



Agenda DATE 3/7/2014 TIME 2:00pm

PREPARED BY Yolanda Green  
APPROVED BY [Signature]

CITY OF SANTA FE AUDIT COMMITTEE MEETING  
CITY COUNCILORS' CONFERENCE ROOM  
Wednesday, March 12, 2014 - 2:00 P.M.

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF MINUTES:
  - February 5, 2014
5. REPORT FROM EXTERNAL AUDITOR – Marty Mathisen and Teresita Garcia to present CAFR
6. STATUS REPORT FROM CITY OF SANTA FE, AUDIT & FINANCE DEPARTMENTS:
  - Status of Audits (Internal Audit) (send in advance & attach)
  - Gross Receipts Tax Report, (monthly)
  - Lodger's Tax Report,
7. SUB-COMMITTEE REPORTS:
  - Internal Audit,
    - False Alarm Monitoring System Audit (Status Update);
    - Risk Assessment/Audit Plan;
    - Cash Walkthrough at Transit.
8. OLD BUSINESS
9. NEW BUSINESS
  - Introduction of new Audit Committee member Cheryl Pick-Sommer
  - Election of new Audit Committee Chairman
  - 2008 Park Bond Issue, Resolution 2014-17
  - Jon Bulthuis, Director, Transit, to discuss Federal Transit Administration, Financial Management Oversight Audit.
  - RFP's for Financial Audit (CAFR), SWMA, BDD, Lodger's Tax
10. OTHER MATTERS FROM THE COMMITTEE
11. ITEMS TO REPORT TO THE CITY MANAGER
12. NEXT MEETING DATE:
  - Next meeting scheduled – April 9, 2014
13. ADJOURNMENT

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

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**CITY OF SANTA FÉ AUDIT COMMITTEE**  
**March 12, 2014**

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**MINUTES OF THE**

**CITY OF SANTA FÉ**

**AUDIT COMMITTEE**

March 12, 2014  
2:00 p.m. – 4:00 p.m.

**1. CALL TO ORDER**

A regular meeting of the City of Santa Fé Audit Committee was called to order by Vice-Chair Randy Randall on this date at approximately 2:00 p.m. in the City Councilors' Conference Room at City Hall, 200 Lincoln Avenue, Santa Fé, New Mexico.

**2. ROLL CALL**

Roll call indicated the presence of a quorum as follows:

**Members Present:**

Randy Randall, Chair  
Cheryl Pick-Sommer  
Hazeldine Romero [arriving later]  
Marc A. Tupler

**Members Absent:**

Clark de Schweinitz, J.D. [excused]

**Others Attending:**

Liza Kerr, Internal Auditor  
Jon Bulthuis, Transit Director  
Marty Mathisen, Auditor  
Marcos Tapia, Finance Director  
Carl Boaz, Stenographer  
Bette Booth, POSAC ,member  
Anna Hansen, POSAC Chair  
Ken Smithson, Santa Fe Trails

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

**3. APPROVAL OF AGENDA**

Vice Chair Randall asked to modify the agenda by taking the External Auditor report next since Mr. Mathisen was already present.

**Ms. Pick-Sommer moved to approve the agenda as amended. Mr. Tupler seconded the motion and it passed by unanimous voice vote.**

**5. REPORT FROM EXTERNAL AUDITOR – Marty Mathisen and Teresita Garcia to present CAFR**

Ms. Garcia was not present.

Mr. Mathisen said the biggest improvement was that it was turned in on time on December 2 and it was a team effort. There was work done through the Thanksgiving Holiday. Erica had her feet on the ground. We passed out the milestones schedule six or seven meetings in a row showing what had been done and what was coming up and set a cut-off date of October 15 for the financials and November 4 for a CAFR draft which the City prepares and gave to the auditors. So there was a lot of clarity and lots of monitoring and follow up. The City staff was on board and Mr. Tapia and Ms. Garcia contributed greatly to it.

Vice-Chair Randall asked if he felt the milestone system was now in place. He really wished this wasn't the last year with Atkinson but supposed the Committee could tell the next auditor that this was required.

Mr. Mathisen agreed it certainly was the way to do it since it worked and got good results.

Vice-Chair Randall asked if he would recommend including that in the RFP to have a milestone system. Mr. Mathisen agreed because it was the goal to get a second year submitted on time.

Ms. Romero joined the meeting at this time.

Mr. Mathisen said he spoke to the Finance Committee on February 17 and at that time, Albuquerque had not filed their CAFR yet. Two years ago both Santa Fé and Albuquerque filed the CAFR in July. Last year, Albuquerque had 32 findings Santa Fé had 13 findings and one for the Housing Authority. It was a clean opinion. He had a few things on his list but left his CAFR in the car.

He borrowed another and went through his list.

On page 8-9, the balance sheet and income statement for 2013 was compared with 2012 and at the bottom showed transfers to enterprise funds. He mentioned some of the changes. The city was managed by budget to actual so this, even condensed, was good to show the changes quickly.

Page 11 was written by the City and presented in front to show key changes that were useful. He had a paragraph that showed the discussion about water and water rates that Maurice Lierz had trained him to consider.

Page 31 was interesting. It was the statements of cash flow for enterprise funds. The bottom total showed cash for these activities. The water management fund had a very positive cash flow and most of the funds balanced. Barracough did the Railyard. The College of Santa Fé had separate financials and it looked like they were losing money but Laureate said that was what they were going to do. The auditor

may be someone they knew. The City borrowed \$31 million from NMFA to buy the college.

Vice-Chair Randall saw that of all the enterprise funds, this had the biggest drain.

Mr. Mathisen said pages 29-30 showed that and there was a roll out schedule in the back for each fund. The total on page 30 went to the government statement and the summary. Some enterprise funds did well and others didn't and required a subsidy.

Vice-Chair Randall asked which ones cost the City of Santa Fé.

Mr. Mathisen said Genoveva Chávez Community Center was one of the big losses. Santa Fe Trails was also a tough one.

Ms. Romero noted the schedule was on page 142. Mr. Mathisen agreed.

Vice-Chair Randall said it was not the Audit Committee's job to fix them but to understand them. That's the Council's job.

Mr. Mathisen said the new accounting standards were shown on page 75 and 76.

On page 63 he pointed out the title changes requested by the Committee. There were no deferred inflows and outflows but the City would have them soon. The property taxes come in and the City only booked those that were received but also recorded from the levy what would be due. Some were not within 60 days. They would book the revenue that would be deferred inflow and not called deferred revenue.

The City had two bond refinancing events to get better rates.

Ms. Kerr asked if deferred inflow applied to all non-exchange revenue. Mr. Mathisen said it could. Sales tax was a deferred inflow.

Mr. Tupler asked what impact that was to the Audit Committee.

Mr. Mathisen said it was just to adapt to it. It was a new twist and there would be more to it than we think. It was a learning task. We were all in the same boat for implications. They would just have more complex transactions and needed to get used to it. There would be more with the pensions standard. The new standard would be one year earlier but the City was making payments to PERA through the year so that would be deferred outflow. That standard would hit in 2015. The small change in the the pension standard might be postponed one year.

Mr. Mathisen went to page 42 - the governmental funds - fund balance was assets less liabilities. Everything except unassigned was restricted according to legislation. Page 200 showed all the cash fund balances.

Mr. Tupler noted the cash balance actually went down for the year from \$200 million to \$197 million.

Vice-Chair Randall asked what "joint ventures" was.

Mr. Mathisen thought it was BDD.

Mr. Mathisen went through the list on the summary page and explained the components. On the right hand page (222) it showed the status of prior findings. The numbering showed when it became a finding. Any governing body would put an emphasis on resolving those findings. So there was emphasis on clearing out the findings. Finding 11-06 was repeated and modified. He said the federal government didn't want to do business with someone who didn't care about clearing them. This finding would be easy to get rid of. It could be taken care of with one statement. It also wasn't the biggest thing in the world. We checked web sites and there were no barred vendors. So there was no question of costs. Five of them went away and five continued.

There were eight current finds. Asset management had a significant deficiency. Non-compliance; non-communication - IT assets were checked on and they set a higher scope for it. They had plenty of evidence that IT controls were weak. Capital assets were scheduled projects that were sometimes multi-year. Finance close and reporting was a finding but it was much improved this year. Some of what could have been a finding were found first by staff and corrected.

The bond covenant has money set aside for late bond payments. But that balance was overdrawn - someone didn't do the right maintenance for that cash. The computer controls issue was a global thing. He said they never did see the Presidio report. They had two more findings with IT but progress was made.

There was no check for Davis Bacon at the airport. The government wants appropriate pay schedules with contractors. They weren't checked but could have been low and the City wouldn't know. There were new program managers at the Airport who just didn't know the requirements. He recommended more training for the new managers.

The financial close was a significant finding. The two federal programs had significant findings.

The Audit Committee and the Internal Auditor really added to the compliance of the City. Monitoring was very important and that was what the Committee was involved with.

He asked for questions.

Ms. Romero said last year the Committee got a copy of "okay to print audit report" and it had all the areas of the report.

Mr. Mathisen agreed to do that and would send it to Ms. Kerr. It was about a third as long this year.

Ms. Romero asked if there were any areas of concern for this coming year.

Mr. Mathisen said the State Auditor sent us a couple of referrals as part of our work. They have a hot line and it could be very effective but it was a two-edged sword. There were complaints that lunches were not being allowed at Genoveva Center for staff. He looked into that and reviewed 7-8 payrolls and were told

time sheets couldn't be used for union staff. We found out they had to do it. One was a problem. The Ft. Marcy swimmers had complaints that people didn't work very hard. We tested that and couldn't draw any conclusions. The use of time sheets and time cards might be an area to focus on.

The HR staff said they couldn't use time cards for union compensation. There were some exceptions there. There was uncertainty about the time sheets.

He also tested that the City of Santa Fé didn't pay late fees to vendors. They tested 25 invoices over 60 days past due. If people didn't charge the late fee, the City didn't pay it. If they didn't add it onto the bill, it didn't get paid. But one where it was added did get paid.

Vice-Chair Randall thanked Mr. Mathisen on behalf of the Audit Committee. He was sure there would be more audit opportunities in the future.

Mr. Mathisen said they would be glad to serve. Santa Fé had the highest image so it was important to help.

#### **4. APPROVAL OF MINUTES**

##### **February 5, 2014**

Ms. Romero requested the following corrections to the minutes:

On page 1, under others attending, Lisa Martínez is Project Director.

On page 2, last paragraph, should have a period at the end.

On page 5, third paragraph, it should say "IT related" instead of "digital."

The makeup of the steering committee also included the police chief, Land Use Director and attorneys.

On page 6, first paragraph, 3<sup>rd</sup> line should say, "agreed upon procedure audit."

In the middle of page 6 it should say, "having the auditee get back to her."

On page 7, last sentence above Lodgers Tax Report should say, "... as a budget expansion factor."

In the last sentence of Lodgers Tax Report, the "they" referred to the City, not lodgers.

On page 9, second to last line should read, "... on the status of the audit report."

**Ms. Romero moved as approve the February 5, 2014 minutes as modified. Mr. Tupler seconded the motion and it passed by voice vote with all voting in favor except Ms. Pick-Sommer who abstained.**

**9. NEW BUSINESS (out of agenda order)**

**c. 2008 Park Bond Issue, Resolution 2014-17**

Ms. Kerr referred to the resolution in the packet. She also provided copies of a letter regarding the task force to determine scope. The Council approved Resolution 2014-17 that gave direction to the auditor and established the task force. Ms. Kerr identified the membership of the task force. Section 2 directed the Audit Committee to be involved during the procedures.

Ms. Kerr wanted the names of one or two people from the Audit Committee to present. Chair Randall thought Ms. Romero's procedural experience would make her a logical choice. Ms. Romero agreed to serve and Mr. Tupler agreed to help.

Ms. Kerr wanted the task force to have a couple of meetings before the next Audit Committee meeting and maybe report at the next meeting. It would still be awhile but she hoped to have the scope done by April 9<sup>th</sup>.

Ms. Booth said the work was moving along and she thanked the Committee for their support.

Chair Randall commented that Rebecca Wurzbarger was a champion on it and she got it done before her term ended.

Ms. Booth said the role of the Audit Committee had been great.

Ms. Hansen looked forward to working with the Audit Committee on it.

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

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

Ms. Kerr went through her reports. She separated the report form into current and those done in the previous three years as the second section.

Vice-Chair Randall asked to have "current audit" in the title and "past audits" in the title for that part.

Ms. Kerr said she was still working on Lodgers Tax audit.

Mr. Tapia said there was one lady on short term rentals that needed more work.

Ms. Kerr said it was worthwhile to have audited the short- term rentals. This was the first year for short-term rentals to be audited.

Mr. Tapia explained to Ms. Pick-Sommer and this lady keeps no records. They could check credit card receipts and determined an amount of tax she should have paid to the City. It was about \$8,000. And she



only reported a thousand dollars.

Vice-Chair Randall suspected there were many who didn't report at all.

Mr. Tapia said they could fine her or get a jail sentence but chose instead to put a lien on her property.

Ms. Kerr thought the auditor might be able to leverage on this for next year.

Vice-Chair Randall said for three years, there were no lodger's tax audits performed so Barraclough was contracted for auditing the last three years and a new RFP for one year would be let.

#### **b. Gross Receipts Tax Report**

Mr. Tapia reported that December was usually the largest month but here August was the largest because of Spanish and Indian Markets. He anticipated \$3 million up over the previous FY. GRT was not stable like property taxes. Three weeks ago there were four fires in New Mexico and that was a big detriment to GRT.

Vice-Chair Randall commented that "the closer we get to year end, the better our lead looks."

Mr. Tapia agreed. He based his budget on what he anticipated coming in. He had to have a budget set up by June. He knew they had obligated GRT to a certain extent in the past. He had a hard time budgeting it at \$87 million. The fund balances from the last four years were depleted and that money had to be replaced. So he was a little worried. But probably at least \$86 million could be realized and he would be budgeting a little growth. The City was not quite up to the 2007-008 numbers but close. He was seeing increases at different times but it was across the board in all different areas. That told him that overall some areas come back faster. It was a good sign.

Vice-Chair Randall said the real question was whether the expenses exceeded the revenue.

Mr. Tapia said they were fine but the annexation revenue has already been obligated to purchase 10 vehicles and hire more staff.

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

Mr. Tapia said he tried to find a correlation with GRT but there wasn't any. The biggest correlation was with CVB.

Vice Chair Randall said some hotels didn't pay on time and secondly the general economy had suffered. They had some lodgers that wouldn't report for 3-4 months.

Mr. Tapia agreed. And the City floated them interest free and then in May or June, those payments pop up. But because of the audits that were happening, he thought they would be self reporting much better.

Vice-Chair Randall still wanted to get a better handle on how these funds were distributed.

Mr. Tapia agreed to bring the ordinance next time and a report on how the money was spent.

## **7. SUB-COMMITTEE REPORTS:**

### **a. Internal Audit Subcommittee**

- **False Alarm Monitoring System Audit (Status Update)**

Ms. Kerr said responses were due from management last Friday and Mr. Tapia asked for an extension. She asked if Mr. Tapia wanted her to follow up.

Mr. Tapia asked if she got AR report from Ms. Garcia. Ms. Kerr didn't.

Mr. Tapia said he would review those. He didn't understand how auditors reviewed the evaluation of the response.

Ms. Kerr agreed to share the yellow book.

- **Risk Assessment/Audit Plan**

Ms. Kerr brought all of them back in except CVB. The plan was to deliver the audit plan next month.

- **Cash Walkthrough at Transit**

Ms. Kerr said this was 100% complete but she had one more stop before agreeing on the format. She wanted to have it complete by next Friday for the Finance packet.

Ms. Romero asked if she figured out how to do it without having a full audit.

Ms. Kerr said she had and she would go by the ordinance.

## **8. OLD BUSINESS**

There was no old business.

## **9. NEW BUSINESS**

**a. Introduction of new Audit Committee member, Ms. Pick-Sommer Pick-Sommer**

Ms. Pick-Sommer introduced herself as an attorney and owner of Kaune's for several years as well as the daughter of Sam Pick.

Vice-Chair Randall said it was great to have someone with a law license and a business owner.

Ms. Romero introduced herself to Ms. Pick-Sommer.

**b. Election of new Audit Committee Chairman**

Vice-Chair Randall said the Committee lost its Chair because he was not reappointed at the end of his term. So the Committee needed a new Chair.

Ms. Kerr announced a "Muchas Gracias for Mr. Lierz at City Council on April 9.

Vice-Chair Randall suggested publishing a quorum notice so the Audit Committee members could attend.

**Ms. Pick-Sommer nominated Vice-Chair Randall to be the Chair of the Committee. Ms. Romero seconded the motion and Mr. Randall was elected by unanimous voice vote.**

Ms. Romero was asked and agreed to be the Vice Chair.

Mr. Tupler agreed to head the External Subcommittee and Ms. Pick-Sommer agreed to head the Internal Subcommittee.

**d. Jon Bulthuis, Transit Director, to discuss Federal Transit Administration, Financial Management Oversight Audit**

Ms. Kerr pointed out the handout.

Mr. Bulthuis said they still had four things they were awaiting. The first was the update of the City's accounting manual and Mr. Tapia was working on that and we would provide that at the close of this month. That was significant deficiency #4 They also provided the existing manual. Page 4 had 3 more findings. He had the documentation for them but had not submitted that yet.

1. They developed the check list the FTA wanted and that should close that one out.
2. National transit data base report - They hired Ken Smithson who did that for Transit. They were now closer to being properly staffed so they had it ready to submit.
3. They didn't have a procedure for notification on single audit status and Mr. Smithson notified them as

soon as the CAFR was available.

Mr. Tapia said the CAFR was online too.

Mr. Smithson said they weren't allowed to search for it.

Mr. Tapia said it didn't show up in the Federal website.

Ms. Kerr thought that was pretty much completed and she would get that report issued next month.

Mr. Bulthuis indicated the next step was that FTA did an operating review. It was a standard three-year review and Mr. Smithson would go through a training workshop for that and it would be done this summer.

Ms. Pick-Sommer asked if this was a review done by FTA because they gave the City a grant.

Mr. Bulthuis agreed. They have received millions of dollars.

Mr. Tapia explained that along with CAFR, a lot of federal grants required and the City had to agree to these reviews on all of them.

Mr. Bulthuis said the FAA just completed one at the airport. He had not received their results yet but would forward them to the Committee.

**e. RFP's for Financial Audit (CAFR, SWMA, BDD, Lodger's Tax)**

Ms. Garcia had created the RFP for SWMA and BDD and just need to resubmit.

Mr. Tapia said there might be one contract for all of them. We have to go with auditors that were approved by the State Auditor.

Ms. Kerr didn't recall if an Audit Committee member would be on the selection committee.

Mr. Tapia pointed out that this was a lucrative, prestigious audit so they would see some big names and also a couple of guys who wanted to bid.

Chair Randall said the Audit Committee didn't want more than two members on it.

Mr. Tapia agreed.

**10. OTHER MATTERS FROM THE COMMITTEE**

Chair Randall asked if anyone wanted to work on a list of accomplishments that the Audit Committee should include in the report.

Mr. Tupler asked if it was required.

Chair Randall said it was just good business and it would have bullet points we would put into a narrative.

Ms. Romero thought if she could find all of her minutes from last year, she could pull them together.

Ms. Kerr offered to provide them to her.

Chair Randall wanted to do something a little softer than the previous year and use bullet points.

Ms. Romero said they also talked about doing something at the airport.

Chair Randall said he spoke with Councilor Bushee about it because she was concerned about the airport. He told her that Audit would love to look into it if the department was expanded.

Ms. Kerr said she would be interviewing Francey Jesson again.

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


There were no items to report to the City Manager.

#### 12. NEXT MEETING DATE: April 9, 2014

#### 13. ADJOURNMENT

Ms. Romero moved to adjourn the meeting. Mr. Tupler seconded the motion and it passed by unanimous voice vote. The meeting was adjourned at 4:02 p.m.

Approved by:

  
\_\_\_\_\_  
Randy Randall, Chair

Submitted by:

  
\_\_\_\_\_  
Carl Boaz for Carl G. Boaz, Inc.