



POJOAQUE VALLEY IRRIGATION DISTRICT

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES - TIER 4
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

MORTON
ACCOUNTING, LLC

certified public accountants | consultants

**POJOAQUE VALLEY IRRIGATION DISTRICT
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES - TIER 4
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**POJOAQUE VALLEY IRRIGATION DISTRICT
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES - TIER 4
OFFICIAL ROSTER AS OF JUNE 30, 2018**

Board of Directors:

Pablo Gonzales
Dave Neal
Margaret Garduno

Chairman
Vice-Chairman
Secretary/Treasurer

District Personnel:

Kathy Martinez
Alfredo Roybal

Office Manager
Dam Tender



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES - TIER 4

Mr. Wayne Johnson, New Mexico State Auditor
and Mr. Pablo Gonzales, Chairman
Pojoaque Valley Irrigation District
Pojoaque, NM

We have performed the procedures enumerated below, which were agreed to by Pojoaque Valley Irrigation District (District) and the New Mexico State Auditor (specified parties), solely to assist you in determining compliance with provisions of the Audit Act for Tier 4 entity per Section 12-6-3 B (4) NMSA 1978 Section 2.2.2.16 NMAC and Section 6-6-2 (A) NMSA 1978 as of and for the year ended June 30, 2018. The District's management is responsible for maintaining its accounting records and the subject matter. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

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".

The District's revenue calculation and tier determination were documented on the form provided at www.osanm.org under the "Tier System Reporting Main Page". It was determined that the District is under the Tier 4 reporting procedures because the District's revenue of \$165,465 was between \$50,000 and \$250,000, and they did not receive or expend a state capital outlay appropriation.

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 District had three bank accounts for the period of July 1, 2017 through June 30, 2018.

Bank reconciliations were requested for the bank accounts for the fiscal year, noting that reconciliations for two of the three bank accounts were not performed in a timely manner. These were dated November, 2018. Further, reconciliations were not performed for one of the three bank accounts. *See Finding 2017-001.*

- 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 (DFA-LGD).**

We selected twelve bank reconciliations (30%) noting the following:

Three of the bank reconciliations did not agree to the general ledger by \$10; five of the bank reconciliations tested agreed with the general ledger; four of the bank reconciliations selected for testing were not available/not performed. *See Finding 2017-001.*

Three of the four quarterly financial reports submitted to DFA-LGD did not agree to the general ledger. One of four quarterly financial reports submitted to DFA-Local Government Division was not available to test (it appears the report was rejected by DFA-LGD and never re-submitted). *See Finding 2016-004.*

- 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 viewed bank statements and bank account balances of the District noting they were fully insured by the FDIC. Pledged collateral was not required since the District's bank balances were below \$250,000 during the fiscal year.

3. Capital Assets

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

The District does not have any movable chattels or equipment costing more than \$5,000. A review of the purchases made during fiscal year 2018 reveals no capital purchases exceeding \$5,000.

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.**

The main revenue sources of the District for FY18 consist of annual assessment fees, and related late payment penalties. No unusual or unexplained variances were noted between budgeted revenue and actual revenue.

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

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

A sample of cash receipts and deposits was judgmentally selected (equal to 32% of the total dollar amount of revenue). The amount recorded in the general ledger agreed 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.

A sample of cash receipts and deposits was judgmentally selected (equal to 31% of the total amount of revenue); obtained supporting documentation noting the transactions were appropriately recorded as to classification, amount and period.

5. Expenditures

Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test 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 canceled check, as appropriate.

We obtained supporting documentation for cash disbursement transactions (totaling 30% of total expenses) and verified that amount, payee, date and description agreed to the supporting documentation, as appropriate, for 15 of 18 transactions tested. For three of the transactions tested, we noted two were underpaid by \$6.61 and \$0.50, respectively; one was overpaid by \$0.50. It appears that the transactions were rounded up or down. *See Finding 2018-001.*

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

We obtained supporting documentation for cash disbursement transactions (totaling 30% of total expenses) and verified that they were properly authorized and approved in compliance

with 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).**

There were no current year procurements. One mileage reimbursement selected for testing was in compliance with the Per Diem and Mileage Act.

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.**

We selected two of two non-routine journal entries for testing. One journal entry had adequate supporting documentation (\$10,973) and appeared reasonable; supporting documentation approving a transfer from one bank account to another was not available for the second journal entry (\$41,267). *See Finding 2015-002.*

- 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.**

Two of two journal entries tested did not contain evidence of review and approval. *See Finding 2015-002.*

7. Budget

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

- 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 District's Board of Directors adopted the FY18 budget in a board resolution dated July 15, 2017. The budget was approved as noted in a letter from DFA-LGD dated August 22, 2017. The District did not have any budget adjustments in FY18.

- 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.**

We determined that the legal level of budgetary control is at the fund level. Total expenditures of the District of \$137,675 did not exceed budgeted expenditures of \$162,453.

- 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.**

See Schedule of Revenues and Expenditures, Budget and Actual (Accrual Basis) on page 12.

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 per Section 2.2.2.10(L)NMAC.

See the Schedule of Findings and Responses listed in the table of contents.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Tier 4 agreed upon procedures. 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 the Pojoaque Valley Irrigation District, the New Mexico Office of the State Auditor, the New Mexico Department of Finance and Administration, and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than those specified parties.



MORTON ACCOUNTING SERVICES, LLC

Santa Fe, New Mexico

November 29, 2018

**POJOAQUE VALLEY IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

Status of Prior Year Findings:

The following findings were repeated and modified for fiscal year 2018:

Finding 2015-002 - Internal Control Structure Does Not Allow for Adequate Segregation of Duties

Finding 2016-004 - Inaccurate Year-End Financial Report to DFA-LGD

Finding 2017-001 - Bank Reconciliations

**POJOAQUE VALLEY IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

Current Year Findings:

2015-002 Lack of Segregation of Duties (Repeated and Modified)

Condition:

Due to the nature and size of the District, there is a lack of segregation of duties whereas the Office Manager picks up the mail, collects and deposits money for the District, records the transactions in the general ledger, reconciles the bank statements, and prepares the financial reports. Journal entries are also not formally reviewed and approved by someone other than the preparer.

Progress: The Office Manager is preparing a policy for segregation of duties that incorporates the Treasurer of the Board for review and approval of key transactions.

Criteria:

Segregation of duties is an integral part of a sound internal controls structure to prevent and detect financial reporting errors and illegal activity.

Effect:

The lack of segregation of duties can lead to financial reporting errors or illegal activity.

Cause:

The District lacks the personnel to appropriately segregate duties. Management has accepted the level of risk because of the cost to hire another employee.

Recommendation:

To safeguard its assets, the District's Board of Directors and the Office manager should evaluate how to segregate some of the duties, perhaps with more board involvement, to minimize the risk of financial reporting errors or illegal activities. Journal entries should be formally reviewed and approved by someone other than the preparer.

Management Response:

The District does not have enough employees for dual-control and segregation of duties. The District will begin, during FY19, to implement formal monthly reviews, approval of bank statements and reconciliations, journal entries and general ledger reports by one of the board members. This process will assure that the Office Manager is maintaining accurate records of all income and expenses.

**POJOAQUE VALLEY IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

Current Year Findings, continued:

2016-004 Inaccurate Reports to DFA-LGD (Repeated and Modified)

Condition:

Three of the four quarterly financial reports submitted to DFA-LGD did not agree with the balances in the District's general ledger. One of the four quarterly financial reports was not available for review (it appears that it was rejected by DFA-LGD and never re-submitted).

Progress: The District has a new office manager. The office manager has met (during the first quarter of Fiscal Year 2019) with the DFA-LGD to obtain training related to the quarterly financial reporting process.

Criteria:

As required by Section 6-6-3.F NMSA 1978, the District should submit accurate financial reports to DFA-LGD on a quarterly basis.

Effect:

Inaccurate financial reports to DFA-LGD misrepresent the District's financial condition and results of operations which can mislead and cause oversight agency to make inappropriate decisions.

Cause:

There was a change in reporting format during the year resulting in misunderstanding the new reporting methodology/process.

Recommendation:

The Office Manager should prepare the quarterly reports in the form prescribed by DFA-LGD based on the amounts reported in the District's general ledger. The Office Manger should meet with the budget analyst at DFA-LGD to fully understand the reporting requirements.

Management Response:

The Office Manager has obtained training from DFA-LGD (during first quarter of FY19) and has a better understanding of the reporting and reconciliation process related to the quarterly reports. The Office Manager will obtain assistance from DFA-LGD, as needed, to clarify reporting requirements, as needed.

**POJOAQUE VALLEY IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

Current Year Findings, continued:

2017-001 Bank Reconciliations

Condition:

Reconciliations for two of the three District bank accounts were not performed in a timely manner. These were dated November, 2018. Reconciliations were not performed for one of the three bank accounts. Further, three of the twelve bank reconciliations tested did not agree to the general ledger by \$10.

Progress: The District has a new office manager. The office manager has met (during the first quarter of Fiscal Year 2019) with the NM Department of Finance and Administration to obtain training related to the quarterly financial reporting process.

Criteria

Bank reconciliations are necessary for accurate financial reporting throughout the fiscal year, and to safeguard financial assets.

Effect:

Potential for inaccurate financial reporting throughout the fiscal year. Potential for fraudulent activity to occur without timely detection.

Recommendation:

We recommend that bank reconciliations are performed on a monthly basis by the Office Manager. Further, we recommend that the bank reconciliations are reviewed and approved by the Treasurer, or other member of the Board.

Management response:

The office has implemented (during the first quarter of Fiscal Year 2019) the practice of reconciling the bank accounts immediately upon receipt of the monthly bank account statements. Further, the process has been automated and will be performed through the accounting software utilized by the District, Quickbooks. The completed reconciliations will be reviewed and approved by a board member. Review will be documented by having the board member sign the printed bank reconciliations.

**POJOAQUE VALLEY IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

Current Year Findings, continued:

2018-001 Disbursement Over (Under) Payments

Condition:

Three of eighteen disbursements did not tie to supporting documentation; two were underpaid by \$0.50 and \$6.61, respectively; one was overpaid by \$0.50.

Criteria:

Sound accounting principles dictate that only valid disbursements be made and that they are accompanied by supporting documentation.

Effect:

Over (Under) payments of disbursements.

Cause:

It appears that the disbursements were being rounded up or down to the nearest dollar or mathematical errors were made.

Recommendation:

We recommend care be taken in calculation of disbursements and that no rounding occurs. We further recommend more detailed review before final approval of disbursement occurs.

Management Response:

The District has a new office manager that has discontinued the practice of rounding calculations. The office manager has also implemented a self-review process for verification of calculations, before transaction is forwarded for secondary review and approval. In addition, for payroll transactions, the office manager utilizes a payroll software program for calculating payroll taxes, which further enhances accuracy. These changes are being implemented immediately.

POJOAQUE VALLEY IRRIGATION DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (ACCRUAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Regular Assessments	\$ 76,651	\$ 76,651	\$ 82,168	\$ 5,517
BIA Assessments	39,360	39,360	41,267	1,907
Dam Repayment	3,740	3,740	5,888	2,148
BOR Reimbursement	13,080	13,080	10,973	(2,107)
Miscellaneous	-	-	25,170	25,170
Total Revenues	<u>\$ 132,831</u>	<u>\$ 132,831</u>	<u>\$ 165,466</u>	<u>\$ 32,635</u>
Expenditures:				
Salaries	\$ 44,760	\$ 44,760	\$ 50,907	\$ (6,147)
Salaries (Dam Tender)	8,500	8,500	-	8,500
PERA	5,346	5,346	3,884	1,462
Payroll Taxes	5,292	5,292	4,290	1,002
Office	-	-	1,172	(1,172)
Election	1,000	1,000	765	235
Office Supplies	800	800	-	800
Office Help	1,500	1,500	180	1,320
Miscellaneous Expenses	-	-	455	(455)
Postage	700	700	611	89
Utilities	4,800	4,800	2,534	2,266
Janitorial	200	200	244	(44)
Building Maintenance	1,000	1,000	974	26
BOR O&M - SJC	26,638	26,638	14,553	12,085
BOR O&M - Nambe Dam	32,517	32,517	34,367	(1,850)
Office Machine/Equipment	1,000	1,000	1,217	(217)
Audit	3,400	3,400	3,402	(2)
Utilities - Nambe Dam	1,800	1,800	2,538	(738)
Mileage - Dam Tender	3,300	3,300	3,141	159
Dam Repayment	3,700	3,700	-	3,700
Nambe Dam Supplies	6,000	6,000	8,227	(2,227)
Meeting Expense	1,200	1,200	201	999
Training Expense	300	300	-	300
Dam Tender Help	700	700	-	700
Office Equipment	1,000	1,000	-	1,000
Legal	7,000	7,000	4,013	2,987
Total Expenditures	<u>\$ 162,453</u>	<u>\$ 162,453</u>	<u>\$ 137,675</u>	<u>\$ 24,778</u>

POJOAQUE VALLEY IRRIGATION DISTRICT
COPY OF YEAR END FINANCIAL REPORT SUBMITTED TO DFA-LGD
FOR THE YEAR ENDED JUNE 30, 2018

SPECIAL DISTRICT NAME: Pojoaque Valley Irrigation District

FISCAL CYCLE: 2017-18

(FY = Fiscal Year = 7/1-6/30)

FUND TITLE	FUND NUMBER	UNAUDITED BEGINNING CASH BALANCE @ JULY 1 (OR JAN. 1)	INVESTMENTS	BUDGETED REVENUES	BUDGETED TRANSFERS	BUDGETED EXPENDITURES	ESTIMATED ENDING CASH BALANCE	(OPTIONAL)* LOCAL RESERVE	ADJUSTED ENDING CASH BALANCE
GENERAL FUND - Operating (GF)	101	63,252	-	115,973	-	162,453	79,174	-	79,174
INTERGOVERNMENTAL GRANTS	218	-	-	-	-	-	-	-	-
OTHER	299	6,323	-	-	-	-	-	-	-
DEBT SERVICE	400	-	-	-	-	-	-	-	-
Grand Total		\$ 69,575	\$ -	\$ 115,973	\$ -	\$ 162,453	\$ 79,174	\$ -	\$ 79,174

**POJOAQUE VALLEY IRRIGATION DISTRICT
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2018**

On November 29, 2018, an exit conference was held with the following individuals to discuss the results of the agreed-upon procedures and contents of this report.

Pojoaque Valley Irrigation District:

Pablo Gonzales

Chairman

Dave Neal

Vice-Chairman

Kathy Martinez

Office Manager

Morton Accounting Services, LLC:

Janet Pacheco-Morton, CPA, CGFM

Managing Principal