

**STATE OF NEW MEXICO
LOWER ANIMAS COMMUNITY DITCH
INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

DECEMBER 31, 2018



R Shane Chance, CPA PC

State of New Mexico
Lower Animas Community Ditch
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For the Fiscal Year Ended December 31, 2018

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State of New Mexico
Lower Animas Community Ditch
Official Roster
For the Fiscal Year Ended December 31, 2018

Board of Directors

Earnest D. Smith	Chairman
Liza Ewing	Secretary
Kathy Belcher	Treasurer
Gary Ewing	Mayordomo

Other

Jeff Lee	Ditch Rider
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Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Board of Directors
Lower Animas Community Ditch
Aztec, New Mexico
&
Mr. Brian Colón
New Mexico State Auditor
Santa Fe, New Mexico

We have performed the procedures enumerated below, which were agreed to by Lower Animas Community Ditch ("Agency") and New Mexico Office of the State Auditor; (State Auditor), solely to assist the Agency in demonstrating compliance with a Tier 4 entity under the Audit Act, Section 12-5-3 B (6) NMSA 1978 and Section 2.2.2.16 NMAC as of and for the fiscal year ended December 31, 2018. The Agency's management is responsible for the Agency's accounting records to the State Auditor. This 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 the report. 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.

This engagement is to be performed pursuant to the AICPA Statements on Standards for Attestation Engagements (Clarified), AT-C Section 215 for agreed-upon procedures engagement.

1. Verify the local public body's revenue calculation and tier determination documented on the form provided at www.osanm.org under "Tiered System Reporting Main Page."

We used the tiered system reporting worksheet provided by the New Mexico State Auditor's Office to verify the tiered system reporting calculation prepared by the Agency. The Agency had gross operating revenues of \$160,588 for the fiscal year ending December 31, 2018. Revenues between \$50,000 and \$250,000 require Tier 4 agreed upon procedures.

2. Cash

- 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.

The Agency had copies of all bank statements and reconciliations on hand for review. All bank statements except for November 2018 indicated they had been reviewed by at least one member of the board by form of a dated signature on the cover page of the statement. November had no signature approving the reconciliation, and had no date of reconciliation so we cannot verify whether it was timely. Generally, a reconciliation is considered timely if it is completed within 30 days of the end of the period. In addition to November, the bank statement for February 2018 was not completed in a timely manner. See finding 2018-001.

To the Board of Directors
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Santa Fe, New Mexico

- b) Test at least 30% of the bank reconciliations for accuracy. Also trace ending balances to the general ledger, supporting documentation, and the financial reports submitted to DFA-Local Government Division.

We randomly selected six (6) bank reconciliations (months) for review of accuracy and comparison to the general ledger and bank statements balances. In performing the testing, we discovered that of the six reconciliations tested, only three agree with the general ledger. February, July, and October's reconciliations do not agree to the general ledger. The differences range from \$87.73 to \$1,824.53. See finding 2018-002.

- c) Determine whether the local public body's financial institutions have provided it with 50% pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

We reviewed each month's ending bank balance to determine whether there was sufficient pledged collateral on all uninsured deposits. The FDIC insured limit of \$250,000 was not exceeded during the 2018 year and no exceptions are necessary.

3. Capital Assets

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

The Agency performs an annual inventory before they submit documents for their AUP report to be completed. Per Section 12-6-10 NMSA 1978, the Agency must conduct a physical inventory "at the end of each fiscal year". This year the inventory report was reviewed and signed on August 20th, 2019. See finding 2010-003.

4. Revenue

Identify the nature and amount of revenue from all 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.

We reviewed all types of revenue collected by the Agency, which consisted of membership fees and interest income, and tested it against budgeted revenue. The Agency's revenue from membership fees exceeded budgeted by \$14,185.92. The increase was due to discovering members who were not paying their fees. In addition, \$29.20 of interest income was received, which the Agency did not include in the budget.

Select a sample of revenue equal to at least 30% of the total dollar amount and test the following

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&
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New Mexico State Auditor
Santa Fe, New Mexico

attributes:

- b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.

We reviewed a random sample of twenty-six (26) cash receipts to create a sample that is representative of the population of revenues. The sample totaled 46% of the total dollar amount of revenues, exceeding the 30% minimum by 16%. These deposits were agreed to supporting documentation including bank deposit receipts, deposit tickets, and the general ledger without exception.

- 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.

In testing the above deposits, we ensured that the revenues recorded were properly classified, and were recognized in the correct amount and period respectively.

5. Expenditures

Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test the following attributes:

- a) Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that the amount, payee, date and description agree to the vendor's invoice, purchase order, contract and canceled check, as appropriate.

We randomly selected 90 cash disbursements which totaled 36% of the total dollar amount. We traced all expenditures to corresponding bank statements, invoices, and checks. Of the 90 disbursements tested, 12 had no corresponding invoice to support them, which totals \$1,800 with no invoice support. Six of these 12 were rent payments that totaled \$1,500 which the Agency could not produce a rent agreement or other form of invoice upon request. The remaining six unsupported expenditures consisted solely of reimbursements to employees for business use of personal phones. See finding 2010-006.

- b) Determine that the disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

The Agency budgeted for \$146,373 in expenses and expended only \$114,008.45, thus being under budget by \$46,579.36. The Agency created a budget and approved in on May 15th, 2018 which is later than the due date for the 2018 calendar year budget of December 2017. Quarterly and Final budgets were not submitted. See finding 2010-002.

- 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

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New Mexico State Auditor
Santa Fe, New Mexico

and Mileage Act (2.42.2 NMAC).

In performing the procedures related to the New Mexico Procurement Code no violations or exceptions were found except for those mentioned previously in 5.

Note: The sample must be representative of the population.

6. Journal Entries

Test all non-routine journal entries, adjustments, and reclassifications posted to the general ledger for the following attributes:

- a) Journal entries appear reasonable and have supporting documentation.

Journal entries consisted of payroll journal entries that were automated by the Agency's software to record payroll and payroll deposits, and manual journal entries, which are mostly used to record member fees and the corresponding receivables. Billing and tracking of payments are performed in another software, and the manual journal entries are used to record those entries in the Agency's QuickBooks files. They appear to be reasonable, but the Agency has no supporting documentation for them. See finding 2010-009.

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

The journal entries were reviewed and approved by the mayordomo of the Agency in 2019, which is considered late due to being long after the journal entries were posted and the fiscal year. See finding 2010-009.

7. Budget

Obtain the original fiscal year budget and all budget adjustments made throughout the fiscal year and perform the following test work:

- 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.

The Agency prepared a budget for the 2018 year in May of 2018 to submit to the DFA-LGD. The final budget was discussed and approved by the Agency's board as presented in the May 2018 meeting minutes, and was submitted and approved in June 2018. However, this was submitted after the due date for the budget, no adjustments were made throughout the year, and not all quarterly reports were submitted to the DFA-LGD during 2018. See finding 2010-002.

- b) Determine whether the total actual expenditures exceeded the final budget at the legal level of budgetary control; if the answer is yes, report a compliance finding.

After reviewing the expenditures for 2018, we have determined that the Agency did not exceed the budgetary level of control and no exceptions were found.

- c) From the original and final approved budgets and general ledger, prepare a schedule

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&
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New Mexico State Auditor
Santa Fe, New Mexico

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.

A schedule of revenues and expenditures – budget and actual was prepared on the budgetary basis and is included on page 7 of the report.

8. Other

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 all required content detailed in Section 2.2.2.10(L) NMAC.

In testing the expenditures sample, we discovered that the IRS 943 payment deposits are not being deposited in accordance with the Agency’s depositor schedule and several months were deposited late. No other fraud, illegal acts, noncompliance, or internal control deficiencies other than those previously noted were identified during 2018. See Finding 2018-003.



We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression an opinion or conclusion, respectively, on the Tier Verification, Cash, Capital Assets, Revenue, Expenditures, Journal Entries, Budget, and Other matters of the Agency as of and for the year ended December 31, 2018, included in the accompanying information provided to us by management of the Agency. Accordingly, we do not express such an opinion or conclusion. 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 Lower Animas Community Ditch, the New Mexico State Auditor’s Office, the State of New Mexico, the Department of Finance and Administration – Local Government Division, and the New Mexico Legislature and is not intended to be, and should not be, used by anyone other than the specified parties.

R. Shane Chance CPA
Aztec, New Mexico
November 15, 2019

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To Management
Lower Animas Community Ditch
PO Box 404
Aztec, NM 87410

Management is responsible for the accompanying financial statements of Lower Animas Community Ditch (an acequia), which comprise the statement of financial position as of December 31, 2018, and the related statement of activities and change in net assets, and statement of activities and change in net assets (budget to actual) for the year then ended.

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services (SSARS) promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles and the statement of cash flows. If the omitted disclosures and cash flows were included in the financial statements, they might influence the user's conclusions about the Agency's assets, liabilities, net assets, revenues and expenses, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters. These omissions result in the financial statements being presented on a basis of accounting other than GAAP.

R. Shane Chance CPA, PC
Aztec, New Mexico
November 15, 2019

State of New Mexico
Lower Animas Community Ditch
Statement of Revenues and Expenses - Budget and Actual
Non-GAAP Budgetary Basis
For the Year Ended December 31, 2018

Exhibit A

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Water assessments	\$ 146,373	\$ 146,373	\$ 160,559	\$ 14,186
Interest Income	-	-	29	29
New Mexico audit assistance	-	-	-	-
<i>Total revenue</i>	<u>146,373</u>	<u>146,373</u>	<u>160,588</u>	<u>14,215</u>
Expenses				
Payroll expenses	65,073	65,073	65,339	(266)
Contract labor	4,000	4,000	2,685	1,315
Repairs & maintenance	1,000	1,000	538	462
Equipment fuel	1,300	1,300	1,999	(699)
Equipment rental	500	500	58	442
Field supplies	500	500	2,191	(1,691)
Accounting	9,100	9,100	9,029	71
Legal & professional fees	5,000	5,000	10,706	(5,706)
Auto expense reimbursement	7,000	7,000	4,381	2,619
Commissions	3,600	3,600	-	3,600
Dues & subscriptions	40	40	50	(10)
Interest Expense	960	960	61	899
Insurance	7,000	7,000	10,161	(3,161)
Office supplies	300	300	458	(158)
Licensing & fees	1,500	1,500	179	1,321
Postage expense	700	700	162	538
Miscellaneous expenses	2,200	2,200	335	1,865
Telephone	1,200	1,200	1,426	(226)
Training & education	100	100	-	100
Rent	4,200	4,200	4,250	(50)
Uncollected water assessments	2,500	2,500	-	2,500
Capital projects	8,600	8,600	-	8,600
<i>Total expenses</i>	<u>126,373</u>	<u>126,373</u>	<u>114,008</u>	<u>(12,365)</u>
Loans				
Debt principal payments	20,000	20,000	20,000	-
<i>Total Loans</i>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
<i>Total Expenses & Loans</i>	<u>146,373</u>	<u>146,373</u>	<u>134,008</u>	<u>(12,365)</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,580</u>	<u>\$ 26,580</u>

SUSANA MARTINEZ
GOVERNOR



DUFFY RODRIGUEZ
CABINET SECRETARY

RICK LOPEZ
DIRECTOR

JOLENE SLOWEN
DEPUTY DIRECTOR

STATE OF NEW MEXICO
DEPARTMENT OF FINANCE AND ADMINISTRATION
LOCAL GOVERNMENT DIVISION

Bataan Memorial Building ♦ 407 Galisteo St. ♦ Suite 201 ♦ Santa Fe, NM 87501
PHONE (505) 827-4950 ♦ FAX (505) 827-4948

June 26, 2018

Earnest D. Smith,
President
Lower Animas Community Ditch
P.O. Box 404
Aztec, NM 87410

Dear Mr. Smith:

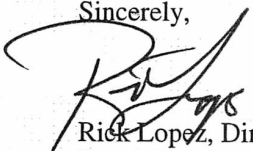
The final budget for your local government entity for Calendar Year 2018, as approved by your governing body, has been examined and reviewed. The Department of Finance and Administration, Local Government Division (LGD) finds it has been developed in accordance with applicable statutes and budgeting guidelines, and sufficient resources appear to be available to cover budgeted expenditures. In addition, the Tiered System rule, 2.2.2.16 NMAC, requires that your entity's Agreed Upon Procedures for Calendar Year 2016 should have been submitted to the Office of the State Auditor as of this time. The LGD's information indicates that you are in compliance with this requirement. Therefore, in accordance with Section 6-6-2(E) NMSA 1978, the LGD certifies your entity's final Calendar Year 2018 budget.

Budgets approved by the LGD are required to be made a part of the minutes of your governing body in compliance with Section 6-6-5 NMSA 1978. In addition, Section 6-6-6 NMSA 1978 provides that the approved budget is binding on local officials and governing authorities, and any official or governing authority approving claims or paying warrants in excess of the approved budget or available funds will be liable for the excess amounts. Furthermore, state statute requires all revenue sources be expended only for public purposes, and if applicable, in accordance with the Procurement Code, Chapter 13, Article 1, NMSA 1978. Use of public revenue is also governed by Article 9, Section 14 of the Constitution of the State of New Mexico, commonly referred to as the anti-donation clause.

Finally, as required by Section 6-6-2(H), NMSA 1978, LGD is required to approve all budget increases and transfers between funds not included in the final approved budget.

If you have any questions regarding this matter, please call Tom Dixon of my staff at 505-827-8059.

Sincerely,



Rick Lopez, Director
Local Government Division

xc: file

Exhibit B

LOWER ANIMAS COMMUNITY DITCH
 PO BOX 404
 AZTEC, NM 87410
 (505) 215-2907

LOWER ANIMAS COMMUNITY DITCH 2018 PROPOSED BUDGET

EXPENDITURES:

Equipment Fuel	1,300.00
Equipment Maintenance	1,000.00
Supplies / Field	500.00
Ditch Rider Salary	47,678.70
Equipment Rental	500.00
Part-Time Labor	1,493.99
Transportation	7,000.00
Debt Service - Principal	20,000.00
Debt Service - Interest	960.00
Equipment Machinery	4,000.00
Uncollected Water Assessments	2,500.00
Project 3. Head Gate	1,000.00
Project 4. Sluice Gate	1,000.00
Project 5. Sluice Gate	1,000.00
Project 6. Sluice Gate	1,000.00
Project 7. Lovers Lane	2,600.00
Project 8. Silt Fence	2,000.00
Taxes - FICA	3,800.00
Mayordomo Salary	6,000.00
Manager Salary	3,600.00
Sub Total	108,932.69

INCOME SOURCE:

City of Aztec (181.22)	8,189.90
City of Aztec (233.65)	17,392.91
City of Aztec (1.00)	80.00
Sub Total	25,662.81
466 x 80 =	37,280.00
1152 x 45 =	51,840.00
Golf Course	2,610.00
Sub Total	117,392.81
Past Due Assessments	13,000.00
Special Assessment	3,339.88
Joe Hartman Lots	12,640.00
Sub Total	146,372.69

EXPENDITURES:

Office Supplies	300.00
Insurance	7,000.00
Postage	700.00
Subscriptions / Dues	40.00
Training	100.00
AUP or Audit	3,300.00
PS - Attorney	5,000.00
PS - Design	
Commission	3,600.00
Miscellaneous	2,200.00
Insurance - Ditch Rider	
Rent	4,200.00
Accounting	5,800.00
Telephone	1,200.00
Secretary Salary	2,500.00
License Fees & Permits	1,500.00
Sub Total	37,440.00
TOTAL	146,372.69

INCOME SOURCE:

TOTAL	146,372.69
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Approved by the Lower Animas Community Ditch Board Members on May 15, 2018.

Earnest D. Smith, President

Gary Ewing, Mayordomo

Kathy Belcher, Treasurer

Liza Ewing, Secretary

Earnest D. Smith
Gary Ewing
Kathy Belcher
Liza Ewing

STATE OF NEW MEXICO
 LOWER ANIMAS COMMUNITY DITCH
 STATUS OF PRIOR YEAR FINDINGS
 YEAR ENDED DECEMBER 31, 2018

Prior Year Findings:

Description	<u>Type of Finding</u>	<u>Current Year Finding Number</u>	<u>Prior Year Finding Number</u>
Current Year Findings:			
Submission of Required Budgets and Reports to DFA	D	2019-001	2010-002
Annual Physical Inventory and Asset Classification	D	2019-002	2010-003
Purchase Orders and Payment Authorization	D	2019-003	2010-006
Improper Control Over Journal Entries	D	2019-004	2010-009
Late Submission of IPA Form and AUP Contract	D	2019-005	2010-010
Bank Reconciliation – Timeliness and Approval	C	2018-001	
Bank Reconciliation - Accuracy	C	2018-002	
Internal Controls Over Payroll Tax Deposits	C	2018-003	

- **LEGEND FOR FINDINGS:**
 - A. Fraud
 - B. Illegal Act(s)
 - C. Internal Control Deficiency(ies)
 - D. Noncompliance

STATE OF NEW MEXICO
LOWER ANIMAS COMMUNITY DITCH
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2018

2019-001 (2010-002) Submission of Required Budgets and Reports to DFA – Compliance (Repeat)

Condition

The Agency created their final budget in May of 2018. Although the budget and final budget reports were approved by the Department of Finance – Local Government Division, they were submitted later than the statutory due date of January 31st, 2018. In addition, the Agency did not file all quarterly reports in 2018 by their respective deadlines and did not fulfill last year's corrective action plan.

Criteria

Section 6-6-2 NMSA 1978 requires each local public body to “file with the division, on or before June 1 of each year, a proposed budget for the next fiscal year”, as well as file periodic financial reports at least quarterly.

Cause

Lack of compliance is due to the Agency being unaware of the requirements in prior years. Although the Agency has improved since the final year and submitted a budget this year, they still need to continue making changes to ensure that their budget is submitted timely and quarterly and final reports are filed.

Effect

The Agency is not in compliance with section 6-6-2 NMSA 1978.

Auditors' Recommendation

We recommend the Agency follow state regulations by establishing budgets earlier and filing quarterly and year-end financial reports accurately and timely with the DFA.

Managements Response

Responsible Official's View:

- **Specific corrective action plan for Finding:**
We will implement controls that ensure a timely review and approval of the annual budgets, as well as quarterly reports submitted to the DFA.
- **Timeline for completion of corrective action plan:**
We expect to be in complete compliance with budgetary requirements in by the 2020 calendar year.
- **Employee position(s) responsible for meeting the timeline:**
Bookkeeper, Chairman, Treasurer

STATE OF NEW MEXICO
LOWER ANIMAS COMMUNITY DITCH
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2018

2019-002 (2010-003) Annual Physical Inventory and Asset Classification – Compliance (Repeat)

Condition

Although the Agency performed a board-certified physical inventory, the inventory for 2018 was taken and certified in August of 2019, which is considered late and is not in compliance with state statutes. Though they completed some corrections per the prior year action plan, they did not complete it by December 31, 2018 as indicated in the prior year plan.

Criteria

Section 12-6-10 NMSA 1978 states that the Agency must conduct a physical inventory “at the end of each fiscal year”.

Cause

The inventory report for 2018 was reviewed and signed on August 20th, 2019. This makes the inventory questionable due to a large passage of time between the end of the year the Agreed-Upon Procedures are being applied to and the time the inventory was taken.

Effect

The Agency is not in compliance with the state due to taking inventory late.

Auditors’ Recommendation

The Agency should keep in mind that the annual physical inventory needs to be completed closer to the end of each fiscal year and implement internal controls to ensure it is completed on time.

Managements Response

Responsible Official’s View:

- **Specific corrective action plan for Finding:**
Begin completing the inventory list close to year end to ensure accuracy and compliance.
- **Timeline for completion of corrective action plan:**
December 31, 2019
- **Employee position(s) responsible for meeting the timeline:**
Chairman

STATE OF NEW MEXICO
LOWER ANIMAS COMMUNITY DITCH
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2018

2019-003 (2010-006) Purchase Orders and Payment Authorization – Compliance (Repeat)

Condition

In reviewing the disbursements, we have noted the following in which the proper procedures were not followed:

- In 12 of 90 items tested there were no invoices or purchase order supporting documentation on file. The amounts ranged between \$50 and \$250. The total amount lacking sufficient supporting documentation was \$1,800. These items consisted of rent payments that had no invoice, contract, or rent agreement to support the payments and reimbursements to members for business use of personal phones that had no supporting documentation.
- There were no checks on file to support expenditures from November 2018 that appeared in the sample. The amounts ranged from \$40.32 to \$100 and were missing due to no copy of the original bank statement on file. When we requested an original copy, the Agency could not produce one and could not receive a copy of the original from their bank.

In respect to the prior year action plan, the Agency partially completed corrections but still has not kept invoices on file for some items as described above.

Criteria

Various areas of Section 13 of NMSA 1978 require local public bodies to document or issue purchase orders or invoices for expenditures and good internal control practice expects all expenditures to be able to be traced to an original document and be supported by support such as purchase orders, invoices, and contracts.

Cause

The Agency did not consider the requirement to produce supporting documentation for rent payments and does not have any written contract or policy regarding the phone reimbursement charges.

Effect

The expenditures in question have no supporting documentation or source documents to verify that funds were spent in compliance with state guidelines and increases the Agency's risk of fraud and misappropriation of assets.

Auditors' Recommendation

In the prior year report, the Agency was first informed of the requirement to maintain records of purchase orders and invoices on file. They have greatly improved since the prior year but need to continue to place internal, but need to continue to place policies in place to control the retention and written approval of records, as well as provide written contracts for reoccurring payments such as rent and reimbursement policies.

STATE OF NEW MEXICO
LOWER ANIMAS COMMUNITY DITCH
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2018

2019-003 (2010-006) Purchase Orders and Payment Authorization – Compliance

(Repeat) Continued Managements Response

Responsible Official's View:

- **Specific corrective action plan for Finding:**
We will take greater care in maintaining records so that all are available. In addition, we will write up purchase agreements/contracts to provide documentation for rent payments, employee reimbursements, and other agreements that are made in the future.
- **Timeline for completion of corrective action plan:**
December 31, 2019
- **Employee position(s) responsible for meeting the timeline:**
Chairman

STATE OF NEW MEXICO
LOWER ANIMAS COMMUNITY DITCH
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2018

2019-004 (2010-009) Improper Control Over Journal Entries – Compliance (Repeat)

Condition

The approved journal entries that were produced by the Agency upon request were not dated and were signed in October 2019, indicating that the journal entries were not being reviewed as they were implemented. Additionally, only one of two pages contained a signature, only one signature was present, and no supporting documentation was provided. Because the journal entries have not been reviewed timely, the Agency has not fully progressed with the prior year action plan.

Criteria

Good accounting procedures require all manual journal entries to be properly reviewed, signed, and dated by more than one member of the board and have supporting documentation. This should be performed in order to detect errors and to prevent improper movement of funds, as well as provide an internal deterrent to errors, fraud, and misappropriation of assets.

Cause

The board lacks sufficient internal controls requiring timely review and approval of journal entries to be regularly performed.

Effect

No internal control exists to deter the accountant from performing invalid journal entries. This leaves the Agency vulnerable to errors, fraud, and misappropriation of assets, which is something the Agency has experienced in the past.

Auditors' Recommendation

We recommend that the Agency ensures all manual journal entries have additional supporting documentation which identifies the amount and reason for performing 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 contain signatures from more than one member indicating approval.

Managements Response

Responsible Official's View:

- **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:**
December 31, 2019
- **Employee position(s) responsible for meeting the timeline:**
Bookkeeper and member of the board.

STATE OF NEW MEXICO
LOWER ANIMAS COMMUNITY DITCH
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2018

**2019-005 (2010-010) – Late Submission of IPA Recommendation Form and Agreed-Upon
Procedures Contract (Repeat)**

Condition:

Lower Animas Community Ditch (District) did not submit their contract in a timely manner. There was no change in this area in 2018. This was resolved in prior year but was late again for the year ended December 31, 2018 which indicates that the Agency has not been prudent in keeping track of due dates.

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.

Cause:

The Agency was late in signing a contract because there was a change in the Agency's board chairman and they had to find a new accountant to perform their agreed-upon procedures which took some time.

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.

Management's Response

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:**

December 31, 2019

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

Chairman

STATE OF NEW MEXICO
LOWER ANIMAS COMMUNITY DITCH
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2018

2018-001 Improper Bank Reconciliation – Timeliness and Approval

Condition

We reviewed all 12 months of bank reconciliations for the 2018 year for timeliness performance. We noted that the Agency did not reconcile its February or November 2018 statements in a timely manner. Additionally, the November statement was not signed and dated by a member of the board.

Criteria

Good accounting practice and internal control procedures call for bank reconciliations to be completed within 30 days of the statement date.

Cause

When requesting initial documentation, we received 11 of 12 bank reconciliations from the Agency but did not receive November's reconciliation. Upon request, the bank reconciliation was provided, but it was not an original copy and was generated upon request. Therefore, it had no authorizing signature, no date, and we could not verify whether it had been completed timely. February's bank reconciliation was simply completed late. Both of these findings are due to lack of internal control.

Effect

The result of the lack of controls were bank reconciliations that were untimely and unapproved by the Agency's board.

Auditors' Recommendation

The Agency should implement stronger internal controls to ensure that reconciliations are completed consistently within 30 days and they should take care to keep signed and dated original copies of all 12 bank reconciliations on file.

Managements Response

Responsible Official's View:

- **Specific corrective action plan for Finding:**
We will ensure that all bank reconciliations are completed timely by implementing controls and discussion in board meetings. We will also ensure greater record keeping controls and ensure that no bank statements are lost.
- **Timeline for completion of corrective action plan:**
December 31, 2019
- **Employee position(s) responsible for meeting the timeline:**
Bookkeeper and member of the board.

STATE OF NEW MEXICO
LOWER ANIMAS COMMUNITY DITCH
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2018

2018-002 Bank Reconciliation - Accuracy

Condition

We randomly selected 6 of 12 months of bank statements and corresponding reconciliations then tested the sample for accuracy. The bank reconciliations dated 02/28/2018, 07/31/2018, and 10/31/2018 did not agree to the general ledger ending balance for those months, respectively.

Criteria

Tier 4 Agreed-Upon Procedures require that we test at least 30% of bank reconciliation's for accuracy by tracing ending balances to the general ledger and other supporting documentation.

Cause

The cause of the discrepancy is likely due to a lack of internal controls over bank reconciliation completion and agreement to the general ledger. Had greater care been taken in reconciling the bank at the end of each month, the discrepancy should have been discovered and corrected prior to the end of the fiscal year.

Effect

Bank reconciliations from February, July, and October of 2018 do not reconcile with the general ledger by amounts between \$87.73 to \$1,824.53. The bank reconciliations cannot be trusted as accurate and this internal control deficiency needs to be addressed.

Auditors' Recommendation

We recommend the Agency create review procedures that will ensure bank reconciliations are being performed accurately and with greater care.

Managements Response

Responsible Official's View:

- **Specific corrective action plan for Finding:**
Greater care will be taken when performing bank reconciliations, and when discrepancies are noted, they will be looked into and addressed.
- **Timeline for completion of corrective action plan:**
December 31, 2019
- **Employee position(s) responsible for meeting the timeline:**
Board and Accountant

STATE OF NEW MEXICO
LOWER ANIMAS COMMUNITY DITCH
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2018

2018-003 Internal Controls Over Payroll Tax Deposits

Condition

In reviewing our random sample to test expenditures, we came across IRS 943 deposits for 2018 that were not deposited in accordance with the Agency's depositor schedule. Deposits were made sporadically throughout the year and were not made routinely every month.

Criteria

IRS Form 943 instructions require deposits for taxes for the year that exceed \$2,500 and follow the two deposit schedules – monthly or semiweekly. The Agency's taxes exceeded \$2,500 but they did not deposit monthly or semiweekly and their deposits were made with several months in between deposits.

Cause

The cause of the late deposits is because the Agency often voids board meeting stipend checks in an untimely manner due to lack of attendance which requires consistent adjustments to tax deposits.

Effect

The Agency is not in compliance with their IRS Form 943 depositor schedule.

Auditors' Recommendation

We recommend the Agency stay in compliance with the depository schedule and re-structure their board meeting stipends so that they have a reasonable amount of lag-time between board meetings attended and payment for services rendered.

Managements Response

Responsible Official's View:

- **Specific corrective action plan for Finding:**
Greater care will be taken when performing payroll preparation, timing and deposit requirements.
- **Timeline for completion of corrective action plan:**
December 31, 2019
- **Employee position(s) responsible for meeting the timeline:**
Chairman, treasurer and accountant.

STATE OF NEW MEXICO
LOWER ANIMAS COMMUNITY DITCH
STATUS OF PRIOR YEAR FINDINGS
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Exit Conference

The contents of this report were discussed on November 19, 2019. The following individuals were in attendance.

Representing Lower Animas Community Ditch:

Martin Nee – Chairman

Gary Ewing – Mayordomo

Liza Ewing - Secretary

Representing R. Shane Chance CPA, PC

R. Shane Chance, CPA – President