

1 **CITY OF SANTA FE, NEW MEXICO**

2 **ORDINANCE NO. 2012-32**

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4
5 **AN ORDINANCE**

6 **RELATING TO THE ESTABLISHMENT OF THE CITY OF SANTA FE INTERNAL AUDIT**
7 **DEPARTMENT; CREATING A NEW ARTICLE 2-22 SFCC 1987.**

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

10 **Section 1. A new Article 2-22 SFCC 1987 is ordained to read:**

11 **2-22 [NEW MATERIAL] INTERNAL AUDIT DEPARTMENT**

12 **Section 2. A new Section 2-22.1 SFCC 1987 is ordained to read:**

13 **2-22.1 [NEW MATERIAL] Short Title.** Article 2-22 SFCC 1987 shall be cited as the
14 "Internal Audit Department Ordinance".

15 **Section 3. A new Section 2-22.2 SFCC 1987 is ordained to read:**

16 **2-22.2 Findings; Purpose; Goals.**

17 A. The governing body finds that good governance, transparency and accountability are
18 critical in the public sector for the effective and credible functioning of a healthy democracy, and in
19 fulfilling the government's responsibility to citizens and taxpayers.

20 B. Transparent and reliable reporting and effective auditing in government serve to
21 promote accountability, enhance the effectiveness of government services to its citizens, and increase
22 the public's confidence in their government.

23 C. The members of the governing body share a duty to insure that the actions of public
24 officials, employees and contractors of the city are carried out in the most responsible manner
25 possible and that city policies, budgets, goals and objectives are fully implemented.

1 D. To accomplish this, the city requires the services of an independent office to provide
2 independent, objective assurance and review services designed to promote transparency,
3 accountability, efficiency and effectiveness of city government.

4 E. The governing body does hereby establish the internal audit department, an
5 independent city department of city government reporting to the city manager, which shall oversee
6 the internal auditor and the functions hereby established.

7 F. The governing body also directs the finance department, in cooperation with the audit
8 committee, to establish a job description, a code of ethics, internal audit plan of work guidelines,
9 operating procedures and a departmental risk analysis.

10 **Section 4. A new Section 2-22.3 SFCC 1987 is ordained to read:**

11 **2-22.3 [NEW MATERIAL] Definitions.** For the purpose of this article, the following
12 definitions shall apply unless the context clearly indicates or requires a different meaning.

13 *Auditees* mean the city related departments, programs, activities, agencies, vendors,
14 contractors, employees, public officials or other city related entities affected by an audit or
15 investigation.

16 *Committee* means the city of Santa Fe audit committee.

17 *Contractors* mean all city contractors.

18 *Internal auditor* means the internal auditor who is the head of the internal audit department.

19 *Employee* means a city employee.

20 *Official* means the mayor or a city councilor.

21 *Special audits* mean additional audits because the need for the audit was not foreseen.

22 **Section 5. A new Section 2-22.4 SFCC 1987 is ordained to read:**

23 **2-22.4 [NEW MATERIAL] Creation of the Internal Audit Department; Resources;**
24 **Staff.**

25 A. The internal audit department is created as an independent office of city government.

1 The internal auditor is the head of the internal audit department and shall report to the city manager.

2 B. If necessary, the internal auditor shall recommend to the city manager for hire,
3 employees for the efficient and effective administration of the internal audit department or may hire
4 independent contractors for assistance.

5 C. The city manager shall receive applications from candidates, interview candidates
6 and select an internal auditor based on the candidates' integrity, capability for strong management and
7 demonstrated ability in accounting, auditing, financial analysis, law, management analysis, public
8 administration, investigation, criminal justice administration or other closely related fields.

9 D. In accordance with law and in consultation with the city attorney's office, the
10 city manager's publicly disclosable personnel matters relating to the internal auditor, such as
11 hiring and termination of employment, shall be presented as information items to the audit
12 committee and then the governing body. At the request of the governing body or the city
13 manager and in consultation with the city attorney's office, any protected privileged
14 personnel matters relating to the internal auditor may be presented to the governing body in
15 executive session in accordance with the New Mexico Open Meetings Act.

16 **Section 6. A new Section 2-22.5 SFCC 1987 is ordained to read:**

17 **2-22.5 [NEW MATERIAL] Internal Auditor's Duties; Responsibilities; Authority;**
18 **Administrative Subpoena Power.**

19 A. If the internal auditor detects apparent or potential violations of law or apparent
20 instances of misfeasance or nonfeasance by an auditee, he shall report the irregularities in writing to
21 the governing body via the finance committee, the auditee, the city manager, and the audit committee.
22 If the irregularity is criminal in nature, the internal auditor shall immediately refer the irregularity to
23 the appropriate prosecuting authority. If the irregularity warrants an investigation, audit, and/or
24 special audit, then the internal auditor shall conduct an investigation, audit and/or special audit. The
25 internal auditor shall not accept complaints related to discrimination or labor law matters, or other

1 matters that are the subject of pending civil litigation.

2 B. The internal auditor shall have the power to subpoena witnesses, administer oaths and
3 require the production of records subject to the New Mexico Rules of Civil Procedure. In the case of
4 a refusal to obey a subpoena issued to any person, the internal auditor may make application to any
5 district court in the state that shall have the jurisdiction to order the witness to appear before the
6 internal auditor and to produce evidence if so ordered, or to give testimony touching on the matter in
7 question.

8 C. The internal auditor shall adhere to generally accepted government auditing standards
9 and the Institute of Internal Auditors' (IIA) international standards in conducting its work and will be
10 considered independent as defined by those standards.

11 **Section 7. A new Section 2-22.6 SFCC 1987 is ordained to read:**

12 **2-22.6 [NEW MATERIAL] Scope Of Audits.**

13 A. The internal auditor is authorized to conduct the following audits:

14 (1) Based on a yearly internal audit plan developed in accordance with the internal
15 audit plan of work guidelines;

16 (2) Forensic audits;

17 (3) Management audits; and

18 (4) Special audits of any auditees recommended by the city manager, the governing
19 body and the audit committee.

20 B. The goals of the audits conducted by the internal auditor are to independently
21 determine whether:

22 (1) The city, state or federal law authorizes the implemented activities and
23 programs that are the subject of the audit;

24 (2) The objectives intended by city, state or federal law are efficiently and
25 effectively accomplished in the implementation of activities and programs;

- 1 (3) The expenditure of funds was or is in compliance with applicable laws;
- 2 (4) The revenues were or are properly collected, deposited and accounted for;
- 3 (5) Resources, including funds, property and personnel, were or are adequately
- 4 safeguarded, controlled and used in a faithful, effective and efficient manner;
- 5 (6) Financial and other reports fairly and fully disclosed all information as
- 6 required by law necessary to evaluate and ascertain the nature and scope of programs and
- 7 activities;
- 8 (7) Management established operating and administrative procedures and
- 9 practices, accounting internal control systems and internal management controls were and are
- 10 adequate and functioning as intended; and
- 11 (8) City policies, budgets, goals and objectives were and are fully implemented.

12 **Section 8. A new Section 2-22.7 SFCC 1987 is ordained to read:**

13 **2-22.7 [NEW MATERIAL] Reports.**

14 A. The internal auditor, following the yearly internal audit plan, shall report all results of

15 the audits, forensic audits, management audits and/or special audits to the governing body via the

16 finance committee, the auditees, the city manager, and the audit committee. All audits shall contain

17 the professional opinion of the internal auditor or the contract auditor concerning the financial

18 statements issued by the auditees, or if the audit is a management audit, the report shall contain the

19 professional conclusions of the auditor regarding the management activities audited.

20 B. The internal auditor's audit reports shall include:

- 21 (1) A precise statement of the scope encompassed by the audit;
- 22 (2) A statement that the audit was performed in accordance with generally
- 23 accepted government auditing standards and IIA international standards;
- 24 (3) A statement that an examination for compliance with applicable laws,
- 25 policies and regulations was conducted, and a presentation of the findings associated with

1 that examination;

2 (4) A statement of significant audit findings, including a statement of the
3 underlying causes, evaluative criteria used and the current and prospective significance of the
4 findings;

5 (5) A statement that internal control systems were examined and a report of any
6 material weaknesses found in the internal control systems;

7 (6) Statements of response submitted by the auditees relevant to the audit findings;

8 (7) A concise statement by the auditees of the corrective actions previously taken or
9 contemplated as a result of the audit findings and a timetable for their accomplishment; and

10 (8) Recommendations for additional necessary or desirable action.

11 **Section 9. A new Section 2-22.8 SFCC 1987 is ordained to read:**

12 **2-22.8 [NEW MATERIAL] Reporting.** The internal auditor shall, follow the internal audit
13 plan, report to the governing body via the finance committee, the auditees, the city manager, and the
14 audit committee regarding all audit activities, results, and conclusions. Depending on the type of
15 audit, the Internal Auditor shall report more frequently when requested.

16 **Section 10. A new Section 2-22.9 SFCC 1987 is ordained to read:**

17 **2-22.9 [NEW MATERIAL] Contract Auditors, Consultants, And Experts.** Upon
18 approval by the city manager, the internal auditor may obtain the services of certified public
19 accountants, qualified management consultants, certified fraud examiners, forensic auditors or other
20 professional experts necessary to perform the functions of the internal audit department. Contractors
21 performing an audit shall not have any financial interest in the affairs of the auditees, officials or
22 employees. The internal auditor shall coordinate and monitor auditing performed by persons under
23 contract to the internal auditor.

24 **Section 11. A new Section 2-22.10 SFCC 1987 is ordained to read:**

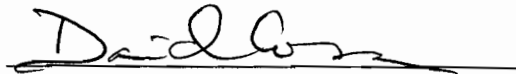
25 **2-22.10 [NEW MATERIAL] Penalty; Cooperation; Retaliation Prohibited.**

1 A. All city officials, employees and contractors shall provide the internal auditor full and
2 unrestricted access to all city offices, employees, records, information, data, reports, plans,
3 projections, matters, contracts, memoranda, correspondence, electronic data, property, equipment and
4 facilities and any other materials within their custody. At the internal auditor's request, an official,
5 employee or contractor shall prepare reports and provide interviews. If an auditee, official, employee,
6 vendor or contractor fails to produce the requested information, the internal auditor shall notify the
7 city manager requesting his assistance in causing a search to be made and germane exhibits to be
8 taken from any book, paper or record, written or electronic, excepting personal property. The city
9 manager shall require the officials, employees, vendors or contractors to produce the requested
10 information.

11 B. No person shall retaliate against, punish or penalize any other person for complaining
12 to, cooperating with or assisting the internal auditor in the performance of his office.

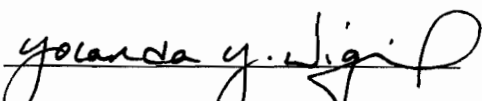
13 C. Any official or employee who violates this Ordinance may be subject to discipline as
14 may be specified in applicable city ordinances or any applicable collective bargaining agreement.

15 PASSED, APPROVED, and ADOPTED this 30th day of October, 2012.


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18 DAVID COSS, MAYOR

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20 ATTEST:

21 
22 YOLANDA Y. VIGIL, CITY CLERK

23 APPROVED AS TO FORM:

24 
25 GENO ZAMORA, CITY ATTORNEY