

SUMMARY INDEX
CITY OF SANTA FE AUDIT COMMITTEE
August 7, 2019

<u>ITEM</u>	<u>ACTION TAKEN</u>	<u>PAGE(S)</u>
1. CALL TO ORDER		1
2. ROLL CALL	Quorum Present	1
3. APPROVAL OF AGENDA	Approved	1
4. APPROVAL OF MINUTES July 11, 2019	Postponed to Next Meeting	1
5. NEW BUSINESS		
• Internal Audit Report Presentation—John F. Olenberger, CICN	Discussion Only	1-2
• Update on RFP for Internal Audit	Discussion Only	3
6. OLD BUSINESS		
• Continue discussion on 2019-2020 Risk assessment approved by audit committee	No Discussion	3
7. PUBLIC COMMENT	None	3
8. MATTERS FROM STAFF	None	3
9. MATTERS FROM THE COMMITTEE	Discussion	3-5
10. NEXT MEETING DATE:	September 11, 2019	5
11. ADJOURNMENT	Adjourned at 2:54 pm	5

**MINUTES OF THE
CITY OF SANTA FÉ AUDIT COMMITTEE
AUGUST 7, 2019**

1. CALL TO ORDER

A regular meeting of the City of Santa Fé Audit Committee was called to order by Stephanie Woodruff, Chair, on this date at approximately 2:06 p.m. in the Convention Center Administrative Conference Room, Santa Fé, New Mexico.

2. ROLL CALL

Roll call indicated the presence of a quorum as follows:

Members Present:

Stephanie Woodruff, Chair
Al Castillo (arrived 2:08 pm)
Mary Ellen Erpelding-Chacón
Paul Margetson
Cristina Mulcahy

Members Absent:

Staff Attending

Mary McCoy, Finance Director
Debra Harris Garmandia, Controller
Christina Keyes, Treasury Officer
Shirley Rodriguez, Purchasing Director

Others Attending:

Melissa Byers, Stenographer

3. APPROVAL OF AGENDA

MOTION: Member Margetson moved, seconded by Member Mulcahy, to approve the agenda as presented.

VOTE: The motion was unanimously approved by voice vote.

4. APPROVAL OF MINUTES: July 10, 2019

The approval of the minutes was postponed to the next meeting.

5. NEW BUSINESS

- **Internal Audit Report Presentation– John F. Olenberger, Colorado Independent Consultants Network**

Ms. McCoy said that Mr. Olenberger was going to provide a status update as to where he is at with the report, which is close to being finalized. He still has some interviews to do and also to reach out to the McHard Accounting Group. She said they've been able to clear up one of the draft findings. She said the final report will be presented at the September Audit Committee meeting.

Mr. Olenberger presented his report telephonically. He began going through the timeline of the work that had been done. He said they kicked off their work the week of March 25th. They did interviews of all the key stakeholders, in terms of all the department heads. The week of April 1st, they had their onsite fieldwork. They had update meetings with the Audit Committee, the Mayor and the City Manager in April. On May 2nd they had an update meeting with City staff which is when they issued the draft report. They had another update meeting with the Audit Committee on May 13th. They received draft responses from the City July 10th. There was discussion with the City on July 16th regarding some of the City's concerns about what they wanted to see in the report. They flew out the following week to meet with the Finance Director and key Finance staff to clarify some matters. They did delete former report issue #9 because it was very similar to another issue, so they combined the issues. The report currently has nine issues. He said they are currently wrapping things up. They received revised management responses from City the night before the Audit Committee meeting. They are trying to designate responsible parties for each issue. Their normal format is to have one specific individual and their department take responsibility for an issue. They can delegate the work but not the responsibility. He said from an internal audit perspective, one of the important functions is to be able to do follow up work. If there is no follow up, things fall off the burner. He said they try to have everything done within a one-year period. He said most of their recommendations don't require additional budget. Most are changes to controls that can be made. His goal is to get revised report back to the City and make sure everything is articulated correctly.

Chair Woodruff asked if he was confident that he could get the final report to the Committee by September.

Mr. Olenberger said they've been turning it around as they get the management responses from the City. They need to receive the responses from the City. What's taking some time is that they review all management responses from the City. They want all responses to be an actionable statement, for example the response would say "We will seek Council approval."

Ms. McCoy asked if someone CICN will be present at the September meeting to do the present.

Mr. Olenberger indicated that someone will be present.

- **Update on RFP for Internal Audit, Erik Litzenberg, City Manager and Mary McCoy, Finance Director**

Ms. McCoy said the RFP was advertised and issued on Monday, July 22nd. The proposals are due on August 20th at 2:00 pm. The evaluation of the proposals will be on Thursday, August 22nd and the interviews will be on Thursday, August 29th. She plans on taking the recommendation to the Finance Committee on September 16th and to the Governing Body on September 25th.

Ms. McCoy requested Audit Committee participation on August 22nd for the evaluations and Thursday, August 29th for the interviews. Chair Woodruff and Member Castillo agreed to attend the evaluations and the interviews.

Ms. McCoy said Purchasing had sent out the RFP to a few different companies. Staff will email the RFP to Committee members in they event the want to send it out to any internal audit companies.

6. OLD BUSINESS

- **Continue discussion on 2019-2020 risk assessment approved by audit committee**

No discussion

7. PUBLIC COMMENT

There were no public comments.

8. MATTERS FROM STAFF

There were no matters from staff.

9. MATTERS FROM THE COMMITTEE

Member Castillo said that he had suggested having presentations by department, which didn't get on the agenda.

Ms. McCoy said the September meeting is going to be busy. At the October meeting, Public Works will do a presentation.

Mr. Margetson said he's heard from staff that the new software is driving staff crazy.

Ms. McCoy said that the City implemented the new ERP system on July 1st. She said she is preparing an update for the City Council and she could provide the same update for the Audit Committee. The positive thing about the new system is that it's an electronic workflow. She said there have been several trainings which began in May. Invitations have gone out to staff; some staff do attend the full day and others come and sign in but don't attend the whole day. Also, some staff just don't attend. She said departments are constantly getting invited to training. She said that she, along with Ms. Keyes and Ms. Harris Garmandia have been attending the trainings so they are able to assist staff.

Ms. McCoy said that the challenge is that there was a weak internal control structure, the same person was entering and approving. The new system has a three-way match process.

Ms. Harris Garmandia said with the three-way match, there's a person who enters the requisition. The next person receives the invoice and verifies that the goods or services are received match the requisition. Then a different person enters the invoice into the system for payment. If the first two steps are not in the system, then the invoice can't go in. Some people have said it's a five-way process because inside Munis there's a workflow system. Approval must go through the division, then to Finance, Budget and Purchasing to make sure procurement is being adhered to. She said there's a mix of reviews. Some staff are grateful, others like it because of the controls that are in there and others just don't like it. There are some small divisions and Finance is trying to work through that.

Ms. McCoy said that over the weekend she learned that Community Services and Public Works complained about vendors not being paid. On Monday, she reached out to both directors. Some of the problems were workflow issues, other problems were the first step, entering in the contract. She said the Purchasing team stepped in on Monday to assist these departments and provide some training. They either approved or rejected some of the entries.

Ms. Rodriguez went over a few of the issues that were addressed. She said before the requisition is entered, the contract must be entered. Some of the fields were not completed. On some of the requisitions the service had been provided but there was not a purchase order in place.

Member Castillo asked if some of the problem may be that some positions aren't filled.

Ms. McCoy said "yes," not just within Finance but throughout the City. In the Community Services Department, within a two-week period, the main fiscal person

decided that she wanted to retire. There was no one else to come in and learn those responsibilities. The lack of transition, turnover and filling vacant positions has been a challenge.

Member Castillo said he appreciates internal controls but asked if attrition could be projected or planned for.

Ms. McCoy said that there has been key staff in Finance and other departments have come in and given two weeks' notice that they are leaving, so there was no way for that to be projected or planned for. Ms. Rodriguez will be retiring but won't leave until the new person is in place. Ms. McCoy said she is grateful for that. She added that the new Procurement Officer will start on August 12th.

Ms. McCoy asked Ms. Rodriguez to talk about the requirements to be a CPO (Chief Procurement Officer).

Ms. Rodriguez said in order to obtain a CPO certification, there are various courses that need to be completed, including contracts, thresholds, RFPs, bids and scope of services. The training is about four days, then a test is given.

Ms. McCoy said in order to process a purchase order, you must be a CPO.

Member Castillo asked when a purchase order is originated if it has timelines. He also asked if the system forces the next staff to be reminded that an action needs to be taken.

Ms. Keyes said it's not currently set up like that. Staff must go in and check if there's anything in the queue that requires their action.

Member Margetson asked if any progress has been made on leases.

Ms. McCoy said that's one of the items identified in the RFP. The departments have been asked for an accounting of all their leases.

10. NEXT MEETING DATE

The next meeting date will be on September 11, 2019 at 2:00 p.m.

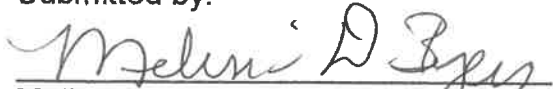
11. ADJOURNMENT

Upon motion by Member Castillo, and second by Member Erpelding-Chacon, the meeting was adjourned at 2:54 p.m.

Approved by:

Stephanie Woodruff, Chair

Submitted by:


Melissa D. Byers, Stenographer for
Byers Organizational Support Services