anything. We don't track why they didn't take our coverage, we just know if they're covered then they go on, and if they refused it, or if they're part of the employment ranks that don't have coverage available to them, that could be part of it."

- Councilor Maestas asked if it would be acceptable if we can certify they're covered in some form or fashion, maybe not by our health benefits, but by another, that we are meeting the letter of the law.
- Ms. Perez said, "Right. Well, what we have to do, is the burden isn't on us to show that they've got their coverage. The burden is on them to show they've got it. So what we can do, is to modify our refusal cards to have a box to check that they are covered somewhere else. Most employers are

using that information to kick people out of their plan, rather than to try to make sure that they have coverage.”

- Councilor Rivera said, in looking at the wellness program, he would like a cost breakdown of the GCCC memberships and the revenues they have lost due to this program.

Mr. Snyder said, “The only reason I’m hesitating is... yes we can provide that. I’m just concerned that it may not be as it appears and trying to make sure of that however we present it. To answer your question, yes we can do it, to make sure it appears and you don’t make an incorrect assumption by just looking at the data. We’ll just have to be careful about that.”

- Councilor Rivera said, “My point in asking for it, is that similar to what is going on with the Transit System, is that we pass Resolutions that have an impact on departments, and in this case, an enterprise fund, and then we, as the Governing Body, have a tendency to complain about how much we’re having to subsidize the enterprise fund because of rules we made that create the fiscal problems in the first place, or add to them anyway. Just to be able to look at that.”

Mr. Snyder said, “Definitely.”

- Councillor Trujillo said, “Since we’re talking about the Genoveva Chavez, and this is always been the thing that’s always got me. Do you know how much do we charge for just a single, for one person, to join the Chavez for a year. We don’t have that information. How much Isaac.”

Mr. Snyder said, “It depends on what you want to be a member of, if you want access to the pool or the ice rink or just the general facility.”

- Councilor Trujillo said, “We charge one person so much, but then for a family, technically it’s a lot cheaper, but when you round it off, say it’s a 4-member family, each one of those members are paying, just taking a guess, a hundred and some a year, maybe. Yet, we’re charging three hundred and some for one person. To me, I would rather get more people in, if we could reduce the rates, and get 10 people instead of just 3, to me the balancing would make more. It’s just something to look at, and something I think would want to look at as well, with the budget and especially at Genoveva Chavez.”

Mr. Snyder said he understands what Councilor Trujillo is saying, in looking at the recreational fees and how we divide them versus family, and looking at the reduction for a family, versus an individual user, and how we approach that.”

Tab 21/22 Investments and other reports

- Councilor Maestas asked the mandate for 10% cash reserves as opposed to the 1/12 State mandate, is it an ordinance or a resolution.

Mr. Tapia said, "I haven't seen that Ordinance, but I know it exists. It is from past Councils that have passed that. We, at Finance like it and we keep it at 10%, other than the 1/12 which is about 8.33 or something like that. But we can find the Ordinance pass it forward."

- Councilor Maestas said he heard that for certain of the unfunded mandates, the Council has gone into some of these reserves, so you have gone below the 10%, so it's not a hard and fast mandate. He said he thinks this could be used as part of our portfolio of solutions to try and balance the budget instead of putting so much pressure on a property tax or gross receipts tax increase. He doesn't know how "hard and fast that is institutionally," and it could be a stop-gap measure. It doesn't have to be permanent. He said, "I can see the logic behind it, but I just think that should be on the table for discussion when we're talking about broad strategies to help balance the budget."
- Responding to the Chair, Mr. Snyder said we can look into that and have that as an option, and put that on the list.

Tab 23 – Bonds and loans

Tab 24 – Annexation

Tab 25 – Hold Harmless

Tab 26 – Projects Water, Wastewater, Environmental

Mr. Snyder said, "If you recall, back to the City's cash balances, those funds had some of the largest cash balances in them. And there's been that perception that we can dig into those funds year after year. And the reason I had these summaries put in here, these are the Capital Improvement Programs for each of those that is an enterprise fund, and as you can see, these are various capital projects. I'll just pick on water for a second. These are the capital projects for the next 4-5 fiscal years. And you notice the red at the bottom is cash available. What that signifies to me is that we are using the money, or we have a plan to use the money, and then we start seeing the red and then we circle into the negative. What that is, as per our Finance Plan, we have a planned bond sale, so that bonds gets us back up and gets flowing again."

Mr. Snyder continued, "So the point of this is to show that we do have a plan to expend the money. It's not just money sitting there. It's a lot of money and I understand that, but at the same time, we have a plan to spend the money in each of the utility enterprise funds, water, wastewater and environmental services."

Tab 27 – Outcome of Schedule of Affected Positions Targeted for Non-Funding and/or Funding Shifts.

Tab 28 – Bonds

- Chair Dominguez noted this Committee will be working with Public Works on this.

Mr. Snyder said the funding needs to be in place by July 2, 2014, so it is part of this budget process and the reason we bring it up here. We do have a time and place, between now and July 1, to get the process started, as well as to get it set up so we can refinance.
- *[Chair Dominguez's remarks here are inaudible because his microphone was not turned on.]*
- Councilor Maestas said he has a lot of question about bonds, and wants to understand the status of those to help balance the budget. He would like to have an Information session on bonds, about 15 minutes. *[Most of what Councilor Maestas says here is inaudible because his microphone was not turned on.]*
- Chair Dominguez said we can do this again at the next Finance Committee meeting and focus on some of these things. He said we probably need to provide a history of financing. He asked Mr. Tapia to get with staff and get that information.

Mr. Snyder said he wouldn't mind sitting with the Chair, the Finance Director and his staff to run down through that.

Tab 29

- Chair Dominguez noted the chart isn't complete because the \$1.2 million and the \$400,000 have already been approved, so essentially whatever we were in the "black" with our GRT, about half or more than half already has been obligated to those two things. As an example, if we wouldn't have done that, maybe we would have been able to move the Southside Library out of CIP into the operations, assuming we were going to stay on this trajectory or trend of increased GRTs. He said that's one way to look at it. He said, "This gap sheet is something which was done over the last however many years. It's pretty helpful, I think, but we'll continue discussion on it."
- Chair Dominguez said he will open it for one round for the Governing Body so we can "close this thing down."
- Councilor Rivera said last year at the end of the fiscal year, we appropriated funding for one-time CIP projects, roof projects, CIP projects which weren't going to cost a whole lot. He asked for a breakdown of what projects were approved, which ones were completed, and if not complete, the reason, and the status to completion.

- Councilor Rivera said last year, the department directors gave the budget presentation. He said, "And I felt and I brought it up during that time, I felt we were lacking in the process by not having individual supervisors that were actually going to be affected by the budget here to make a presentation. And I think it's important if there are going to be budget cuts, or flat budgets, that the actual supervisors that are going to be managing their areas, that they have buy-in to the budget, and are on-board with everything that's going to happen. I'll give you an example. The GCCC. They were making budget cuts that were going to affect janitorial staff there at the GCCC, and what we were hearing from department directors is that staff were going to take over those responsibilities of cleaning. I think you have better buy-in to that process if the individual supervisor is there at the GCCC actually making the presentation to doing that."
- Councilor Rivera continued, "Now, I don't want to get down to the supervisor or the life guards coming in and making a presentation, but at least maybe the director of that facility coming down. And I think she was here a few times, and then that was it. We never saw her again. And I think I brought this up during the last budget meetings, even though I wasn't on Finance, I did make it a couple of times, and felt like there should have been more involvement from other managers within each of the different departments."

Mr. Snyder said, "If I may, Councilor Rivera, I hear what you're saying. I do have some concerns about that which I'll talk about with you off-line. But one I'll express here, and using the GCCC as an example, there is a Rec Division Director, which is not the person you're speaking of, and then the next person down is the manager of that facility, which basically is comparable to a section supervisor in other departments around the City. So, from a department standpoint, that's three levels down in a department. So, my concern is to be equal and fair across the board, to have section supervisors presenting here, and we go through this a week, and I'm not sure what the budget hearing time period is, that we may be expanding to something that's not really..."

- Chair Dominguez said, "If I may Councilor Rivera, just to give you a little support on that, the GCCC is an enterprise and we've done it with other enterprises, where that division, if you will, makes the presentation. So, it's not necessarily the department director.":

Mr. Snyder said, "And I understand what you're saying, it's an enterprise fund, but it is not a division."

- Chair Dominguez said, "But it's an enterprise. We've given that facility a mandate to generate revenue. And we need to hear from line staff, as much as we can, is what Councilor Rivera is saying, to make sure that the division director is giving that section, as an enterprise, the ability to generate the revenue it needs to operate. And we can get into some of that detail later on, but I think I'll let you go ahead and finish Councilor Rivera."
- Councilor Rivera said, "Maybe I sort of mis-spoke here, but I think it's okay that the department director give the overall budget idea and where the group or department is going, but at least have staff available to answer any questions that we may have regarding the fine-tuning of the budget, or how it is going to affect individual groups."

Mr. Snyder said, "I don't mean any respect, but we will have the staff available, they can speak, I don't have a problem with that. My concern is, (1) drawing the process out; (2) frankly, there are staff at the City, even at the division level, that don't agree with having a flat budget, but that was my directive. So, if you are now asking staff that don't believe in coming forward with a flat budget, to come and talk to you, it's creating a problem internally. And I just want to call that to everybody's attention, because it is a concern to me, because there are certain directives I have to give, and if there is a division director that may either feel comfortable speaking out of turn, or not speaking out of turn by my directive, that's a concern. Because now you've created some turbulence. So, like I said, I'll speak more off line with you, it's just something I want to raise as a potential concern of mine."

- Chair Dominguez said, "Everyone should feel comfortable to be able to speak freely, without any retaliation."

Mr. Snyder said, "Mr. Chair I didn't say anything about retaliation. I hope that's not on record, that's for sure, because I didn't say anything about retaliation. But the reality of this is, that when you asked me what my directive to staff was, I said my directive to staff was flat budgets. As I see the budget picture, the windows, that's my job as City Manager to do. That doesn't mean that everybody agrees with that. In fact, as you'll see when I bring forward, and I'm trying to be transparent with everything in this book, as well as expansion positions, you'll see in expansion positions, people asking the world. We don't have that ability. So, I'm just cautioning, like I said, I'll have staff available and I don't have a problem with them speaking, I just caution that it could get into an exchange that may not be healthy."

- Chair Dominguez said, "No, I understand. And I say, with all due respect, and let the record note that the City Manager is not talking about retaliation, but, I know that there were some staff that were chased away last year. They were not allowed to be here for budget hearings, so make sure, as Councilor Rivera has asked, that appropriate staff is available for some of those discussions. Right like."
- Councilor Rivera said, "You know, I understand what you're saying Brian, and I can appreciate it. And if you recall, we used to do it that way, before last year, where we would have.... the Fire Department, for example, not only the Fire Chief there, but the Divisions Chiefs, people that were responsible for their areas to answer questions. Last year is the first time I remember it being just department directors giving the overall presentation, and really not having people here to direct questions to, and that was frustrating. And I think, if we can find the balance between how it used to be, and how it was last year, I'm okay with that."

Mr. Snyder said, "You guys give me the direction on what and who you would like to hear, they'll be here, and they can speak."

- Chair Dominguez said he will work with the City Manager on that, to make sure we don't get too far down into the org chart, and we're not getting the lifeguard supervisors there."

- Councilor River said, "I received several complaints by not having janitorial staff at the GCCC, and it's my understanding that we ended up hiring some of them back. And I think if we had had insight from other managers, maybe we could have avoided some of the headache that came along with that in the first place. That's all I'm trying to do. I'm not trying to wreak havoc for you, or to pit people against you, based on information that you or the department directors gave to staff below them, but I would like to hear from the staff that this budget is really going to affect and who is going to have to manage it."

Mr. Snyder said, "Mr. Chair, Councilor Rivera, that's understood."

- Councilor Lindell said, "I just want to thank you for putting this document together and also comment that, of course I'm new to Finance Committee, and how clear the packet was and how well that was put together. It certainly was very helpful to me. This document is extremely helpful to me, and what it tells me, without getting a magnifying glass out and reading through every page of it, is that we have a sizeable task in front of us, and that we need to be pretty careful with what are very precious resources, and that these are not only precious resources of the public, but they're quite limited. And we're not expanding, we aren't necessarily contracting, but when we do see fit to expand in an area, or pass resolutions or ordinances that cost money, we probably should be mentally prepared that that money may have to come from somewhere else in this budget. And, just because we want to pass a resolution or ordinance, we don't necessarily have the money sitting around to do that. So that's what this document has told me. It's my first experience with this, but it just seems like we have to be very very careful in this next year in how we allocate resources."
- Councilor Maestas said, "This booklet was really beneficial, Brian, so thanks, and convey my thanks to all the staff that helped you put it together. Just, in general, we have some really significant financial challenges facing the City. The City has done a great job to pass stop-gap budgets, but I think we're talking about making some major cultural changes. Making enterprises self-sufficient, funding CIP projects with bricks and mortar projects instead of continuing to fund a lot of recurring, related operational activities. And we need to move in that direction. We need to look at some bold solutions. And I'm going to work for a combination of things. No real shock treatment. You won't see me shouting that we need to pass the 3/8% gross receipts tax. I would like to see us really look at a wide variety of solutions, no shock treatment, but something that is balanced and will really start improving not just our next budget, but the budget outlook."
- Councilor Maestas continued, "And then the last thing I'll say, is I really think, just for the purposes of discussion if the staff could come up with some other financing mechanisms besides the traditional gross receipts tax increase. There is an increment the City did not enact, there is one more left. It is a 1/4% increment of municipal gross receipts tax. I think that's a negative referendum. It could be very similar to the new 3/8% that was made available with the Hold Harmless Repeal."

- Councilor Maestas continued, "And then, I think staff needs to look at maybe some tax improvement development districts, or tax increment financing. I know you guys have probably talked about that in the past. We have annexed areas – would that be appropriate. Or are there some specific major projects that would only benefit one particular District. Should that localized area pay for it, instead of the entire City. I don't know what the history is, and maybe we can talk off-line for other types of financing mechanisms besides the tradition gross receipts tax increase. So, if staff could look at that, and if there's nothing in your toolbox that you think really fits or is appropriate, that's fine. But I really think we're going to have to, Mr. Chair, before we get into the weeds, it would be good for us to have a discussion of broader solutions and then we get into the weeds. And I think the 1/12 reserve needs to be discussed, just as an example. Anyway, that's all I have for now."
- Chair Dominguez said, "What it really comes down to is, like I said before, we need to somehow generate more revenue, because if we continue to cut the way we have over the number of years that we have, we are at that threshold now, where the public will begin to become affected, and services to them will suffer. I think we're teetering at that. And outside of some other tax increase, that there's not a huge economic recovery that's steep and significant. We are going to have to continue to work on looking at the long term picture. Outside of annexation I think, Marcos, we could probably get by this fiscal year pretty well. But then, that would just be keeping to kick the can down the road, and we don't solve some of the larger looming issues that we have."
- Chair Dominguez continued, "And so economic development is one way. Raising revenue in terms of a tax increase is obviously another way, as it's been presented. So we do have some work, not only in the short term but in the long term. My hope is that we all work with staff to make sure we have this on the agenda again next time. I don't want to have as long a discussion, obviously. Maybe we can, I'm guilty of some of that myself, but nonetheless, we have to have this discussion, because we have a brand new Committee. I don't think anyone has been on the Finance Committee before."
- Chair Dominguez continued, "So, two things really quick. I would like for staff to go ahead and start looking at severing Parks and Recreation from Public Works to create a new department with two divisions, both Recreation and Parks. The other thing, and I think Ike has already prepared some of that data, brought some of that information, but opening the Southside library on Sundays. So, we can make available to the Committee as well. Yolanda, I need you to start polling the Committee on having budget hearings the week of the 21st. I think that's the original schedule."

Mr. Snyder said he was actually looking at the following week, and he can give you what he's thinking on that, and he can work with Yolanda as well. He mapped everything out, based on taking the budget to the Council on May 28, 2014, and then backing into giving you the same window of time for hearings. The last day he had planned on meeting with department staff was on the twenty-second, in terms of a second or third meeting.

- Chair Dominguez said the potential budget hearings start the week of April 28, 2014, and he will work with the Committee and staff to make it as painless as possible. Typically, we have done two full days, and then have dedicated time at the Finance Committee for the budget. He said he is working with the Mayor to schedule a study session before the budget hearings, where the Governing Body can articulate priorities in preparation for the budget hearings.

Mr. Snyder said he and the Mayor are looking at doing that, hopefully in the next week and a half to two weeks before the budget starts. He said they envision an open dialogue, and almost a full day session where there is open dialogue, and get some of the broad discussions on the table as well as the priorities.

- Chair Dominguez said he is open to suggestions to make the process better, from the Committee or staff.

23. OTHER FINANCIAL INFORMATION

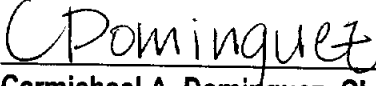
There was no other financial information.

24. MATTERS FROM THE COMMITTEE

There were no matters from the Committee.

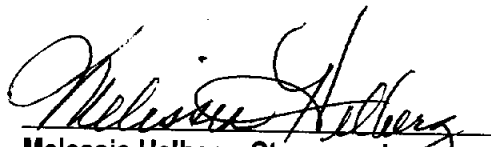
25. ADJOURN

There was no further business to come before the Committee, and the meeting was adjourned at approximately 7:45 p.m.


Carmichael A. Dominguez, Chair

Reviewed by:


Marcos A. Tapia, Director
Department of Finance


Melessia Helberg, Stenographer

False Alarm Monitoring System Performance Audit

March 2014

INTERNAL AUDIT
DEPARTMENT
CITY OF SANTA FE



The Internal Audit Department and the role of Internal Auditor were created by City Ordinance No. 2012-32 and amended by City Ordinance No. 2013-34, Section 2-22 Santa Fe City Code (SFCC) 1987. A primary purpose of the Internal Auditor is to share a duty with the members of the governing body to insure that the actions of public officials, employees and contractors of the city are carried out in the most responsible manner possible and that city policies, budgets, goals and objectives are fully implemented. The Internal Auditor is also the City of Santa Fe's liaison to the Audit Committee.

The Audit Committee was created by City Ordinance No. 2013-35, Section 6-5 SFCC 1987. This committee is an advisory committee and consists of five members of the community. Of the five members, one member shall be a certified public accountant, one member shall be a lawyer or have a law enforcement background and one member shall be a management consultant.

The Internal Auditor and the audit committee are structured in a manner to provide independent oversight of the City operations, thereby enhancing citizen confidence and avoiding any appearance of a conflict of interest.

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Mission Statement

The mission of the City of Santa Fe Internal Audit Department is to provide independent, objective assurance and review services designed to promote transparency, accountability, efficiency, and effectiveness of City government for the citizens of the City of Santa Fe.



City of Santa Fe – Internal Audit

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Liza A. Kerr, Internal Auditor

Date: March 17, 2014
To: Brian Snyder, City Manager
From: Liza Kerr, Internal Auditor
RE: False Alarm Monitoring System and Public Safety Corporation Audit

Attached is the Internal Audit Department's report of the audit of the false alarm monitoring system. The purpose of this audit was to examine the effectiveness of the implementation of City Ordinances No(s). 2009-33, and 2012-13 which address the issue of false alarms within the City of Santa Fe, the resources to respond to the false alarms, and the necessity of charging fees and fines to alarm owners and companies to cover these costs.

This audit is defined as a performance audit. City Ordinance 2013-35 §2-22.6 (B) and Government Auditing Standards define a performance audit as an engagement that provides assurance or conclusions based on an evaluation of sufficient and appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices.

Opportunities to improve the internal controls around the billing process and the recording of assets in the City of Santa Fe's general ledger have presented themselves. In addition, there are several findings that fall outside of the parameters of the professional services agreement with Public Safety Corporation but within the scope of the City Ordinances and sound governance including the need for formal policies and procedures and a defined collection process.

These weaknesses in internal control and lack of guidance for a collections process are a hindrance to the effectiveness of the program, the intent of which is to reimburse the expenses that the City incurs responding to false alarms. In addition, not recording the activity in the general ledger may result in over or under statements in the City of Santa Fe's financial statements.

If you have questions, please contact Liza Kerr, Internal Auditor, at (505) 955-5728.

cc: John Schaerfl, Deputy Police Chief
Marcos Tapia, Finance Department Head
Javier Gonzales, Mayor
Kelley Brennan, City Attorney
Members of the Audit Committee
Members of the Governing Body



City of Santa Fe – Internal Audit

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Liza A. Kerr, Internal Auditor

AUDITORS REPORT

We have completed the audit of the City of Santa Fe's false alarm monitoring system as managed by Public Safety Corporation. The purpose of this audit was to examine Public Safety Corporation's effectiveness in managing this function within the parameters of relevant city ordinances and their professional services agreement with the City of Santa Fe. The role of City of Santa Fe's staff was also reviewed to ensure completeness, that is, that all aspects of the ordinances have been implemented. Lastly, we reviewed applicable Governmental Accounting Standards to ensure that the City of Santa Fe was properly recording transactions as related to fees and fines assessed as a result of this process.

This performance audit is authorized pursuant to City of Santa Fe Ordinance No. 2013-35, §2-22.6 (B). This audit was conducted in accordance with generally accepted governmental auditing standards, except for a peer review. Our audit, performed in accordance with generally accepted auditing standards, is intended only to conclude on the stated objectives of this audit. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence provides a reasonable basis for our findings and conclusions based on our audit objectives.

The audit has identified opportunities to improve internal controls as related to the false alarm monitoring process. These weaknesses in internal control and lack of guidance for a collections process are a hindrance to an effective process, the intent of which is to reimburse the expenses that the City incurs responding to false alarms. Issues were found in the areas of 1) lack of ownership/leadership, cohesion and oversight, 2) lack of formal policies and procedures, 3) not pursuing collections, 4) not processing appeals timely, 5) not recording the accounts receivable balance in the general ledger, 6) not recording the bank balance in the general ledger, 7) not all alarm companies are filing monthly reports, and not all alarm users are registered, 8) accuracy of the billings, 9) the integrity and completeness of the accounts receivable journal and underlying detail, 10) billing for late reports from alarm companies, and 11) not assessing fines for all items identified in Ordinance No. 2012-13.

Internal Audit concludes that identified deficiencies in internal control that are significant within the context of the audit objectives are the cause of deficient performance of the program or operations being audited.

Internal Audit extends its appreciation to the staff at the City of Santa Fe and with Public Safety Corporation that assisted with this audit.

Liza Kerr, CIA, CISA, CPA, MBA
Internal Auditor

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EXECUTIVE SUMMARY

City Ordinance No. 2009 – 33, §20-5.1 states that the governing body of Santa Fe found that there was an increasing use of alarms in the City of Santa Fe (City) and that 99% of these alarms were false alarms. It was found that the costs to the City were significant, and that at the time the Santa Fe Police Department (SFPD) was spending over \$100,000 responding to false alarms. Further, the false alarms were a diversion to the SFPD in performing their regular duties, and provided a benefit only to those who had an alarm system. For these reasons, the governing body felt it was justified to require alarm users to register their alarms and to charge fees and fines for the registration as well as for false alarm incidents. Ordinance No. 2009-33 was subsequently amended by Ordinance No. 2012-13. Included in this ordinance are requirements for alarm companies to obtain a business license, to provide proof of bonding, to do background checks on employees, and to file monthly reports detailing changes in their customer profile. Fees and fines are assessed accordingly (See APPENDIX A).

It is important to consider this original intent and to note that the City is 1) covering the expenses allocated to the program with revenue generated from the program, and 2) false alarm incidents are being reduced. Overall financial results as well as the number of calls per year are included in this report (See APPENDIX B). This following table is an excerpt from Appendix B:

SUMMARY	FY ¹ 09/10	FY 12/13	Difference	% Difference
Revenue	\$64,446	\$173,762	\$109,316	169.62%
Expense- (Operations)	\$0	\$2,958	\$2,958	100.00%
Expense-(Patrol Officers)	\$233,550	\$152,526	(\$81,024)	-34.69%
Total Expense	\$233,550	\$155,484	(\$78,066)	-33.43%

NET INCOME	(\$169,084)	\$18,279	\$187,363	110.81%
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Total Number of Calls	6,817	4,452	(\$2,365)	-34.69%
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In summary, there is a reduction in the number of false alarms, which results in a corresponding reduction in the patrol officer's expenses at 35% each. This combined with the increase in revenue collected results in a positive net income for FY 12/13. However, salary expense was not allocated to the program until FY 13/14. For the first time salary expense for the City's false alarm administrator and for other persons assigned to this program will be included in the operating expenses on a pro-rata basis. If the salary expense had been included in FY 12/13, the program would have shown a loss. Collections will have to be increased to cover these relevant allocable expenses.

In summary these are adequate results as it appears that the objectives of the ordinances are being met. However, as with any new implementation there is opportunity for improvement. This report highlights those opportunities and provides recommendations for improvement in the process. There are many factors that are required in order for this program to run efficiently and effectively, but ownership/leadership is the glue that holds it all together, it is the crucial pillar around which all else revolves. The false alarm monitoring system is working, but could be greatly improved with a single point of ownership that is responsible for all aspects of leadership including coordinating with PSC and all City departments such as finance or legal to comply with the various aspects of the ordinances.

The key findings in the report are related to insufficient internal controls.

¹ FY – Fiscal Year

INTRODUCTION AND BACKGROUND

(SEE APPENDIX C FOR A GLOSSARY OF TERMS)

In order to implement the ordinances the City engaged the services of an experienced contractor. AOT Public Safety Corporation (PSC) was selected and entered into a Professional Services Agreement (PSA) with the City. The contract with PSC was initiated on 10/28/2009, and was set up with an initial term of two years, plus three additional one year options that may be exercised by the City. The PSA states that the contract shall not exceed five years.

The terms of the PSA stipulate that PSC responsibilities include, but are not limited to, the following:

- 1) Registering and updating alarm permits;
- 2) Importing into their system on a daily basis, false alarm incident data extracted by the City from the County CAD/911 System;
- 3) Exporting daily from their system alarm permit status changes;
- 4) Initializing, maintaining, securing and backing up Program databases including alarm registration and incident data, alarm related financial transactions and accounts receivable;
- 5) Processing false alarm incident data, including the matching of false alarm incidents with the alarm registration/permit database maintained by PSC;
- 6) Billing and corresponding with alarm users in accordance with the Alarm Ordinance provisions;
- 7) Establishing and hosting a dedicated, secure City of Santa Fe Alarm Program web site;
- 8) Answering telephone inquiries from City alarm users with a provided toll free number;
- 9) Managing fee / fine payments mailed to and deposited in a mutually agreed, dedicated bank lockbox – including a monthly reconciliation of all payments, and bank deposits in support of the monthly revenue sharing agreement;
- 10) Providing the City secure, online, on-demand access to alarm management information and reports.

The payment terms to PSC are 32% of collected revenue, net of any bank charges.

SCOPE

The scope of the audit included:

- 1) The terms of the PSA between the City and PSC;
- 2) City Ordinances No. 2009-33, and 2012-13;
- 3) Applicable governmental accounting standards;
- 4) Accounts receivable balances to date (including recalculating of balances from inception to 10/17/2013);
- 5) Revenue generated from false alarm billings from 07/01/2012 to 10/17/2013;
- 6) Appeals; and
- 7) Collection procedures.

OBJECTIVES

The objectives of the audit were to:

- 1) Gain an understanding of and test the services provided by PSC as stipulated in their PSA;
- 2) Gain an understanding of and test the requirements as stipulated in the false alarm ordinance(s), and applicable standards; and
- 3) Determine if internal controls exist and are effective regarding this process.

Our audit objectives were designed to ensure:

- 1) Compliance with state and local laws;
- 2) Compliance with the PSA between the City and PSC, including verification of:
 - a. Amounts billed for false alarms being within mandated guidelines; and
 - b. Accuracy of revenue paid to the City upon collection of fees and fines;
- 3) Compliance with governance requirements and best practices as applicable, including verification of:
 - a. Proper recording in the City's general ledger of activity associated with this process;
 - b. Policies and procedures; and
 - c. Collections practices;
- 4) Compliance with the appeals process.

Accordingly, we used procedures including examination of records, voluntary interviews with appropriate personnel, vendors, and others, and other procedures as deemed necessary to accomplish our objectives.

METHODOLOGY

The following methodology was used:

- 1) Phase 1 – Walkthrough and Information Gathering
 - a. During this phase a physical walkthrough was done to determine how the City interfaces with PSC. This walkthrough included talking with City employees and team members from PSC to understand and document the software interface, billing procedures and payments to the City for revenue generated;
 - b. Documentation was obtained and reviewed in regards to applicable ordinances, state law, policies and procedures, and reports generated;
- 2) Phase 2 - Field Work
 - a. During this phase of the audit, information was requested and gathered in order to conduct the audit including detailed backup to support:
 - i. Customer billings;
 - ii. Revenue payments made to the City; and
 - iii. Appeals including balances written off;
 - b. Additional test work that becomes apparent during Phase 1 may also be done at this time;
 - c. Performing benchmarking of other municipalities regarding the recording of the fines in the general ledger;²
- 3) Phase 3 – Wrap up and Report
 - a. During this phase of the audit, all of the gathered information was analyzed; and
 - b. A report was presented to management.

² Municipalities selected for benchmarking were Denver, CO; Dallas, TX; and El Paso, TX.

RESULTS

Billing Verification

The first part of the audit was focused on recalculating the amounts that are being billed by PSC. A judgmental sample of 25 customers was selected from the accounts receivable journal.³ The customer base consists of both alarm companies, and individuals who can be either residential or commercial. The focus of the judgmental sample was on accounts with the largest and oldest outstanding balances, while ensuring that both alarm companies and individuals were tested (See Table 1).

Table 1

Description	Accounts Receivable (10/17/2013) ⁴	Sample	Alarm Companies	Individuals (Business or Residential – i.e. Non-Alarm Companies)
Amount	\$876, 720	\$471,460	\$399,585	\$71,875
Percentage Tested		54% of total AR	46% of total AR 85% of sample	8% of total AR 15% of sample
Number Tested		25	16	9

The audit test work included tying the balance in the accounts receivable journal to the following:

- 1) The City's general ledger;
 - a. The City does not record the accounts receivable balance in the general ledger (See **FINDING 5**);
 - b. In discussing this issue with City staff we were told that the roles and responsibilities for the recording of the activity into the general ledger had not been clearly defined in formal policies and procedures (See **FINDING 2**);
- 2) Account histories, or subsidiary ledgers maintained by PSC, for the sample selected;
 - a. It was noted that for 2 of the 25 customers the balances per the detailed account history did not tie to the accounts receivable journal; and
 - b. The differences noted were \$100, and \$750 (See **FINDING 9**).

³ Internal audit was granted read-only access to the false alarm monitoring system and all reports were obtained directly from the system.

⁴ This is the actual date the reports were run. The system would not allow backdating of the supporting account histories to 09/30/2013. This is mentioned because typically month end would be used as the test date.

Individual Customers

The sample of 25 customers included 9 individuals. In summary, 11 types of fees and fines were tested through recalculation of the accounts receivable balance for the 9 individuals. No findings were noted. No charges other than those specified in the ordinance were noted (See APPENDIX A).

Based on the test work performed the billings as done by PSC for individuals, whether residential or commercial, appear to be in alignment with City Ordinance No. 2012 – 13.

Alarm Companies

The City has 58 active registered alarm companies. The audit tested 16 of 58 companies or 28% of these companies. The test work for the alarm companies was more complicated due to the fee and fine structure. The focus of the billing done by PSC appeared to be on the late filing of reports listing all new alarm systems that the alarm company contracted to install during the previous month, and any cancelled or inactive alarm user accounts. Alarm companies are charged a \$10 per day fine if the monthly report is not filed timely. The report is due on the 25th of any given month; however, there is also an additional 5 day grace period. Based on this the fines should begin on the 31st day, and do not stop until the report is filed or an appeal is processed.

Several management letter comments were noted here:

- 1) The account histories were very difficult to read as the years were not distinguished. For example, if a company was accruing fees for a non-filed September report, it was difficult to tell if it was September from 2010, 2011, 2012 or 2013. All line items simply said September. A request has been made of PSC to add the year to the month to help detect errors (See MANAGEMENT LETTER COMMENT 1).
- 2) A new invoice was created every day for the \$10 a day fine. The new invoice had a new invoice number each day, making it very difficult to trace through the system (See MANAGEMENT LETTER COMMENT 2).

Several findings are noted here:

- 1) PSC did not always start charging fees on the 31st day (See FINDING 10);
- 2) PSC did not always charge fees every (business) day (See FINDING 10);
- 3) On 10/12/2012 duplicate charges were noted in all the companies in the sample tested that had late reports dating through September 2012. These duplicate charges created over billings on affected accounts. For the sample tested, total over billings related to this anomaly amount to \$40,150 (See Table 2) (See FINDING 8).
- 4) Most, but not all, of these duplicate charges *and* the original charges stopped on 12/12/2012. This resulted in an under billing situation because the original charges, per the Ordinance, should continue until a report is filed. Total under billings related to this anomaly for the sample tested amount to \$153,050 (See Table 2) (See FINDING 8).
- 5) In some instances, even though a report had not been filed, no late charges were ever accrued. In other instances it was noted that late charges stopped with no indication of a report being filed. Both of these situations resulted in under billings in the sample totaling \$63,820 (See Table 2) (See FINDING 8).
- 6) Duplicate billings occasionally occurred in months besides October 2012. This resulted in other duplicate billings in the sample totaling \$3,710 (See Table 2) (See FINDING 8).

In discussions with PSC and City staff the billing errors detected during the course of the audit had not been previously identified. The focus of any remediation should be on putting adequate internal controls in place to ensure that these types of errors are prevented and that if they occur they are detected timely through systematic and routine monitoring.

Table 2

# Alarm Companies Tested	Total Tested per Invoice	Net Recalc Diff ⁵	Total Amount Under billed	Under billed Amount due to 12/12/2012 glitch	Under bill due to missing months / other	Total Amount Over billed	Over bill due to dups from 10/12/2012 to 12/12/2012	Other dups
16	\$399,585	(\$40)	\$216,870	\$153,050	\$63,820	\$43,860	\$40,150	\$3,710
				71%	29%		92%	8%

It is worth mentioning that after the 12/12/2012 incident minimal billing errors were detected in regards to fines for late reports.

Both City and PSC staff brought up the issue of alarm installation and monitoring companies doing business in Santa Fe, but not filing their required monthly reports detailing new alarm users and cancelled accounts. These companies basically work outside of the system. They stated that it was difficult to track these companies and that the customers of these companies were also not being notified that they needed to register their alarm with the City. If a company does not submit reports and they don't notify their customers that they need to register as an alarm user, then the first time the alarm user has a false alarm they are notified by the City that they are not registered and have to pay a \$100 fine. In this case the citizens of Santa Fe are paying the price for the negligence of these alarm companies (See FINDING 7).

⁵ Internal audit recalculated the accounts receivable balance for the 16 alarm companies. The net difference between the AR balance and the recalculated balance is (\$40). This difference is immaterial and further work is not necessary.

During the course of the audit, it was also noted that several items identified in Ordinance No. 2012-13 that should generate fees or fines for alarm companies were not being tracked by either City or PSC staff involved with the false alarm monitoring system (See Table 3) (See FINDING 11). These items are detailed below:

Table 3

Fees and Fines as Established by City Ordinance No. 2012-13 § 20-5.14 that are not being tracked	SF City Code	Alarm Installation Company	Alarm Monitoring Company
Fee - license	18-8.10(A)(3)	\$75	\$75
Fine – No Employee Background Check	20-5.9(I)	\$300	
Fine – Failure to establish procedures for accepting cancellations of alarms and conveying cancellation of alarms	20-5.10(F)		\$50
Fine – Continuation of alarm dispatch requests to an alarm site after notification by the alarm administrator that the registration has been revoked	20-5.12(C)		\$50

The root cause of this issue appears to be lack of formal policies and procedures detailing roles and responsibilities between the City and PSC (See FINDING 2).

Revenue Verification

This section of the audit included reviewing the internal controls in place regarding revenue collection and recalculating any payments made to the City for monies collected based on the percentages as identified in the PSA with PSC. Basically the City receives 68% of monies collected and PSC receives 32%. These monies are net of bank charges. An excellent internal control is in place for this process as all monies collected go to a lock box account held with third party administrator, Wells Fargo bank. Wells Fargo distributes monies collected to each party based on the above stated terms and net of bank and merchant fees. PSC is required per terms of the PSA to do a monthly reconciliation and to provide that reconciliation to the City. No exceptions were noted for this process.

The next part of this process entailed tying these balances to the City's general ledger. While the net transfer of monies collected was recorded as a cash receipt and booked as revenue the 09/30/2013 bank balance of \$53,291 was not recorded in the general ledger. This account belongs to the City and needs to be recorded in the general ledger as an asset (See FINDING 6). In discussing this issue with City staff we were told that the roles and responsibilities for the recording of the activity into the general ledger had not been clearly defined in formal policies and procedures (See FINDING 2).

Appeals / Write-Off Test Work

This test work entailed requesting and reviewing a report detailing all amounts written off through the appeals process, selecting a sample of 25 from that detail, and then requesting support to indicate that the appeal was supported. The purpose of this test work is to provide assurance that balances are written off for a business purpose and follow the guidelines as set forth in City Ordinance No. 2012-13 §20-5.16.

In an interview with the City's false alarm administrator, we were told that an individual or alarm company has 30 days from the time a charge is initiated to file an appeal. If the charge is appealed it falls to the alarm administrator to review the appeal and determine if the appeal is valid per conditions of the ordinance. If the appeal is rejected it can be adjudicated by a hearing officer. The City has 30 days to process this appeal.

Of the 25 appeals that were tested it was found that 22 had been processed, and the amount written off was supported. However, it was found that for 3 of the 25 appeals selected the City had not processed the appeal (**See FINDING 4**).

Collections

The accounts receivable balance was \$876,720 as of 10/17/2013. As mentioned previously the judgmental sample selected included the balances that were oldest and largest while insuring a balance of both individuals and alarm companies. At the time of the audit the City was not pursuing collection activity regarding these accounts (**See FINDING 3**).

In an interview with the false alarm administrator, we were told that a decision was made by the City several years ago to not pursue collections as the City was moving towards hiring an independent collection agency. Due to turnover within the City the hiring of an outside collection agency has taken longer than anticipated. PSC also mentioned this in a separate interview. In a move towards achieving this objective the City has recently posted a Request for Proposal (RFP) for collections. It should be noted that while the City is able to use a third party to collect these fees, they will still have to pay PSC 32% of any monies collected.

Further, there are no formal policies and procedures regarding collections (**See FINDING 2**).

FINDING 1 – (City) Lack of Ownership/Leadership, Cohesion and Oversight

Condition

The various issues in this audit illustrate lack of ownership/leadership, cohesion, and oversight for administering the false alarm monitoring system effectively.

Criteria

Ownership/leadership, cohesion and oversight are necessary to assure:

- 1) Long-term objectives of the program are met efficiently and effectively;
- 2) Stated objectives of the ordinance are met; and
- 3) Optimal customer service.

The false alarm monitoring system is working, but could be greatly improved with a single point of ownership that is responsible for coordinating with PSC and all City departments including finance or legal to comply with the various aspects of the ordinances.

Effect

The effect of not having ownership/leadership, cohesion and oversight is seen in the findings as noted in this audit report.

Recommendation

A single point of ownership/leadership is required for coordinating the PSC contract with all City departments such as finance or legal to comply with the various aspects of the ordinances.

City's Response and Implementation Date

As the primary participant and beneficiary of the false alarm initiative, the SFPD shall become the "Primary Owner" of this program. The SFPD currently staffs one full-time civilian position to the Alarm Enforcement Program, and fosters an effective working relationship with other departments within the City. To assist the SFPD in properly adhering to various aspects of the ordinances, we have requested through the City budget preparation process, a civilian expansion position, fully funded by this program and at no cost the City's General Fund. This position will be designated as the responsible program administrator for this program for the SFPD, and in addition, act as liaison with other City participants as well as the contracted company. If authorized, this position will be advertised to be filled at July 1, 2014.

Evaluation of City's Response - The response is adequate.

FINDING 2 – (City) Lack of Formally Documented Policies and Procedures

Condition

There are no formal written policies and procedures defining daily, weekly or monthly activities or the roles and responsibilities of various departments and of PSC.

Criteria

Public sector managers and employees are accountable for the resources entrusted to them for ensuring programs and services are administered effectively and efficiently. A significant component in fulfilling this responsibility is ensuring that an adequate system of internal control exists within City government.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) defines internal control as a process designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- 1) Effectiveness and efficiency of operations;
- 2) Reliability of financial reporting; and
- 3) Compliance with applicable laws and regulations.

The foundation of an effective internal control environment is formal policies and procedures which should be designed and implemented to ensure that the City's objectives are met. These policies and procedures are the documents that set forth the fundamental principles and methods that employees rely on to do their jobs.

The intent of the false alarm ordinances is to provide broad objectives regarding the false alarm monitoring system. A formal policy would be broader in scope than the ordinance and would use the ordinance to give it authority. Formal written procedures while ideally streamlined and to the point, provide detail in day to day implementation of the policies including clearly defining roles and responsibilities of personnel, departments and third parties. Clearly defined procedures will help to ensure comprehensive implementation of management's directives and the objectives as introduced in the ordinances.

Cause

The root cause appears to be a lack of an internal control environment, including the foundation which is clearly defined policies and procedures. This is a widespread problem with the City and is not limited to this program.

Effect

Lack of an effective internal control environment starting with formal policies and procedures detailing roles and responsibilities negatively impacts the:

- 1) Efficiency and effectiveness of the City in achieving its intended objectives, including:
 - a. Increased risk with turnover or vacation time;
 - b. The ability of senior management to make effective decisions regarding staffing and budgeting; and
 - c. Collections (See FINDING 3);
- 2) Completeness and reliability of billing and supporting reports such as the accounts receivable journal, invoices, and account histories (See FINDINGS 8, 9, and 10);

- 3) Reliability of financial reporting, as is evidenced by:
 - a. Not recording the receivables balance in the general ledger (See FINDING 5); and
 - b. Not recording the bank balance in the general ledger (See FINDING 6);
- 4) Ability to comply with the applicable ordinances increasing the risk that the intended objectives are not met (See FINDINGS 4, 7 and 11).

Recommendation

Establish formal written policies and procedures defining daily, weekly or monthly activities and the roles and responsibilities of various departments and of PSC.

City's Response and Implementation Date

The Santa Fe Police Department (SFPD) will generate thorough and complete Standard Operating Procedures (SOPs), which will be added to our Directives Manual. These policies shall be codified in their own chapter entitled "False Alarm Monitoring System". This directive shall include all operational requirements as mandated by City Ordinance No(s) 2009-33, and 2012-13, and shall delineate the responsibilities of each department and division within the City, as they pertain to the False Alarm Reduction Program. In addition the City Finance Department will establish formal Policies and procedures for the following:

- Establishing third party bank accounts;
- Recording third party accounts in the general ledger;
- Recording third party AR billings and payment on a month basis;
- Reconciliation of the bank account on a monthly basis;
- Reconciliation of the Aging accounts receivable on a monthly basis; and
- Procedures for bad debt expenditures and allowance for bad debt.

Estimated time frame for formal written procedures and implementation will be June 30, 2014.

Evaluation of City's Response - The response is adequate.

FINDING 3 – (City) Collections Not Actively Pursued Condition

The accounts receivable balance for the false alarm monitoring system on 10/17/2013 was \$876,720. Of this balance \$635,325 or 73% is greater than 180 days old.

In discussions with City and PSC staff we were told that they had been directed not to pursue collections as the City was in the process of implementing a city-wide collection effort. These directives are several years old and while they appear to be well intended the effect is that the balances have continued to grow while waiting for the City to move forward with these efforts.

While the PSA with PSC does not give clear guidance on collections, it does give clear guidance as to the amounts paid to PSC for amounts collected. This amount is 32%.

Criteria

Neither City Ordinance No. 2012-13 nor the PSA with PSC have any stated criteria for collections.

The PSA with PSC states the following:

"12. City of Santa Fe shall support the collection of false alarm fees and fines in accordance with the Alarm Ordinance and at the direction of the Alarm Administrator. If City of Santa Fe directs Contractor to engage a third-party collection organization for delinquent amounts, City of Santa Fe Shall cause the necessary legislative and administrative procedures to be enacted and/or adopted in order to delegate the Contractor and Subcontractor the authority to collect unpaid fees on behalf of the City of Santa Fe."

Based on the wording in the PSA, in order for PSC to move forward with collections it would be advisable to seek the wishes of the Governing Body on the issue. This request would need to be made by the Chief or one of his deputies.

The criterion below are from best practices:

- A. Develop a collections procedures manual;
- B. Clearly define account ownership and responsibility;
- C. Contact the debtor within 30 days of the due date;
- D. Contact the debtor by phone;
- E. Prepare and send past due collection letters and statements;
- F. Use in house collections personnel (in this case City or PSC staff) where possible;
- G. Use the services of a collections agency if the use of in-house staff is not practical;
 - a. Establish a written contract with said agency;
 - b. Accounts should be turned over only after there has been an attempt to notify the debtor of the existence of the debt and the fact that the debt may be assigned to a collection agency for collection if not paid; and
 - c. At least 30 days have elapsed from the attempted notice.

Cause

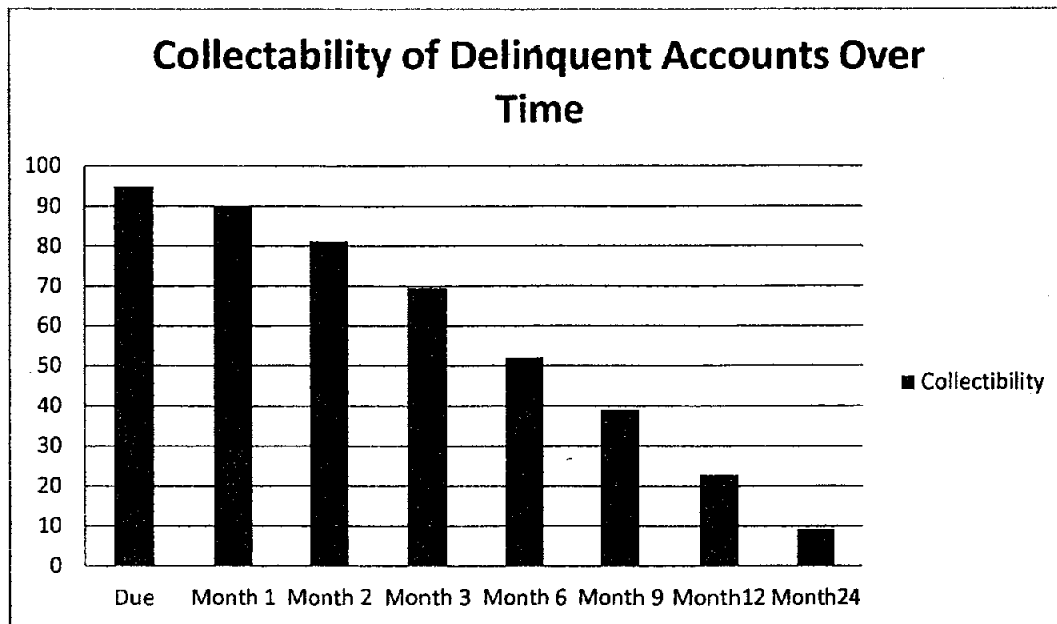
The primary cause is a lack of internal controls including written policies and procedures (See Finding 1) to provide guidance to City and PSC staff as to how to handle collections.

The PSA does not include clear guidance as to how to proceed with collections. Based on interviews with City and PSC staff, it appears that PSC is waiting for guidance from the City on how to proceed with collections.

Effect

According to a report published by DAL, Inc.⁶ titled *Collections Trends, Commercial Collection Agency Association, Commercial Law League of America* the collectability of debt decreases as the account ages. The report shows that for commercial debt the older an account becomes the less likely the collection.

⁶ DAL, Inc. is a commercial collection agency specializing in the recovery and resolution of delinquent accounts in all areas of business. This chart is used for illustrative purposes only, and is not considered an endorsement at any level.



The chart above illustrates that the collectability of accounts ranges from 94.9% if collected when due to 9.3 percent at 24 months. This clearly demonstrates the importance of initiating collection procedures within 30 days of the due date.

Recommendation

Implement formal collection procedures with City or PSC staff as appropriate and / or a 3rd party in accordance with the best practice guidelines as detailed in the criteria. Ensure that adequate internal controls exist to effectively monitor the defined collection procedures.

City's Response and Implementation Date

The City is in the process of selecting a collection agency that will assist the City of Santa Fe in overall department collections. The estimated time line to take the contract to Finance Committee and Council is by June 30, 2014.

Pursuant to the follow-up meetings referenced in the audit findings; City Legal has informed meeting attendees that the City of Santa Fe is continuing to explore their options with regards to an official City-wide collections program. Whatever course of action the City deems appropriate shall be implemented on a City-wide level and shall include collections from any monies owed the City related to the Alarm Reduction Program. The past guidance from Senior Leadership was to go no further than "soft" collections. This includes a phone call reminder and one letter after 30 day past due. No further action was taken or allowed by the current contractor.

Evaluation of City's Response - The response is adequate.

FINDING 4 – (City) Appeals not processed timely

Condition

Based on the test work performed, we found that 3 of the 25 randomly selected appeals had not been processed by the City.

Criteria

City Ordinance No. 2012-13 §20-5.16 (B) and (C) states the following:

- B. "A hearing officer appointed by the city manager shall conduct a formal hearing within (30) days of the receipt of the appeal by the alarm administrator. The alarm administrator shall give written notice by certified mail to the appellant at least ten (10) days prior to the hearing.
- C. The hearing officer shall make a decision on the basis of the preponderance of evidence presented at the hearing. The hearing officer shall affirm or reverse the decision of the alarm administrator. The hearing officer shall render a decision within thirty (30) days after the date of the hearing and shall forward the decision to the alarm administrator and the appellant."

Cause

Based on interviews with both City and PSC staff there seems to have been some previous guidance to wait on the processing of appeals until decisions were made regarding how to best proceed with the collections process as a whole. Due to turnover within the City, this guidance was never rescinded and the persons responsible for administering the false alarm monitoring system have simply continued to wait for further guidance.

Effect

Due process has not been afforded to the appellants. The City is not in compliance with the stated law.

Recommendation

Appeals need to be processed in accordance with the stated law which currently provides for a 30 day time period. The appeals identified in this audit as well as any other non-processed appeals need to be addressed in accordance with state law.

City's Response and Implementation Date

The Alarm Enforcement Specialist at SFPD Records Division has already been instructed to fully review all pending appeals within the system. Any appeals which are over 30 days old will be closed and any delinquent fees/fines will not be collected. In these cases the City did not conduct a hearing in the allotted 30 day time period. To correct this finding, currently all hearing requests are being scheduled within the 30 day time period and are being reviewed by the Alarm Enforcement Specialist to ensure hearings are scheduled by the appropriate Hearing Officer.

Evaluation of City's Response - The response is adequate.

FINDING 5 - (City) Accounts Receivable Balance Not Recorded in the City's General Ledger

Condition

We found that the City is not recording the false alarm monitoring system accounts receivable balance and related entries (such as allowance for doubtful accounts) in the general ledger. The stated balance at 09/30/2013 was \$876,720. However, the results of this audit indicate some issues with the accuracy of the billing, and with collections. Both of which might impact the reportable balance.

Criteria

According to the Government Accounting Standards Board (GASB) fines generated by a government entity are defined as nonexchange revenue. The fines generated from false alarms by definition are nonexchange revenue. When to recognize, and how to report this revenue is detailed in GASB Statement No. 33 Accounting and Financial Reporting for Nonexchange Transactions. In summary, there are a few key factors to consider regarding the recognition and reporting of the nonexchange revenue:

- 1) Is there a legally enforceable claim;
- 2) Is it measurable; and
- 3) Is collection probable?

Conceptually, GASB 33 stipulates that assets and revenues should be reported in the period in which a legally enforceable claim has arisen.⁷ City Ordinance No. 2012-13 establishes a legally enforceable claim. The Ordinance also defines the amount of the fines to be assessed making it measurable (See APPENDIX A). Another key issue to consider with nonexchange revenue recognition and reporting is probability of collection.

Internal audit also benchmarked with other local governments⁸ regarding this issue. Each of the cities contacted stated that they do record the accounts receivable balance in the general ledger for fines imposed by the false alarm monitoring system in accordance with the nonexchange revenue requirements as stipulated in GASB 33. Please note that the GASB standards are the same whether a City is located in New Mexico or anywhere else in the United States, and the size of the City does not affect whether or not the standards apply. Therefore, location of the City and size are not relevant.

Cause

The root cause is lack of an adequate internal control structure including clearly defined roles and responsibilities in formal policies and procedures.

Effect

The financial statements do not correctly reflect the assets, liabilities, and revenues of the false alarm monitoring system.

Recommendation

The City needs to comply with GASB 33 and record these nonexchange transactions in the City's general ledger.

⁷ GASB Statement No. 33, pg. 35.

⁸ Cities selected for benchmarking were Denver, CO; Dallas, TX and El Paso, TX.

In addition:

- 1) The accounts receivable balance for the false alarm monitoring system needs to be recorded in the City's general ledger, as well as an allowance for doubtful accounts;
- 2) Prior to posting the accounts receivable balances needs to be trued up;
 - a. Decisions need to be made as to how to handle amounts overbilled or underbilled in the past; and
 - b. Consideration needs to be given as to how to treat the aged receivables.

City's Response and Implementation Date

City Finance shall confirm data received from the contractor with SFPD Alarm Enforcement Specialist to ensure; the account receivable is legally enforceable, measurable and collection is probable. The City Finance Department is currently reviewing the aging report to determine the validity of the accounts receivable and reconciling the month to month receivables as reported. Estimated completion is Year End June 30, 2014 in preparation for the end of year closing and City financial audit.

Evaluation of City's Response - The response is adequate.

FINDING 6 – (City) Bank Lockbox Balance Not Recorded in the City's General Ledger Condition

Payments for false alarm fees and fines are made to a lock box. This Wells Fargo lock box had a balance of \$53,291 on 09/30/2013. We found that the balance per bank for the lock box was not recorded in the City's general ledger.

Criteria

All bank balances that belong to the City should be recorded as assets in the general ledger.

Cause

The root cause is lack of an adequate internal control structure including clearly defined roles and responsibilities in formal policies and procedures.

Effect

Assets in the general ledger and the financial statements are understated.

Recommendation

This bank balance needs to be recorded in the City's general ledger.

City's Response and Implementation Date

The City has recorded the bank account in the general ledger and is the process of recording all the monthly information from July 1, 2013 to current. Estimated completion is March 31, 2014.

Evaluation of City's Response - The response is adequate.

FINDING 7 – (City/PSC) Not All Alarm Companies Are Submitting Monthly Reports, Not All Alarm Users Are Registered

Condition

The ordinance(s) requires alarm installation and monitoring companies to submit a report to the alarm administrator each month detailing any new alarm users. This report should also include any cancelled accounts. In addition, alarm companies are required to provide information to the alarm user about registering the alarm with the City. However, both City and PSC staff stated that they perceived a significant problem with companies that are operating outside of the system and not submitting any reports, nor are they notifying the alarm users that they need to register.

If and when a false alarm is triggered an invoice is sent to the address of the occurrence. This invoice includes charges for not registering the alarm system, if applicable. When the alarm user pays their bill, they become registered and are entered into the system. Per discussion with PSC, the user is asked the name of the alarm company, but no additional contact information is gathered and no follow up work is done by City or PSC staff to ensure the company the alarm user is working with is submitting reports. Following up at this point with the company might help to ensure compliance with the ordinances including submission of monthly reports. Also, if the address was obtained, a bill could be sent to the company that would include the appropriate fines for non-compliance.

Criteria

Alarm companies are required by City ordinance(s) to obtain an annual City business license. Proof of bonding and registration with the construction industries division are required at the time they obtain or renew their business license. In addition, all alarm monitoring and installation companies are required to submit monthly reports detailing new and deleted customers. When they do an installation they are required to notify their customers that they need to register their alarm system with the City.

1) License Fees, annual fee \$75.

a. Ordinance No. 2009-33 §20-5.8 (A) and (B):

- i. "A. All alarm installation and monitoring companies shall possess a current city of Santa Fe business license as provided for in Section 18-1.4 SFCC 1987. Business licenses shall be renewed on an annual basis."
- ii. "B. All alarm and installation and monitoring companies shall possess a valid license issued by the construction industries division of the regulation and licensing department of the state of New Mexico. Said license and proof of bond shall be presented to the city at the time of licensing, renewal of the business license, or upon request of the city."

b. Ordinance No. 2012-13 §18-1.4 (B) (9) (a) and (a):

- i. "B. In addition to the information required in paragraph A, the following businesses shall also include the following information with their applications:"
- ii. "9. Alarm installation companies and monitoring companies shall submit the following documents as required by Section 20-5.8 SFCC 1987: "
 1. "(a) A copy of a valid license issued by the construction industries division of the regulation and licensing department of the state of New Mexico; and"
 2. "(b) Proof of bonding."

2) Duties of a Monitoring Company

a. Ordinance No. 2009-33 §20-5.10 Duties of a Monitoring Company (E)

- i. "E. Monitoring companies shall provide a monthly report to the alarm administrator by the twenty-fifth day of the month listing all new alarm systems, which the monitoring company contracted to monitor during the previous month. Such monthly report shall also include the cancelled alarm systems, if any...."

3) Duties of an Installation Company

a. Ordinance No. 2012-13 §20-5.9 (H)(2)(3)

- i. "(2) Alarm installation companies shall provide a monthly report to the alarm administrator by the twenty-fifth day of the month listing all new alarm systems, which the monitoring company contracted to monitor during the previous month. Such monthly report shall also include the cancelled alarm systems, if any...."
- ii. "(3) Alarm installation companies shall assist the alarm administrator by providing the initial alarm registration application to the alarm user and submit such registrations to the alarm administrator within (30) days of the activation of an alarm system."

4) Registration Required

a. Ordinance No. 2009.33 20-5.2 (C) ((7)(b)

- i. "C. The alarm registration application shall include the following information:"
 1. "(b) The name, address, telephone number and city of Santa Fe business license number of the alarm installation company or companies performing the alarm installation, conversion or takeover; and the name, address, telephone number and city of Santa Fe business license number of the alarm installation company responsible for providing services to the alarm system;"
 2. "(c) The name, address, telephone number and city of Santa Fe business license number of the monitoring company if different from the alarm installation company."

5) The PSA with PSC states the following:

- a. "PSC Responsibilities - PSC will be responsible for administering the City of Santa Fe false alarm tracking and billing program ("Program"). This will include but may not be limited to:"
- b. "2. Registering and updating alarm permits in accordance with the City of Santa Fe Alarm Systems Ordinance ("Ordinance")."

Cause

The root cause is lack of an adequate internal control structure including clearly defined roles and responsibilities in formal policies and procedures (See FINDING 2).

Effect

There are several effects that occur:

1) The financial effects are the following:

- a. Alarm companies are not being billed for late reports and are therefore not paying any fees or fines as decreed by the City ordinance(s);
- b. Alarm companies are not paying licensing fees;
- c. Alarm users are not registering and are therefore not paying their required \$25 registration fee;
- d. Alarm users are paying a \$100 fine for not registering if / when they trigger a false alarm;

- 2) The human effect is that the citizens of Santa Fe have no assurance that companies they are doing business with are:
- a. Licensed;
 - b. Obtaining bonds;
 - c. Obtaining permits; and
 - d. Doing employee background checks.

Recommendation

A collaborative effort needs to be made between the City and PSC to discuss this issue and to decide how best to proceed forward. Consideration needs to be given as to how to ensure that all alarm companies are entered into the system, file monthly reports, obtain proper licenses, are bonded and have the required permits if they are doing installations. Educate and inform the public regarding the requirements of the false alarm ordinance. Consideration should be given to a public relations campaign to increase in public awareness of the need for alarm users to register, and for alarm companies doing business in Santa Fe to comply with all aspects of the City ordinance(s).

City and PSC's Response and Implementation Date

PSC Response

- PSC agrees that there needs to be a collaborative effort to address and rectify the issue of non-compliance with regards to monthly reporting and we are willing to participate in such effort. However, business licensing, bonding and background checks fall outside of the scope of services PSC is able to provide. We do not have the proper credentials or the authority to enforce these requirements, let alone the liability exposure that comes with such responsibility. It is customary for municipalities to issue business licenses to entities doing business in that particular municipality. Therefore, it stands to reason, that the division responsible for handling all other business licensing for the City also be responsible for licensing alarm companies and verifying their compliance with regards to bonding and employee background checks.
- PSC also makes several attempts to contact the alarm users by correspondence to register if it's known that there is an alarm system at the location. We suggest that the alarm companies be required to notify their customers when they install the alarm system that the City has an ordinance in place for alarm system registration.

SFPD Response

- SFPD Alarm Enforcement Specialist shall ensure that the contractor is communicating with all alarm companies that the requirement of the monthly report submittal is met. The contractor shall place the responsibility of ensuring all customers are registered with the City, this will be communicated by both the contractor and SFPD staff, we believe this is a matter of education and awareness of the participants. The contractor shall also ensure that all alarm companies are registered to do business within the City. This process will be reviewed on a monthly basis for new participants. The current Users on file are being reviewed; those found not to have a current registration will be given over to the Finance department and Licensing section for licensing and registration. Expected deadline for all Users is June 2014. The SFPD also recommends a public information release drafted by Finance Department (Business License Renewal Division), and included in the April mailings, informing any potential alarm monitoring customers of the requirement to register their alarms and to ensure that the alarm company they have hired is in fact licensed and registered with the City of Santa Fe.

Evaluation of City and PSC's Response - The response is adequate.

FINDING 8 – (PSC) Billings Not Always Accurate

Condition

In order to determine the accuracy of the billings as produced by PSC, internal audit recalculated past due balances for the sample of 16 alarm companies using criteria as established in Ordinance No. 2012-13.

The following findings were noted:

- 1) On 10/12/2012 an error occurred that resulted in duplicate billings. These duplicate charges created over billings on affected accounts. For the sample tested, total over billings related to this anomaly amount to \$40,150 (See Table 2),
 - a. Technically, this is not a system error because not every month for every company was affected. For example, in the sample selected one or two months might not duplicate for one company, but they did for another. There was no set pattern, although most months with past due reports dated prior to September 2012 did split and duplicate. It should be noted that not all companies tested had reports past due prior to October 2012.
 - b. The exception to the split and duplication of charges was for February 2011 and February 2012. Basically, none of the 4 companies in the sample with past due reports for February 2011 had duplicate billings for that month, also there were no duplicate billings for the 6 companies in the sample that had past due reports for February 2012. So February 2011 and 2012 were consistent across all companies for not splitting and duplicating.
- 2) Most, but not all, of these duplicate charges and the original charges stopped on 12/12/2012. This resulted in an under billing situation because the original charges, per the Ordinance, should continue until a report is filed. Total under billings related to this anomaly for the sample tested amount to \$153,050 (See Table 2),
 - a. To illustrate this point, in looking at May through August of 2012, all duplicate and original charges were stopped on 12/12/2012. This affected 7 companies.
 - b. For other months tested the results were not always as consistent, for example, November 2011, 4 companies had past due reports and each company was impacted differently. For the first company both duplicate and original billings stop at 12/12/2012, for the second company the duplicate billing stops, but the original billing continues past 12/12/2012, the third company never filed a report for November 2011, but was never billed for it, and the fourth company continued with duplicate and original billings past 12/12/2012 until 09/25/2013 when charges simply stopped. There is no indication of a report having been filed at that time.
- 3) In some instances, even though a report had not been filed, no late charges were ever accrued. In other instances it was noted that late charges stopped with no indication of a report being filed. Both of these situations resulted in under billings in the sample totaling \$63,820 (See Table 2);
 - a. In the example given above for November 2011, a company was not billed even though the report was never filed. The instances of not billing even though no report was filed appear to be random;
 - b. The amount under billed adds up quickly at \$10 per day per company;
 - c. Instances of billing stopping without any indication of a report being filed were also random and infrequent. An example of this was given in item 2 (b) above.
- 4) Duplicate billings occasionally occurred in months besides October 2012. This resulted in other duplicate billings in the sample totaling \$3,710 (See Table 2):

- a. One example of this is a company that had duplicate billings for January 2013 starting on 03/04/2013, and duplicate bills for July 2013 starting 7/31/2013; and
- b. Another company in the sample has had duplicate billings for October 2012 starting on 11/01/2012.

Criteria

A sufficient internal control environment needs to exist to 1) prevent billing errors from occurring, 2) to detect them if they do occur, and 3) to correct them once detected. Periodic monitoring of existing billing needs to occur to ensure the completeness and integrity of the bills.

Cause

There appears to be insufficient internal controls to prevent billing errors, including a lack of monitoring controls to detect errors if they do occur.

Effect

Billing is not always accurate.

Recommendation

In regards to the existing accounts receivable balance the City and PSC staff need to work together to determine the current balance. Decisions need to be made as to how to true up that balance and / or to determine a sufficient allowance for doubtful accounts.

The focus of this remediation for PSC needs to be on putting adequate internal controls in place to ensure that these types of errors are prevented and that if they occur they are detected timely through systematic and routine monitoring.

PSC's Response and Implementation Date

- PSC agrees to collaborate with the City to determine the correct accounts receivable balance.
- Virtually all of the under and over billings are directly related to the \$10 per day late submission fee charged to the alarm companies. The Crywolf program was developed to help reduce false alarm occurrences by tracking and billing for these occurrences while maintaining a current database of alarmed location sites. Crywolf was not intended to track the number of days an alarm company fails to submit a report and while the City of Santa Fe is our only client out of 70 plus that does so, the flexibility of the program allows PSC to accommodate the specific needs of the City through the use of some program modifications coupled with some manual calculations and input. Unfortunately, as evidenced by this audit, these special accommodations are not bullet proof. We've traced virtually all of the under and over billings back to a single individual whom is no longer employed by PSC and ***we have identified the cause as a training issue as well as insufficient oversight and communication. To alleviate the overbillings from occurring in the future we have implemented a log that will indicate when the manual aspect of the process has been completed.*** We also have added an additional control, as we will have the individual working directly with the alarm companies review each of the "AC Fine Late Reports" which summarizes all of the late submission fees assessed on one Alarm Company's account. In the event an overbilling does occur throughout this process the individual will adjudicate any/all fees charged incorrectly at that time prior to the alarm company receiving notification of such charge. ***PSC will also, be more diligent with the quality assurance checks by running***

multiple reports available through Crywolf to ensure the proper billings are taking place. We also currently run a few different reports on the 15th of each month to ensure statuses are changed according to the registration fees, to ensure ones location type is listed correctly and to apply any overpayments to any outstanding fees. This will eliminate the potential for unnecessary mailings and late assessments on the accounts.

- *Duplicate billings totaling \$5,800 have been deleted from the system.*
- *PSC is willing to invoice the under billings.*
- *One suggestion is to change the process/approach of billing for the late submissions. We feel that billing for late submissions at the end of each month would be more efficient, economical and accurate than doing so on a daily basis. This would also lead to a much cleaner database by not creating hundreds if not thousands of \$10 line items within account histories, billing reports, A/R reports, etc.*

Evaluation of PSC's Response - The response is adequate.

FINDING 9 – (PSC) Accounts Receivable Journal Does Not Always Match Underlying Detail

Condition

For 2 of 25 accounts tested the subsidiary ledgers (account history) maintained by PSC does not tie out to the accounts receivable journal maintained by PSC with differences of \$100, and \$750 respectively.

Criteria

The underlying account histories for each account should agree with the accounts receivable journal at any given point in time.

Cause

Internal controls pertaining to the integrity and completeness of accounts receivable are not always effective.

Effect

The integrity and completeness of the accounts receivable journal is compromised.

Recommendation

Establish internal controls to ensure that the underlying account histories are accurately reflected in the accounts receivable journal.

PSC's Response and Implementation Date

- We found that if an invoice has a fee assessed and there is not a sent date associated with the letter then this fee will not be reflected on the aging report. For account# 8637, on November 8th, 2012 the account was marked as a "bad address", meaning that the mailing address we have on file for the location is not valid and a correct mailing address has not been established. Three invoices were then generated after this date for a total balance of \$750.00. Since this account was marked as a bad address, these three invoices had not been sent to the alarm user.

- For alarm company account #192, there were two hearing requests for \$50.00 each for appeal fees. Prior to the amendments made effective February 2012 when an appeal was received from an alarm user the \$50 appeal fee was assessed against the hearing request. This is not an actual letter but is simply an action type therefore hearing requests do not generate sent dates so these fees would not be reflected on the aging report. However, an appeal nonpayment letter was sent to the alarm company to notify them of this requirement.
- PSC utilizes bulk mailing software to assist with the large amounts of correspondence sent out daily. This software also matches the responsible party and mailing addresses against the United States Postal Service database and the National Change of Address database. In addition to this PSC also has a continual effort to manually research all correspondence returned in order to obtain a valid mailing address.
- PSC often receives alarmed location information in the false alarm file from the City in which we are only provided with the physical address. Alarmed location information is also received from the alarm companies and in which we are not always provided with a valid mailing address.

Evaluation of PSC's Response - The response is adequate.

FINDING 10 – (PSC) Billing for Late Reports

Condition

Two findings are noted here:

- 1) PSC did not always start charging fees on the 31st day,

There were a total of 38 days missed from December 2010 through September 2013.

- 2) PSC did not always charge fees every (business) day,

There were a total of 312 days not billed from 12/01/2010 through 10/13/2013.

The days missed would be multiplied by each company that did not file a report, times \$10.

Criteria

Ordinance No. 2012-13 §20-5.9(H)(2) states that an alarm company "shall provide a monthly report to the alarm administrator by the twenty-fifth day of the month listing all new alarm systems, which the alarm installation company contracted to install during the previous month. The monthly report shall also include a listing of any cancelled or inactive alarm user accounts." A fine of \$10 per day after a five day grace period is to be charged.

Cause

PSC does not typically bill their customers every day.

Effect

The fines for late reports or non-filing of a monthly report for alarm companies are understated.

Recommendation

PSC should create a billing schedule that reflects the fines as established by the Ordinance.

PSC's Response and Implementation Date

- PSC agrees conceptually with the law however from a customer service standpoint it is very difficult for the customers to read and understand the invoice summary with multiple invoices listed.
- As there seems to be an underlying theme related to the deficiencies surrounding the billings for late submission fees, we feel it is important to put things into perspective. Since the beginning of the program PSC has billed out roughly \$680,040 in late submission fees) net of the billings references in Finding 7) of which only \$17,365 has been paid to date. This yields a collection rate of only 2.55% while the collection rate of all other billed items exceeds 55%. It seems pretty obvious that this aspect of the ordinance is highly ineffective as it is not achieving the desired results regardless of the effort that goes into billing 60+ alarm companies \$10 a day. PSC would like to see this part of the ordinance repealed so that PSC's full resources are focused on billing, collecting and reducing false alarms.
- Billing alarm companies on a monthly basis once the five day grace period is up would again be more efficient, economical and accurate than doing so on a daily basis.
- If the late submission fees were assessed on a monthly basis once the five day grace period is over this would be a manual process but a far less complex process that is currently being used due to being a daily fee. By assessing these fees on a monthly basis versus a daily basis this would drastically reduce the risk for duplicating the late submission fees.
- PSC will be implementing a Representative who will be assigned to review and distribute the late report billings to ensure consistency and accuracy with billings associated with the Alarm Companies. If any discrepancies are found at this time, the representative will be able to correctly make those changes before the report is sent to the alarm companies.
- PSC would again suggest that the alarm company's late submission charges be billed at the end of each month to avoid the potential of any duplicate billings from occurring.

Evaluation of PSC's Response - The response is adequate.

FINDING 11 – (City/PSC) All Fees and Fines for Alarm Companies Are Not Being Addressed

Condition

We noted that the following items pertaining to alarm companies were not being monitored, tracked or billed by either City or PSC staff:

- 1) License fees, 12 of 16 companies tested did not have a City license. There is no communication between the City licensing department and the false alarm administrator, nor is there any communication between the licensing department and PSC. Per discussion with staff at PSC, we were told that when a company calls to register they assume they have the proper license;
- 2) Employee background checks are required of all alarm company employees, and there is a fine for non-compliance. However, this is not currently being monitored by either the City or PSC;

- 3) Failure to use enhanced call verification;
- 4) Establishment of procedures, or fines for not establishing procedures, for accepting cancellations of alarms and conveying cancellation of alarms;
- 5) Continuation of alarm dispatch requests to an alarm site after notification by the alarm administrator that the registration has been revoked.

Criteria

The items listed above are required per Ordinance No. 2012-13 (See APPENDIX A).

- 1) License Fees, annual fee \$75.
 - a. Ordinance 2009-33 §20-5.8 (A) and (B)
 - i. "A. All alarm installation and monitoring companies shall possess a current city of Santa Fe business license as provided for in Section 18-1.4 SFCC 1987. Business licenses shall be renewed on an annual basis."
 - ii. "B. All alarm and installation and monitoring companies shall possess a valid license issued by the construction industries division of the regulation and licensing department of the state of New Mexico. Said license and proof of bond shall be presented to the city at the time of licensing, renewal of the business license, or upon request of the city."
 - b. Ordinance No. 2012-13 §18-1.4 (B) (9) (a) and (a)
 - i. "B. In addition to the information required in paragraph A, the following businesses shall also include the following information with their applications:"
 - ii. "9. Alarm installation companies and monitoring companies shall submit the following documents as required by Section 20-5.8 SFCC 1987: "
 1. "(a) A copy of a valid license issued by the construction industries division of the regulation and licensing department of the state of New Mexico; and"
 2. "(b) Proof of bonding."
- 2) Employee background checks, fine for noncompliance \$300.

Ordinance No. 2012-13 §20-5.9 (J) "Each alarm installation company shall pay a fine in accordance with Section 20-5.14 SFCC 1987 for each and every installation conducted in whole or in part by an employee who lacks the required background investigation or identification card."
- 3) Failure to use enhanced call verification, fine for noncompliance \$300.
 - a. Ordinance No. 2009-33 §20-5.10 (B) (2) "A monitoring company shall: Use enhanced call verification for every alarm signal, except for duress or holdup alarm activation, before initiating an alarm dispatch request."
 - b. Ordinance No. 2009-33 §20-5.11 "(A) The alarm administrator shall obtain reports from the regional emergency communications center that include: "..."(3) Verification that the monitoring company used enhanced call verification when the alarm dispatch request was made."
- 4) Failure to establish procedures for accepting cancellations of alarms and conveying cancellation of alarms, fee for noncompliance \$50.

Ordinance No. 2009-33, §20-5.10 (F) "A fine, in accordance with Section 20-5.14 SFCC 1987, shall be assessed to a monitoring company that fails to establish procedures for accepting cancellations from alarm users and for promptly conveying cancellation notification to the regional emergency communications center or for failure to perform any of the duties of this section."

- 5) Continuation of alarm dispatch requests to an alarm site after notification by the alarm administrator that the registration has been revoked, fine for noncompliance \$50.

- a. Ordinance No. 2009-33 §20-5.12 (C) "A monitoring company commits an offense if it continues alarm dispatch requests to an alarm site after notification by the alarm administrator that the registration has been revoked and is subject to enforcement and penalties as set forth in Section 20-5.14 SFCC 1987."

Cause

The primary cause is a lack of internal controls including formal written policies and procedures to provide guidance to City and PSC staff as to how to monitor and enforce the above criteria.

Effect

The Citizens of Santa Fe are at risk of doing business with alarm companies that may not be bonded, and may not be requiring background checks. In addition, not enforcing the requirements of alarm companies having to use enhanced call verification, or establishing policies regarding accepting cancellations of alarms and conveying cancellation of alarms, and continuation of alarm dispatch requests to an alarm site after notification by the alarm administrator that the registration has been revoked create inefficiencies within the system which end up costing the City, and ultimately the Citizens of Santa Fe, money.

Additionally, the City is not collecting revenue for required licenses, permits or inspections.

Recommendation

Implement adequate internal controls, including formal policies and procedures, to ensure that the following requirements are met, and that fees and fines are assessed accordingly:

- 1) Business licenses, proof of license with the construction industries division, and bonding are obtained prior to an alarm company being allowed to register with PSC, and are renewed annually;
- 2) Employee background checks are being done prior to employment for all alarm company personnel;
- 3) Enhanced call verification has been implemented;
- 4) Procedures for accepting cancellations of alarms and conveying cancellation of alarms have been implemented; and
- 5) Fines are assessed if an alarm dispatch request is made to a site after notification from the alarm administrator that a registration has been revoked.

City and PSC's Response and Implementation Date

PSC's Response

- Virtually all of the under and over billings are directly related to the \$10 per day late submission fee charged to the alarm companies. The Crywolf program was developed to help reduce false alarm occurrences by tracking and

billing for these occurrences while maintaining a current database of alarmed location sites. Crywolf was not intended to track the number of days an alarm company fails to submit a report and while the City of Santa Fe is our only client out of 70 plus that does so, the flexibility of the program allows PSC to accommodate the specific needs of the City through the use of some program modifications coupled with some manual calculations and input. Unfortunately, as evidenced by this audit, these special accommodations are not bullet proof. We've traced virtually all of the under and over billings back to a single individual whom is no longer employed by PSC and we have identified the cause as a training issue as well as insufficient oversight and communication. To alleviate the overbillings from occurring in the future we have implemented a log that will indicate when the manual aspect of the process has been completed. We also have added an additional control, as we will have the individual working directly with the alarm companies review each of the "AC Fine Late Reports" which summarizes all of the late submission fees assessed on one Alarm Company's account. In the event an overbilling does occur throughout this process the individual will adjudicate any/all fees charged incorrectly at that time prior to the alarm company receiving notification of such charge. PSC will also, be more diligent with the quality assurance checks by running multiple reports available through Crywolf to ensure the proper billings are taking place. We also currently run a few different reports on the 15th of each month to ensure statuses are changed according to the registration fees, to ensure ones location type is listed correctly and to apply any overpayments to any outstanding fees. This will eliminate the potential for unnecessary mailings and late assessments on the accounts.

- Duplicate billings totaling \$5,800 have been deleted from the system.
- PSC is willing to invoice the under billings.
- One suggestion is to change the process/approach of billing for the late submissions. We feel that billing for late submissions at the end of each month would be more efficient, economical and accurate than doing so on a daily basis. This would also lead to a much cleaner database by not creating hundreds if not thousands of \$10 line items within account histories, billing reports, A/R reports, etc.

City's Response

The Finance Department will revise the requirements for issuances of annual business license to all alarm installation and monitoring alarm companies to require a valid license issued by the construction industries division of the regulation and licensing department of the state of New Mexico, and proof of bonding before renewal. The accounts receivable unit is currently verifying these companies have current and valid licenses issued by the State of New Mexico, and proof of bonding. The City will submit all information to PSC. SFPD will provide a checklist of all required criteria listed in the ordinance and forwarded to Land Use/Finance staff for use as an alarm company checklist. This is expected to be completed by June 30, 2014.

The SFPD also recommends a public information release drafted by Finance Department (Business License Renewal Division), and included in the April mailings, informing any potential alarm monitoring customers of the requirement to register their alarms and to ensure that the alarm company they have hired is in fact licensed and registered with the City of Santa Fe.

Evaluation of City and PSC's Response - The response is adequate.

Management Letter Comments

During our audit there were certain issues involving internal controls or operating efficiencies that came to our attention, but do not rise to the level of an audit finding. These issues have been shared with PSC management and are referred to as management letter comments. Improvements in these areas are intended to improve internal controls or to result in other operating efficiencies and are summarized as follows:

MANAGEMENT LETTER COMMENT 1 – (PSC) Years Not Identified in Billing

During the review of the alarm companies account histories we noted that when a company was being fined for multiple years of a missing report, for example 2010, 2011, 2012, 2013 for a given month, there was no way to distinguish a given month.

Recommendation

PSC should add the year to the month in the billing system. This will increase the efficiency of detecting errors and therefore enhances the internal control environment.

PSC's Response and Implementation Date

An email received from PSC, dated 01/07/2014, states the following "I have updated the action type to indicate the year going forward (starting 1/2014) but I am unable to update the actions that were previously notated on the accounts."

Evaluation of PSC's Response

This response is adequate. The problem has been resolved. This management letter comment is cleared.

MANAGEMENT LETTER COMMENT 2 – (PSC) Invoice Number Changed Every Day

An issue noted with the account histories for the alarm companies was that a new invoice was created every day for every late report. For example, a September 2012 (August activity) report would start accruing fees on approximately 10/01/2012 if a report was not filed and an original invoice with a unique number would be created. The next day a new invoice would be created for the 10/02/2012 late fee and a new invoice number would be generated. This made it very difficult to trace a single invoice through the system.

Recommendation

The same invoice number should be used every day for a given month's late report.

PSC's Response and Implementation Date

Unfortunately the program will not allow this. Each action, or item, has a unique record identifier assigned to it and the program uses this unique record identifier as the invoice number. So every time a daily late submission fine is entered the system will automatically create a new invoice number. In order to consolidate onto one invoice with one invoice number we would need to enter the data once a month for the entire month. *As mentioned previously, changing the billing for late submissions to once a month may be beneficial in many regards.*

Evaluation of PSC's Response - PSC's response is adequate.

APPENDIX A - Fees and Fines - Per Ordinance No. 2012-13

	Santa Fe City Code Section	Alarm User	Alarm Installation Company	Alarm Monitoring Company
Fee – Registration of Alarm System	20-5.5(B)	\$25		
Fee – Renewal of Alarm System	20-5.5(B)	\$25		
Fee – Late Registration	20-5.6	\$10		
Fee – Reinstatement	20.5.13(A)(1)	\$50		
Fee – Appeal ⁹	20-5.16(D)	\$50		
Fine – First False Alarm	20-5.11(D)(4)	\$0		
Fine – Second False Alarm	20-5.11(D)(4)	\$0		
Fine – Third False Alarm	20-5.11(D)(4)	\$150		
Fine – Fourth False Alarm	20-5.11(D)(4)	\$150		
Fine – Fifth False Alarm	20-5.11(D)(4)	\$150		
Fine – Sixth or more False Alarms	20-5.11(D)(4)	\$300		
Penalty - for 11 or more false alarms in a 12 month period	20-5.12(A)	Suspend and revoke registration		
Fine – Operating an alarm system during a period of revocation	20-5.12(C)	\$100		
Fine – non-registered alarm system, per alarm ordinance	20-5.5(A) 20- 5.6	\$100		
Fee - license	18-8.10(A)(3)		\$75	\$75
Fine – No Employee Background Check	20-5.9(I)		\$300	

⁹ Paid only if appeal is decided in favor of the City

Fine - Late Report (names and addresses of users)	20-5.9(G)(2) 20-5.10(E)		\$10 per day after 5 day grace period	\$10 per day after 5 day grace period
Fine – Failure to establish procedures for accepting cancellations of alarms and conveying cancellation of alarms	20-5.10(F)			\$50
Fine – Continuation of alarm dispatch requests to an alarm site after notification by the alarm administrator that the registration has been revoked	20-5.12(C)			\$50
Fine – Failure to use enhanced call verification	20.5.10(B)(2)			\$300

APPENDIX B – Summary of Revenue and Expenses by Year

(Unaudited)

Source: Nancy Jimenez, Fiscal Administrator, Santa Fe Police Department

Revenue						
	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14 to 01/31/14 (6)	FY 13/14 Budgeted (7)
Alarm Fees						
Fees and Fines (1)	\$ 64,466	\$ 217,031	\$ 230,088	\$ 173,762	\$ 73,748	\$ 168,700

Expenditures						
	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14 through 01/31/14	FY 13/14 Budgeted
Alarm Services Fees						
32% Paid to PSC (2)	N/A	N/A	N/A	N/A	N/A	N/A
Salaries and Benefits (8)	\$ -	\$ -	\$ -	\$ -	\$ 89,080	\$ 156,038
Professional contracts (3)	\$ -	\$ 2,705	\$ 1,352	\$ 676	\$ -	\$ 10,000
Operating Expenses (4)	\$ -	\$ -	\$ -	\$ 2,281.99	\$ 13,549.00	\$ 8,000.00
Subtotal Expense	\$ -	\$ 2,705.68	\$ 1,352.34	\$ 2,958.16	\$ 14,628.82	\$ 174,038.00
Patrol Officers Response to False Alarms	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14 to 01/31/14	
# of calls per FY	6817	5623	4853	4452	2820	
Cost for Alarm Calls (5)	\$ 233,550	\$ 192,644	\$ 166,264	\$ 152,526	\$ 96,613	
Total Expense	\$ 233,550	\$ 195,349	\$ 167,616	\$ 155,484	\$ 199,242	

Net Income	\$ (169,084)	\$ (21,682)	\$ (62,472)	\$ (18,279)	\$ (125,494)	
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- 1) Fines for false alarms and registration fees are recorded net of bank and merchant charges as well as the 32 % paid to PSC. License fees for alarm companies of \$75 are paid in the business licensing department and are recorded in the general fund;
- 2) At the time of the audit the amount recorded for the revenue is net of the 32% fee paid to PSC; the expense is already deducted from income;

- 3) Professional contracts are for the alarm hearing officer;
- 4) Operating expenses include office supplies, copy machine paper, and a shredder;
- 5) Cost for alarm calls is the cost of sending 2 patrol officers to the alarm site at an average of 45 minutes per call (1.5 hours X \$22.84 average salary);
- 6) The amounts from 07/01/2013 to 01/31/2014 were included to fully disclose program results for as much of the current fiscal year as possible. The current fiscal year is FY 13/14, 07/01/2013 through 06/30/2014;
- 7) Budgeted amounts are included to show expected results for FY 13/14;
- 8) FY 13/14 is the first year that salaries are being allocated to the false alarm program. The inclusion of salaries will give a better overall picture of actual expenses related to the program. Based on the current results, collections will have to be increased to cover current year expenses.

APPENDIX C – Glossary of Terms

- 1) **Public Safety Corporation (PSC)** – outside contractor engaged to assist with implementation and management of the false alarm monitoring system. PSC has a five year contract with the City which was initiated on 10/28/2009;
- 2) **Professional Services Agreement (PSA)** - this refers to the professional services agreement with PSC;
- 3) **Governmental Accounting Standards Board (GASB)** - Issues applicable governmental accounting standard;
- 4) **Alarm companies** are required to file monthly reports detailing any changes including new or discontinued users. Alarm companies include;
 - a. Alarm installation companies,
 - b. Alarm monitoring companies;
- 5) **Alarm users** are assessed fines for not registering their alarm, and for false alarms per the ordinance. Alarm users include;
 - a. Individual – typically a private home;
 - b. Businesses, these are businesses other than alarm companies, such as a restaurant or retail store that has an alarm;
- 6) **Customers** – as referred to in the results section are customers of the City's False Alarm Monitoring System. Customers can be either an alarm company or an alarm user, each customer is assigned an unique account.
- 7) **Debtor** – as referred to in Finding 3, is a customer with a past due accounts receivable balance.

Project	FYE	Auditor	Comments	Disp. of Audit Report	Due Date of Audit	Est. Completion Date	Report Issued By Due Date	Received @ State Auditors	Date Presented to Finance Committee
City of Santa Fe									
Comprehensive Annual Financial Report (CAFR)	06/30/2014	Not Selected at this time	Need to go out for RFP - Finance has received State Auditor approval to go out to bid.		12/01/2014	12/01/2014			

Santa Fe Solid Waste Management Agency (SWMA) COSF Fiscal Agent									
Financial Statements and Report of Independent Auditors	06/30/2014	Not Selected at this time	Need to go out for RFP - Finance has received State Auditor approval to go out to bid.		12/01/2014	12/01/2013			

City of Santa Fe - Lodger's Tax Review - Lodger's Tax Ordinance 18.11.14 Vendor Audits (A) in summary states that random audits of vendors may be conducted as necessary. (B) in summary states that a copy of the audit will be filed annually with the local government division of the department of finance and administration. NOTE: No due date of the audit is provided for in the ordinance.

Lodger's Tax - Limited Scope Review	06/30/2011	Barracough & Associates, P.C.	Contract signed - audits started		Non specified in ordinance 18.11	06/30/2014	N/A		
Lodger's Tax - Limited Scope Review	06/30/2012	Barracough & Associates, P.C.	Copy of Contract sent to State Auditor's Office		Non specified in ordinance 18.11	06/30/2014	N/A		
Lodger's Tax - Limited Scope Review	06/30/2013	Barracough & Associates, P.C.	In Progress		Non specified in ordinance 18.11				
Lodger's Tax - Limited Scope Review	06/30/2014	Not Selected at this time	Need to go out for RFP - Finance has received State Auditor approval to go out to bid.				N/A		

Exhibit "2"

Status of Audits Report

Project	FYE	Auditor	Comments	Disp. of Audit Report	Due Date of Audit	Est. Completion Date	Report Issued By Due Date	Received @ State Auditors	Date Presented to Finance Committee
Santa Fe Buckman Diversion Project COFS Fiscal Agent - Not subject to the State Auditor's Rule									
Construction audit - FINAL (Capital Improvement Project - part of Capital Projects Fund)	06/30/2012	Atkinson and CO. LTD.	Work to begin on December 4, 2013. Partial year audit -		09/30/2012		No	N/A	
Construction audit - FINAL (Capital Improvement Project - part of Capital Projects Fund)	06/30/2012	Atkinson and CO. LTD.	Work to begin on December 4, 2013. Agreed Upon Procedures for Final Verification of Costs		N/A		N/A	N/A	
Operations (Proprietary Funds)	06/30/2012	Atkinson and CO. LTD.	Per Atkinson - Work to begin on December 4, 2013		09/30/2012		No	N/A	
Operations (Proprietary Funds)	06/30/2013	Atkinson and CO. LTD.	Per Atkinson - Work to begin on December 4, 2013		09/30/2013		No	N/A	
Operations (Proprietary Funds)	06/30/2014	Not Selected at this time	Need to go out for RFP - Finance has received State Auditor approval to go out to bid.						
Santa Fe Civic Housing Authority - (Not a component of the City of Santa Fe)									
Financial Statements	06/30/2014	Undetermined			12/01/2014				
The Santa Fe Railroad Community Corporation and Subsidiary (For the COFS's oversight and review)									
Financial Statements	06/30/2014	Barracough & Associates, P.C.			12/31/2014				

Project	FYE	Auditor	Comments	Disp. of Audit Report	Due Date of Audit	Est. Completion Date	Report Issued By Due Date	Received @ State Auditors	Date Presented to Finance Committee
Park Bond Audit									
This audit is authorized by Resolution No. 2014-17 passed 02/26/2014		Not selected at this time	1) Per council resolution 2014-17 we IA needs to form a task force. 2) The audit Committee needs to collaborate with "staff" to draft an audit policy regarding City bond issues.		12/01/2014	12/01/2014			

Internal Audits									
			Management comments received on Monday March 3, 2014. Management has requested an extension in order to fully address the issues and to incorporate responses from PSC.			03/31/2014			
Public Safety Corporation		Internal Audit							
Transit - Cash Walkthrough of Internal Controls		Internal Audit	Walkthrough completed - draft in progress			03/31/2014			
Elevate Media		Internal Audit	In Progress			04/30/2014			

Project	PTC	External Auditor	Status of Audit Report	Comments	Disp. of Audit Report	Due Date of Audit	Report Issued by Due Date	Received @ State Auditor's Office	Date Presented to Finance Committee
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City of Santa Fe									
Comprehensive Annual Financial Report (CAFR)	06/30/2011	Atkinson and CO. LTD.	Completed	Unqualified, 9 findings	Issued	12/01/2011	No	02/21/2012	08/20/2012
Comprehensive Annual Financial Report (CAFR)	06/30/2012	Atkinson and CO. LTD.	Completed	Unqualified, 9 findings	Issued	12/01/2012	No	03/05/2013	04/15/2013
Comprehensive Annual Financial Report (CAFR)	06/30/2013	Atkinson and CO. LTD.	Completed	Unqualified, 12 Findings	Issued	12/02/2013	Yes	12/02/2013	01/20/2014

Santa Fe Solid Waste Management Agency (SWMA) COSF Fiscal Agent									
Financial Statements and Report of Independent Auditors	06/30/2011	Atkinson and CO. LTD.	Completed	Unqualified, 0 Findings	Issued	12/01/2011	Yes	11/22/2011	
Financial Statements and Report of Independent Auditors	06/30/2012	Atkinson and CO. LTD.	Completed	Unqualified, 1 Finding	Issued	12/01/2012	No	12/03/2012	
Financial Statements and Report of Independent Auditors	06/30/2013	Atkinson and CO. LTD.	Completed	Unqualified, 0 Findings	Issued	12/02/2013	Yes	12/02/2014	

Santa Fe Buckman Diversion Project COSF Fiscal Agent - Not subject to the State Auditor's Rule									
Construction audit	06/30/2010	Atkinson and CO. LTD.	2010 and 2011 Construction Audits are final.	Issued 11/05/13	09/30/2010		No		
(Capital Improvement Project - part of Capital Projects Fund)									
Construction audit	06/30/2011	Atkinson and CO. LTD.	Presented to Buckman's Board on 11/05/13	Issued 11/05/13	09/30/2011		No		
(Capital Improvement Project - part of Capital Projects Fund)									
Operations	06/30/2011	Atkinson and CO. LTD.	Presented to Buckman's Board on 11/05/13	Issued 11/05/13	09/30/2011	11/09/2012	No		
(Proprietary Funds)									

Project	FYE	External Auditor	Status of Audit Report	Comments	Dist. of Audit Report	Due Date of Audit	Report Issued By Due Date	Received @ State Auditors	Date Presented to Finance Committee
Santa Fe Civic Housing Authority - (Not a component of the City of Santa Fe)									
Financial Statements	06/30/2011	Ricci & Company	Complete	Unqualified, 10 Findings	Issued	12/01/2011	Yes	12/01/2011	
Financial Statements	06/30/2012	Ricci & Company	Complete	Unqualified, 9 Findings	Issued	12/01/2012	No	12/18/2012	
Financial Statements	06/30/2013	Ricci & Company	Complete		Issued	12/02/2013	Yes	12/02/2013	

The Santa Fe Railway Community Corporation and Subsidiary (For the COSE's oversight and review)									
Financial Statements	06/30/2011	Barradough & Associates, P.C.	Complete	Unqualified, No Findings	Issued	12/31/2011	Yes		
Financial Statements	06/30/2012	Barradough & Associates, P.C.	Complete	Unqualified, No Findings	Issued	12/31/2012	Yes		
Financial Statements	06/30/2013	Barradough & Associates, P.C.	Complete		Issued	12/31/2012	Yes		

Forensic Audit of Parking									
Forensic Audit of Parking		02/07/2013	complete	Unable to substantiate any wrongdoing by CM, 2 employees were cited as have tickets removed	Final 04/30/2013	Yes	02/07/2013	04/20/2013	

Transit Department									
Federal Transit Administration's Financial Oversight Follow-Up Review		Reid Consulting, LLC	complete	3 material weaknesses, 5 significant deficiencies	complete dated 07/20/2012	Yes			
Agreed Upon Procedure									
Federal Transit Administration's Financial Oversight Review		Reid Consulting, LLC	complete	2 material weaknesses, 3 significant deficiencies, 2 advisory comments	Final Report Submitted 07/22/13	Yes			
Agreed Upon Procedure									

Project	PFE	External Auditor	Status of Audit Report	Comments	Disp. of Audit Report	Due Date of Audit	Report Issued by	Received @ State Auditor's	Date Presented to Finance Committee
Senior Program Area Agency Aging									
Area Agency Aging "Assessment" of Senior Program at COSF			complete	Final report dated 05/28/2013	Complete	Yes			
Shelter Plus									
HUD audit of Shelter Plus Care Program and grants	HUD		Exit on 08/01/13	No draft as of 08/12/13 - contact is Stephen Morales - 6536 Material Weakness - the auditee missed the scheduled appointment and did not leave the keys so the auditors could access the files.	Draft not issued	No			
Presidio Review of ITT									
This ITT consultation/audit is at the request of the CM.		Presidio	Report received by Internal Audit.	complete	N/A				
Internal Audit									
ITT Data Center Operations and IT General Controls Performance Audit			06/30/2013 Final 08/07/2013	Complete	Released	Final 08/07/2013			09/16/2013
Report to Management			06/30/2013 Final	Provided to management on 07/01/2013 Presented to Audit Committee on 07/10/13	Released	07/01/2013			
Hitachi SAN System									



City of Santa Fe – Internal Audit

200 Lincoln Ave, Santa Fe, NM 87504-0909

(505) 955-5728, cell (505) 490-3372

Liza A. Kerr, Internal Auditor

Date: March 20, 2014
To: Finance Committee
CC: Brian Snyder, City Manager
Audit Committee
From: Liza Kerr, Internal Auditor
RE: **Update on Status of Fraud, Waste, and Abuse Hotline**

Resolution 2013-112 states the following (excerpts):

“AUTHORIZING STAFF, DURING THE 2014/2015 BUDGET PROCESS, TO ESTABLISH A BUDGET FOR THE DESIGN, IMPLEMENTATION AND ADMINISTRATION OF A FRAUD, WASTE AND ABUSE HOTLINE FOR CITY EMPLOYEES TO REPORT ALLEGED FRAUD, WASTE AND ABUSE BEING COMMITTED BY EMPLOYEES AND/OR OFFICERS OF THE CITY.”

“WHEREAS, the Internal Audit Department should take an active role in requesting proposals for a third-party contractor to design, implement and administer a confidential, fraud, waste and abuse hotline for City employees.”

“NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE CITY OF SANTA FE that in accordance with Ordinance No. 2013-37, staff is authorized, during the 2014/2015 budget process, to establish a budget for the design, implementation and administration of a fraud, waste and abuse hotline for city employees to report alleged fraud, waste and abuse being committed by employees and/or officers of the city.”

In order to move forward with the stated wishes of the City Council, Internal Audit has requested that \$6,000 be added to the department's budget to implement the Fraud, Waste and Abuse Hotline. This amount is reflected in the budget as:

Item Description	BU / Line Item	Increase
Contractual Services	12015.51030	\$6,000

Once the budget is approved, the RFP process will begin.

Please let me know if you have any questions. I can be reached at (505) 955-5728.