

**STATE OF NEW MEXICO  
RIO SAN JOSE FLOOD CONTROL DISTRICT**

**Independent Accountant's Report on  
Applying Agreed-Upon Procedures (TIER 4)**

**For the Fiscal Year Ended  
June 30, 2016**

**ASSURANCE TAX ACCOUNTING PC**

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**Financial Audits - Agreed Upon Procedures - Tax - Consulting**

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**STATE OF NEW MEXICO  
RIO SAN JOSE FLOOD CONTROL DISTRICT**

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**Fiscal Year Ended June 30, 2016**

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**STATE OF NEW MEXICO  
RIO SAN JOSE FLOOD CONTROL DISTRICT  
OFFICIAL ROSTER  
Fiscal Year Ending June 30, 2016**

Chairman	Alex Gonzales
Vice-Chairman	Larry Carver
Secretary-Treasurer	Dan Cunningham
Director	Collice Jones
Director	Rex Robinson
Administrator	Cynthia Spidle
Management Consultant	J.R. Murrietta

**INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING AGREED-UPON PROCEDURES (TIER 4)**

Alex Gonzales, Chairman  
Rio San Jose Flood Control District  
and  
Honorable Wayne Johnson  
New Mexico State Auditor  
Santa Fe, New Mexico

We have performed the procedures enumerated below which were agreed to by Rio San Jose Flood Control District and the New Mexico State Auditor (the specified parties), solely to assist users in evaluating the District's financial reporting relating to its compliance with Section 12-6-3 B (4) NMSA 1978, Section 2.2.2.16 NMAC as of and for the year ended June 30, 2016. The District's management is responsible for its financial reporting as described above. This agreed-upon procedures engagement was conducted in accordance with AICPA Statements on Standards for Attestation Engagements (Clarified), AT-C Section 215 for agreed-upon procedures engagements. 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.

Our procedures and 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](http://www.osanm.org) under "Tier System Reporting Main Page."

We verified Rio San Jose Flood Control District revenue calculation and tier determination documented on the form provided at [www.osanm.org](http://www.osanm.org) under "Tier System Reporting Main Page" and it was determined that the District falls under the Tier 4 procedures. General revenues were \$122,284.38. No capital outlay funds were expended during the year ended June 30, 2016.

**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.

We determined that all bank reconciliations were not performed and that all bank statements were complete and on hand without exception. The bank reconciliations were not performed at all for FY 2016. See finding 2016-001.

- 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.

We tested all the bank reconciliations and we determined that all bank reconciliations were not performed. The bank reconciliations were not performed at all for FY 2016. See finding 2016-001. The District submitted the quarterly financial reports to DFA-LGD.

- 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.

We determined that all the bank accounts at no time exceeded the insured limits provided by the FDIC of \$250,000, except for the operating account which had a balance of \$619,946 at 06/30/2016 and \$575,193 at 12/31/2015 respectively. The District produced pledged collateral documentation provided by the financial institution as required by Section 6-10-17 NMSA 1978, NM Public Money Act.

### **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 did not have any capital assets (movable chattels or equipment) that cost \$5,000 or more, no testing was performed in this area.

### **4. Revenue**

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.

We performed an analytical review of the revenue. We noted no exceptions.

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

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

We randomly selected all of receipts (100% of total receipts) and we traced the amounts recorded in the supporting documentation including deposit books and to the bank statements. The district did not record transactions in a general ledger format, therefore we could not determine if the amount recorded matched the supporting documentation. See finding 2016-002. The district did not provide supporting documentation for 8 receipts of the 25 selected for testing, the total of all the deposits without supporting documentation is \$54,155 see finding 2016-003.

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.

We randomly selected all of receipts (100% of total receipts). The district did not record transactions in a general ledger format, therefore we could not determine the classification, amount, and proper period per review of supporting documentation. See finding 2016-002. The district did not provide supporting documentation for 8 receipts of the 25 selected for testing, the total of all the deposits without supporting documentation is \$54,155 see finding 2016-003.

## **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 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 selected a sample of cash disbursements equal to 100% of the total dollar amount and determined that the District had inadequate documentation for disbursements. In the testwork we could not determine that the amount recorded as disbursed since the District did not record transactions in a software that tracks coding. See finding 2016-002. The district did not provide supporting documentation for 7 of the 33 disbursements selected for testing, amounting to \$3,946, See Finding 2016-003.

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

We determined that the disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures. The district did not provide supporting documentation for 7 of the 33 disbursements selected for testing, amounting to \$3,946, See Finding 2016-003.

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.

No major projects requiring bidding were started or completed during this accounting period. No exceptions were noted.

## **6. Journal Entries**

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.

Because there were no manual journal entries created during FY 2016, no testing was performed in this area.

- 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.

Because there were no manual journal entries created during FY 2016, no testing was performed in this area.

## **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.

We verified through review of minutes the original budget approved by the District governing body and DFA-LGD. No exceptions were noted.

- 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 through comparing the Original/Final Budget to the Actual Expenditures that the District is in compliance with statutes by not over-expending at the fund level, which is the legal level of budgetary control.

- 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 Attached Statement of Revenues and Expenses – Accrual Basis.

## **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)(3) NMAC.

The District did not submit their FY 2016 agreed-upon procedures report to the Office of the State Auditor by December 15, 2016, the due date of the report. In addition, the IPA recommendation for FY 2016, which was due on July 1, 2016, was not submitted to the State Auditor until April 27, 2017. Management did not make any progress towards implementing the prior year corrective action plan. See Finding 2010-001

No other information than the above-mentioned items came to our attention indicating any fraud or illegal acts. Instances of noncompliance and internal control deficiencies are disclosed in the findings of this report.

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 on the Rio San Jose Flood Control District's financial reporting to the State Auditor as described above. 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 the Rio San Jose Flood Control District, the New Mexico Office of the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration and is not intended to be and should not be used by anyone other than those specified parties.

*Assurance Tax Accounting P.C.*

Assurance Tax Accounting P.C.  
Albuquerque, New Mexico  
February 7, 2018



STATE OF NEW MEXICO  
 Rio San Jose Flood Control District  
 GENERAL FUNDS  
 STATEMENT OF REVENUES AND EXPENSES  
 ACTUAL (Cash Basis)  
 For the year ended June 30, 2016

	Original Budget	Final Budget	Actual Cash Basis	Variance Favorable (Unfavorable)
Revenue				
Cibola County Levy	\$ 60,000	60,000	84,891	24,891
McKinley County Levy	25,000	25,000	36,061	11,061
Interest, Other	2,000	2,000	1,332	(668)
Total revenues	<u>87,000</u>	<u>87,000</u>	<u>122,284</u>	<u>35,284</u>
Expenditures Current:				
Office-Salary, rent, etc	\$ 20,000	20,000	20,113	(113)
Fees/Dues	2,000	2,000	4,320	(2,320)
Professional Service, Audit	15,000	15,000	6,000	9,000
Insurance, Bonds	2,000	2,000	988	1,012
Elections	-	-	-	-
Miscellaneous	4,000	4,000	641	3,359
Capital Outlay and Projects	<u>350,000</u>	<u>350,000</u>	<u>25,117</u>	<u>324,883</u>
Total expenses	<u>393,000</u>	<u>393,000</u>	<u>57,179</u>	<u>335,821</u>

**RIO SAN JOSE FLOOD CONTROL DISTRICT**

P O Box 405  
Grants, NM 87020

**FINANCIAL REPORT FOR THE 4<sup>TH</sup> QUARTER OF FY 2015-2016**  
**&**  
**YEAR END TOTALS**

**INCOME**

Budget	1 <sup>st</sup> Qtr	2 <sup>nd</sup> Qtr	3 <sup>rd</sup> Qtr	4 <sup>th</sup> Qtr	TOTAL
\$60,000 Cibola Mill Levy	\$3,968.10	\$19,942.78	\$33,556.11	\$27,624.38	\$84,891.37
\$25,000 McKinley	\$ 179.33	\$ 1,830.12	\$17,282.41	\$16,769.23	\$36,061.09
\$2,000 Int/Other	\$ 71.18	\$ 70.15	\$ 1,076.53	\$ 115.51	\$ 1,333.37
<b>TOTALS</b>	<b><u>\$4,218.61</u></b>	<b><u>\$21,643.05</u></b>	<b><u>\$51,915.05</u></b>	<b><u>\$44,509.12</u></b>	<b><u>\$122,285.80</u></b>

**EXPENSES**

Budget	1 <sup>st</sup> Qtr	2 <sup>nd</sup> Qtr	3 <sup>rd</sup> Qtr	4 <sup>th</sup> Qtr	TOTAL
\$20,000 Office	-0-	\$143.75	\$ 360.00	\$19,609.43	\$20,113.18
\$2,000 dues/fees	\$ 59.68	-0-	\$ 532.99	\$ 276.25	\$ 868.92
\$15,000 pro svc	\$1,500.00	-0-	\$3,000.00	\$ 1,500.00	\$ 6,000.00
\$2,000.00 ins. Bonds	-0-	-0-	\$ 987.74	-0-	\$ 987.74
Miscellaneous	-0-	-0-	\$445.65	-0-	\$ 445.65
<b>TOTALS</b>	<b>\$1,559.68</b>	<b>\$143.75</b>	<b>\$5,326.38</b>	<b>\$21,385.68</b>	<b>\$28,415.49</b>

**CAPITAL OUTLAY**

\$500,000.00 (reserve)	-0-	-0-	\$25,117.29	-0-	\$25,117.29
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**EXPENSES TOTAL** **\$53,532.78**

**BALANCE IN NEW MEXICO CHECKING ACCOUNT AS OF JUNE 30, 2016** **\$619,787.60**

**RIO SAN JOSE FLOOD CONTROL DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
Fiscal Year Ended June 30, 2016

**Prior Year Findings:**

Finding 2010-001 - Late Agreed-Upon Procedures Report and IPA Recommendation	Repeated
Finding 2010-003 - No Written Procurement Policies and Procedures	Resolved
Finding 2010-004 - Missing Pledged Collateral Statements	Resolved
Finding 2014-001 - Non-compliance with the State Procurement Code	Resolved
Finding 2015-001 – Actual Expenses Exceeded the Approved Budget	Resolved

**Current Year Findings**

Finding 2010-001 - Late Agreed-Upon Procedures Report and IPA Recommendation
Finding 2016-001 – Bank Reconciliations
Finding 2016-002 - Lack of Recording of Cash Receipts and Disbursements
Finding 2016-003 - Lack of Documentation of Cash Receipts and Disbursements

**RIO SAN JOSE FLOOD CONTROL DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**Fiscal Year Ended June 30, 2016**

**Finding 2010-001 - Late Agreed-Upon Procedures Report and IPA Recommendation**

Condition:

The District did not submit their FY 2016 agreed-upon procedures report to the Office of the State Auditor by December 15, 2016, the due date of the report. In addition, the IPA recommendation for FY 2016, which was due on July 1, 2016, was not submitted to the State Auditor until April 27, 2017. Management did not make any progress towards implementing the prior year corrective action plan.

Criteria:

2.2.2 NMAC (State Audit Rule) requires submission of the IPA recommendation by July 1, 2016. 2.2.2 NMAC also requires submission of audit reports within five and a half months after year-end, or December 15, 2016.

Cause:

The District was not aware of the State Audit Rule requirements to contract with an audit firm.

Effect:

The District was not in compliance with the State Audit Rule, which could impact their ability to receive grants from federal and state sources.

Recommendation:

The District should prepare the annual auditor recommendation by July 1, of each year and submit it to the Office of the State Auditor. The District should also institute policies and procedures that will enable it to complete their annual audit five and a half months after year-end.

Management's Response:

The District's Chairman and Board will create a policy and procedure to submit the IPA recommendation to the State Auditor Office before July 1, and complete the audit requirements within the five and a half months after year-end.

**RIO SAN JOSE FLOOD CONTROL DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
Fiscal Year Ended June 30, 2016

**Finding 2016-001 - Bank Reconciliations**

Condition:

While applying the agreed upon procedures over bank reconciliations, it was noted that none of the bank reconciliations for FY 2016 were performed.

Criteria:

In accordance with Subsection H of 2.2.2.16 NMAC, all agreed upon procedures engagements should report as findings and fraud, illegal acts, noncompliance, or internal control deficiencies, consistent with Section 12-6-5 NMSA 1978 which states any violation of good accounting practices shall be set out in detail in a written report. Good accounting practices dictate that reconciliation of bank balances should be completed on a timely basis, to provide assurance that all transactions have been entered by the bank and recorded in the financial statements properly. If bank reconciliations are to serve as an effective control over the cash accounts, they must be prepared on a timely basis and all reconciling items should be investigated and resolved properly.

Cause:

The District was not aware that bank reconciliations must be performed monthly.

Effect:

Bank reconciliations that are not reconciled properly could lead to inaccurate interim financial reporting. In addition, errors and misappropriation of assets could be more difficult to detect if not identified in a timely manner.

Recommendation:

The District should establish a policy by which bank reconciliations are required to be performed and reviewed within 30 days of the statement end date.

Management's Response:

The District will begin performing the reconciliations on a timely basis effective immediately. The District Chairman will ensure that the reconciliations are accurate and performed within 30 days of statement end date.

**RIO SAN JOSE FLOOD CONTROL DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
Fiscal Year Ended June 30, 2016

**Finding 2016-002 - Lack of Recording of Cash Receipts and Disbursements**

Condition:

The District had inadequate recording for revenue and disbursements. The District was not using a software and did not track receipts and disbursements with coding and ability to determine if transactions were coded properly.

Criteria:

Proper internal controls require supporting documentation for all transactions that occur and coding those transactions in the financial statements appropriately.

Cause:

The District does not have a process for recording of receipts and disbursements for accurate financial statements preparation.

Effect:

Lack of coding for financial transactions can cause misstatements that may go undetected.

Recommendation:

The District should adopt a policy of recording for every deposit and disbursement, to help determine that deposits and disbursements recorded are complete, accurate and timely.

Management's Response:

The District's Chairman will ensure effective immediately that every Board member receive a copy of the financial statements showing all transactions including all deposits and disbursements. Along with every deposit and disbursement going forward the District's Chairman will ensure that there will be appropriate coding for the transactions.

**RIO SAN JOSE FLOOD CONTROL DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
Fiscal Year Ended June 30, 2016

**Finding 2016-003 - Lack of Documentation of Cash Receipts and Disbursements**

Condition:

The District had inadequate documentation for revenue and disbursements. The District was unable to produce supporting documentation for 8 deposits out of the 25 selected for testing. The deposits totaled \$54,155 that did not have supporting documentation. Of the 33 disbursements selected, the District was unable to produce supporting documentation for 7 checks amounting to \$3,946.

Criteria:

Proper internal controls require supporting documentation for all transactions that occur. The supporting documentation should be retained along with the copy of the deposit and check disbursement.

Cause:

The District does not have a process for retaining the proper documentation for receipts and disbursements.

Effect:

Lack of supporting documentation for financial transactions can cause misstatements that may go undetected.

Recommendation:

The District should adopt a policy of retaining supporting documentation for every deposit and disbursement, to help determine that deposits and disbursements recorded are complete, accurate and timely.

Management's Response:

The District's Chairman will ensure effective immediately that every Board member receive a copy of the financial statements showing all transactions including all deposits and disbursements. Along with every deposit and disbursement going forward the District's Chairman will ensure that there will be supporting documentation for the transactions.

**RIO SAN JOSE FLOOD CONTROL DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS**  
**Fiscal Year Ended June 30, 2016**

<u>Prior Year Number</u>	<u>Prior Year Finding</u>	<u>Current Status</u>
2010-001	Late Agreed Upon Procedures Report and IPA Recommendation	Repeated
2010-003	No Written Procurement Policies and Procedures	Resolved
2010-004	Missing Pledged Collateral Statements	Resolved
2014-001	Non-compliance with the State Procurement Code	Resolved
2015-001	Actual Expenses Exceeded the Approved Budget	Resolved



**RIO SAN JOSE FLOOD CONTROL DISTRICT**  
EXIT CONFERENCE  
Fiscal Year Ended June 30, 2016

The report contents were discussed at an exit conference held on February 6, 2018 with the following in attendance:

**RIO SAN JOSE FLOOD CONTROL DISTRICT**

Collice Jones Vice-Chairman

**Assurance Tax Accounting PC**

Johnny Mangu, MBA, CPA, CGFM, CGMA Principal