

City of Santa Fe, New Mexico

LEGISLATIVE SUMMARY

Bill No. 2018-__

Internal Audit Department and Committee Changes

SPONSOR(S): Councilor Harris and Mayor Gonzales

SUMMARY: The proposed bill amends Section 6-5 SFCC 1987 to provide for the participating by the audit committee in the selection of the internal auditor and any contractor forming similar functions, as well as modifying the manner in which members of the audit committee are appointed and clarifying and strengthening the role of the audit committee.

PREPARED BY: Jesse Guillen, Legislative Liaison

FISCAL IMPACT: No

DATE: January 29, 2018

ATTACHMENTS: Bill
FIR

1 CITY OF SANTA FE, NEW MEXICO

2 BILL NO. 2018-__

3 INTRODUCED BY:

4
5 Councilor Mike Harris

6 Mayor Javier M. Gonzales

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10 AN ORDINANCE

11 AMENDING SECTION 6-5 SFCC 1987 TO PROVIDE FOR THE PARTICIPATION BY
12 THE AUDIT COMMITTEE IN THE SELECTION OF THE INTERNAL AUDITOR AND
13 ANY CONTRACTOR PERFORMING INTERNAL AUDIT FUNCTIONS; MODIFYING
14 THE MANNER IN WHICH MEMBERS OF THE AUDIT COMMITTEE ARE
15 APPOINTED; CLARIFYING AND STRENGTHENING THE ROLE OF THE AUDIT
16 COMMITTEE; AND MAKING OTHER SUCH CHANGES AS NECESSARY.

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18 BE IT ORDAINED BY THE GOVERNING BODY OF THE CITY OF SANTA FE:

19 Section 3. Section 6-5 SFCC 1987 (being Ord. #2013-35) is amended to read:

20 6-5 AUDIT COMMITTEE.

21 6-5.1 Creation; Purpose.

22 A. There is created pursuant to the city of Santa Fe Municipal Charter the city of
23 Santa Fe audit committee, an independent advisory committee.

24 B. The purpose of the audit committee is to provide an independent body to review
25 such internal and external audits, assessments and investigations of the city's finances and

1 financial systems as may be conducted from time to time and to advise the city manager, the
2 finance committee and the governing body regarding [~~financial~~] such audits, assessments and
3 investigations, and [related] to recommend the adoption of policies and procedures [~~in order to~~]
4 with respect thereto as will promote the transparency, accountability, efficiency and effectiveness
5 of city government for the citizens of Santa Fe.

6 **6-5.2 Powers and Duties.**

7 The audit committee shall, to the extent possible under the city charter:

8 A. Participate in the selection of the internal auditor, if the city employs one, or of
9 any independent contractor charged with performing any internal audit functions for the city;

10 (1) Participate in the selection of the internal auditor by interviewing at least
11 the top two applicants for the position and by ranking the candidates interviewed in order of
12 preference, advising the city manager as to the basis for such rankings, and conferring with the
13 city manager and the finance department director, as requested, throughout the hiring process;

14 (2) Participate in the selection of any independent contractor performing
15 internal audit functions, and make recommendations via two designated audit committee
16 members who shall participate in the initial evaluation and selection of all candidates, the
17 interview, if any, and the final recommendation for the independent contractor;

18 (3) Participate in the selection of any external auditors, via two designated
19 members, and make recommendations for the selection of such auditors;

20 B. Review and recommend for approval by the finance committee the annual
21 internal audit plan proposed by the internal auditor, if any, and/or any contractor performing
22 internal audit functions for the city, and any modifications thereto;

23 C. Independently review all internal and external audits, assessments and
24 investigations of the city's finances and financial systems as may be conducted from time to time,
25 including audits and reviews conducted by federal and state agencies and make recommendations

1 to the city manager, the finance committee and the governing body regarding actions which may
2 be necessary or appropriate in light of any findings, corrective action plans or issues identified in
3 such audits, assessments or investigations;

4 D. Review and make recommendations to the finance committee regarding the city's
5 comprehensive annual financial report;

6 [A]E. [Ensure] Assure that all audits, internal and external, certify and conform to
7 generally accepted governmental auditing standards;

8 [B]F. [Ensure] Assure that the [~~internal auditor position and~~] internal audit functions
9 are independent in accordance with generally accepted governmental auditing standards, whether
10 performed by city staff or outside contractors, or any combination thereof;

11 G. Receive a presentation of and review the city's financial reports, periodically, but
12 not less than twice per fiscal year;

13 [~~C. Review applications for and make recommendations to the city manager for~~
14 ~~hiring of the internal auditor, a city employee;~~

15 D. ~~Review and comment on the parts of the internal auditor's personnel evaluations~~
16 ~~that are non-exempt public records under the New Mexico Inspection of Public Records Act.~~

17 E. ~~Review and recommend for approval by the finance committee the annual~~
18 ~~internal audit plan and modifications thereto;~~

19 F. ~~Review and make recommendations to the finance committee regarding internal~~
20 ~~audit reports prepared by the city's internal auditor;~~

21 G. ~~Review and make recommendations to the finance committee regarding the city's~~
22 ~~annual external audit;~~

23 H. ~~Participate in, via one designated member, the request for proposal process for~~
24 ~~external auditors and make recommendations for the selection of the city's external auditors;~~

25 I. ~~Review the city's financial reports periodically;~~

1 J. ~~Review and make recommendations to the finance committee regarding the city's~~
2 ~~financial policies, procedures, practices and internal controls in place to control the operations,~~
3 ~~accounting, and regulatory compliance of the city.~~

4 K. ~~Review audit findings reported by an external audit and make recommendations~~
5 ~~to the finance committee concerning the corrective action plans proposed by city departments;~~
6 ~~and]~~

7 [L]H. Advise, review and make recommendations for other matters as requested [or
8 assigned] by the city manager, the finance committee and/or [city council] governing body.

9 **6-5.3 Membership; Chairperson; Terms; Vacancies.**

10 A. *Membership.* The audit committee shall consist of five (5) individuals [solicited
11 and appointed by the ~~municipal judge with the advice and consent of the~~] governing body based
12 upon the recommendation of the municipal judge. The members of the audit committee shall
13 include individuals that have experience and knowledge that would assist the governing body in
14 completing the audit committee's purpose and who are qualified by training, experience, and
15 ability to exercise sound and practical judgment regarding the duties and responsibilities of the
16 audit committee. Of the five (5) members no less than one (1) member shall be a certified public
17 accountant, no less than one (1) member shall either be a lawyer or have a law enforcement
18 background, and one (1) member shall be a management consultant. Members shall reside in the
19 State of New Mexico.

20 B. *Chairperson.* The [municipal judge, with the approval of the city council, shall
21 appoint the] initial chairperson shall be appointed by the mayor with the approval of the
22 governing body. The chairperson shall designate the vice chairperson. The chairperson shall serve
23 as chairperson for a period of one (1) year. Following one (1) year of service, the chairperson
24 shall be elected (or reelected) by the members of the committee. The chairperson may appoint
25 subcommittees and sub-committee chairpersons as needed.

1 C. *Terms.* Two (2) of the members shall be appointed for two (2) year terms and
2 three (3) shall be appointed for three (3) year terms. Subsequent terms shall be for three (3) years
3 to maintain staggering of terms; limited to no more than four (4) year terms. The members shall
4 serve at the pleasure of the governing body and may be removed at any time with or without
5 cause.

6 D. *Vacancies.* Vacancies on the audit committee shall be filled in the same manner
7 as initial appointments and shall be for the remainder of the term of the vacant position.

8 **6-5.4 Meetings; Staff.**

9 A. *Meetings.* A quorum of the audit committee shall be at least three (3) members.
10 The audit committee shall conduct all meetings in accordance with adopted city policies and
11 procedures [~~and shall use Robert's Rules of Order in conducting its meetings~~]. The audit
12 committee shall meet at least quarterly or as needed to accomplish the duties and responsibilities
13 of the committee.

14 B. *Staff.* The [~~internal audit department~~] finance director shall serve as the primary
15 liaison to the committee unless otherwise designated by the city manager. Depending upon the
16 issue, other city staff may also be required to assist the committee.

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18 APPROVED AS TO FORM:

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21 KELLEY A. BRENNAN, CITY ATTORNEY
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City of Santa Fe Fiscal Impact Report (FIR)

This Fiscal Impact Report (FIR) shall be completed for each proposed bill or resolution as to its direct impact upon the City's operating budget and is intended for use by any of the standing committees of and the Governing Body of the City of Santa Fe. Bills or resolutions with no fiscal impact still require a completed FIR. Bills or resolutions with a fiscal impact must be reviewed by the Finance Committee. Bills or resolutions without a fiscal impact generally do not require review by the Finance Committee unless the subject of the bill or resolution is financial in nature.

Section A. General Information

(Check) Bill: X Resolution: _____

(A single FIR may be used for related bills and/or resolutions)

Short Title(s): AN ORDINANCE AMENDING SECTION 6-5 SFCC 1987 TO PROVIDE FOR THE PARTICIPATION BY THE AUDIT COMMITTEE IN THE SELECTION OF THE INTERNAL AUDITOR AND ANY CONTRACTOR PERFORMING INTERNAL AUDIT FUNCTIONS; MODIFYING THE MANNER IN WHICH MEMBERS OF THE AUDIT COMMITTEE ARE APPOINTED; CLARIFYING AND STRENGTHENING THE ROLE OF THE AUDIT COMMITTEE; AND MAKING OTHER SUCH CHANGES AS NECESSARY.

Sponsor(s): Councilor Harris

Reviewing Department(s): City Attorney's Office

Persons Completing FIR: Kelley Brennan Date: 1/30/18 Phone: 955-6961

Reviewed by City Attorney:

Kelley A. Brennan
(Signature)

Date:

2/5/18

Reviewed by Finance Director:

[Signature]
(Signature)

Date:

2-5-18

Section B. Summary

Briefly explain the purpose and major provisions of the bill/resolution:

The primary purposes of the bill is to provide for the participation of the audit committee in the selection of the internal auditor any contractor performing internal audit functions, modifying the manner in which audit committee members are appointed, and clarifying and strengthening the role of the audit committee.

Section C. Fiscal Impact

Note: Financial information on this FIR does not directly translate into a City of Santa Fe budget increase. For a budget increase, the following are required:

- a. The item must be on the agenda at the Finance Committee and City Council as a "Request for Approval of a City of Santa Fe Budget Increase" with a definitive funding source (could be same item and same time as bill/resolution)
- b. Detailed budget information must be attached as to fund, business units, and line item, amounts, and explanations (similar to annual requests for budget)
- c. Detailed personnel forms must be attached as to range, salary, and benefit allocation and signed by Human Resource Department for each new position(s) requested (prorated for period to be employed by fiscal year)*

1. Projected Expenditures:

- a. Indicate Fiscal Year(s) affected – usually current fiscal year and following fiscal year (i.e., FY 03/04 and FY 04/05)
- b. Indicate: "A" if current budget and level of staffing will absorb the costs
"N" if new, additional, or increased budget or staffing will be required
- c. Indicate: "R" – if recurring annual costs
"NR" if one-time, non-recurring costs, such as start-up, contract or equipment costs
- d. Attach additional projection schedules if two years does not adequately project revenue and cost patterns
- e. Costs may be netted or shown as an offset if some cost savings are projected (explain in Section 3 Narrative)

Finance Director: _____

X Check here if no fiscal impact

Column #:	1	2	3	4	5	6	7	8
	Expenditure Classification	FY _____	"A" Costs Absorbed or "N" New Budget Required	"R" Costs Recurring or "NR" Non-recurring	FY _____	"A" Costs Absorbed or "N" New Budget Required	"R" Costs – Recurring or "NR" Non-recurring	Fund Affected

Personnel*	\$ _____	_____	_____	\$ _____	_____	_____	_____
Fringe**	\$ _____	_____	_____	\$ _____	_____	_____	_____
Capital Outlay	\$ _____	_____	_____	\$ _____	_____	_____	_____
Land/ Building	\$ _____	_____	_____	\$ _____	_____	_____	_____
Professional Services	\$ _____	_____	_____	\$ _____	_____	_____	_____
All Other Operating Costs	\$ _____	_____	_____	\$ _____	_____	_____	_____
Total:	\$ _____			\$ _____			

* Any indication that additional staffing would be required must be reviewed and approved in advance by the City Manager by attached memo before release of FIR to committees. **For fringe benefits contact the Finance Dept.

2. Revenue Sources:

- a. To indicate new revenues and/or
- b. Required for costs for which new expenditure budget is proposed above in item 1.

Column #:	1	2	3	4	5	6
	Type of Revenue	FY _____	"R" Costs Recurring or "NR" Non-recurring	FY _____	"R" Costs – Recurring or "NR" Non-recurring	Fund Affected

_____	\$ _____	_____	\$ _____	_____	_____
_____	\$ _____	_____	\$ _____	_____	_____
_____	\$ _____	_____	\$ _____	_____	_____
Total:	\$ _____		\$ _____		

3. Expenditure/Revenue Narrative:

Explain revenue source(s). Include revenue calculations, grant(s) available, anticipated date of receipt of revenues/grants, etc. Explain expenditures, grant match(s), justify personnel increase(s), detail capital and operating uses, etc. (Attach supplemental page, if necessary.)

The changes contained in this bill would not directly incur any fiscal impact. However, should the City decide that a contractor is necessary to perform any of the internal audit functions, there would be an associated cost.

Section D. General Narrative

1. **Conflicts:** Does this proposed bill/resolution duplicate/conflict with/companion to/relate to any City code, approved ordinance or resolution, other adopted policies or proposed legislation? Include details of city adopted laws/ordinance/resolutions and dates. Summarize the relationships, conflicts or overlaps.

This bill conflicts with Bill 2017-31 which would repeal the internal audit department, however that bill has been withdrawn by the sponsor.

2. Consequences of Not Enacting This Bill/Resolution:

Are there consequences of not enacting this bill/resolution? If so, describe.

Status quo.

3. Technical Issues:

Are there incorrect citations of law, drafting errors or other problems? Are there any amendments that should be considered? Are there any other alternatives which should be considered? If so, describe.

N/A

4. Community Impact:

Briefly describe the major positive or negative effects the Bill/Resolution might have on the community including, but not limited to, businesses, neighborhoods, families, children and youth, social service providers and other institutions such as schools, churches, etc.

This bill is intended to address certain issues that have been identified within the Internal Audit Department and would increase the public's trust in the accountability of the IA Department as well as the City as a whole.
