

STATE OF NEW MEXICO

UPPER RIO GRANDE WATERSHED DISTRICT

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED UPON PROCEDURES REPORT

YEAR ENDED JUNE 30, 2015

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STATE OF NEW MEXICO
UPPER RIO GRANDE WATERSHED DISTRICT

Official Roster

June 30, 2015

Name

Title

Board of Directors

Levi Valdez	President
Jose Benito Chavez	Vice president
Michael Sanchez	Secretary
Joseph P. Martinez	Treasurer
Alfredo Montoya	Member

Staff

Esperanza Trujillo	Office Manager
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**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED UPON PROCEDURES**

Levi Valdez, President
Upper Rio Grande Watershed District
and
Honorable Tim Keller
New Mexico State Auditor

We have performed the procedures enumerated below for the Upper Rio Grande Watershed District (District) for the year ended June 30, 2015. The District was determined to be a Tier 4 entity under the Audit Act Section 12-6-3 (B) NMSA 1978 and Section 2.2.2.16 NMAC. The procedures were agreed to by the District through the Office of the New Mexico State Auditor. The Upper Rio Grande Watershed District management is responsible for the organization's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purposes for which this report has been requested or for any other purpose. Our procedures and findings are as follows:

Procedures

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

Finding

We verified the District's revenue calculation and tier determination. No exceptions noted.

2. Cash

Procedures

- 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.

- b) Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reporting submitted to DFA-Local Government Division.
- c) Determine whether the local public body's financial institution have provided it with 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA1978, NM Public Money Act, if applicable.

Findings

- a) The District has only a checking account. Bank statements were available for the checking account. The District did not maintain supporting documentation of its account being reconciled on a timely basis. (See finding 2015-5)
- b) We were unable to perform a random test of bank reconciliations and trace to the financial records. The District maintained an excel worksheet of monies collected and a spreadsheet of monies disbursed. The bank statements were available and on-hand for the entire year. The District did not prepare and submit financial reports to DFA local government division for the second and third quarter of the fiscal year. (see finding 2015-1)
- c) The bank account had FDIC coverage of \$250,000. The bank account never exceeded the uninsured limits and, therefore, pledged collateral was not required on the bank account at any time during the year.

3. Capital Assets

Procedures

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

Findings

The District did not have any capital assets as of June 30, 2015.

4. Revenues

Procedures

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.

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

- b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statements.
- c) Proper recording of classification, amounts, 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.

Findings:

- a) The District did not have any source of revenue for the months of July 2014 to December 2014 per the bank statements. The District started receiving property tax revenue in January 2015. The only source of revenue for the District was property taxes collected from January 2015 thru June 30, 2015 of \$145,457. We traced the five transactions for revenue collected to the county treasurer's notification of taxes distributed. The District's approved budget did not have any revenue sources. It only had a cash balance which equaled expenditures of \$48,202 for the year than ended June 30, 2015.
- b) Amounts recorded on an excel spreadsheet as the district's financial records agreed to the supporting documentation (deposit slips and bank statements). No exceptions noted
- c) Amounts were recorded properly on a cash basis to the property tax revenue account on a monthly basis on an excel worksheet. We traced all five deposits on the bank statements to the excel worksheet. No exceptions noted.

5. Expenditures

Procedures:

Select a sample of cash disbursements based on auditor judgment 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.
- b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

- c) Determine that the bid process (or request for proposal process if applicable, purchase order, 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).

Findings

- a) Our test of 28 transactions for approximately 58% of the total expenditure amount for the fiscal year revealed that amounts recorded as disbursed agreed to the supporting documentation. The documentation agrees as to amount, payee, date and description agree to the vendor's invoice. The District did not maintain adequate supporting documentation for all of its expenditures. (See finding 2015-07) District did not use purchase orders or contracts. Unable to determine compliance with the procurement code. (See finding 2015-02)
- b) District disbursements were authorized disbursements for the operations of the District and approved in compliance with budget, legal requirements and established policies and procedures.
- c) District did not maintain documentation for all its purchases to demonstrate compliance with the bid process (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 13-1-99 NMSA 1978) and State purchase regulations.(See finding 2015-02)

6. Journal Entries

Procedures

If non-routine journal entries, such as adjustment or reclassification, are posted to the general ledger, test significant items for the following attribute:

- a) Journal entries appear reasonable and have supporting documentation.
- b) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

Findings

The District maintained only an excel spreadsheet of its cash receipts and cash disbursements for the fiscal year. The District did not post any journal entries to adjust or reclassify any of its receipt or disbursements.

7. Budget

Procedures

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

- a) Verify, through a review of minutes and correspondence, that the original budget and subsequent budget adjustments were approved by the local public body's governing body and DFA-LGD.
- b) Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so report a compliance finding.
- 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, actual or modified accrual basis) for each individual fund.

Findings

- a) The District prepared and submitted an approved budget by the District for approval to DFA-LGD for the year ended June 30, 2015.
- b) Determined that total actual expenditures did not exceed the final budget at the legal level of budgetary control. No exceptions noted.
- c) A schedule of revenues and expenditures was prepared from the District's records on a cash budgetary basis. This schedule is included herein as Exhibit A. The District submitted quarterly report to DFA-LGD only for the first and fourth quarter of the fiscal year. (See finding 2015-01)

Other

Procedures

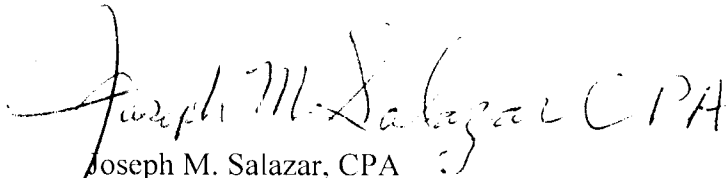
If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The finding must include the required contents per Section 2.2.2.1-(1) (3) (C) NMAC.

Findings

No exceptions or information were noted as a result of applying the procedures described above (regardless of materiality) indicating fraud or illegal acts. However, see the Schedule of Findings and Responses related to quarterly reports to DFA-LGD, procurement code compliance, late agreed upon procedures report, late submission of IPA recommendation form, monthly cash reconciliations, financial statements and adequate supporting documentation for disbursements.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. 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 Upper Rio Grande Watershed District, the New Mexico State Auditor's Office and the DFA-Local Government Division and is not intended to be and should not be used by anyone other than those specified parties.


Joseph M. Salazar, CPA
March 2, 2016

STATE OF NEW MEXICO Exhibit A
 UPPER RIO GRANDE WATERSHED DISTRICT
 SCHEDULE REVENUE AND EXPENDITURES- BUDGET AND ACTUAL (CASH BASIS)
 FOR YEAR ENDED June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	-	-	145,457	145,457
Total revenues	-	-	145,457	145,457
Budgeted cash balance	48,202	48,202		
	<u>\$ 48,202</u>	<u>\$ 48,202</u>	<u>\$ 145,457</u>	<u>\$ 145,457</u>
EXPENDITURES				
Dues	\$ 482	\$ 482	\$ 100	\$ 382
Election	241	241	164	77
Financial audit	3,856	3,856	-	3,856
Information education/conservation	1,928	1,928	381	1,547
Insurance	1,687	1,687	-	1,687
Office expense	964	964	43	921
Payroll expenses	7,037	7,037	5,615	1,422
Per diem and mileage	2,410	2,410	245	2,165
Operations and maintance	26,705	26,705	1,545	25,160
Training	482	482	-	482
Miscellaneous	2,410	2,410	-	2,410
Consultants	-	-	14,990	(14,990)
			390	(390)
Total expenditures	<u>\$ 48,202</u>	<u>\$ 48,202</u>	<u>\$ 23,473</u>	<u>\$ 24,729</u>
Revenue over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,984</u>	<u>\$ -</u>

UPPER RIO GRANDE WATERSHED DISTRICT
FISCAL CYCLE 2015

MIL LEVY
DEPOSITS

MISC

ELECTION

TRAINING

O & M

\$ 1,545.00 \$ - \$ 163.91 \$ 43.44 \$ 23,472.55 \$ 145,457.00

BEGINNING

BALANCE DEPOSITS EXPENDITURES

\$ 47,627.47 \$ 145,457.00 \$ (23,472.55) \$ 169,611.92

UPPER RIO GRANDE WATERSHED DISTRICT
 FISCAL CYCLE 2015

STAFF/ PART-TIME	CONSULTANTS	DUES	FINANCIAL AUDIT	INFO/ED/CONS	INSURANCE	PER DIEM MILEAGE
GK AMOUNT \$ 23,472.55 \$ 6,005.00 \$ 12,243.65	\$ 2,846.04	\$ 100.00	\$	380.47 \$	-	\$ 145.04

**STATE OF NEW MEXICO
UPPER RIO GRANDE WATERSHED DISTRICT
Schedule of Findings and Reponses
YEAR ENDED JUNE 30, 2015**

Current Year Findings

2015-01 Quarterly Financial Reports to DFA-LGD

Criteria

Section 6-6-3 NMSA, 1978 states that every local public body shall make all reports as may be required by the Department of Finance and Administration-Local Government Division (DFA-LGD) and conform to the rules and regulations adopted by the DFA-LGD.

Condition

The District did not submit quarterly financial and budget reports for the second and third quarter for the fiscal year 2015 to DFA-LGD.

Cause

The District did not have an Office Manager for a time period.

Effect

The District did not comply with Section 6-6-3 NMSA 1978.

Recommendation

We recommend that the District submit its quarterly financial reports as required to DFA-LGD.

Entity Response

We didn't have staff to do quarterly reports to DFA. We now have an Office Manager and have been submitting reports on a timely basis.

**STATE OF NEW MEXICO
UPPER RIO GRANDE WATERSHED DISTRICT
Schedule of Findings and Reponses
YEAR ENDED JUNE 30, 2015**

2015-02 Procurement Code Compliance

Criteria

All local public bodies in the State of New Mexico are required to comply with the New Mexico Procurement Code.

Condition

District had only two purchases during the fiscal year that required compliance with the procurement code. The district did not maintain documentation of the contract services for the office manager services. The District did not maintain documentation to demonstrate compliance with the purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State purchasing regulations for this purchase.

Cause

The District at the beginning of the fiscal year was not aware of the requirements of complying with the procurement code.

Effect

The District did not comply fully with the procurement code.

Recommendation

We recommend that the District comply with the New Mexico Procurement Code.

Entity Response

The District will comply with the New Mexico Procurement Code and State Purchasing regulations.

**STATE OF NEW MEXICO
UPPER RIO GRANDE WATERSHED DISTRICT
Schedule of Findings and Reponses
YEAR ENDED JUNE 30, 2015**

2015-03 Late Agreed Upon Procedures Report

Criteria

New Mexico State Auditor Rule Section 2.2.2.9 A (g) and the audit contract require that the District's agreed upon procedures report be submitted to the State Auditor's Office no later than December 15, 2015 deadline.

Condition

The agreed upon procedures report for the fiscal year 2015 was not submitted to the State Auditor's office by the deadline. The report was submitted and received by the State Auditor's Office on March 3, 2016.

Cause

The District was not aware of the requirement.

Effect

The lateness of the agreed upon procedures report creates noncompliance with the State Auditor Rule requirements of completing and submitting the agreed upon procedures report by the due date.

Recommendation

Recommend that the District with the State Auditor Rule requirement of completing and submitting the agreed upon procedures report by the due date.

Entity Response

This reporting period is the first year we have had revenue and we were not aware of the State Auditor Rule. We will have agreed upon procedures done on a timely basis from now on.

**STATE OF NEW MEXICO
UPPER RIO GRANDE WATERSHED DISTRICT
Schedule of Findings and Reponses
YEAR ENDED JUNE 30, 2015**

2015-04 Late Submission of IPA Recommendation Form

Criteria

New Mexico State Auditor Rule Section 2.2.2.8 A (G) (6) (c) requires that Local Public Bodies submit the required IPA Recommendation Form for Tiered System Local Public Bodies and the completed agreed upon procedures contract to the State Auditor by July 1.

Condition

The IPA Recommendation Form for Tiered Systems of Local Public Bodies and agreed upon procedures contract was not submitted to the State Auditor prior to the due date of July 1, 2015.

Cause

Upper Rio Grande Watershed District was unable to submit its IPA Recommendation Form for Tiered System Local Public Bodies and the completed agreed upon procedures contract to the State Auditor on a timely basis.

Effect

The lateness of submitting the IPA Recommendation Form for Tiered System of Local Public Bodies and the agreed upon procedures contract creates noncompliance with the State Auditor Rule requirements of completing and submitting the IPA recommendation Form for the Tiered System of Local Public Bodies and the agreed upon procedures contract by the due date.

Recommendation

Recommend that the Upper Rio Grande Watershed District comply with the State Auditor Rule requirement of completing and submitting the IPA Recommendation Form and the completed agreed upon procedures contract by the due date.

Entity Response

The IPA recommendation form and completed agreed upon procedures contract will be submitted on a timely basis for future engagements.

**STATE OF NEW MEXICO
UPPER RIO GRANDE WATERSHED DISTRICT
Schedule Findings and Responses
YEAR ENDED JUNE 30, 2015**

2015-05 Monthly Cash Reconciliations

Criteria

Good internal control requires that the cash account be reconciled on a monthly basis.

Condition

District did not maintain supporting documentation on a monthly basis of bank reconciliations.

Cause

The District did not have any employees or a contract persons to maintain any accounting records for a time period during the fiscal year.

Effect

The lack of bank reconciliations of the District's bank account could allow for errors or irregularities that would not be detected on a timely manner on its financial statements.

Recommendation

Recommend that the District perform monthly reconciliations of its bank account and maintain documentation documenting the reconciliation of its bank account to its financial records.

Entity Response

We did not have staff to complete cash reconciliations. We now have an Office Manager and have and will continue to do monthly reconciliations.

**STATE OF NEW MEXICO
UPPER RIO GRANDE WATERSHED DISTRICT
Schedule of Findings and Responses
YEAR ENDED JUNE 30, 2015**

2015-06 Financial Statements

Criteria

Generally accepted accounting principles requires that an organization maintain financial records that summarize all its financial transaction of the organization.

Condition

District does not prepare and maintain a set of financial records. District does not maintain financial statements that contain all of the organization's transactions on one complete set of books to include all transactions such as a general ledger, statement of financial position, statement of activities and statement of cash flow.

Cause

District is a small organization and unaware of the need for a general ledger or records which show cash, fixed assets, depreciation, accounts receivable, accounts payable, loan payable, revenues, expenses etc in one financial statement

Effect

District does not have one complete form of financial statements where all of its financial information is summarized and available to prepare financial statement such as a statement of financial position, statement of activities and changes in net assets and statement of cash flow.

Recommendation

Recommend that District purchase accounting software to record all transactions to enable the District to have a complete set of financial records.

Entity Response

Quick books software has been purchased to help the District record bank transactions, reconciliations and keep accurate accounting records for future compliance.

**STATE OF NEW MEXICO
UPPER RIO GRANDE WATERSHED DISTRICT
Schedule of Findings and Responses
YEAR ENDED JUNE 30, 2015**

2015-07 Adequate Supporting Documentation for Disbursement (Expenditures)

Criteria

Good accounting practice requires that the District maintain adequate supporting documentation of all disbursements.

Condition

District did not maintain adequate supporting documentation of all its disbursements. Most of the expenditures for the district were for board members attending meetings, payments to contract office manager services, and consultant. The District did not maintain adequate supporting documentation for its payment to board members being paid for attending board meeting. The only documentation was written notes on the board agenda of the members that attended the meetings.

Cause

District is a small organization that became more active during the fiscal year with the receipt of property taxes and District activities.

Effect

District lack of adequate supporting documentation creates an environment for the possibility of errors and irregularities.

Recommendation

Recommend that the District maintain adequate supporting documentation of all disbursements such as vendor invoices, cancelled checks, purchase order, etc. Amounts per check agree as to payee, amount and goods or services purchased are necessary expenditures for the operation of the association.

Entity Response

In the future the District will maintain adequate supporting documentation of all of its disbursements.

STATE OF NEW MEXICO
UPPER RIO GRANDE WATERSHED DISTRICT

Exit Conference

YEAR ENDED JUNE 30, 2015

Exit Conference

The report contents were discussed at an exit conference held March 2, 2016 with the following in attendance:

Upper Rio Grande Watershed District

Alfredo Montoya, President

Joseph P. Martinez, Treasurer

Denise Gallegos, Office Manager

Accounting Firm

Joseph M. Salazar, CPA

