



Agenda

CITY CLERK'S OFFICE

DATE 12-2-11 TIME 9:10am

SERVED BY Melinda Green

RECEIVED BY [Signature]

CITY OF SANTA FE AUDIT COMMITTEE MEETING
CITY COUNCILORS' CONFERENCE ROOM
DECEMBER 7, 2011
2:00 PM

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

OCTOBER 5, 2011
5. DISCUSSION OF AUDIT COMMITTEE EXTERNAL AUDIT RECOMMENDATIONS INCLUDING CITY FINANCE DEPARTMENT'S PROPOSED PLAN FOR IMPLEMENTATION AND PROPOSED PRESENTATION TO CITY COUNCIL
6. SUB-COMMITTEE REPORTS:

Internal Auditor

External Auditor
7. STATUS REPORT FROM CITY OF SANTA FE, FINANCE DEPARTMENT:

A. Status of 2011 Audit
8. OLD BUSINESS
9. NEW BUSINESS
10. OTHER MATTERS FROM THE COMMITTEE:

A. Approval of 2012 Audit Committee Schedule
11. NEXT MEETING DATE:

A. Next meeting scheduled in January
12. ADJOURNMENT

**SUMMARY OF ACTION
AUDIT COMMITTEE MEETING
December 7, 2011**

<u>ITEM</u>	<u>ACTION</u>	<u>PAGE</u>
CALL TO ORDER & ROLL CALL	Quorum	1
APPROVAL OF AGENDA	Approved	2
APPROVAL OF MINUTES – OCTOBER 5, 2011	Approved [amended]	2
DISCUSSION OF AUDIT COMMITTEE EXTERNAL AUDIT RECOMMENDATIONS INCLUDING CITY FINANCE DEPARTMENT’S PROPOSED PLAN FOR IMPLEMENTATION AND PROPOSED PRESENTATION TO CITY COUNCIL	Information/discussion	2-13
<u>SUBCOMMITTEE REPORTS</u>		
INTERNAL AUDITOR	Information/discussion	13-15
EXTERNAL AUDITOR	Information/discussion	15
<u>STATUS REPORT FROM CITY OF SANTA FE, FINANCE DEPARTMENT</u>		
STATUS OF 2011 AUDIT	Information/discussion	15
OLD BUSINESS	Information/discussion	16
NEW BUSINESS	None	16
<u>OTHER MATTERS FROM THE COMMITTEE</u>		
APPROVAL OF 2012 AUDIT COMMITTEE SCHEDULE	Approved [amended]	16
<u>NEXT MEETING DATE</u>		
NEXT MEETING SCHEDULED IN JANUARY 2012		17
ADJOURNMENT		17

**MINUTES OF THE
MEETING OF THE
CITY OF SANTA FE AUDIT COMMITTEE
City Councilors Conference Room
December 7, 2011**

1. CALL TO ORDER

A regular meeting of the City of Santa Fe Audit Committee was called to order on Wednesday, December 7, 2011, at approximately 2:00 p.m., by Acting Chair Hazel Romero-Gonzales, in the City Councilors Conference Room, City Hall, Santa Fe, New Mexico.

2. ROLL CALL:

MEMBERS PRESENT:

Hazeldine Romero-Gonzales

Maurice A. Lierz

Clark de Schweinitz

MEMBERS EXCUSED:

Chair Deborah Moll

Randy Randall

OTHERS ATTENDING:

Dr. Melville L. Morgan, Director, Finance Department

Teresita 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

MOTION: Clark de Schweinitz moved, seconded by Maurice Lierz, to approve the Agenda as published.

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

4. APPROVAL OF MINUTES – OCTOBER 5, 2011

MOTION: Clark de Schweinitz moved, seconded by Hazeldine Romero-Gonzales, to approve the minutes of the meeting of October 5, 2011, as submitted.

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

5. DISCUSSION OF AUDIT COMMITTEE EXTERNAL AUDIT RECOMMENDATIONS INCLUDING CITY FINANCE DEPARTMENT'S PROPOSED PLAN FOR IMPLEMENTATION AND PROPOSED PRESENTATION TO CITY COUNCIL.

A copy of *Finance Department Plan* prepared by the previous Finance Director at the direction of the Audit Committee, is incorporated herewith to these minutes as Exhibit "1."

Dr. Morgan introduced Marty Mathisen and James Hartogensis of Atkinson & Company who will be discussing the City's audit. He said the work of these people along with Teresita Garcia, is to be commended.

Dr. Morgan said the Board discussed the timing of the presentation of the audit to the City Council by the Audit Committee, which will be sometime after the beginning of the new year.

Dr. Morgan said the Commission has worked on the recommendations which were developed previously by the Audit Committee [Exhibit "1"], which are six work statements. He said, although staff has worked on the recommendations, they aren't where staff would like. He said the one which has been accomplished is filling the position of Financial Analyst with an internal candidate, Eric Martinez, which creates another opening in another department.

Mr. Mathisen said Mr. Martinez was not in that position for the duration of the audit field work, and all the good work done was still a little under-staffed.

Dr. Morgan agreed saying Ms. Garcia has worked long hours and on weekends to get the work done.

The Committee discussed the proposed presentation to the City and commented as follows:

- Dr. Morgan suggested he could meet with a small group of people to discuss the presentation.
- Acting Chair Romero-Gonzales said that would be a good idea, commenting we need something stronger in writing to present to the City Council.
- Mr. de Schweinitz said the Committee is okay with making broad recommendations for a finance plan, but felt the staff should develop the specifics of the plan implementation.
- Mr. Lierz said with regard to the plan and the presentation, this Committee was uncomfortable in going to the City Council because we didn't know the administrative action plan from the audit. He said once that is done, the Committee can discuss details, and asked when that would be done.

Ms. Garcia said at this time the audit is almost complete. She said they have compiled the financials and those will be verified on Friday while they implement GASPE to conform with the fund balance, and while they are verifying balances.

Mr. Hartogensis said there is a little more work to do on receivables, and they pulled out of the field to come back when everything is ready. There is analytical work to be done on the CAFR to make sure the disclosures are there. He estimates, depending on staffing available, this will take two weeks or so of additional field work once they have everything 100%, including the Buckman numbers.

Ms. Garcia said the BDD Fiscal Committee hasn't accept the final construction cost of the Buckman going to the Audit Committee and to the County. She said the County is still asking questions on the construction.

- Mr. Hartogensis asked if the BDD construction has to be closed out before they can do the audit of the operating side.

Ms. Garcia said once it is accepted by the BDD Board, then there will be no adjustments to operating. She said the County has agree to accept the construction costs and to be sure they agree with all of those. She said any changes will change the whole formula, so she

doesn't want to issue an audit report or prepare financial reports until the County has accepted the capital costs.

- Mr. Lierz's asked if there is a significant number in question.

Ms. Garcia said she doesn't know, but it consists of items, for example, such as refunds on PNM power supply, and if that should go against construction or operating. She reiterated the City isn't making any adjustments until they come to a full agreement and the Project Manager and the staff at BDD have given the assurance that it is coming out of construction or operating.

- Mr. Lierz asked Ms. Garcia if she knows what items are in dispute and those dollar amounts, and if she can disclose that information.

Ms. Garcia said she doesn't know those numbers off hand, noting the outside accounting firm is working on explaining the items to the County. She said, "I think the only question they had at this point is were they given credit for all the grants and loans that we accepted against the construction costs, and I think that was the only thing they were questioning. And I think it was like \$400,000 in loans and \$4 million in grants, so they wanted to be assured that they got credit for those."

- Acting Chair Romero-Gonzales asked Ms. Garcia if she can estimate how long it will be before a final decision is made.

Ms. Garcia said the BDD Board will be meeting next month, so hopefully they will accept it so a final decision can be made at that time.

Dr. Morgan said there was a BDD Board meeting last week and Ms. Garcia spent a lot of time with them trying to provide what they need. He said it is frustrating, because they keep changing the way they want to see things. First, they wanted a summary, which was done, and then last month they wanted to see it separated by month.

Ms. Garcia said Councilor Wurzbarger is pushing for a resolution. Responding to Mr. de Schweinitz, Ms. Garcia said the BDD Board membership includes County Commissioners. She spoke with the County Finance Director who is okay with the numbers, so she doesn't know who is questioning the figures. She thinks they have agreed that the presentation at next month's meeting will suffice and they will adopt the figures and move forward.

- Responding to a question from Mr. Lierz, Ms. Garcia said she has financial statements and reports to give to the auditors to verify the numbers, and those numbers won't change unless there is a problem, so hopefully if accepted, we should be completing the audit by that time.
- Mr. Lierz said then there is a hold up on concluding the BDD audit pending the County's agreement with the numbers.

Ms. Garcia noted that there are construction contingent costs which will carry forward for two years, so they want to know the complete contingency costs which then will be moved forward – what would be the additional investment required by the County for construction costs into the future.

- Mr. Lierz said the Committee met last spring with the Water Division Director, and there was discussion that the fees to the City were not specifically stated in the contract with the County. There was discussion as to whether the City was being properly compensated for acting as the fiscal agent for the project.

Ms. Garcia said the issue of the construction costs and payment to the City has not been finalized, and currently is in the City Attorney's Office. She said the construction costs to date and what remains will determine funds left over for future costs, and the City and County can agree on the administrative costs to be paid to the City from the project for the construction.

- Mr. Lierz then the City is advancing its interest in this as well. He said it appears that the City had undertaken these responsibilities and perhaps was not fully compensated.
- Mr. de Schweinitz asked if construction costs are in dispute now.

Ms. Garcia said it is a "combination of everything." She said the outside accountant said construction costs would come in under \$2 million. The previous agreement was that anything not spent on construction would be used to compensate the City for its services. She said now the County wants to determine actual construction costs and the contingency, and what funds are available to make its decision.

- The Committee discussed the outstanding receivables the City has from the County, including parking and transit.

- Responding to a question from Acting Chair Romero-Gonzales, Ms. Garcia said the City already has the receivables from the BDD enterprise, and the ones being tested are the receivables to City Parking.

Mr. Hartogensis said this is correct, noting that they haven't tested the receivables for some of the federal grants and the Lodger's Tax which are two of the main items.

- Mr. de Schweinitz asked in what audit those will be reported, and Mr. Hartogensis said it will go into the City audit.
- Mr. Lierz said he would like a written report and said, "let's talk about what the parameters are. One is on the Solid Waste, number one that it has basically been completed and with the State Auditor for final review."

Mr. Mathieson said it was submitted to the State Auditor on November 19, 2011.

- Mr. Lierz said, "Then I guess this deal with BDD, it's the construction audit, which is substantially complete, but pending on certain, I guess, board decisions.... acceptance, by the BDD Board. And then following that, we have the commencement of the operations audit which is pending completion of... tied with interaction of the construction costs, so that the preliminary work is being complete, but the resolution of items is still pending. And then, four, we've got the consolidated audit of the City or the combined financial report which, by this Friday you will have presented the final financial facts to the auditors."

Mr. Hartogensis said it won't be final at that point, and there will be some statements to be completed.

Ms. Garcia said the financial statements for them to tie to the balance sheets will be given to them so they can finish their field work. She said while they are doing that, they will do the government-wide financial statements, which is just "rolling up the numbers," and...

- Mr. Lierz asked Ms. Garcia when she anticipates getting those results to the auditor, and Ms. Garcia said by mid-week next week.
- Mr. Lierz said Ms. Garcia indicated there are pending matters beyond that.

Ms. Garcia said no, that would be it.

- Acting Chair Romero-Gonzales asked when the notes will be given.

Ms. Garcia said that will be given with the financial statement on Friday.

- Mr. Lierz said, "Then, with your receiving that information, recognizing we're still on hold for final sign-off on this stuff until the items with the County are resolved."

Ms. Garcia said the CAFR will not affect the items from the County.

- Mr. Lierz said, "Then the CAFR, your work and the external auditor's work, and so when would you have, I guess, a mock-up of the CAFR report. When would that be completed."

Mr. Hartogensis said, "If we receive it by Friday and the government wide by the next week, I estimate two weeks, barring any other unforeseen circumstances. We're getting into holidays and things like that."

- Mr. Lierz said, "Then I'm up to, with hearing your dialogue, approximately January 6th. That would give you two weeks from the twenty-third."

Ms. Garcia said it usually takes a week to do the final testing and make any changes.

Mr. Hartogensis said he has designed it a little differently, and they will wait on some of the budget test work until they get the actual budget statements which are given to them. He said, "There's actually not just the tying of the numbers, but we're actually going to do some analytical work on the budget and some of the expenditures, that previous audits with Dr. Morgan were done in a in different phase of the audit, than what I thought would be more efficient. That's why I'm saying two weeks because Dr. Morgan could tie up the numbers in a week, we're going to do some more audit procedures on the CAFR too that may not have been done in this phase of the audit in the past."

- Mr. Lierz asked, "Does that still put you in the range of January 6th."

Mr. Hartogensis said, "I would say that's a conservative day. January 6th is a good day."

Mr. Mathieson said, "I would say January 9th. Weekends are valuable to close."

Mr. Mathieson said it's a big financial and they don't anticipate problems, noting it has been done very methodically and thoroughly. However, there is a lot to do to wrap-up, including completion of the partner review, and the second partner review, noting quality control system requires a partial review. He said they notified the State Auditor that they would have it done by January 15, 2012, and that date looks solid, although they will try to "beat that date."

- Mr. Lierz said, "If you were ready to go and we still sit with the problem with the County on the BDD..."

Mr. Hartogensis said it might impact a receivable or payable, but he doesn't see that being a material amount and it won't prevent the audit being submitted to the State Auditor.

- Mr. Lierz said there are two audits in "stage 2 and 3," that will tie with the Resolution, if it isn't material to the issuance of the report.

Mr. Mathisen said, "The expectation is that the Buckman audit won't affect the City audit and I wouldn't try to stop it because of that reason. There's value to completing the City audit. There's big capital numbers that have already been recorded in the City audit and they're good. The Buckman audit is a stand-alone audit, and I want the County to sign off and the City to say we accept it. That's part of contract process. We have to honor that process, or they wouldn't be satisfied. Why put out an audit and have someone throw a rock at it." He reiterated it shouldn't affect the City audit, and they want to finish the City as soon as possible.

- Mr. de Schweinitz asked if the issues of County receivables will slow down the audit.

Mr. Hartogensis said once the bills are sent, it is on the books of the City, and will be collected sooner or later, so they don't have issues with that.

Dr. Morgan said our side of the work has been done, and it has been documented.

- Mr. Lierz understood the Housing Authority is no longer deemed to be a component unit of the City, and asked if there is documentation of that with the City Attorney.

Ms. Garcia said yes. She said she and the City Attorney and the auditors went through the recommended flow chart to determine whether or not the Housing Authority is a flow unit, and this is fully documented, and the City Attorney did review this with them.

- Mr. Lierz asked if Ms. Garcia can present the Committee with a written report of how they arrived at this decision, noting he is asking as part of the due diligence of this Committee. He asked if this is a problem for the Finance Department, and Ms. Garcia said no.

- Mr. Lierz said, as a Committee member, he would like this Committee to receive a copy of the audit report of the Housing Authority.

Ms. Garcia said the State Auditor does put those on the website, so you can go on line to see whether or not it is complete.

- Mr. Lierz said he obtained a copy of the PERA Annual Actuarial Evaluation Report dated June 30, 2010, and requested as a part of the Committee's due diligence, to receive a copy of the June 30, 2011 report when it is done.

Ms. Garcia said she can get a copy for the Committee, noting she believes it is now complete.

Mr. Mathisen said they have a report in their file, noting PERA is a client, and they can ask for permission to release that report. He said the funded ratio went from 84% to 70%, noting the decreases are the result of the losses in 2008 and 2009 – 30% in one year. He said this is a four year average moving. He said PERA also lowered the discount rate from 8% to 7.5%, which had an impact.

Responding to a question from Mr. Lierz, Mr. Mathieson said the reduction from 84% to 70% is overall global.

- Mr. Lierz asked, going into the future, if this will have budgetary implications for the City, noting the other part of this is Retiree Health Care. He said finance managers are debating this across the country because of its future impact on budgetary issues. He understands there is a substantial amount of unfunded liability in the Retiree Health Care which isn't disclosed in our report. However, he would like, for the benefit of the Committee, to get a copy of that report for Retiree Health Care.
- Mr. Mathieson said that report is final, noting he presented it to the Retiree Health Care Authority Board on Monday, and he can call the Authority and request a copy.

Ms. Garcia said it is on the website.

Mr. Mathieson said the Authority's net assets went up this year. He said it isn't well funded, noting there are only 3 states nationally which are well funded. He said they look at the solvency ratio and the actuaries have told the Authority that its plan is solvent until 2027. He said there would be no immediate impact on the City. He said both PERA and the Retiree Health Care Authority are cost sharing plans, where all of the entities go in as a group to pool their resources. He said the entities can't withdraw, and the contribution rates are statutory and the contribution rates are the same for each entity.

Mr. Mathieson said there is an exposure draft on the PERA side – “GASPE has issued an exposure draft that would require, even for cost sharing multiple cost sharing plans, the booking of UAL [Unfunded Actuarial Liability] which is a big number. It would also divorce... expenses of these plans have usually been tied to funding, what is the Annual Required Contribution [ARC]. The expenses are now going to be calculated in a different way and there's going to be a deferred credit-type thing, balance sheet, to either add to or take away to record this expense. So it's becoming radically different. The impact is not good news. It's that there's likely to be a booking of large liabilities on the PERA side, maybe in 2 years. So that's out there. GASPE 43 and 45 were employed for the Retiree Health Care Authority. One was for the Authority themselves and one was for the members of it. We expect the same thing here. There's an exposure draft on PERA out there. A year or two behind, there is an exposure draft for the medical.... So GASPE is saying this seems to be fool proof. Not just this disclosure, not just pay as you go.”

Mr. Mathieson recalled, “A number of years ago, GASPE said we'll require full accrual, you can't really defer anything.” He talked about the impact on the auto industry and the unions.

Responding to a question from Mr. De Schweinitz, Mr. Mathisen said, “PERA was pre-funded. That meant they started building assets for retirement before they paid the first retiree a pension. The Retiree Health Care has not been pre-funded. For the 3-year rate where organizations will have to pay more percentage, I think it's 1.8667 this year, it's going to 2 in the next two years. That's just to get more assets into the investments to extend this solvency ratio for the near term. It's to bring more into the system to provide for investments to pay the benefits as they come due.”

- Mr. Lierz said he thinks we are setting the framework, and we've discussed the PERA update for a better understanding, but we haven't seen the one on health care, and believes the Committee would like to see that.
- Mr. de Schweinitz asked why we need this if Mr. Mathieson can say don't worry about this for 15 years.
- Mr. Lierz said he's saying solvency. He wants our Committee to understand what is the unfunded liability, the assumed investment rate, and if we would like to include the solvency issue.

Ms. Garcia said the Notes to the Financial Statement are very specific from the State Auditor.

Mr. Hartogenesis said the State Auditor updates those each year and requests PERA and the Retiree Health Care Authority disclosures which are on the State Auditor's website. However, that isn't to say those disclosures couldn't be communicated in a different part of the Notes or in a different kind of report. However, those footnotes have to be how the State Auditor says.

- Mr. Lierz said he isn't challenging what has to be done with the State Auditor, but our responsibility is... we're not limited. As a citizen committee, we're looking at the facts at the City, and there may be other avenues of communication with which we can work with the external auditors.

Mr. Hartogenesis said there is a Citizens Center Report opportunity and he can talk about that later, but that would be a perfect avenue to communicate a lot of these items which Mr. Lierz brought up.

- Mr. Lierz said this Committee is still learning "who we are and what we're trying to do on behalf of the City." He said we want to determine how to communicate this information to the decision makers.
- Mr. Lierz asked Mr. Mathieson to summarize this process, noting some of this will be in the minutes, commenting he appreciates their input to the Committee today.

Discussion of presentation to the City Council

Acting Chair Romero-Gonzales said we need to wrap-up the elements of our presentation to the City Council. She asked, based on the work on the financial audit, with respect to the items listed by Ms. Raveling initially [Exhibit "1"], if Mr. Mathieson or Mr. Hartogenesis see anything else that needs to be added to that list to include in the Committee's presentation to the City Council.

Mr. Mathieson said no. He said the audit is almost done, and it shows wonderful improvement, in terms of timing, with no decrease in quality and really an increase in quality. He said that should be a piece of what is reported to the City Council. He said this is a 6 months improvement in timing. He said Dr. Morgan set the tone for timeliness of the Audit, and then Ms. Garcia has had a tremendous effort, noting they run everything through Ms. Garcia. He said there was full staffing for about 7 weeks.

Dr. Morgan said it has been a joint effort, working together to get this done, commenting there have been regular updates from Mr. Hartogenesis. He said Mr. Lierz is correct in that you need all kinds of different reports to see what fits and what doesn't. He said the Governing Body

needs to know that this is a joint effort. He said there are two pieces of a "report card" for the City which are the audit and the bond rating, because everything dips into those two things. He said there is good news about both.

Mr. Mathisen said the milestone chart developed by Ms. Garcia has been very useful, and would suggest they keep that on-going through the year.

Mr. de Schweinitz asked how we can address, for example, the high rate of employee turnover with the Council, as well as the City should be receiving the appropriate fees. He said the City is doing all this work, but not being paid appropriately, and he thinks that should be in the report to the Governing Body.

Dr. Morgan said one of the first things he implemented was a clear cost accounting for the enterprises.

Mr. de Schweinitz said he would think that not receiving the proper administrative fees should go into this report, and would urge Mr. Mathieson to add that, as well as the language about the improvements which have been made.

Dr. Morgan said the City has a quality auditing firm and a quality point person in our office which is most important.

Mr. Lierz said two members of the Committee are absent, so we won't be presenting to the Council in December. He said we will get a clearer picture at the January meeting on the status of the audit. He said the Committee probably would remain silent until the audit moves forward.

Mr. de Schweinitz said we might be looking at a presentation in February, following the presentation of the audit to the City Council by Mr. Mathieson, and Mr. Lierz and Acting Chair Romero-Gonzales agreed.

Dr. Morgan said these auditors are excellent, outstanding and do their job well. He reiterated that his goal is to meet all deadlines, and he will be working to ensure that those deadlines will be met in the future.

The Committee thanked Mr. Mathieson and Mr. Hartogensis for attending the meeting and answering questions.

6. SUBCOMMITTEE REPORTS

A. INTERNAL AUDITOR

Acting Chair Romero-Gonzales said she provided a lot of documentation at the last meeting, with regard to what other entities are doing in terms of an internal auditor, noting they are in this month's packet as well. She asked Mr. Mares when he is leaving, and if there is something in process for a replacement.

Mr. Mares said he is retiring December 30, 2011, and he will issue an interim draft report on his findings and recommendations on the Police Department. He noted there has been a lot of turnover at the Police Department, and thinks they need to reorganize and develop a plan to develop the finance piece of the PD, such as procurement. He spoke about the issues at the Department, and the recommendations, commenting that the skills are there, but there is no plan for implementing what needs to be done, and the Department needs to develop the administrative portion of its duties. He commented that it will require a good deal of training and assistance to implement the recommendations.

Mr. Lierz said he can understand Mr. Mares defining the problem, but he has gone to the second stage of working on the proposed solution. He said perhaps we need to have a debate on centralized versus decentralized control, which he maintains are management issues. He said Mr. Mares, in his role, should focus on the definition of the problem, and asked Dr. Morgan if we need to have a debate on which is the most efficient and effective.

Dr. Morgan said Mr. Mares has discovered that there is a piece between the Finance Department and the people doing the finance work in the Police Department. He said he looks forward to Mr. Mares' report. He questions whether there is 100% capacity to do what needs to be done.

Responding to a question from Mr. de Schweinitz, Mr. Mares spoke about the kinds of issues and problems he has found in auditing various departments and divisions.

Ms. Garcia said she believes the issues at the Police Department were because they implement programs without the tools, and depended on one person for implementation, and that person was close to retirement, and there is no one to support those programs into the future. She said they often don't realize there is an issue until a problem arises. She said another issue is that sometimes staff is hired who doesn't have the minimum requirements to implement a program on the financial site. She said most of the programs are good and efficient, but they don't have people

running them who are at the appropriate technical level. She said one issue is not having an IT person to support them who understands the critical needs and to evaluate what might be needed in the future.

Responding to a question from the Committee, Mr. Mares said he has recommendations, commenting that he doesn't have the necessary level of technical expertise, and it will be necessary to advise IT about the issues and ask for their input in terms of software, training and such to make the program run effectively and efficiently.

Mr. Lierz asked Mr. Mares what he can summarize, not execute, to define the problems and his recommendation for solutions, commenting it seems he has a very complex report.

Mr. Mares said it is a complex report, but it will be a starting point to move forward.

Mr. Lierz asked Mr. Mares what he has been doing, other than working at the Police Department.

Mr. Mares said he has been helping the City Manager's Office on some issues, and working on an RFP for Public Defender Services, noting is he almost done with the RFP.

Acting Chair Romero-Gonzales asked the status of other programs on which he has been working, such as the Seniors.

Mr. Mares said they pulled him out of the Seniors Program, so that work was never really finished. He said before he leaves, he thinks all of the things on which he was working need to be given to the City Manager's Office, or someone assigned by Dr. Morgan to clear those items up.

Mr. Lierz said, in fairness to the City, Mr. Mares needs to provide an inventory of projects he has in process and whether or not they are complete. Secondly, he would like Mr. Mares to provide the City, with a copy to this Committee, with any suggestions of areas, to which Mr. Mares has been exposed, which the City might consider in its future work schedule. Acting Chair Romero-Gonzales and Mr. de Schweinitz agreed.

Acting Chair Romero-Gonzales asked if the City Manager has talked with him about filling his position after he has gone, or changing the way this position functions.

Mr. Mares said he visited with the City Manager and told him that this Committee would have suggestions on the process of an internal auditor, and that information would be forthcoming.

Mr. Lierz said Dr. Morgan will be hiring a replacement, and there is a program which needs to move forward. He believes there needs to be some communication on direction as soon as possible, and asked Dr. Morgan if he could put something together, commenting that some things are better handled as a subcommittee. He said we need to get involved right now, and the existing subcommittee should work with Dr. Morgan and the City Manager.

Ms. Garcia said the Committee first needs to develop a plan so it can be implemented during the budgeting process, with regard to how to formulate an internal audit unit. She said this could be a recommendation to the Finance Committee, including testimony in the Budgetary hearings as to the reason for the recommendations, the value, and vision for the internal audit unit in the City.

Dr. Morgan said he would like to meet with the subcommittee, and we can move forward from there.

Mr. Lierz believes there is a sense of urgency in moving forward before this position is filled, and Mr. de Schweinitz agreed.

Mr. Lierz said what was becoming evident to him, is that the Las Cruces model fits more closely with the City, and believes we should encourage the City to proceed on the Las Cruces model, and Acting Chair Romero-Gonzales and Mr. de Schweinitz agreed.

Mr. Mares agreed that it was the best to fit the City.

Responding to Mr. Lierz, Ms. Garcia said the City's budget process begins in March.

B. EXTERNAL AUDITOR

Please see discussion under Item #5.

7. STATUS REPORT FROM CITY OF SANTA FE, FINANCE DEPARTMENT:

A. STATUS OF 2011 AUDIT

Please see discussion under Item #5.

8. OLD BUSINESS

Mr. Lierz said he has been asking since last March for an analysis of cash balances, and would like to see that once the audit is complete, and prior to entering the budget process.

Responding to Mr. de Schweinitz, Mr. Lierz said what is needed is to be able to present facts to the decision makers in a way that they can understand, which he believes can be done.

Acting Chair Romero-Gonzales said then we will wait to look at the cash balances until the audit is approved.

Dr. Morgan said yes, noting there are several reports which will be needed as we move forward with the budget.

9. NEW BUSINESS

There was no new business.

10. OTHER MATTERS FROM THE COMMITTEE

A. APPROVAL OF 2012 AUDIT COMMITTEE SCHEDULE

Acting Chair Gonzales-Romero pointed out that the dates should be for 2012, and Dr. Morgan said they are, and he will make that change.

MOTION: Maurice Lierz moved, seconded by Clark de Schweinitz to adopt the 2012 Audit Committee Schedule as proposed, with an amendment to change "2011" to "2012," and the July meeting date is to be determined.

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

11. NEXT MEETING DATE

A. NEXT MEETING SCHEDULED IN JANUARY 2012

The next meeting of the Committee is scheduled at 2:00 p.m., on Wednesday, January 4, 2012.

12. ADJOURNMENT

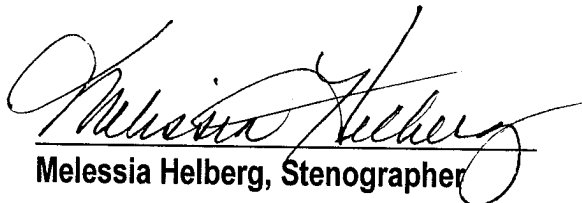
MOTION: Clark de Schweinitz moved, seconded by Maurice Lierz, to adjourn the meeting.

VOTE: The motion was approved unanimously on a voice vote, and the meeting was adjourned at approximately 3:45 p.m.

Deborah Moll, Chair

Reviewed by:

**Dr. Melville L. Morgan, Director
Department of Finance**



Melessia Helberg, Stenographer