STATE OF NEW MEXICO

LOWER ANIMAS COMMUNITY DITCH
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

DECEMBER 31, 2011

Manning Accounting and Consulting Services, LLC

INTRODUCTORY SECTION

STATE OF NEW MEXICO
LOWER ANIMAS COMMUNITY DITCH
YEAR ENDED DECEMBER 31, 2011

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LOWER ANIMAS COMMUNITY DITCH
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OFFICIAL ROSTER

Name	Title
District Board	
Earnest D. Smith	President
Gary Ewing	Treasurer
Robin Kelly	Secretary
Dennis Taylor	Mayordomo
Administration	
Kenneth Chipman	Accountant

FINANCIAL SECTION

Manning Accounting and Consulting Services, LLC

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Mr. Timothy Keller
New Mexico State Auditor
and
Members of the Board
Lower Animas Community Ditch
Aztec, New Mexico

We have performed the procedures enumerated below, which were agreed to by the State of New Mexico Lower Animas Community Ditch ("District"), solely to assist you with respect to the District's compliance for a Tier 4 engagement of the Audit Act (Section 12-6-1 NMSA 1978 et seq.) with respect to the District's cash and capital assets as of December 31, 2011 and the District's revenues, expenditures, and budget for the year ended December 31, 2011. The District's management is responsible for the District's accounting records and financial information. The agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. The procedures were agreed to by the District through the New Mexico Office of the State Auditor. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We were engaged to perform the following agreed-upon procedures for the period January 01, 2011 to December 31, 2011 and our procedures and results are as follow:

1. **Cash**

Procedures:

a. Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand.
b. Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division.
c. Determine whether the local public body's financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

Results:

a. The District did have copies of all bank reconciliations for review. We may assume that the accountant may have been completing the reconciliations in a timely manner as the printouts were date and time stamped. According to the time stamp, they were completed timely. However, they are not signed by the accountant or a member of the board. Additionally, discussion with personnel who were members of the Board in 2011 revealed that the reconciliations were not being reviewed by anyone other than the accountant who was responsible for preparing them. See Finding 2010-001 – Bank Reconciliation Procedures.

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b. We did review the 2011 bank reconciliations for accuracy. We identified no unusual items within the reconciliations. We were not able to trace the ending amounts to a general ledger as the District did not have a 2011 general ledger. However, we did tie the ending balance to a balance sheet provided to us for the year-end statements. Additionally, the District doesn't file reports with the DFA – Local Government Division. See Finding 2010-002 – Submission of Required Budgets and Reports to the Department of Finance and Administration (DFA).
c. We reviewed balances at each month end to determine if sufficient pledged collateral had been provided on all uninsured funds. No balances exceeded the FDIC coverage limit of $250,000 during the year, so no exceptions were noted in these procedures.

2. Capital Assets

Procedures:

Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978.

Results:

The District did not complete a yearly inventory of its capital assets that was certified by the Board as it was unaware of this requirement. The District's assets consist of a Komatsu excavator, a Kubota tractor, a two- axel trailer, an end dump, and a welder. This exception has been included as Finding 2010-003 – Annual Physical Inventory and Asset Classification.

3. Revenue

Procedures:

Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation.

a. Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

Select a sample of revenues based on auditor judgment and test using the following attributes:

b. Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.
c. Proper recording of classification, amount, and period per review of supporting documentation and the general ledger. Perform this revenue work on the same accounting basis that the local public body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis.

Results:

a. We identified the nature and sources of revenue which include membership fees and interest income; however, the District had no established budget to compare actual revenues against. See Finding 2010-002 – Submission of Required Budgets and Reports to the Department of Finance and Administration (DFA).
b. No general ledger existed for 2011, so testing was limited to reviewing deposits in the bank statements. See Finding 2010-004 – No General Ledger.
c. The District received two forms of revenue during the year, member dues revenue and interest income. However, there is no general ledger for 2011. The District is unable to locate either an electronic or a paper copy of the general ledger. However, they were able to find a copy of the year-end financial statements. See Finding 2010-004 – No General Ledger. We tested the following revenue sources on a cash basis as we had no general ledger to determine method of recording. We reviewed the following information:
    i. Member Dues – The District received one main source of revenue income in 2011, that being member dues revenue. We didn't have supporting documentation to trace the revenue back to the original billings. However, we reviewed the bank statements for the year and reviewed deposits totaling $56,282.99 which all appear to be member dues deposited during the year. A 2011 comparative income statement included the dues revenue of $79,016.02 for 2011. We

reviewed 71.2% of the deposits which may relate to this revenue. See Finding 2010-004 – No General Ledger.

ii. Interest Income – The interest income is deposited directly into the bank account and only totaled $43.73 for the year, so no further testing was done on this revenue.

4. Expenditures

Procedures:

Select a sample of cash disbursements based on auditor judgment and te4st using the following attributes:

a. Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and cancelled check, as appropriate.
b. Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
c. Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Note: The sample must be representative of the population.

Results:

We randomly selected 25 disbursements, 16 disbursements for the Kubota tractor and Komatsu excavator, plus 3 disbursements greater than $2,000 not randomly selected of approximately 170 total disbursements made for the year. As the District didn't have a general ledger to provide for 2011, we reviewed all bank statements for the year and identified disbursements. Total expenditures reported on a 2011 comparative income statement were $78,542.48 plus $15,540.04 of payments on a Komotsu excavator and Kubota tractor for a total of $91,082.52. We tested $35,207.15 in disbursements or 38.7% of the amount.

a. We tested each disbursement to ascertain the following:
    - Vendor invoice is clerically accurate
    - Purchase order (P.O.) is clerically accurate and initiated by purchasing agent
    - Amount and payee per check agree to P.O. and invoice
    - P.O. is supported by proper quote or bid documentation as required by State Purchasing Requirements
    - Traced to general ledger
    - Does not violate Anti-Donation Laws
    - Receiving documents identify items received and when and who received them and that items are OK to pay

    We tested all disbursement according to the above criteria. The items had proper documentation and amounts, payees, dates and descriptions agreed to supporting documentation except as noted below:

    - The District did not issue purchase orders; thus, no disbursements had been properly encumbered during the year.
    - The District did not have a formal receiving policy and 15 of the 44 disbursements had no indication of being reviewed by a responsible party indicating that the products and services had been received and were authorized for payment.
    - Seventeen of the 44 disbursements had no supporting invoice to indicate that the proper amounts were paid for services
    - The District had no written agreements identifying the amounts to be paid to the ditch rider or members of the Board who provide services to the District.
    - There was no general ledger for the year to trace disbursements to.

- Without proper supporting documentation, it is impossible to know whether any payments which were lacking an invoice were in violation of Anti-Donation Laws. No payments with supporting documentation appeared to be in violation of Anti-Donation Laws.
- Board members are being reimbursed at rates which are in excess of the Per Diem Act.

The exceptions are noted in Finding 2010-006 – Purchase Orders and Payment Authorization and Finding 2010-007 – Improper Payments for Board Members.

b. The District does not have a budget to identify if disbursements are made in accordance with the budget. Additionally, not all disbursements indicate that a member of the Board has reviewed and approved payments. See Finding 2010-006 – Purchase Orders and Payment Authorization.

c. During our review of procedures related to the Procurement Code, we noted no indication of a bid being performed or the District even obtaining quotes prior to purchasing a Kubota tractor which cost over $40,000. See Finding 2010-008 – Failure to Obtain Necessary Bid.

5. Journal Entries

Procedures:

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:

a. Journal entries appear reasonable and have supporting documentation.

b. The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

Results:

a. We reviewed the records to identify any manual journal entries for the period January 01, 2011 through December 31, 2011. As the District had no general ledger to provide us for 2011, we were unable to identify if any journal entries were recorded. See Finding 2010-009 – Improper Control over Journal Entries.

b. The District does not have a policy that requires secondary review of journal entries by the Board or officers of the Board, and discussions with the president indicate that this did not occur. See Finding 2010-009 – Improper Control over Journal Entries.

6. Budget

Procedures:

Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:

a. Verify, through a review of the minutes and correspondence, that the original budget and subsequent budget adjustments were approved by the local public body's governing body and DFA-LGD.

b. Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.

c. From the original and final approved budgets and general ledger, prepare a schedule of revenues and expenditures – budget and actual on the budgetary basis used by the local public body (cash, accrual or modified accrual basis) for each individual fund.

Results:

a. The District did not prepare a budget for submittal to the DFA-LGD. See Finding 2010-002 – Submission of Required Budgets and Reports to the Department of Finance and Administration (DFA).

b. We reviewed all expenditures and determined that the District did exceed its budgetary level of control as it didn't prepare and file a budget and was not in compliance with State guidelines. See Finding 2010-002 – Submission of Required Budgets and Reports to the DFA.

c. As the District has no general ledger, trial balance, or adopted budget in 2011, we have not prepared a Schedule of Revenues and Expenses – Budget and Actual (Non-GAAP Budgetary Basis).

Other

Procedures:

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10(I)(3)(C) NMAC.

Results:

During 2011, we didn't identify any fraud, illegal acts, noncompliance, or any internal control deficiencies other than those identified in the Schedule of Findings and Responses.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the District's cash and capital assets as of December 31, 2011 and the District's revenue, expenditures, and budget for the year ended December 31, 2011. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, others within the District, the State Auditor, the New Mexico Legislature, and the Department of Finance Administration (DFA) and is not intended to be and should not be used by anyone other than these specified parties.

Manning Accounting and Consulting Services, LLC

Manning Accounting and Consulting Services, LLC
Kirtland, New Mexico
March 07, 2017

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
LOWER ANIMAS COMMUNITY DITCH
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011

2010- 001 – Bank Reconciliation Procedures (Repeated and Revised)

Criteria: In accordance with proper accounting procedures and 2.20.5.8 NMAC, we were not able to verify that Lower Animas Community Ditch (District) was completing their reconciliations in a timely manner. A timely reconciliation of bank accounts is normally considered to be completed within 30 days of month end. Also, bank reconciliations should be reviewed and signed and dated by someone other than the individual completing the bank reconciliations.

Condition: The District did have copies of all bank reconciliations for review. We may assume that the accountant may have been completing the reconciliations in a timely manner as the printouts were date and time stamped. According to the time stamp, they were completed timely. However, they are not signed by the accountant or a member of the board. Additionally, discussion with personnel who were members of the Board in 2011 revealed that the reconciliations were not being reviewed by anyone other than the accountant who was responsible for preparing them.

Cause: The District did not think about the need to review bank statements and reconciliations.

Effect: The District is unable to document that reconciliations are reviewed timely by a member of the Board. Even after the fact that the accountant was able to embezzle $33,379.02 over a four month period in 2010 without members of the District being aware of the theft, tighter controls over review of the bank reconciliations did not occur subsequent to the embezzlement.

Auditor's Recommendation: We recommend that all cash reconciliations be signed and dated by the individual performing the reconciliations and that they also be signed and dated by a member of the board to verify secondary review of the bank reconciliations. We recommend that these reconciliations and review of reconciliations occur within 30 days of month-end.

Responsible Official's Plan:

- Specific corrective action plan for finding:

We will ensure that reconciliations are done in a timely manner as recommended by the auditor. A commissioner will review and place a signature and date on each reconciliation.

- Timeline for completion of corrective action plan:

April 2017

- Employee position(s) responsible for meeting the timeline:

Bookkeeper and Chairman, Secretary, or Treasurer

STATE OF NEW MEXICO
LOWER ANIMAS COMMUNITY DITCH
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011

2010- 002 – Submission of Required Budgets and Reports to the Department of Finance and Administration (DFA) Repeated and Revised)

Criteria: Section 6-6-2 NMSA 1978 establishes that local public bodies submit a budget and periodic financial reports, at least quarterly. State guidelines also require that expenditures not exceed the final budget at the legal level of budgetary control.

Condition: Lower Animas Community Ditch (District) did not create an annual budget nor file the budget or quarterly and year-end financial reports with the DFA – Local Government Division. As such, all expenditures for the year were in excess of their legal budgetary authority.

Cause: The District was unaware that they were required to establish a budget and file quarterly and year-end reports with DFA – Local Government Division.

Effect: The District is not in compliance with 6-6-2 NMSA 1978

Auditor's Recommendation: We recommend that the District adhere to state statutes and establish budgets and file quarterly and year-end financial reports accurately and timely with the DFA – Local Government Division.

Responsible Official's Plan:

- Specific corrective action plan for finding:

We will meet the timeline for submission for future budgets, quarterly reports, and year-end report.

- Timeline for completion of corrective action plan:

Begin by April 30, 2017

- Employee position(s) responsible for meeting the timeline:

Bookkeeper, Chairman, and Treasurer

STATE OF NEW MEXICO
LOWER ANIMAS COMMUNITY DITCH
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011

2010- 003 – Annual Physical Inventory and Asset Classifications (Repeated and Revised)

Criteria: In accordance with proper accounting procedures and 2.20.1.16 NMAC, Lower Animas Community Ditch (District) should complete an annual "physical inventory … recorded in a written inventory report, certified as to correctness and signed by the governing authority of the agency." Per 2.20.1.9 NMAC, it is recommended that fixed assets be classified in various categories, i.e., land, land improvements, buildings and structures, etc.

Condition: The District did not do a physical inventory which was detailed and certified by the Board for the year ended December 31, 2011.

Cause: The District was unaware of the requirement to perform an annual physical inventory that is certified by its Board.

Effect: The District is not in compliance with state statutes with regards to completing an annual physical inventory that is certified by the Board.

Auditor's Recommendation: We recommend that the District record its assets in a detail register and complete an annual physical inventory which will be certified by the Board at its annual meeting to be in compliance with state statutes.

Responsible Official's Plan:

- Specific corrective action plan for finding:

We will complete an accurate and timely inventory list and meet and approve that inventory listing upon completion of the inventory.

- Timeline for completion of corrective action plan:

March 31, 2017

- Employee position(s) responsible for meeting the timeline:

Chairman

STATE OF NEW MEXICO
LOWER ANIMAS COMMUNITY DITCH
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011

2010- 004 – No General Ledger (Repeated)

Criteria: According to 2.20.5.8 NMAC:

Statute requires that the administrative head of each agency ensure that the model accounting practices, established by the division, are followed. In order to ensure that model accounting practices are followed, it is incumbent upon the agency head to carry out the responsibilities of the chief financial officer, outlined in Subsection C of 2.20.5.8 NMAC.

C. It is the responsibility of the chief financial officer to ensure that:

(1) an internal control structure exists at the state agency and is functioning properly.

(2) all transactions are recorded daily in the agency's accounting records.

(3) all transactions are properly classified in the agency's records.

(4) cash account records are reconciled timely each month to the division's reports and to the state treasurer's reports.

(5) all transactions comply with federal and state law.

(6) all expenditures have a public benefit or purpose, are necessary, and are consistent with the appropriation, the expenditure authority from the legislature and comply with Section 6-5-3 NMSA 1978, as amended.

(7) all accounting systems, including subsidiary systems, are recording transactions timely, completely, and accurately.

(8) all payments to vendors are accurate, timely and the state agency has certified they are for services rendered or goods received in accordance with Section 13-1-158 NMSA 1978, as amended.

(9) all information requested by the division from the state agency is provided timely and accurately.

(10) all reporting of financial information must be timely, complete and accurate, to the state agency's management and to oversight agencies and entities.

(11) the state agency's annual financial statement audit is completed by the deadline established by the state auditor and the audit report includes an unqualified opinion.

(12) a budgetary control system, approved by the state budget division of the department of finance and administration, is in place and functioning.

Condition: The District was unable to provide any general ledger or trial balance for 2011. As such, we were unable to trace expenditures or revenues to the general ledger.

Cause: The District had another software system in 2011 which was no longer in use, and no hard copies of the general ledger and trial balance were maintained in the District's records. The District was able to provide us a year-end copy of the general ledger or trial balance.

Effect: We are unable to verify the accuracy of the information in 2011.

Auditor's Recommendation: We recommend that the District maintain proper records of each year of operation. If the District, or the District's accountant, changes software, we recommend that hard copies be printed out and maintained for future reference of all general ledgers, trial balances, and year-end financial statements.

2010- 004 – No General Ledger (Repeated) (continued)

Responsible Official's Plan:

- Specific corrective action plan for finding:

We will make sure proper records are kept.

- Timeline for completion of corrective action plan:

March 2017

- Employee position(s) responsible for meeting the timeline:

Bookkeeper

2010-006 – Purchase Orders and Payment Authorization (Repeated and Revised)

Criteria: In accordance with proper accounting procedures and 1.4.1 NMAC purchases of goods and services should be preceded with the issuance of a purchase order to encumber the funds. Additionally, sound accounting practices require proper segregation of duties, proper receiving procedures, proper documentation for payments, and proper authorization of expenditures.

Condition: Lower Animas Community Ditch (District) does not issue purchase orders before expending funds. Therefore, all expenditures are not in compliance with state guidelines. Additionally, the District does not have a formal receiving or authorization for payment policy. During our review of disbursements we identified the following issues:

- There were no invoices or other supporting documentation to support the District's payment in 17 of 44 disbursements tested. These payments ranged between $15.00 and $5,100.00
- There was no indication on the invoices or other supporting documentation that a member of the Board had reviewed the invoice and approved its payment in 15 of the 44 disbursements tested. The value of these goods and services ranged between $30.00 and $5,100.00
- There was no general ledger provided for 2011 to verify that all disbursements were properly recorded in the general ledger.

Cause: The District was unaware of the state purchasing guidelines affecting local public bodies which require the issuance of a purchase order prior to committing or expending funds. Additionally, the District has no policy which requires a member of the board to review and authorize payments. Additionally, many payments are to board members or the ditch rider for payment of time working on the ditch or for reimbursement for mileage or other costs. However, there are no contracts, time cards, etc. to support these payments.

Effect: The District is not in compliance with state regulations regarding purchases with regards to issuance of purchase orders. Funds are not being encumbered prior to purchase. Additionally, a formal receiving process is not performed by the District whereby an authorized official signs and dates invoices indicating products or services have been received and are authorized for payment. This could lead to payments for products or services which haven't been received or that are not properly completed or authorized by the Board.

Auditor's Recommendation: We recommend that the District begin issuing purchase orders for all purchases. We also recommend that an authorized official sign and date all invoices for products and services indicating that the invoice is "OK to pay" and that all payments have a proper invoice on file. This will provide assurance that an authorized individual is accepting responsibility for the products and services provided to the District. Finally, we recommend that the rates for compensating board members, the ditch rider, or other be put in writing and that when changes occur to the rate that the agreement be amended. If payments are made on an hourly basis, a time card should be maintained which is signed by the individual and maintained as support for the payment.

Responsible Official's Plan:

- Specific corrective action plan for finding:

We will begin issuing purchase orders for all future purchases.

- Timeline for completion of corrective action plan:

March 2017

- Employee position(s) responsible for meeting the timeline:

Chairman

2010- 007 – Improper Payments for Board Members (Repeated)

Criteria: The Travel and Per Diem regulations at 2.42.2.8 NMAC establish the following guidelines with regards to payment to members of boards for attendance at meetings:

2.42.2.8 PER DIEM RATES PRORATION:

C. **Board, commission and committee members: Nonsalaried public officers may receive per diem as follows:**

(1) **Official board, commission and committee meetings:**

(b) **Local nonsalaried public officers:** Nonsalaried public officers of the state may elect to receive either:

(i) $95.00 per meeting day for attending each board or committee meeting; or

(ii) per diem rates in accordance with subsection B of this Section provided that the local governing body has not established a lesser rate.

(3) **Members serving in dual capacities:** Nonsalaried public officers who also serve as public officers or employees of state agencies or local public bodies may receive mileage or per diem rates from only one public entity for any travel or meeting attended. Furthermore, nonsalaried public officers who are also public officers or employees may not receive per diem rates for attending meetings held in the place of their home or at their designated posts of duty unless they are on leave from their positions as public officers or employees. Local public bodies may adopt regulations with respect to the receipt of per diem rates by employees or officers of local public bodies who also serve on commissions subject to this rule.

Condition: The District has established a $100 per month stipend to members of their board for their duties and attendance at monthly board meetings. This stipend may also be received if that board member is also salaried to work for the District. This stipend is provided to the board member whether a meeting was attended during the month or not.

Cause: The District was unaware of the limits and guidelines established for payment of board members for fulfilling the requirements of their position on the board.

Effect: The District is improperly paying its board members in amounts that exceed state established limits.

Auditor's Recommendation: We recommend that the District change its reimbursement policy to include only $95.00 per meeting and only pay the amount in months where the board member has attended the established meeting. In months where more than one meeting is held, the District may reimburse the members for each meeting. If the District has a member who is also employed by the District, then the District needs to establish a policy as to whether this member may be paid the salary and/or the meeting stipend. Per guidelines, this individual may not receive both unless specifically established by the local public body.

Responsible Official's Plan:

- Specific corrective action plan for finding:

We will comply with 2.42.2.8. Payments have been reduced to the legal limit of $95 per meeting.

- Timeline for completion of corrective action plan:

March 2017

- Employee position(s) responsible for meeting the timeline:

Chairman

2010- 008 – Failure to Obtain Necessary Bid (Repeated and Revised)

Criteria: The State Procurement Code, 1.4.1 NMAC has the following requirements:

1.4.1.15 COMPETETIVE SEALED BIDS REQUIRED: All procurement shall be achieved by competitive sealed bids except procurement achieved pursuant to the following methods:

A. competitive sealed proposals;
B. small purchases;
C. sole source procurement;

1.4.1.50 SMALL PURCHASES OF $5,000 OR LESS: A state agency may procure services, construction or items of tangible personal property having a value not exceeding five thousand dollars ($5,000) by issuing a direct purchase order to a contractor based upon the best obtainable price.
[1.4.1.50 NMAC – Rp, 1.4.1.50 NMAC, 09-30-05]

1.4.1.51 SMALL PURCHASES OF ITEMS OF TANGLIBLE PERSONAL PROPERTY, CONSTRUCTION AND NONPROFESSIONAL SERVICES:

A. Quotation to be obtained. Insofar as it is practical for small purchases of nonprofessional services, construction or items of tangible personal property having a value exceeding five thousand dollars ($5,000) but not exceeding twenty thousand dollars ($20,000), no fewer than three businesses shall be solicited to submit written quotations that are recorded and placed in the procurement file. If three written quotes cannot be obtained, the agency shall document the reasons and include the document in the procurement file. Such notations as "does not carry" or "did not return my phone call" do not qualify as a valid quotation.

B. Disclosure. Prior to award, the contents of any response to a quotation shall not be disclosed to any other business from which the same request for quotation is also being solicited.

C. Award. Award shall be made to the business offering the lowest acceptable quotation.

D. Records. The names of the business submitting quotations and the date and the amount of each quotation shall be recorded and maintained as a public record.
[1.4.1.51 NMAC – Rp, 1.4.1.51 NMAC, 09-30.-05]

Condition: The District had repair work done by Edco Construction which totaled $14,154.79. No quotations were obtained from three separate companies before the work was done.

Cause: The District was unaware of the requirement that it obtain three quotes for services which exceed $5,000 but which don't exceed $20,000.

Effect: The District is not in compliance with the State Procurement Code.

Auditor's Recommendation: We recommend that the District learn the requirements of the state purchasing regulations. Included in these requirements are specific dollar levels which require three quotes ($5,000 to $20,000) and dollar thresholds which require formal bids (over $20,000).

Responsible Official's Plan:

- Specific corrective action plan for finding:

We will come into compliance with the purchasing requirements by obtaining quotes and bids when estimated costs exceed the statutory requirements.

- Timeline for completion of corrective action plan:

March 2017

- Employee position(s) responsible for meeting the timeline:

Chairman

STATE OF NEW MEXICO
LOWER ANIMAS COMMUNITY DITCH
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011

2010- 009 – Improper Control over Journal Entries (Repeated)

Criteria: Good accounting procedures require that all manual journal entries should have proper supporting documentation and be reviewed by at least two individuals who should sign and date the journal entry. This should be performed in order to detect errors and to prevent improper movement of funds. This provides an internal deterrent to errors, fraud, and misappropriation of assets.

Condition: The District could provide no journal entries or supporting documentation for journal entries recorded during the 2011 fiscal year. Additionally, per discussion with the board president, review of journal entries is not a procedures performed by the District and no policy has been established to do so.

Cause: The necessity to review journal entries is not an item which the board has ever considered.

Effect: The District has no internal control which would deter the accountant from performing journal entries which have no valid reason for entry. This leaves the District open to errors, fraud, and misappropriation of assets, something the District experienced during the past.

Auditor's Recommendation: We recommend that the District ensure that all manual journal entries have additional supporting documentation which identifies the amounts and reasons for the journal entries. These journal entries should be printed, signed and dated by the individual performing the journal entry, and maintained for further review. Additionally, a member of the board should review each journal entry on a timely basis and sign and date the journal entry as well.

Responsible Official's Plan:

- Specific corrective action plan for finding:

We will establish proper procedures for supporting documentation with regards to journal entries. We will also begin reviewing, signing, and dating all journal entries.

- Timeline for completion of corrective action plan:

March 2017

- Employee position(s) responsible for meeting the timeline:

Bookkeeper and member of the Board

2010-010 – Late Submission of IPA Recommendation Form and Agreed-Upon Procedures Contract (Repeated)

Criteria: 2.2.2.8(B)(6)(c) NMAC requires local public bodies that qualify for the tiered system pursuant to Subsections A and B of 2.2.2.16 NMAC to follow the procedures at Subsection D of 2.2.2.16 NMAC and submit the required recommendation for tiered system local public bodies and the completed signed agreed upon procedures contract to the state auditor by December 1st.

Condition: Lower Animas Community Ditch (District) did not complete this process in a timely manner.

Cause: The District was unaware that they were required to select an IPA and complete an agreed-upon procedures contract. As such, they did not meet the December 1, 2010 deadline.

Effect: The submission of the form and the contract to the State Auditor was late.

Auditor's Recommendation: We recommend that the District complete the IPA recommendation form and agreed-upon procedures contract by the statutory deadline.

Responsible Official's Plan:

- Specific corrective action plan for finding:

We will comply with the New Mexico Tier reporting requirements and perform the completion of IPA recommendation forms and agreed upon procedures contract as required.

- Timeline for completion of corrective action plan:

November 2017

- Employee position(s) responsible for meeting the timeline:

Chairman

STATE OF NEW MEXICO
LOWER ANIMAS COMMUNITY DITCH
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011

2010-011 – Late Submission of Agreed-Upon Procedures Report (Repeated)

Criteria: 2.2.2.9 NMAC requires local public bodies that qualify for the tiered system pursuant to Subsections A and B of 2.2.2.16 NMAC and have a fiscal year-end other than June 30th to file their agreed-upon procedures report according to Subsection H of 2.2.2.16 NMAC which is no more than five months after the fiscal year-end (June 1st).

Condition: Lower Animas Community Ditch (District) did not complete the agreed-upon procedures report in a timely manner.

Cause: The District was unaware that they were subject to the Audit Rule and required to submit an agreed-upon procedures report. As such, they did not meet the June 1, 2011 deadline.

Effect: The submission of the agreed-upon procedures report to the State Auditor was late.

Auditor's Recommendation: We recommend that the District complete the agreed-upon procedures report by the June 1st deadline.

Responsible Official's Plan:

- Specific corrective action plan for finding:

We will complete all agreed upon Tier system reports as required by the State of New Mexico. The Lower Animas Community Ditch fiscal year is from January 1st through December 31st each year, all proper tiered system reports will be filed accordingly as per New Mexico State requirements.

- Timeline for completion of corrective action plan:

March 2017

- Employee position(s) responsible for meeting the timeline:

Chairman

STATE OF NEW MEXICO
LOWER ANIMAS COMMUNITY DITCH
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011

Prior Year Findings:

2010-001 – Bank Reconciliation Procedures – Repeated and Revised
2010-002 – Submission of Required Budgets and Reports to the Department of Finance and Administration (DFA) – Repeated and Revised
2010-003 – Annual Physical Inventory and Asset Classifications – Repeated and Revised
2010-004 – No General Ledger or Financial Statements – Repeated
2010-005 – Lack of Supporting Documentation for Deposits – Resolved
2010-006 – Purchase Orders and Payment Authorization – Repeated and Revised
2010-007 – Improper Payments for Board Members – Repeated
2010-008 – Failure to Obtain Necessary Quotes – Repeated and Revised
2010-009 – Improper Control over Journal Entries – Repeated
2010-010 – Late Submission of IPA Recommendation Form and Agree-Upon Procedures Contract – Repeated
2010-011 – Late Submission of Agreed-Upon Procedures Report – Repeated
2010-012 – Failure to Notify State Regarding Embezzlement – Resolved

STATE OF NEW MEXICO
LOWER ANIMAS COMMUNITY DITCH
OTHER DISCLOSURES
FOR THE YEAR ENDED DECEMBER 31, 2011

Exit Conference

The contents of this report were discussed on March 07, 2017. The following individuals were in attendance.

Lower Animas Community Ditch
Earnest D. Smith, President
Janet Albin, Treasurer
Gary Ewing, Mayordomo
Geren Tea, Accountant, Chipman & Associates

Manning Accounting and Consulting Services, LLC
Byron R. Manning, Managing Partner