



Agenda

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CITY OF SANTA FE AUDIT COMMITTEE MEETING
CITY COUNCILORS' CONFERENCE ROOM
JANUARY 4, 2012
2:00 P.M.

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF MINUTES:
December 7, 2011
4. DISCUSSION AND RECOMMENDATION OF COMMITTEE CHAIR AND NEW MEMBER
5. SUB-COMMITTEE REPORTS:
Internal Auditor
External Auditor
6. STATUS REPORT FROM CITY OF SANTA FE, FINANCE DEPARTMENT
7. OLD BUSINESS
8. NEW BUSINESS
9. OTHER MATTERS FROM THE COMMITTEE
10. NEXT MEETING DATE:
A. Next meeting scheduled on February 1, 2012
6. ADJOURNMENT

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

**SUMMARY OF ACTION
AUDIT COMMITTEE MEETING
January 4, 2012**

| <u>ITEM</u> | <u>ACTION</u> | <u>PAGE</u> |
|--|-----------------------------|--------------------|
| CALL TO ORDER & ROLL CALL | Quorum | 1 |
| APPROVAL OF AGENDA | Approved [amended] | 2 |
| APPROVAL OF MINUTES – DECEMBER 7, 2011 | Approved | 2 |
| DISCUSSION AND ELECTION OF COMMITTEE CHAIR AND DISCUSSION OF A NEW MEMBER | | |
| ELECTION OF COMMITTEE CHAIR | Maurice Lierz elected Chair | 2-4 |
| DISCUSSION OF APPOINTMENT OF A NEW MEMBER [TO THE COMMITTEE] | Discussion/consensus | 4-6 |
| STATUS REPORT FROM CITY OF SANTA FE FINANCE DEPARTMENT | Information/discussion | 6-12 |
| SUBCOMMITTEE COMMITTEE REPORTS: | | |
| INTERNAL AUDITOR | Information/discussion | 12-16 |
| EXTERNAL AUDITOR | Information/discussion | 16 |
| OLD BUSINESS: | None | 16 |
| NEW BUSINESS: | None | 16-17 |
| OTHER MATTERS FROM THE COMMITTEE | None | 17 |
| NEXT MEETING DATE NEXT MEETING SCHEDULED FOR FEBRUARY 1, 2012 | | 17 |
| ADJOURNMENT | | 17 |

**MINUTES OF THE
MEETING OF THE
CITY OF SANTA FE AUDIT COMMITTEE
City Councilors Conference Room
January 4, 2012**

1. CALL TO ORDER

A regular meeting of the City of Santa Fe Audit Committee was called to order on Wednesday, January 4, 2012, at approximately 2:00 p.m., by Vice-Chair Randy Randall, in the Finance Conference Room, City Hall, Santa Fe, New Mexico.

2. ROLL CALL:

MEMBERS PRESENT:

Hazeldine Romero-Gonzales

Maurice A. Lierz

Randy Randall

Clark de Schweinitz

MEMBERS ABSENT:

Deborah Moll, Chair [Resigned]

OTHERS ATTENDING:

Dr. Melville L. Morgan, Director, Finance Department

Teresila Garcia, Deputy Director, Finance Department

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 by reference. The original Committee packet is on file in the Finance Department.

3. APPROVAL OF AGENDA

Vice-Chair Randall said Item #4 should be clarified to show that the Committee will be electing a Chair. He noted the Mayor appointed the first Chair, but the Committee will now elect its own Chair. He suggested Item #4 should have: A. Election of a Chair; and B. Discussion and Recommendation of a New Member.

Vice-Chair Randall suggested moving Item #6 before #5, so the Committee could get a status report before hearing our sub-committee reports..

MOTION: Maurice Lierz moved, seconded by Hazeldine Romero-Gonzales, to approve the Agenda as amended.

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

4. APPROVAL OF MINUTES – DECEMBER 7, 2011

Mr. Lierz said we only received the minutes today, and perhaps we should take time to review the minutes before approving them.

MOTION: Maurice Lierz moved, seconded by Hazeldine Romero-Gonzales, to postpone approval of the minutes to the next meeting.

VOTE: unanimously.

Ms. Romero-Gonzales asked if they can receive the minutes electronically.

Ms. Helberg said in the future, she will send the minutes in pdf to Dr. Morgan as soon she submits them to the City Clerk, so they can be sent to the members electronically.

5. DISCUSSION AND RECOMMENDATION ELECTION OF COMMITTEE CHAIR AND DISCUSSION OF A NEW MEMBER.

A. ELECTION OF COMMITTEE CHAIR

Dr. Morgan asked the Committee members if they would like to wait for the appointment of a new member to the Committee before electing a Chair.

Vice-Chair Randall said, with regard to the Chair, the enabling Resolution provides, "...The Mayor, with the approval of the City Council, shall appoint the initial chairperson. The chairperson shall designate the vice chairperson. The chairperson shall serve as a chairperson for a period of one year. Following one year of service, the chairperson shall be elected (or reelected) by the members of the Committee. The chairperson may appoint subcommittees and subcommittee chairpersons as needed." He said he has assumed, since the Resolution didn't provide for the election of a Vice-Chair, that whomever was elected Chair would continue to designate the Vice-Chair.

Vice-Chair Randal said any membership vacancies would be filled by the Municipal Judge, with the approval of the Governing Body. He said the reason he included discussion of a new member, is because he felt this Committee could make recommendations for persons to be appointed to vacancies.

Dr. Morgan said this Committee can discuss any items they would like. He said he is working to get the vacancy filled, commenting the Committee lost its Chair as well as a member of the Committee.

Vice-Chair Randall said, technically, we should have elected a new Chair at this meeting anyway.

After further discussion, it was the consensus among the Committee to go ahead and elect a new Chair at this meeting.

MOTION/NOMINATION: Mr. de Schweinitz nominated Randy Randall to serve as the Chair.
THE MOTION/NOMINATION DIED FOR LACK OF A SECOND.

Mr. Randall said he appreciates the nomination, but doesn't believe he has the passion he believes is needed to serve as Chair, and believes Mr. Lierz should be the Chair.

MOTION/NOMINATION: Randy Randall moved, seconded by Hazeldine Romero-Gonzales, to nominate Maurice Lierz to serve as Chair of the Committee.

DISCUSSION: Vice-Chair Randall said he believes Mr. Lierz has a unique skill set and has shown far more interest in pursuing the chairmanship of the Committee. He said having someone with Mr. Lierz's knowledge and skills serving as chair would be beneficial to the Committee.

Mr. Lierz said he would serve as Chair, commenting that the administrative piece of his duties will be no problem, noting he has served as the Chair or President of 15 different organizations.

MOTION TO ELECT BY ACCLAMATION: Clark de Schweinitz moved, seconded by Hazeldine Romero-Gonzales, that nominations cease and Maurice Lierz be elected by acclamation.

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

At this time, Maurice Lierz assumed the duties of Committee Chair.

APPOINTMENT OF VICE-CHAIR: Chair Lierz appointed Randy Randall to serve as Vice-Chair, and Mr. Randall accepted the appointment.

B. DISCUSSION OF APPOINTMENT OF A NEW MEMBER [TO THE COMMITTEE]

Chair Lierz said the categories of membership are set out on line 3, page 4, as follows: "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." He said the Judge won't know our backgrounds, and we need to take inventory, and asked the Committee if we have the management consultant expertise on the Committee.

Mr. Randall said he was appointed to fill the management consultant slot, noting he has been paid as a management consultant. He said we've had two lawyers and two CPAs and we could have two management consultants if the Committee thinks this would be beneficial. He believes we are covered among the categories of membership prescribed. He said there are no restrictions on who is appointed.

It was the consensus among the membership that all prescribed classes of membership are covered.

Ms. Garcia said she spoke to Judge Yalman, and the Judge said she is looking for a new member and you can email her any suggestions.

Chair Lierz asked for Judge Yalman's email address, and Ms. Garcia said Judge Yalman's email address is ayalman@santafenm.gov.

Mr. Randall said he would like to discuss some criteria for members of this Committee.

Dr. Morgan noted that Deborah Moll's term was to have expired in November 2013, noting she had a 3-year term. He said two were appointed to serve for two years and three for three years.

Mr. Randall said he and Mr. de Schweinitz have 2-year terms; Chair Lierz said he has a 3-year term; and Ms. Romero-Gonzales said she also has a 3-year terms.

Mr. Randall said it would be beneficial if a good, strong, business type could be identified to serve, but they would have to have strength in the numbers side of business. He said we don't need a "super-marketer" on the Committee. He said we need people who understand and can spend time with numbers and business concepts.

Mr. de Schweinitz said it would be good if that person has gone through an audit – the process.

Chair Lierz said we are moving on the External Auditor, and we have the defined rules by the State Auditor. He said this year we will be grappling with the onset of the Internal Auditor, and trying to get a long term vision, while deciding how we get there in the short term. He said he feels handicapped without the Internal Audit mode. He said the literature provided by Ms. Romero-Gonzales provide that both the Finance Director and the Internal Auditor would attend all of our meetings and would be developing an internal audit plan and be executing that plan. He said this Committee would sit as the observers of this process, and reacting.

Dr. Morgan summarized that the Committee has indicated the person appointed to the Committee should be a strong, active, business person, who has the numbers concept/business background and also has audit experience, if possible. He said, following this meeting, he will compose an email to Judge Yalman, indicating the kind of member that the Committee would like, and telling her that the Committee members will contact her shortly with any suggestions they might have for appointment, advising her that the Committee elected a new Chair, the Chair appointed a Vice-Chair, and we need to fill this vacancy as soon as possible. He said he will copy the email to the members of the Committee, Ms. Garcia, the City Manager and the City Clerk.

Mr. Randall said when the City was setting up this Committee, the Judge struggled with who to appoint to the Committee, especially the management consultant. He said Justice Pat Serna suggested that Judge Yalman talk to him [Randall] about this category of membership.

Chair Lierz said the Lodger's Tax is something which should be rotated in the Internal Audit Program.

Ms. Garcia said the City contracts out its Lodger's Tax Audit.

Chair Lierz said he got a copy of that audit, and he believes the City uses the Barraclough firm. He said in 2008 Barraclough did "what you call limited procedures," and asked if this is the contractor about which Ms. Garcia is speaking.

Ms. Garcia said yes, noting there is a current contract with Barraclough.

Mr. Randall asked if Barraclough audits every establishment.

Ms. Garcia said those audits are done on a rotating basis and selected at random.

Chair Lierz said the Lodger's Tax generates \$5-\$6 million annually, and Mr. Randall said that is approximately correct.

7. STATUS REPORT FROM CITY OF SANTA FE FINANCE DEPARTMENT

Dr. Morgan said things have settled down somewhat for Ms. Garcia, noting she worked long hours during November and December and she is now down to "sorting and picking and getting done with the auditor." He said the audit remains on track to get a CAFR done.

Ms. Garcia said she is implementing GASPE 54 which is assigning the General Fund and they're working on the government-wide statements, noting she has a status meeting with James on Friday.

[STENOGRAPHER'S NOTE: It was difficult to transcribe here because there were too many people talking at the same time

Dr. Morgan said the External Auditor gave us a commitment to get the audit to the State Auditor by January 15, 2012.

Responding to Mr. de Schweinitz, Ms. Garcia said the CAFR will be submitted to the State Auditor.

Ms. Garcia said the SWMA [Solid Waste Management Authority] budget has been released and the document is being produced to be submitted to the SWMA Board.

Chair Lierz asked for copies of that audit for the Committee.

Ms. Garcia said she just received it today.

Ms. Garcia said she spoke with the County, regarding the Buckman construction close out, and was told that the County would be presenting the funding formula to the Board of County Commissioners on Thursday. She said once the County has approved the formula, and approves the close-out package, we will finish the Capital Projects audit. She said once the County has

accepted the costs from construction and the contingency plan on the additional costs, and there is no issue, the City will move forward with operating which will take two months. She said it should be done on a timely basis.

Responding to Mr. de Schweinitz, Ms. Garcia said the BDD Board will be hearing and accepting the audit. However, the County did not accept our funding format. So, by the time we got their funding format as to what they wanted us to give them, it was December 20, 2011. She forwarded it back to them, and she called this morning to be sure it would be presented to the Board.

Responding to Mr. Randall, Ms. Garcia said it was a formatting and not a funding issue with the County. She said the County wanted a summary sheet with the format as to what were loan documents, when the loan closed, what does the City share with the County and what cash payments the City and the County made.

Mr. Randall said then they weren't suggesting it was a need for money, it was just how it was represented, and Ms. Garcia said this is correct.

Chair Lierz said the question we have been monitoring over time, is that the original construction loan didn't provide for any overhead. He said there was some dialogue with the Water Division people in March that we might think about an administrative fee.

Mr. de Schweinitz said that was a recommendation to the Council.

Ms. Garcia said the construction costs didn't allow for an administrative fee, commenting that is in the contract. Part of the construction closeout is to come to some sort of agreement on the administrative fee, and that decision will be made between the County Manager and City Manager. However, once they know the total cost of the contract, then that will come in as a question as to "did the construction costs come in under budget, and if it did, would they be willing to accept the administrative costs through an amendment to the contract, so that is an issue that is in the Attorney's hands."

Dr. Morgan said one of the things they did do – Ms. Garcia, Cal Probasco and himself, was to go through a lot of other municipalities, as well as his experience, and there is a formula that can be developed and charged indirectly. He said we discovered we didn't have that formula updated, so "we implemented one. Now if we had implemented it, it we would have gotten some hundreds of thousands of dollars from the BDD, indirect, just based on this formula. It's a real cool formula that we all worked on. Now, in next year's budget, this particular formula is going to yield from enterprise funds and from all other kinds of things, this particular formula will yield a little more than \$1 million to go into the General Fund for operations from the enterprise funds."

Ms. Romero-Gonzales asked if that can be amended.

Ms. Garcia perhaps this Committee can help with the support of the indirect costs. She said, "It's not really implemented, but maybe now is a good time to have a subcommittee on the recommendations as to how to apply the indirect cost formula across-the-board. I think at this point, I guess we're hoping that with this new budget cycle, that the Council can adopt the indirect costs so it becomes automatic, and I'm not sure that would fall within this Audit Committee."

Dr. Morgan said he will review the formula with the Committee at a future meeting, commenting it probably would take the whole meeting to do so. He said the basis is the number of employees on the payroll, and how much of our time and such is given to "this and this and this." He said it's real cost accounting. He said they also discovered, in a technical assistance review for the Transit Authority, that we can go through a process to establish an indirect cost, get the Federal Transit Authority to approve it, and we can charge that indirect cost.

Dr. Morgan said he has seen indirect rates as high as 33%, but that was for a very large grant.

Mr. Randall said the 1% or \$75,000 produced from the Water Division is totally inadequate to do the books, and he thinks we need to renegotiate this whole thing. He said it is important to be fairly reimbursed, commenting that perhaps the City should get fees as well for its management and monitoring requirement.

Responding to Dr. Morgan, Mr. Randall said he doesn't think there will be a problem as long as the proposed formula for administrative fees is fair, commenting that we don't want to be perceived as trying to make the City a profit center, but that we need to be fairly reimbursed.

Dr. Morgan said it also is important to have adequate resources to manage the accounts and do the necessary work.

Ms. Garcia said there is an indirect formula we can apply, but there are guidelines and timing for implementation of any formula for indirect cost. She said there is a lot of grant funding that is just program money, and it's not fair to take the money from the program, but we do have to balance things. She said the City isn't allowed to charge any indirect cost on the ARRA grant because the State is using that as its income.

Dr. Morgan said perhaps there should be threshold for charging a fee for some of the smaller grants.

Mr. Randall said the formula should include language, for example, that grants of \$25,000 or less will not be charged an administrative fee so it doesn't appear to be arbitrary in application.

Chair Lierz said the Governing Body is the ultimate authority in determining administrative fees.

Ms. Garcia said the grants are minimal, and have guidelines. She said she would like to see a solid policy about what to charge when City becomes the fiscal agent, and the costs incurred in providing that service. She said it depends on the kinds of programs the City is picking up, and the costs incurred.

Mr. Randall said it's not even about recouping costs, it is being compensated for the actual expense, otherwise it is like an unfunded mandate.

Dr. Morgan said, in addition to the support the City would get, sometimes these grants hire people. He said what he isn't seeing is a plan of how to manage these employees once the grant goes away.

Mr. Randall said many organizations get into trouble when they don't have a plan to absorb these people through another revenue stream once the grant is over.

Ms. Garcia said these employees are classified as "grant funded positions," noting they are classified, full time employees, but are grant funded. She said when they sign the PA, the PA documents that they are grant funded employees, so if they are terminated they understand the reason. She said most of the time, another position is found for them before the grant is over.

Mr. de Schweinitz said we may want Dr. Morgan to present information about indirect cost funding formulas, agency issues, and the Committee then can help to develop a recommended policy in this regard for approval by the Council.

Chair Lierz said if this becomes somewhat labor-intensive, we can appoint subcommittees to deal with the issues.

Dr. Morgan said he will put a report on the funding formula on the Agenda for the next meeting, so the Committee can see what he has done.

Mr. Randall said the Committee can look at this in more depth, and then decide if there is a need for another subcommittee. He said he would volunteer to serve on that subcommittee if that becomes necessary.

Chair Lierz asked if Richard Mares' employment with the City has ended, and if there is a vacancy.

Ms. Garcia said this is correct.

Mr. Randall asked if they have authority to fill this vacancy.

Ms. Garcia said no, and they have to go back to the Finance Committee and then to the City Council to reestablish the position. She said the vacancy isn't frozen, it is eliminated, and they have to get approval from the Finance Committee and City Council to reestablish the position.

Mr. Randall asked, if the City Manager resigns, if that position would be eliminated, and Council would have to recreate the City Manager's position.

Ms. Garcia said yes.

It was pointed out that three positions are established in the Charter – City Manager, City Attorney and City Clerk – and those positions wouldn't be eliminated in the event of a vacancy.

Ms. Garcia said this would be a good opportunity to re-establish the position under the plan this Committee will be recommending to the Finance Committee and City Council, so it is approved with a broader role.

Mr. de Schweinitz said this Committee made a recommendation to the City Council and staff was going to come back with a plan to implement that recommendation, and asked, "Now is that what we have right here that you gave us last week. Was that the extent of your plan then."

Dr. Morgan said yes.

Chair Lierz said that recommendation dealt with delinquent reporting, and the action plan he's looking for is when the big CAFR Audit will be completed. He is hearing it is basically done, and in the hands of the external auditor, with the idea that it will be submitted to the State Auditor by January 15, 2012.

Ms. Romero-Gonzales said our recommendation was regarding future audits, and included a future plan for ensuring the audit is submitted on time – making sure Finance is properly staffed so they can prepare for the audit, so the external auditors can come in for the audit, but we haven't taken that part back to the City Council with a plan as to how that will happen.

Responding to the Chair, Ms. Romero-Gonzales said the Council asked us to come back with the plan.

Mr. Randall said the audit is virtually on time – January 15, 2012 – 45 days late as compared to 9 months late, which gets us very close to a timely submittal. He said what we need to do is to document the steps we took to get us to January 15th, and those steps will get us to December 1, 2012. He said that becomes the plan, commenting the plan is basically how it was executed this year, commenting that this plan is due back to the Council at some point.

Ms. Romero-Gonzales said she thought staff was to bring this back for discussion at this meeting.

Mr. de Schweinitz asked Dr. Morgan if he has what was presented to the Council and Dr. Morgan said he does. Mr. de Schweinitz said he wants to wrap that up.

Chair Lierz said the existing main audit is due shortly to the State Auditor. He said “they can’t do anything as long as that audit is pending with the State Auditor.” He asked if the City can go ahead and contract for next year’s audit.

Ms. Romero-Gonzales said she is talking about the plan to submit the audit on time.

Mr. Randall said he said he believes we can say, “These were the new things that were implemented this year that got the audit to the State Auditor by January 15, 2012, and we’re pretty proud of that. However, the goal is to have the audit submitted on December 1st following this plan, which would include much of what was done this year, and it will be there on December 1st. They write that down, we look at it, we go, that looks great and simply turn it into the Council and say, you wanted a plan, here it is. And, that’s going to get us to the audit submitted to the State Auditor by December 1st.”

Chair Lierz said we will have another meeting in a month, and between now and then he would like staff to draft the plan.

Mr. Randall said the Internal Audit Subcommittee has a meeting with Dr. Morgan and Ms. Garcia on January 20, 2012, and that could be expanded to be a discussion of the Internal Auditor and review of a preliminary plan. He said we can post notice of the Subcommittee meeting if more than two members want to attend. If not, it will just be the two Subcommittee members attending that meeting.

Ms. Garcia said staff needs to present the Audit Report to the Finance Committee, and asked if that would be an appropriate time to present the plan to get the audit timely submitted. She said that way the Committee can see the results of the Audit as well as look at the plan.

Mr. Randall asked the timing on that.

Ms. Garcia said it depends on State Auditor approval, and release of the audit for publication – probably about two weeks, so it could be done at the February Finance Committee meeting.

Mr. Randall said the next Audit Committee meeting is February 1st. He said it could be on our agenda for approval. He said he sees the Finance staff making the presentation to the Finance Committee rather than this Committee.

Dr. Morgan said this would be very helpful.

Mr. de Schweinitz said he believes Committee members should attend.

Dr. Morgan said it would be great support for any and all of the Committee members to attend the Finance Committee meeting.

Chair Lierz said he and Mr. de Schweinitz, as the External Audit Subcommittee, will work with Dr. Morgan and Ms. Garcia on the plan, with the idea they would put it in writing for approval at the Committee meeting on February 1st, and then staff can present it to the Finance Committee. Therefore there would be no need to post notice of a meeting of a quorum of this Committee.

It was the consensus among the Committee to proceed as recommended by the Chair.

6. SUBCOMMITTEE COMMITTEE REPORTS:

A. INTERNAL AUDITOR

Ms. Romero-Gonzales said she and Mr. Randall met the last week of December. They looked at the documentation on internal audit function which had been provided to the Committee. She said Richard Mares had give her a lot of information on the way Las Cruces handles its internal audit function. She said the City of Las Cruces does not have an audit committee, so their Internal Auditor reports directly to the City Manager.

Ms. Romero Gonzales said Las Cruces has a City Manager and two Assistant Managers, one over operations and one over finance. She said the Internal Audit function is under the Assistant City Manager for Finance, noting this position reports directly to the City Manager. She said this is similar to Santa Fe, except there are no assistant City managers, noting Mr. Mares reported directly to the City Manager.

Ms. Romero-Gonzales said Mr. Mares provided a list of documents, one of which is how Las Cruces determines its audit plan for the year and what are considered to be the areas of greatest risk. She spoke with the Las Cruces Audit Manager who talked about that City's methodology. She said Las Cruces has a rolling 3-year audit plan, noting the plan is color coded in the handout in terms of high risk departments/divisions. She said yellow shading indicates a high risk, noting the Police Department and IT are entirely yellow and most of Finance is considered high risk. She said the second medium risk are permits and those shaded in green are low risk and everything else is considered to be medium risk. She said they try to do the high risk areas first.

Ms. Romero-Gonzales said the Las Cruces Assistant City Management for Finance [ACM for Finance] told her a complete risk analysis was done in 2005 by an outside firm. She said the ACM for Finance said they do that as a base, then do an annual assessment of other areas of high risk, and then determine where to audit the following year.

Ms. Romero-Gonzales said there are 3 people in the Internal Audit area, noting there is 1 vacancy. She said the ACM for Finance told her Las Cruces has an Ordinance in this regard, which she provided to our City Legal. She said City Legal is preparing a draft ordinance which will be reviewed by this Committee.

Ms. Romero-Gonzales said she is getting ordinances from other municipalities for review, to see what is the best one for Santa Fe. She said she has a model of another risk assessment plan which is specifically for municipalities, noting it was to be faxed to her, but she didn't receive it before the meeting.

Chair Lierz said he sent everyone "10 questions, and I would like for you to take those and rework them, based on what you're seeing. I got this out of the material you [Romero-Gonzales] sent, and what I'm hearing you speak, for instance, with the Internal Auditor function moving forward, how much would be done internally, how much could be contracted out or done through borrowing staff from other areas of the City, or any combination of these. I know I'm starting to get into technical, but it looks like here, we're starting, theoretically, with one position. And if we wanted to move to the Las Cruces mode, how would it be phased."

Ms. Romero-Gonzales said we are starting with the ordinance, and we need to look at what kind of budget we would need for our recommendations, not just for the one position, but in the future for possibly adding two positions. She said the Ordinance would provide the background for the reason we need "this internal audit function, and why it is important to establish the position."

Mr. Randall said there is a need for a definition of the internal auditor, and then there is an implementation part which is where you get the resources. He said the major issue is to change the definition which has been standard. He said this is the reason it has to be documented and done properly, so the position doesn't continue to be just a trouble shooter for the City Manager, which really doesn't provide the internal audit requirement that's needed. He wants to work on the definition.

Dr. Morgan said, "They report to the City Manager, but in the organization, and Teresita and I both feel fairly strongly about this, in our organization they would be housed in the Finance office for administrative purposes, to sign their leave slips, to make sure they have their office, to make sure of other things. They would come to me for their work and reporting and all of that."

Mr. Randall said the Internal Auditor needs the status of the City Manger's Office for the nitty-gritty technicalities.

Chair Lierz said we have not had a systematic plan in effect in the last few years.

Mr. de Schweinitz asked what is the City Manager's plan to fill the vacancy.

Dr. Morgan said he will speak with the City Manager about this, and report back to this Committee.

Ms. Garcia said it is important to take the necessary time to develop and submit the internal audit structure for approval through the Committee process and then by the City Council. She said the position is being used as a vacancy savings, noting it took 9 months to fill the position of Senior Financial Analyst.

Mr. Randall said we need to define then position and then hire someone, as opposed to putting someone in the role and then defining what they can do.

Ms. Romero-Gonzales would like Dr. Morgan to talk with the City Manager so we are all on the same page.

Ms. Garcia said it is critical to establish the Ordinance as to how we see this function during the budget process, because they will see a future with that and be able to make a decision when they approve the budget on June 30th, noting this will set in motion the future of the Internal Audit Unit.

Chair Lierz said we need to know the “drop dead” dates for the budget, decision dates, and such so we are accomplishing things that fit, commenting that the budget is the driving issue as much as anything.

Dr. Morgan said he agrees with Ms. Garcia. He said he can draft a plan, but the bottom line is we need to get the Ordinance adopted, establish the expectations, and fill the position. He doesn't think filling the position is as critical as much as making sure the definitions and all the pieces are there, reiterating it took Ms. Garcia 9 months to reestablish and fill the Senior Analyst position.

Mr. Randall said, “We don't want to wait that long to fill this position.”

Ms. Garcia said the idea is to get it presented in March during the budget, and if that is done, this position could be filled in time to start the fiscal year on July 1st.

Mr. de Schweinitz asked where the City Attorney's Office is getting this draft ordinance, saying “if we're not careful the ordinance can override any ideas we have on this.”

Mr. Randall asked if the Subcommittee could see the draft ordinance on January 20th.

Dr. Morgan said he doesn't know if it will be ready by that time, but he can request the ordinance in draft form from the City Attorney's Office.

Responding to Mr. de Schweinitz, Ms. Romero-Gonzales said the reason she is bringing up the risk assessment, is that when you are putting together an audit plan, those usually are done based on risk. She said there isn't an internal audit function to do this, and this Committee could propose that this be done. She said perhaps the City could hire someone to do the risk assessment, or do just a “mini overall risk assessment of the City of Santa Fe so when we start putting together the audit plan we'll surely hit those key areas, not just financial.”

Mr. Randall said, “If we get one person and can show progress, we'll get two, three is tougher this year, but it will grow. The Finance Committee ought to be sitting around questioning why this isn't in existence right now. If I was a Finance Committee member, that would be one of my biggest concerns.”

Chair Lierz said a risk analysis will help provide the answer of why do we need all this, and we're going to have to understand it ourselves.

Mr. de Schweinitz said he agrees, and noted that it is important for this Committee to have some contribution into what the plan looks like and what the ordinance may look like, but he doesn't want to slow down the process.

B. EXTERNAL AUDITOR

Chair Lierz said since the audit isn't finished, he didn't try to arrange a meeting. He said we probably will have questions once the audit is finished, but the timing isn't right at the moment. He said we have 4 audits in various stages. The "biggie we know is the CAFR." He said we'll just be monitoring and following the progress. He said he and Mr. de Schweinitz don't want to get in the way until they are finished.

Mr. Randall said, also, you are going to work on the plan Mr. de Schweinitz brought up between now and February 1st, so there will be a plan for us to approve. He said we've allowed the plan to drift and we need to set that date for approval of the plan.

Chair Lierz said then he will arrange for himself and Mr. de Schweinitz to meet with Dr. Morgan and Ms. Garcia on the plan so we have something in draft form for the next meeting.

8. OLD BUSINESS

There was no old business.

9. NEW BUSINESS

Responding to the Committee, Ms. Garcia said she will ask the Mayor to do a Muchas Gracias for Chair Moll. It was the consensus among the Committee to proceed in this manner.

Ms. Romero-Gonzales said there is a copy of "Projected Cash by Funds" in the packet.

Chair Lierz would like Teresita to provide a key for the funds and email it to the Committee.

Ms. Garcia said she will do so, noting anything starting with 1 is General Fund, 2 Special Revenue, 3 Capital, 4 Debt Service, 5 Enterprise Funds, 6 Internal Services, 7 Trust and Agencies, and 4300 is the Parks G.O. Bond.

[Extremely difficult to hear and transcribe here]

Chair Lierz said he wants additional information, and will be contacting Ms. Garcia individually. He wants to be able to reconcile this document with the Audit Report.

Ms. Garcia said, "Then you want this information sorted so you can compare it with the Audit Report."

Chair Lierz said, "Right."

10. OTHER MATTERS FROM THE COMMITTEE

There were no other matters from the Committee.

11. NEXT MEETING DATE

A. NEXT MEETING SCHEDULED FOR FEBRUARY 1, 2012

12. ADJOURNMENT

There was no further business to come before the Committee.

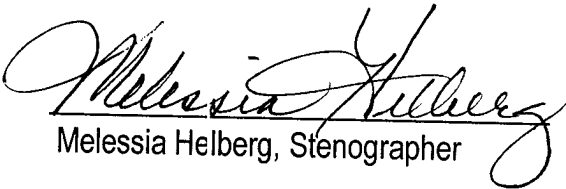
MOTION: Randy Randall moved, seconded by Clark de Schweinitz, to adjourn the meeting.

VOTE: The motion was approved unanimously on a voice vote, and the meeting was adjourned at approximately 4:00 p.m.

Maurice Lierz, Chair

Reviewed by:

Dr. Melville L. Morgan, Director
Department of Finance


Melessia Helberg, Stenographer