

Accounting & Auditing Services, LLC

Financial Audits + Agreed Upon Procedures + Tax + Consulting

Rio San Jose Flood Control District

Independent Accountant's Report on Applying Agreed-Upon Procedures

For the Fiscal Year Ending June 30, 2015

**Rio San Jose Flood Control District
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Fiscal Year Ending June 30, 2015**

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**Rio San Jose Flood Control District
Official Roster
Fiscal Year Ending June 30, 2015**

Board of Directors

Alex Gonzales, Chairman

Larry Carver, Vice-Chairman

Dan Cunningham, Secretary/Treasurer

Collice Manning, Director

Rex Robinson, Director

District Personnel

Cynthia Spidle, Administrator

J. R. Murrietta, Professional Services Consultant

Independent Accountant's Report on Applying Agreed-Upon Procedures

Larry Carver, Chairman
Rio San Jose Flood Control District
and
Timothy Keller, New Mexico State Auditor

I have performed the procedures enumerated below for the Rio San Jose Flood Control District (District) for the year ending June 30, 2015, solely to assist in determining compliance with the provisions of the Audit Act for a 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. The procedures were agreed to by the District through the New Mexico Office of the State Auditor. The District's management is responsible for its accounting records and the subject matter. 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 the parties specified in this 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 under "Tiered System Reporting Main Page."

Based on a review of the District's general ledger, total revenues for the fiscal year ending June 30, 2015 were \$120,694 and the District did not receive a capital outlay appropriation from the State of New Mexico. Based on this information, the District was properly determined to be a Tier 4 entity for FY15 since their total revenues were between \$50,000 and \$250,000 and they did not receive a 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 bank reconciliations were performed on a monthly basis in a timely manner. All bank and investment account statements for the fiscal year were complete and on hand. During the fiscal year ending June 30, 2015, the District had one checking account and three certificates of deposit (CD) at the Grants State Bank, one CD at the US Bank and two accounts in the State Treasurer's Local Government Investment Pool (LGIP).

- b. Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division.

The randomly selected bank reconciliations were accurate, and the ending balances on the bank reconciliations agreed with the District's general ledger, supporting documentation and the financial reports submitted 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.

The checking account balance at the Grants State Bank was fully insured by FDIC. On January 31, 2015, the Grants State Bank pledged collateral with a market value of \$164,583 for the uninsured CD balance of \$100,000. The investment accounts in the LGIP did not require pledged collateral. However, the District was unable to provide the pledged collateral statements from the US Bank for the uninsured CD balance of \$369,904. See Finding No. 2010-004 on p. 9.

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 District did not have any capital assets (movable chattels or equipment) that cost \$5,000 or more.

4. Revenue

- a. Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation. Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

The revenue sources of the District consist of property tax distributions from Cibola County and McKinley County, and interest earnings. The variances between the actual FY15 revenue and the actual FY14 revenue were adequately explained by the District Administrator; no unusual or unexplained variances were noted.

The actual revenue compared to budgeted revenue for each type of revenue was reviewed. According to the District's general ledger, actual revenues were \$27,694

more than budgeted revenues for FY15. No significant or unusual variances were noted.

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

- i. 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 and tested which amounted to approximately 99% of total revenues. The amount recorded in the general ledger agreed with the supporting documentation and the bank statement.

- ii. 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, modified accrual or accrual basis.

The cash receipts tested were properly classified and recorded in the general ledger on the cash basis of accounting.

5. Expenditures

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

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

A sample of cash disbursements were tested which amounted to approximately 98% of total expenses. The amounts recorded as disbursed agreed with the supporting documentation. The amount, payee, date and description of the purchase agreed with the vendor's invoice, contract and canceled check. The District does not use purchase order forms.

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

The cash disbursements tested were properly authorized and approved in compliance with the budget, legal requirements and established procedures.

However, the District does not have written procurement policies and procedures. See Finding 2010-003 on p. 8.

- iii. 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), State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Most of the cash disbursements tested were processed in accordance with applicable provisions of the State Procurement Code and the Per Diem and Mileage Act. However, the District neglected to solicit and obtain competitive sealed qualifications-based proposals for engineering services that cost the District \$302,663. See Finding No. 2014-001 on p. 10.

6. Journal Entries

- a. If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:
 - i. Journal entries appear reasonable and have supporting documentation.

According to the District Administrator, no non-routine journal entries were posted to the general ledger during the fiscal year and none were noted during the agreed-upon procedures.

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

The District has procedures in place to ensure that non-routine journal entries posted to the general ledger by the District Administrator are reviewed and approved by the governing body during the monthly board meetings.

7. Budget

- a. Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:
 - i. 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 Supervisors adopted its FY15 budget on May 22, 2014 (Resolution #2014-1) which was approved by DFA-LGD on August 31, 2014. The District did not have any budget adjustments in FY15.

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

Total expenditures for FY15 exceeded the final approved budget. According to the District's general ledger, actual expenditures for FY15 were \$135,792 more than budgeted expenditures. See Finding No. 2015-001 on p. 16.

- iii. 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, modified accrual or accrual basis) for each individual fund.

Based on the District's general ledger, the Schedule of Revenues and Expenditures was prepared on the cash basis of accounting. See Exhibit 1 on p. 18.

8. Other

- a. If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10 (1)(3)(C) NMAC.

See the Schedule of Findings on p. 6-17.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the Tier 4 agreed upon procedures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management and others with the District, the New Mexico State Auditor, the 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 these specified parties.

Accounting & Auditing Services, LLC

Accounting & Auditing Services, LLC

Santa Fe, New Mexico

December 10, 2016

**Rio San Jose Flood Control District
Schedule of Findings and Responses
Fiscal Year Ending June 30, 2015**

Status of Prior Year Findings

Finding 2010-001. Late Submission of Firm Recommendation Form and Contract – Unresolved and repeated.

Finding 2010-003. No Written Procurement Policies and Procedures – Unresolved and repeated.

Finding 2010-004 – Missing Pledged Collateral Statements – Modified and repeated.

Finding 2014-001– Non-compliance with the State Procurement Code – Unresolved and repeated.

Finding 2013-001 – Missing Financial Report to DFA-LGD – Resolved.

Current Year Findings

Finding 2010-001. Late Submission of Firm Recommendation Form and Contract

Condition

For the fiscal year ending June 30, 2015, the District did not submit the Firm Recommendation Form for Tiered System Local Public Bodies and the signed agreed-upon procedures contract to the New Mexico Office of the State Auditor (OSA) until September 22, 2016.

Since the agreed-upon procedures for the fiscal years ending June 30, 2010 through 2015 were performed at the same time, the District has not made any progress towards implementing the prior year corrective action plan for this finding.

Criteria

According to the State Audit Rule (2.2.2 NMAC), the District should have submitted the completed Firm Recommendation Form for Tiered System Local Public Bodies and the agreed-upon procedures contract to the OSA by June 1, 2015.

Effect

The District did not comply with the provisions of the State Audit Act and the State Audit Rule in a timely manner. Future non-compliance with the State Audit Rule could jeopardize

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grants or capital award funding to the District. Also, errors, irregularities, internal control weaknesses and/or non-compliance with various laws and regulations could go undetected and unreported if the District does not hire a CPA firm to perform agreed-upon procedures required by the State Audit Rule.

Cause

Management of the District stated that they were unable to find a CPA firm to perform the agreed-upon procedures for a reasonable price.

Recommendation

The District's Board of Directors should thoroughly read Section 2.2.2.16 NMAC of Audit Rule 2016 to understand the specific requirements and due dates for agreed-upon procedures. For future fiscal years, the District shall determine its total revenues and state funded capital outlay award expenditures and apply the criteria noted in Section 2.2.2.16.B NMAC (Determination of Revenues and Services) to determine what agreed-upon procedures or audits are required for the fiscal year.

When required, the District should take the necessary steps to ensure that future contracts for agreed-upon procedures are submitted to the Office of the State Auditor as follows:

- According to State Audit Rule 2016, Section 2.2.2.8.J (9) NMAC (effective March 15, 2016), "After completing the evaluations for each IPA and making the IPA selection, each agency must enter the appropriate requested information online on the OSA-Connect website (www.osa-app.org)." According to State Audit Rule, Section 2.2.2.8.J (11) NMAC, the District shall deliver the unsigned contract generated by OSA-Connect to the office 30 days before the end of the fiscal year (June 1).

- According to State Audit Rule, Section 2.2.2.16.G (1) NMAC (effective March 15, 2016), "For local public bodies with a June 30 fiscal year-end, the report or certification due date is December 15."

Management's Response

The RSJFCD was unable to find an audit firm willing to do audits at a reasonable price. We inquired with several firms, most were auditing the Village of Milan at the time, and were not interested in submitting proposals. The firm of Accounting & Auditing Services, LLC, submitted the only proposal. **CORRECTIVE ACTION:** The RSJFCD Administrator will begin contacting audit firms on the OSA list concerning requests for proposals to begin the audit

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process for FY16. This action will take place between January 1, 2017 and January 15, 2017. For future fiscal years, the Administrator will begin requesting proposals three months before the end of the fiscal year to submit the contract and report to the OSA by their due dates.

Finding 2010-003. No Written Procurement Policies and Procedures

Condition

The District does not have any written procurement policies and procedures to control the purchase of goods and services and ensure compliance with the State Procurement Code.

Since the agreed-upon procedures for the fiscal years ending June 30, 2010 through 2015 were performed at the same time, the District has not made any progress towards implementing the prior year corrective action plan for this finding.

Criteria

Adequate procurement policies and procedures provide for the fair and equal treatment of all persons involved in public procurement, maximize the purchasing value of public funds and provide safeguards for maintaining a procurement system of quality and integrity.

Effect

Without adequate procurement policies and procedures, there is a lack of internal control over cash disbursements and the District is at risk of noncompliance with the State Procurement Code.

Cause

The District's Board of Directors has neglected to establish written procurement policies and procedures.

Recommendation

The District's Board of Directors should establish and implement written procurement policies and procedures to ensure compliance with the State Procurement Code (Sections 13-1-28 through 13-1-199 NMSA 1978). For the purchase of all goods and services, the District should consider adopting the State Procurement Code Regulations (1.4.1 NMAC). The procurement policy should include a record retention policy whereas all procurement documentation shall be filed, retained and safeguarded for at least five years after the end of the fiscal year in which the procurement occurred.

**Rio San Jose Flood Control District
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Management's Response

The RSJFCD does not currently have any plans for any large purchases. CORRECTIVE ACTION - RSJFCD Board of Directors will research the NM State Procurement Code and Regulations and use the information to adopt a policy. It will be noted as an agenda item for the January 26, 2017 Board of Directors Meeting. A draft of a new Procurement Policy will be sent to the Directors for review at the February 2017 Board of Directors Meeting. An approved procurement policy will in place by the end of the third quarter of Fiscal Year 2016-2017.

Finding 2010-004 – Missing Pledged Collateral Statements

Condition

During the fiscal year ending June 30, 2015, the District had three Certificates of Deposit totaling \$350,000 at the Grants State Bank and one Certificate of Deposit at the US Bank for \$619,904. However, the District was unable to provide the pledged collateral statements from the US Bank for the uninsured deposits of \$369,904. For the uninsured CD balance of \$100,000 at the Grants State Bank, the District was only able to provide a pledged collateral statement dated 1/31/15 showing pledged collateral with a face value of \$150,000 and a market value of \$164,583.

Since the agreed-upon procedures for the fiscal years ending June 30, 2010 through 2015 were performed at the same time, the District has not made any progress towards implementing the prior year corrective action plan for this finding.

Criteria

Section 6-10-17 NMSA 1978 states:

“Amount of security to be deposited: Any bank or savings and loan association designated as a depository of public money shall deliver securities of the kind specified in Section 6-10-16 NMSA 1978 to a custodial bank described in Section 6-10-21 NMSA 1978 and shall then deliver a joint safekeeping receipt issued by the custodial bank to the public official from whom or the public board from which the public money is received for deposit. The securities delivered shall have an aggregate value equal to one-half the amount of public money to be received in accordance with Subsection B of Section 6-10-16 NMSA 1978. However, any such bank or savings and loan association may deliver a depository bond executed by a surety company as provided in Section 6-10-15 NMSA 1978 as security for any portion of a deposit of public money.

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Effect

The District does not have bank records showing that its uninsured bank deposits are adequately collateralized. The District's uninsured bank deposits are at risk of loss if the uninsured deposits are not collateralized and a bank becomes financially distressed.

Cause

The District has not set-up and maintained adequate files for its pledged collateral records.

Recommendation

The District's Board of Directors should have its District Administrator set-up and maintain a separate file for its pledged collateral statements from each financial institution. On a monthly basis, the District Administrator should ensure that the District receives the required pledged collateral statements from each financial institution for all of its uninsured bank deposits.

Management's Response

RSJFCD banks at New Mexico State Bank (formerly the Grants State Bank) and the bank does collateralize all public funds over the \$250,000.00 FDIC Insurance at 100%. The bank, however, does not usually furnish the information to the customer. CORRECTIVE MEASURE - The RSJFCD Board Chairman will request and obtain such information from the bank on a monthly basis and the District Administrator will set-up and maintain the files accordingly.

Finding 2014-001- Non-compliance with the State Procurement Code

Condition

The District awarded two contracts to Streamtech, Inc. for engineering services as follows:

1. Date of Award: March 10, 2014

Project Description: "A preliminary hydrology study, a preliminary hydraulic analysis, a conceptual channel geometric design work, including coordination with the USACOE, USBR, NMED-SWQB, OSE, RSJFCD, and research to determine the existing Rio San Jose statutory and/or jurisdictional Right-of-Way width and maintenance responsibility."

Contract Amount: "The lump sum amount of \$49,994 plus New Mexico State sales tax."

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2. Date of Award: September 2, 2014

Project Description: “A final hydrology and hydraulics analysis, conceptual channel geometric design work, including coordination with Local Government Agencies, and mapping the recommended Rio San Jose ROW-Drainage Easement and maintenance width, and assisting with construction observation.”

Contract Amount: “The lump sum amount of \$48,023.18; this lump sum amount is fixed for the work described on the Scope of Work presented to RSJFCD. In addition, a cost plus fee of 15% incurred during construction oversight activities, and direct cost. Sub-consultant’s work will be paid at cost plus a 10% administrative fee. Taxes not included.”

As required by state law, the District did not adopt regulations regarding its selection and award of professional service contracts.

As required by state law, the District did not obtain competitive sealed qualifications-based proposals for the engineering services. The District only obtained one proposal for the project work and did not evaluate the qualifications of Streamtech, Inc. before awarding the contracts to the company.

The District paid Streamtech, Inc. the following amounts for professional engineering services:

<u>Check Date</u>	<u>Amount</u>
3/27/2014	\$ 4,963.32
5/22/2014	31,455.83
5/22/2014	10,970.17
6/26/2014	32,706.11
6/26/2014	29,895.81
7/24/2014	8,385.47
7/24/2014	40,937.67
8/28/2014	38,491.28
9/25/2014	39,067.99
11/20/2014	37,030.75
2/26/2015	14,954.80
3/26/2015	13,804.20
Total	<u>\$ 302,663.40</u>

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The second contract that was awarded to Streamtech, Inc. included a “cost plus fee of 15% during construction oversight activities” and a “cost plus a 10% administrative fee” for sub-consultant’s work. However, the District paid the amounts noted above based only on the invoices from Streamtech, Inc. The District did not obtain and review any invoices from the sub-consultants to determine the validity of the cost plus 10% and 15% charges to the District.

Since the agreed-upon procedures for the fiscal years ending June 30, 2010 through 2015 were performed at the same time, the District has not made any progress towards implementing the prior year corrective action plan for this finding.

Criteria

The District did not comply with several state laws during the procurement of the engineering services. The more pertinent sections of state law are as follows:

1. Section 13-1-117.1 NMSA 1978 states:

“Procurement of professional services; local public bodies; legislative branch; selection and award:

A. Each agency within the legislative branch of government operating under the provisions of the Procurement Code [Sections 13-1-28 through 13-1-199 NMSA 1978] and each local public body shall adopt regulations regarding its selection and award of professional services contracts.

B. The award shall be made to the responsible offeror or offerors whose proposal is most advantageous to the local public body or legislative agency respectively, taking into consideration the evaluation factors set forth in the request for proposals.”

2. Section 13-1-111.D NMSA 1978 states:

“Competitive sealed proposals; conditions for use:

Competitive qualifications-based proposals shall be used for procurement of professional services of architects, engineers, landscape architects, construction managers and surveyors who submit proposals pursuant to Sections 13-1-120 through 13-1-124 NMSA 1978.”

3. Section 13-1-120 NMSA 1978 states:

“Competitive sealed qualifications-based proposals; architects; engineers; landscape architects; surveyors; selection process:

A. For each proposed state public works project, local public works project or construction management contract, the architect, engineer, landscape architect,

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construction management and surveyor selection committee, state highway and transportation department selection committee or local selection committee, as appropriate, shall evaluate statements of qualifications and performance data submitted by at least three businesses in regard to the particular project and may conduct interviews with and may require public presentation by all businesses applying for selection regarding their qualifications, their approach to the project and their ability to furnish the required services.

B. The appropriate selection committee shall select, ranked in the order of their qualifications, no less than three businesses deemed to be the most highly qualified to perform the required services, after considering the following criteria together with any criteria, except price, established by the using agency authorizing the project:

(1) specialized design and technical competence of the business, including a joint venture or association, regarding the type of services required;

(2) capacity and capability of the business, including any consultants, their representatives, qualifications and locations, to perform the work, including any specialized services, within the time limitations;

(3) past record of performance on contracts with government agencies or private industry with respect to such factors as control of costs, quality of work and ability to meet schedules;

(4) proximity to or familiarity with the area in which the project is located;

(5) the amount of design work that will be produced by a New Mexico business within this state;

(6) the volume of work previously done for the entity requesting proposals which is not seventy-five percent complete with respect to basic professional design services, with the objective of effecting an equitable distribution of contracts among qualified businesses and of assuring that the interest of the public in having available a substantial number of qualified businesses is protected; provided, however, that the principle of selection of the most highly qualified businesses is not violated; and

(7) notwithstanding any other provisions of this subsection, price may be considered in connection with construction management contracts, unless the services are those of an architect, engineer, landscape architect or surveyor.

C. Notwithstanding the requirements of Subsections A and B of this section, if fewer than three businesses have submitted a statement of qualifications for a particular project, the appropriate committee may:

(1) rank in order of qualifications and submit to the secretary or local governing authority of the public body for award those businesses which have submitted a statement of qualifications; or

(2) recommend termination of the selection process pursuant to Section 13-1-131 NMSA 1978 and sending out of new notices of the re-solicitation of the proposed procurement pursuant to Section 13-1-104 NMSA 1978. Any proposal received in response to the terminated solicitation is not public information and shall not be made available to competing offerors.

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D. The names of all businesses submitting proposals and the names of all businesses, if any, selected for interview shall be public information. After an award has been made, the appropriate selection committee's final ranking and evaluation scores for all proposals shall become public information. Businesses which have not been selected for contract award shall be so notified in writing within fifteen days after an award is made."

4. Section 13-1-122 NMSA 1978 states:

"Competitive sealed qualifications-based proposals; award of architect; engineering, landscape architect and surveying contracts:

The designee of a local public body shall negotiate a contract with the highest qualified business for the architectural, landscape architectural, engineering or surveying services at compensation determined in writing to be fair and reasonable. In making this decision, the designee of a local public body shall take into account the estimated value of the services to be rendered and the scope, complexity and professional nature of the services. Should the designee of a local public body be unable to negotiate a satisfactory contract with the business considered to be the most qualified at a price determined to be fair and reasonable, negotiations with that business shall be formally terminated. The designee of a local public body shall then undertake negotiations with the second most qualified business. Failing accord with the second most qualified business, the designee or a designee of a local public body shall formally terminate negotiations with that business. The designee of the local public body shall then undertake negotiations with the third most qualified business. Should the designee of a local public body be unable to negotiate a contract with any of the businesses selected by the committee, additional businesses shall be ranked in order of their qualifications and the designee of a local public body shall continue negotiations in accordance with this section until a contract is signed with a qualified business or the procurement process is terminated and a new request for proposals is initiated. The representative of a local public body shall publicly announce the business selected for award."

Also, before any payments are made to a contractor, it is a prudent business practice to review adequate supporting documentation to determine the validity of all the "cost plus" charges for the project work.

Effect

Since the District violated several provisions of the State Procurement Code, the District may not have hired the highest qualified engineering firm at the best obtainable price for the engineering services. If the highest qualified engineering firm was not selected by the

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District, the project work may be substandard, incomplete or inaccurate. If the District does not attempt to receive the best obtainable price for the engineering services, public funds could have been wasted. Furthermore, if the District did not review adequate supporting documentation for the cost plus charges, the District could have been overcharged for the services.

Cause

The District's Board of Directors and its personnel neglected to comply with the requirements of the State Procurement Code.

The District does not have any written procurement policies and procedures and has not adopted the State Procurement Code and State Purchasing Regulations.

The District's procurement officer has not received the proper training to comply with the requirements of the State Procurement Code. Therefore, it does not appear that the Board of Directors and its personnel were qualified to procure the engineering services.

Recommendation

For all future purchases of professional services exceeding \$60,000, the District's Board of Directors and personnel should strictly comply with the applicable requirements of the State Procurement Code (Sections 13-1-28 through 13-1-199 NMSA 1978).

Prior to any future large purchases, the District's Board of Directors should ensure that its procurement officer receives the proper procurement training in accordance with the requirements of Section 13-1-95.2 NMSA 1978.

Before any payments are made to any contractor, the District should ensure that adequate supporting documentation is received and reviewed to verify that all charges to the District were valid.

Management's Response

Regarding contracts with Streamtech, Inc. the contracts for professional services did span two different fiscal years, March 2014 in the amount of \$49,994; (fy 2014) and September 2014 in the amount of \$48,023.18 (fy 2015).

The RSJFCD did receive a product with the initial contract, as part of this was an aerial digital photo of the length of the Rio in Western Cibola County. This photo shows details of the drainage and problem areas within the tributaries of the Rio San Jose. In this respect the FCD knows where to concentrate their work efforts in the problem areas.

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Streamtech, Inc. also coordinated with the US Army Corps of Engineers, Cibola County, and property owners to clean, widen and generally improve the drainage in areas that are especially prone to flooding.

The RSJFCD does not generally hire this type of work, and may not do so again in the foreseeable future. The work that was done made the residents of Plano Colorado and Bluewater Village happy. It did alleviate some potential flooding situations in both of these flood-prone areas. There was a great deal of storm water that came into the Rio San Jose with a late summer downpour that originated in McKinley County. The work that was done was very beneficial.

CORRECTIVE MEASURE - In the future, the RSJFCD Board of Directors will investigate further with any companies offering such goods and services before engaging in a contract. If the work becomes necessary, the RSJFCD will go with a sealed bidding process, in line with the NM Procurement Code.

Finding 2015-001 – Actual Expenses Exceeded the Approved Budget

Condition

For the fiscal year ending June 30, 2015, total expenses exceeded the budget by \$135,972.

Criteria

According to state law, Section 6-6-6 NMSA 1978, “When any budget for a local public body has been approved and received by a local public body, it is binding upon all officials and governing authorities, and no governing authority or official shall allow or approve claims in excess thereof, and no official shall pay any check or warrant in excess thereof, and the allowances or claims or checks or warrants so allowed or paid shall be a liability against the officials so allowing or paying those claims or warrants, and recovery for the excess amounts so allowed or paid may be had against the bondsmen of those officials.”

Effect

Excessive spending will create financial problems for the District. Claims against the officials of the District could occur for future non-compliance with Section 6-6-6 NMSA 1978.

Cause

Management of the District neglected to submit budget adjustments to the Board of Directors and DFA-LGD for approval as required by state law.

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Recommendation

To avoid overspending the approved budget, management of the District should monitor its actual expenses throughout the fiscal year. The District Administrator should submit budget status reports to the Board of Directors on a quarterly basis. If there is the possibility that actual expenses will exceed the budget at the total fund level during the fiscal year, management should prepare a budget adjustment request for the Board's review and approval. If the Board adjusts the original budget, the Board should then submit the budget adjustment request to DFA-LGD for approval.

Management's Response

This was an oversight on the RSJFCD's part. The amount budgeted was under the actual expense. However, the RSJFCD Board of Directors did not overspend any of the accounts. The RSJFCD maintains sufficient funds in the accounts at all times. The funds spent were for one-time expenses and probably won't happen in the near future. CORRECTIVE MEASURE -
- The RSJFCD will do a budget review mid-year and contact DFA to submit an amended budget for any such expenses in the future if necessary.

**Rio San Jose Flood Control District
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP Cash Basis)
For the Fiscal Year Ending June 30, 2015**

Exhibit 1

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Cibola County Mill Levy	\$ 65,000	\$ 65,000	\$ 91,299	\$ 26,299
McKinley County Mill Levy	26,000	26,000	28,175	2,175
Interest and Other	2,000	2,000	1,219	(781)
Total Revenues	<u>\$ 93,000</u>	<u>\$ 93,000</u>	<u>\$ 120,694</u>	<u>\$ 27,694</u>
Expenditures:				
Office - Supplies, Clerical and Rent	\$ 20,000	\$ 20,000	\$ 12,448	\$ 7,552
Fees, Dues and Memberships	2,000	2,000	1,167	833
Professional Services	15,000	15,000	6,000	9,000
Insurance and Bonds	2,000	2,000	988	1,012
Elections	2,000	2,000	483	1,517
Miscellaneous, Publications and Travel	4,000	4,000	-	4,000
Capital Outlay & Projects (Reserve)	170,000	170,000	170,000	-
Capital Outlay & Projects (Emergency)	30,000	30,000	189,886	(159,886)
Total Expenditures	<u>\$ 245,000</u>	<u>\$ 245,000</u>	<u>\$ 380,972</u>	<u>\$ (135,972)</u>

Copy of Year-End Financial Report Submitted to DFA-LGD

RIO SAN JOSE FLOOD CONTROL DISTRICT

P O Box 405
Grants, NM 87020

FINANCIAL REPORT FOR 4TH Quarter of FY 2014-2015

April 1, 2015 to June 30, 2015

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Year End Financial Report for FY 2014-2015

Income

Budget	Source	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr	Total
\$60,000	Cibola Co.	\$5,203.15	\$17,400.02	\$27,908.69	\$40,787.43	\$91,299.29
\$26,000	McKinley Co	\$ 421.25	\$ 1,124.71	\$13,842.69	\$12,786.79	\$28,175.44
\$ 2,000	Interest /Other	\$ 27.54	\$ 1,018.21	\$ 67.57	\$ 105.86	\$ 1,219.18
TOTALS		<u>\$5,651.94</u>	<u>\$19,542.96</u>	<u>\$41,818.95</u>	<u>\$53,680.08</u>	<u>\$120,693.91</u>

Operating Expense

\$16,000	Office/clerical	-0-	\$ 150.00	\$11,823.33	\$ 475.00	\$12,448.33
\$ 2,000	Fees/dues	\$306.21	\$ 15.05	\$ 438.04	\$ 407.88	\$ 1,167.18
\$15,000	Pro Svc	\$1,500.00	\$1,000.00	\$ 2,000.00	\$1,500.00	\$ 6,000.00
\$ 2,000	Elections	\$ 482.69	-0-	-0-	-0-	\$ 482.69
\$ 2,000	Insurance	-0-	-0-	\$ 987.74	-0-	\$ 987.74
TOTALS		<u>\$2,288.90</u>	<u>\$1,165.05</u>	<u>\$15,249.11</u>	<u>\$2,382.88</u>	<u>\$21,085.94</u>

Capital Outlay

\$200,000.00		\$126,882.41	\$37,070.75	\$192,696.20	\$3,236.21	\$359,885.60
Total		<u>\$129,171.31</u>	<u>\$38,235.80</u>	<u>\$207,945.30</u>	<u>\$5,619.09</u>	<u>\$380,971.50</u>

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RIO SAN JOSE FLOOD CONTROL DISTRICT

P O Box 405
Grants, NM 87020

BANK RECONCILIATION FOR 4TH QUARTER OF FY 2014-2015 April 1, 2015 to June 30, 2015

Checking Account Balance in Grants State Bank
July 1, 2014 \$151,142.59

Income for first quarter \$5,651.94
Expenses for first quarter \$129,171.31

Income for second quarter \$19,542.96
Expenses for second quarter \$38,235.80

Income for third quarter \$41,818.95
Expenses for third quarter \$207,945.30

Income for fourth quarter \$53,680.08
Expenses for fourth quarter \$ 5,619.09

\$40,000.00 was transferred from NM Grow into the GSB checking account in November 2014

CD at US Bank was closed out in January 2015 and deposited into the GSB checking account \$619,904.83.

GSB Checking account balance as of June 30, 2015 \$554,840.81 less \$3,804.72 in outstanding checks

BALANCE IN GSB CHECKING ACCOUNT AS OF JUNE 30, 2015 \$551,036.09

**Rio San Jose Flood Control District
Exit Conference
Fiscal Year Ending June 30, 2015**

On December 19, 2016, an exit conference was held with the following individuals to discuss the results of the agreed upon procedures and the contents of this report:

Rio San Jose Flood Control District

Larry Carver, Chairman
Cynthia Spidle, Administrator

Accounting & Auditing Services, LLC

Steve B. Archibeque, CPA, Engagement Manager