

**CITY OF TUCUMCARI
CITY COMMISSION
Special Work Session Notes
September 22 2016**

The Tukumcari City Commission met in a work session on Thursday, September 22, 2016 at 4:30 p.m. in the City Commission Chambers. Members present were John Mihm, Ruth Ann Litchfield, Amy Gutierrez and Ralph Moya. Robert Lumpkin was absent.

City staff members present were: Jared Langenegger, City Manager; Doug Powers, Assistant City Manager, and Angelica Gray, City Clerk.

Guests: J.J. Griego with Griego Professional Services.

Entrance Conference with Griego Professional Services

He stated he is very excited about this year's audit. He stated we are taking a different approach and it seems to be working out really well. We are doing the majority of our audits in house. He stated Mr. Dysart sends him all the bank reconciliations, bank statements and do the test work from the office. They come to Tukumcari for a week and at the end of the week we hand out a first draft of the financials; given that we will be out here the 3rd week of October. They are looking to have a final draft to the City by the 18th of November and then a submittal. That would put us at submitting approximately a month ahead of schedule, which we have never done. He knows this approach will work because it is working for other clients.

He stated we do not take responsibility for finding fraud because we don't look at every transaction we do a sample. The state auditor has put out an alert with municipalities with the utility billings so we will be looking heavily into it this year. They have always looked at it so he does not think he will find any issues.

He stated they are having trouble with many cities having internal control issues with the billing of the City; he thinks it may be misreporting.

Mr. Dysart stated that other issues may be deposits being returned timely and old stuff being collected. Mr. Griego stated they are required to conduct a single audit with the City. The threshold went up this year to \$750,000. He stated if the City is under \$750,000 they do not have to conduct a single audit. He stated between Section 8 and Public Housing it is about \$620,000, Senior is about another \$60,000, and last year the airport was \$150,000 but he does not think it will be that big this year for federal funds spent so if we can get that under \$750,000 it would be nice. This is for federal expenditures only. He stated last year it was at \$1.1 million.

He stated the question to the commission and management is going to be if we know of any fraudulent activity, do we know of any misuse of funds that we need to be aware of. Everyone presented stated no.

He asked if there is any litigation he needs to know about. Mr. Langenegger stated we just received a lawsuit for the Payless Inn that was burned down. The owner is suing us because the police officer who burned it worked for the City at the time but was done off duty. Mr. Langenegger stated we still have the RAD, we have gone through the appeal and we have not heard back from the appeals court. Mr. Griego stated the City has \$70,000 sitting in the bank.

Mr. Dysart will try to get us a final trial balance by Monday and once we get that final trial we can get started on this stuff. We will be checking on last year's findings to make sure that they have been cleared up. The great thing about the City of Tucumcari, is we came in 5 or 6 years ago and every year they have gotten better because the findings are being addressed and really tackled them as to where before it was not happening.

Commissioner Moya asked about the sampling. Mr. Griego stated he will pull 25 to 40 past disbursements, 25 to 40 payroll transactions, and with the payroll transactions will be looking at the employee files. He will pull 25 to 40 receipt samples, he will look at travel and per diem on a sample basis, credit cards, in addition to participants in the federal programs, a smaller sample of bids and RFP's, disposal of assets, once he gets the final trial balance, he will look at all transactions and disbursement transactions in excess of a certain dollar threshold. He thinks last year he looked at all transactions over \$75,000. He will look at random capital asset improvements. In different areas, he will pull samples which will help him get comfortable with internal controls as well as test the substantive balances; they will look at transactions that occurred after yearend.

He stated the state is becoming more of a stickler with regard to preparing your own financial statements. He and Mr. Dysart have worked vigorously to try and get the City to prepare their own; it will be done again this year.

As an auditor he can tell us verbally if we are doing well but on the written report he will only show the bad or negative things he finds.

He stated they will be working on the Lodger's Tax audits. He thinks the audits went well. Although the problems were not big ones, they were items that were found consistently. The Lodger's Tax audit does not require the same deadlines so that may take him a little longer but they will pull a sample of the lodgers they want to pick. In addition, they look at where the City is spending the Lodger's Tax income because it's required to be spent a certain way.

Mayor Pro Tem Lumpkin asked if penalties were assessed last year. Mr. Griego stated that they are assessed around June or July and last year they assessed three different lodgers. The things they found were reports were turned in late and they turned in money late. They found the lodgers would turn in the report and not turn the money until later.

Mr. Dysart stated the biggest benefit is the deterrent. As part of the audit whether it be lodgers tax or city, he is working for the counsel as well as the State. If at any time they commission has questions or issues, he welcomed them to call him.

Commissioner Moya asked how LEDA will be audited. Mr. Griego stated they will look at the agreement and the money coming in and out. He will not audit how the money is spent because he does not audit the company that is awarded.

Commission adjourned at 5:49 p.m.

Submitted by:

Angelica M. Gray
City Clerk