



POJOAQUE VALLEY IRRIGATION DISTRICT

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES - TIER 4
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

MORTON
ACCOUNTING, LLC

certified public accountants | consultants

**POJOAQUE VALLEY IRRIGATION DISTRICT
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES - TIER 4
TABLE OF CONTENTS**

Official Roster.....	1
Independent Accountant's Report on Applying Agreed Upon Procedures - Tier 4.....	2
Schedule of Findings and Responses.....	7
Schedule of Revenues and Expenditures - Budget and Actual (Accrual Basis).....	11
Copy of Year-End Financial Report Submitted to DFA-LGD.....	12
Exit Conference.....	13

**POJOAQUE VALLEY IRRIGATION DISTRICT
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES - TIER 4
OFFICIAL ROSTER AS OF JUNE 30, 2019**

Board of Directors:

Pablo Gonzales
Dave Neal
Meade Martin

Chairman
Vice-Chairman
Secretary/Treasurer

District Personnel:

Kathy Martinez
Alfredo Roybal

Office Manager
Dam Tender



www.mortonaccounting.com
1512 Pacheco Street
Suite D-204
Santa Fe, NM 87505
505.303.3557 (o)

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

Mr. Brian S. Colón, 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, 2019. 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 \$166,520 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, 2018 through June 30, 2019.

Bank reconciliations for entire year were requested. We viewed the bank reconciliations noting they were complete and being performed in a timely manner. However, review and approval of bank reconciliations was not being performed on a timely basis. *See Finding 2015-001.*

- 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:

Four of the four quarterly financial reports submitted to DFA-LGD did not agree to the general ledger by the following amounts: 1) September 2018 - \$421.63; 2) December 2018 - \$12,864.96; 3) March 2019 - \$25,674.80; and 4) June 2019 - 4,923.13. In addition, revenue per 4th quarter report ending June 30, 2019 did not tie to the general ledger by \$46,062. It appears that the quarterly reports were submitted to DFA-LGD prior to performing the bank reconciliations. Any electronic funds transfers were recorded on the general ledger as a result of the bank reconciliations, causing the differences. *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 2019 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 FY19 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 30% of the total dollar amount of cash receipts). 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 30% of the total amount of cash receipts); 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 disbursements) and verified that amount, payee, date and description agreed to the supporting documentation (vendor's invoice and canceled check), as appropriate.

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 cash disbursements) 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 five journal entries for testing. The journal entries did not have adequate supporting documentation. *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.**

Five entries journal entries selected for testing 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 FY19 budget in a board resolution dated August 30, 2018. The budget was approved as noted in a letter from DFA-LGD dated September 18, 2018. The District did not have any budget adjustments in FY19.

- 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 \$124,855 did not exceed budgeted expenditures of \$167,777.

- 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 11.

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 Local Government Division, 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
December 5, 2019

**POJOAQUE VALLEY IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019**

Status of Prior Year Findings:

The following findings were repeated and modified for fiscal year 2019:

Finding 2015-002 - Lack of Segregation of Duties

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

The following findings were cleared for fiscal year 2019:

Finding 2017-001 - Bank Reconciliations

Finding 2018-001 - Disbursements Over (Under) Payments

**POJOAQUE VALLEY IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019**

Current Year Findings:

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

Condition:

Journal entries are not formally reviewed and approved by someone other than the preparer. In addition, adequate documentation to support the journal entries should be maintained for all journal entries. Write-offs of customer accounts receivable should be reviewed and approved by the Board. In addition, although bank reconciliations were reviewed and approved by Board Treasurer, the review and approval did not occur on a timely basis.

Progress: Whereas in prior years, there was an overall lack of segregation of duties, in current year, we identified inadequate segregation of duties in two specific areas. The District has hired part-time staff to assist with segregation of duties, and have incorporated Board Treasurer review and approval. Segregation of duties has been implemented in the following areas: cash receipts and disbursements, and bank reconciliations. The Office Manager will implement procedures to further strengthen internal controls and segregation of duties that will incorporate Board Treasurer 1) review and approval of journal entries and to include required maintenance of documentation to support the journal entry(s); and 2) perform timely review and approval of bank reconciliations.

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:

Review and approval policy has not been fully implemented over the journal entry and bank reconciliation review processes.

Recommendation:

We recommend that all journal entries should be formally reviewed and approved by someone other than the preparer. In the case of the District, journal entries may be presented as part of financial reporting to the board. Specifically, rational for amounts to be written off in accounts receivable should be reviewed and approved by the Board. In addition, although review and approval of bank

**POJOAQUE VALLEY IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019**

Current Year Findings, continued:

2015-002 Adequate Segregation of Duties (Repeated and Modified), continued

Recommendation, continued:

reconciliations was documented, the review and approval should take place on a timely (at least monthly) basis.

Management Response:

The District has taken steps to segregate duties, hiring a part-time individual (10 hours per week), to assist the one full-time employee on staff. However, it remains difficult to fully segregate duties. The Office Manager will incorporate review and approval by the Board Treasurer (for bank reconciliations and journal entries) to assist with segregation of duties. Further, going forward, we will document and maintain support for journal entries. For write-offs of accounts receivable, the Office Manager will present rationale and documentation to the Board, for formal approval. Implementation will begin immediately.

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

Condition:

For four of the four quarterly financial reports submitted to DFA-LGD, cash did not agree with the balances in the District's general ledger as follows: 1) September 2018 - \$421.63; 2) December 2018 - \$12,864.96; 3) March 2019 - \$25,674.80; and 4) June 2019 - 4,923.13. In addition, revenue per 4th quarter report ending June 30, 2019 did not tie to the general ledger by \$46,062.

Progress: The District has submitted all financial reports to DFA-LGD for the fiscal year on a timely basis. However, the Office Manager has been preparing the financial reports prior to completion of the reconciliation of bank accounts, resulting in discrepancies as financial activity for Electronic Funds Transfer activity is not yet recorded. Going forward, the Office Manager will prepare/complete the bank reconciliations prior to financial report submission, to ensure all activity has been recorded.

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.

**POJOAQUE VALLEY IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019**

Current Year Findings, continued:

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

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:

Submission of financial reports prior to bank reconciliation preparation/completion resulting in incomplete activity for the quarter (month end).

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, only after bank reconciliations have been completed for the period(s) being reported.

Management Response:

The office manager did not realize that reconciling the bank statements first before sending the quarterly reports to the Department of Finance and Administration would affect the reporting figures. The office manager will reconcile the bank statements first from now on. This process change will take effect immediately.

POJOAQUE VALLEY IRRIGATION DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (ACCRUAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Regular Assessments	\$ 80,034	\$ 80,034	\$ 129,031	\$ 48,997
BIA Assessments	41,097	41,097	18,712	(22,385)
Dam Repayment	3,740	3,740	3,947	207
BOR Reimbursement	10,000	10,000	12,223	2,223
Miscellaneous	-	-	2,607	2,607
Total Revenues	<u>\$ 134,871</u>	<u>\$ 134,871</u>	<u>\$ 166,520</u>	<u>\$ 31,649</u>
Expenditures:				
Salaries	\$ 44,760	\$ 44,760	\$ 44,820	\$ (60)
Salaries (Dam Tender)	8,500	8,500	-	8,500
Employee Benefits	1,224	1,224	-	1,224
PERA	5,346	5,346	2,642	2,704
Payroll Taxes	5,292	5,292	3,895	1,397
Office	-	-	1,122	(1,122)
Election	1,000	1,000	-	1,000
Office Supplies	1,000	1,000	-	1,000
Office Help	1,500	1,500	499	1,001
Miscellaneous Expenses	-	-	1,700	(1,700)
Postage	700	700	760	(60)
Utilities	3,800	3,800	4,282	(482)
Janitorial	300	300	359	(59)
Building Maintenance	3,000	3,000	1,867	1,133
BOR O&M - SJC	26,638	26,638	23,048	3,590
BOR O&M - Nambe Dam	32,517	32,517	25,163	7,354
Office Machine Expense	1,000	1,000	-	1,000
Audit	3,400	3,400	3,392	8
Utilities - Nambe Dam	3,400	3,400	2,905	495
Mileage - Dam Tender	3,300	3,300	1,746	1,554
Dam Repayment	3,700	3,700	3,700	-
Nambe Dam Supplies	6,000	6,000	48	5,952
Meeting Expense	1,200	1,200	693	507
Training Expense	700	700	40	660
Dam Tender Help	500	500	-	500
Office Equipment	1,000	1,000	1,884	(884)
Legal	8,000	8,000	290	7,710
Total Expenditures	<u>\$ 167,777</u>	<u>\$ 167,777</u>	<u>\$ 124,855</u>	<u>\$ 42,922</u>

POJOAQUE VALLEY IRRIGATION DISTRICT
COPY OF YEAR END FINANCIAL REPORT SUBMITTED TO DFA-LGD
FOR THE YEAR ENDED JUNE 30, 2019

Name: Pojoaque Valley Irrigation District
Mailing Address:
Email Address:
Phone number:

Fiscal Year 2018-2019

	APPROVED BUDGET	1st QR: July - Sept	2nd QR: Oct - Dec	3rd QR: Jan - Mar	4th QR: April - June	Year to Date(YTD) Totals	YTD (over/under BUDGET)	% of Budget
Beginning balances:	C 48,777							
Savings	111,827							
CDs								
Investments								
Beginning Balance TOTAL	\$ 160,604							
REVENUES								
Regular Assessments	80,034	414	65,702	20,080	7,620	93,816	(13,782)	117%
BIA Assessments	41,097					0	41,097	0%
Dam Repayment	3,740	20	3,180	551	582	4,313	(573)	115%
BOR Reimbursement	10,000		12,223			12,223	(2,223)	122%
Penalties		122	931	7,174	1,850	9,877	(9,877)	-
Interest income		6	219	3	3	230	(230)	-
TOTAL	\$ 134,871	562	82,235	27,808	9,855	120,458	14,413	89%
EXPENDITURES								
Salaries	44,760	1,949	15,945	8,814	12,501	39,208	5,552	88%
Salaries (Dam Tender)	8,500	1,124	1,566	1,175	1,747	5,612	2,889	66%
PERA	5,348	189	1,591		861	2,642	2,704	49%
Payroll Taxes	5,292	538	797	1,222	1,340	3,895	1,397	74%
Election	1,000					0	1,000	0%
Office Supplies	1,000	193	809	57	63	1,122	(122)	112%
Office Help	1,500					0	1,500	0%
Postage	700	500	40	220		760	(60)	109%
Utilities	3,800	934	1,254	814	1,395	4,397	(597)	116%
Janitorial	300			103	56	159	141	53%
Building Maintenance	3,000		200		1,867	2,067		
Bureau of Reclamation O&M SJC	26,638	3,538	6,503	6,503	6,503	23,048	3,590	87%
Bureau of Reclamation O&M Nambe Dam	32,517	11,829	5,678	5,678	5,678	28,862	3,655	89%
Office Machine Expense	1,000							
Audit	3,400		2,350	1,042		3,392		
Utilities-Nambe Dam	3,400	867	493	755	876	2,791		
Mileage (Dam Tender)	3,300	397	488	335	527	1,747		
Dam Repayment	3,700							
Nambe Dam Supplies	6,000				48	48	5,952	1%
Meeting Expense	1,200	124	101	332	135	693	507	58%
Travel Expense				261		261		
Training Expense	700			40		40		
Dam Tender Help	500							
Office Equipment	1,000		1,205		679	1,884		
Legal	8,000	73		217		290		
Employee Benefits	1,224							
Group Insurance-Bonds			100	150	100	350		
Service Charges, Fees, Penalties		17	665	189	216	1,088		
Professional Services		499				499		
Loans								
Annual debt service - Loan 1						0	0	-
Annual debt service - Loan 2						0	0	-
TOTAL	\$ 167,777	22,569	39,786	27,907	34,593	124,855	28,108	74%
Ending Balance	127,898					156,207		
LESS: Operating Reserve								
Emergency Reserve								
Capital Improvement Reserve								
Debt Reserve								
Ending Available Cash Balance	\$ 127,898					\$ 156,207		

I HEREBY CERTIFY THE CONTENTS IN THIS REPORT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND THAT THIS REPORT DEPICTS ALL

Kathy L. Martinez
President/Chairperson

Wed 7-3-2019
Date

**POJOAQUE VALLEY IRRIGATION DISTRICT
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2019**

On December 5, 2019, 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

Kathy Martinez

Office Manager

Morton Accounting Services, LLC:

Janet Pacheco-Morton, CPA, CGFM

Managing Principal