

**REGIONAL COALITION OF LANL COMMUNITIES
INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2014**

**REGIONAL COALITION OF LANL COMMUNITIES
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**REGIONAL COALITION OF LANL COMMUNITIES
OFFICIAL ROSTER
JUNE 30, 2014**

Board of Directors

Alice Lucero – Chair

Andrew Gonzales – Vice Chair

Javier Gonzales – Secretary / Treasurer

Fran Berting – Member

Steve Girrens – Alternate

Joshua Magdalena – Member

Ron Lovato – Member

Alfredo Montoya – Member

Tom Blankenhorn - Member

Joseph Maestas - Alternate

Principal Employee (On Contract)

DeAnza Sapien – Executive Director (July, 2013 – September, 2013)

Darien Cabral – Executive Director (September, 2013 – June, 2014)



Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Board of:
Regional Coalition of LANL Communities
and
Honorable Brian S. Colón, Esq.
New Mexico State Auditor

We have performed the procedures enumerated below, which were agreed to by the Regional Coalition of LANL Communities (RCLC), and the New Mexico State Auditor's Office, solely to assist in determining if RCLC is in compliance with New Mexico State Audit Rule, Tier 4, for the period July 1, 2013 through June 30, 2014. The RCLC is the responsible party and the subject matter is the responsibility of the RCLC. 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.

The procedures we performed, and the associated findings are included beginning on the following page.

This engagement to apply agreed-upon procedures 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 financial statements of the RCLC as of June 30, 2014. 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 management and others within the RCLC, the 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.

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC
Auditors – Business Consultants - CPAs

Albuquerque, New Mexico
August 16, 2019

**STATE OF NEW MEXICO
REGIONAL COALITION OF LANL COMMUNITIES
TIER 4 AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2014**

PROCEDURES PERFORMED AND RELATED RESULTS

1. Tier Status

This engagement is to be performed pursuant to the AICPA Statements on Standards for Attestation Engagements (Clarified), AT-C Section 215 for agreed-upon procedures engagements.

Procedures:

Verify the Regional Coalition of LANL Communities' revenue calculation and tier determination documented on the "Tier System Reporting Main Page".

Results:

Because the RCLC had revenues of less than \$250,000 for the year, after applying the State Auditor's calculation which requires federal grants to be excluded, they are classified as Tier 4 for the year ended June 30, 2014. Upon further review, as documented in procedure 7, DFA-LGD determined the RCLC is not a local public body.

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) Test at least 30% 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 (DFA-LGD).

- c) Determine whether the local public body's financial institutions have provided it with 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

Results:

- a) In a letter from Los Alamos County, dated July 2, 2019, the procedures for the bank reconciliations were specified. RCLC does not have an accounting system of their own. RCLC is accounted for as an agency fund in the accounting system of Los Alamos County (County), their fiscal agent. Although the fund is accounted for discretely, the bank account is processed out of the County's general checking pooled cash account. Based on procedures performed, the bank reconciliations are being performed for all periods and timely. Furthermore, through discussions with the County CFO in tandem with a review of the last five audits for the County, our conclusion is that their current process is meeting the objective and operating effectively.

**STATE OF NEW MEXICO
REGIONAL COALITION OF LANL COMMUNITIES
TIER 4 AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2014**

PROCEDURES PERFORMED AND RELATED RESULTS

Results (Continued):

b) See a. Our conclusion is that the bank reconciliations are accurate and are reflected correctly in the general ledger. Per determination letter from DFA (see Section 7 – Budget), RCLC is not considered a public body and is not required to submit financial reports to the Local Government Division.

c) Our analysis of pledged collateral shows over 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act.

3. Capital Assets

Procedures:

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

Results:

Through review of records and conversations with management we are satisfied that the RCLC has no capital assets and therefore, would not require an annual inventory.

4. Revenue

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 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.
- 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.

**STATE OF NEW MEXICO
REGIONAL COALITION OF LANL COMMUNITIES
TIER 4 AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2014**

PROCEDURES PERFORMED AND RELATED RESULTS

Results:

For FY 2014, two revenue transactions, representing 31% of the dollars in the population, were selected for testwork.

- a) There was no Board-approved revenue budget for FY 2014. See finding **2014-001**.
- b) For the items tested, the amount recorded in the general ledger agreed to the supporting documentation and the bank statement.
- c) For the items tested, the transaction was properly recorded in terms of classification, amount and transaction date.

5. Expenditures

Procedures:

Select a sample of cash disbursements, equal to at least 30% of the total dollar amount, and test the following attributes (the sample must be representative of the population):

- 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 cancelled checks, 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 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 (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

**STATE OF NEW MEXICO
REGIONAL COALITION OF LANL COMMUNITIES
TIER 4 AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2014**

PROCEDURES PERFORMED AND RELATED RESULTS

Results:

A representative sample of three expenditure transactions covering 32% of total expenditures for the year ended June 30, 2014 were selected for testwork:

- a) In all cases, the amounts recorded as disbursed agreed to the supporting documentation. In all cases the amounts, payees, dates and descriptions agreed to the supporting documentation. No exceptions noted.

- b) Our testwork revealed instances of noncompliance:
 - 1) Our sample consisted of one (1) payment to MVM Group, LLC (MVM) and two (2) payments to JLH Media, LLC (JLH). The percentage of reimbursement as compared to the fixed monthly contractual payment was 4% for MVM and 21% for JLH.

The reimbursement clause in the contract with MVM reads, "Travel, printing, reproduction, and shipping costs incurred by Contractor are reimbursable with receipts and approval of Coalition."

The reimbursement clause in the contract for JLH reads, "...travel costs shall be subject to the annual budget as approved by the Board and shall be in accordance with the Regional Coalition's travel policy resolution."

Although neither contract addresses what expenses specifically are allowable and unallowable nor places any limits on the total that can be reimbursed, it is clear that when the contract with JLH was executed, the percentage of reimbursements compared to the monthly fixed contract fee increased significantly. It should also be noted, however, that the monthly contractual payment to JLH was \$1,335 (10%) less per month than the one with MVM.

See finding **2013-001**.

- 2.) One transaction included reimbursement of Washington D.C. travel expenses amounting to \$4,139 for two individuals. One was the contracted executive director. We were unable to establish in what capacity the second individual was associated with RCLC (third parties).

See finding **2018-002**.

**STATE OF NEW MEXICO
REGIONAL COALITION OF LANL COMMUNITIES
TIER 4 AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2014**

PROCEDURES PERFORMED AND RELATED RESULTS

Results (Continued):

3.) The invoices submitted by JLH include charges for gross receipts taxes on reimbursements mileage and reimbursements totaling \$556.

See finding **2018-004**.

4.) There were other cases of noncompliance. See findings **2018-006** and **2018-018**.

c) In all cases, 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 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

6. Journal Entries

Procedures:

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

Results:

a) & b) There were no non-routine journal entries related to RCLC in FY 2014; therefore, these two procedures are not applicable.

**STATE OF NEW MEXICO
REGIONAL COALITION OF LANL COMMUNITIES
TIER 4 AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2014**

PROCEDURES PERFORMED AND RELATED RESULTS

7. Budget

Procedures:

Obtain the original fiscal year budget and all budget amendments 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.
- 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, in this case, cash basis, for each individual fund.

Results:

- a) A determination was made prior to our starting the fieldwork that addressed whether RCLC is, in fact, a Local Public Body as defined by Local Government Finance Act, Section 6-6-1. In an email dated June 17, 2019, the DFA Budget & Finance Bureau concluded that "it does not appear that this agency [RCLC] meets the 'criteria' as a Local Public Body...Because the RCLC was formed under the Joint Powers Act, it is not under the regulatory authority of LGD [Local Government Division] except as the issues relate to LGD's regulatory authority over its constituent local government members. Therefore, the RCLC would not be required to submit their annual budget to LGD."

There was no Board approved budget for FY 2014. See finding **2014-001**.

- b) See a.

- c) See Schedule of Revenues and Expenditures – Budget to Actual.

**STATE OF NEW MEXICO
REGIONAL COALITION OF LANL COMMUNITIES
TIER 4 AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2014**

PROCEDURES PERFORMED AND RELATED RESULTS

8. Other

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, disclose 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 (I) (3) (C) NMAC.

Results:

The Tier 4 Agreed Upon Procedures report for RCLC for the year ended June 30, 2014, was due to be submitted to the Office of the State Auditor by December 15, 2014. This did not occur. See finding **2013-003** (Repeated).

All noncompliance identified is disclosed in the *Schedule of Findings and Responses*.

**STATE OF NEW MEXICO
REGIONAL COALITION OF LANL COMMUNITIES
TIER 4 AGREED-UPON PROCEDURES
SCHEDULE OF REVENUE AND EXPENDITURES – BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Approved Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues and Other Financing Sources				
Member Contributions	\$ 176,220	\$ 176,220	\$ 182,000	\$ 5,780
Federal	<u>100,000</u>	<u>100,000</u>	<u>72,225</u>	<u>(27,775)</u>
Total Revenues and Other Financing Sources	<u>276,220</u>	<u>276,220</u>	<u>254,225</u>	<u>(21,995)</u>
Expenditures and Other Financing Uses				
Contractual Services - Executive Director	<u>276,220</u>	<u>276,220</u>	<u>146,432</u>	<u>129,788</u>
Total Budgeted Expenditures and Other Financing Uses	<u>276,220</u>	<u>276,220</u>	<u>146,432</u>	<u>129,788</u>
Excess (deficiency) of Revenues over (under) Expenditures and Other Financing Sources and Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,793</u>	

**REGIONAL COALITION OF LANL COMMUNITIES
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014**

TIER 4 FINDINGS

2013-001 – Contractual Agreements Between RCLC and contract Executive Director does not adequately define allowable reimbursements in the contract (Repeated and Modified)

Condition: During this year RCLC had a contractual agreement with MVM and with JLH for contract Executive Director services. The contract with MVM stipulated:

“Reimbursable Expenses: Travel, printing, reproduction and shipping costs incurred by Contractor are reimbursable with receipts and approval of the Coalition.”

The contract with JLH stipulated:

“...travel costs shall be subject to the annual budget as approved by the Board and shall be in accordance with the Regional Coalition’s travel policy resolution.”

Neither contract addresses what expenses specifically are allowable and unallowable nor places any limits on the total that can be reimbursed, when contract with JLH came into effect, the percentage of reimbursements compared to the monthly fixed contract fee increased significantly from the prior contractor. The fact that there is no limit associated with reimbursable expenses allows RCLC liability to incur larger expenditures involving reimbursements than intended when the contract was drafted. There were three (3) transactions tested with a total dollar amount of \$47,063; reimbursements were \$6,977, or 15%.

Managements Progress: The conditions are the same as in the previous year. No progress has been made.

Criteria: Reimbursement eligibility and specific criteria of allowed and unallowed costs should be detailed on any contractual agreements with a “reimbursable expenses” clause. Specifics and limits should be established for allowable reimbursable expenses based on the approved budget. The approved budget should be closely monitored against actual reimbursements made.

Cause: The clause in the contract is open ended and could allow for abuse.

Effect: Reimbursements are routinely approved by the Board, seemingly with no dollar limit and without a ceiling.

KMA’s Recommendation: We recommend that all professional services contracts entered into by RCLC contain a clause that specifically addresses what costs are allowed and not allowed to be reimbursed and that requests above a certain dollar limit be considered by the Board in full session. Furthermore, we recommend that there be limits associated with all allowed amounts and they be tracked regularly.

Management’s Response: The RCLC concurs with the recommendation and has changed its policies and procedures regarding allowable reimbursements to include a review by the treasurer, an independent contracted accountant, and the board of all requests, and changed all contractual services to not permit reimbursements, as well as setting and tracking budgeted limits.

Responsible Party: RCLC Board and Management.

**REGIONAL COALITION OF LANL COMMUNITIES
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014**

2013-003 – Late submission of report (Repeated)

Condition: The Tier 4 Agreed Upon Procedures report for the year ended June 30, 2014, was not submitted by the due date of December 15, 2014.

Management's Progress: The conditions are the same as in the previous year. FY2013-FY2018 Tier 4 Agreed Upon Procedures were engaged in FY2019 and will be finalized and submitted to the State Auditor's Office in early FY2020.

Criteria: Tier 4 reports are required to be submitted to the Office of the State Auditor by December 15th subsequent to year-end per State Audit Rule 2.2.2.9 NMAC.

Cause: The Board did not contract with an IPA to conduct the Agreed Upon Procedures for 2014 until 2019.

Effect: The Agreed Upon Procedures report for the year ended June 30, 2014 is late and therefore, is in violation of the State Auditor Rule.

KMA's Recommendation: The Board should contract with an IPA on a yearly basis to ensure that the required annual report is submitted timely to the Office of the State Auditor.

Management's Response: The RCLC concurs with the recommendation and has implemented policies to become current on all previously required reports and to remain current by contracting with an IPA for appropriate Agreed Upon Procedures (AUP) services on a yearly basis.

Responsible Party: RCLC Board and Management.

**REGIONAL COALITION OF LANL COMMUNITIES
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014**

2014-001 – RCLC could not provide KMA CPAs with evidence of an approved budget for the fiscal year ended June 30, 2014

Condition: RCLC could not provide KMA CPAs with evidence that they approved a budget for fiscal year 2014. This is a new finding in fiscal year 2014. We were provided with budget amounts that we used to construct the Schedule of Revenues and Expenditures – Budget to Actual but there was no substantiation that these budget amounts were ever approved by the Board.

Criteria: Sound internal control procedures include Board approval of a budget for each fiscal year, based on a sound analysis of member contributions and estimated expenditures. The approval of the budget should be documented in the meeting minutes.

Cause: The Joint Powers Agreement creating RCLC did not specifically require an annual approved budget and monitoring of that budget. Although the County provided us with a budget amount of \$276,220 for RCLC for that year, there was no evidence that this amount was approved by the Board.

Effect: The Board could be perceived to not be demonstrating accountability and transparency without evidence of an approved budget.

KMA's Recommendation: We recommend that the Board approve an annual budget and document the approval in the meeting minutes.

Management's Response: The RCLC concurs with the recommendation and the Board is moving to adopt a formal timeline for approval of annual budgets, and to ensure that all minutes accurately reflect all business actions.

Responsible Party: RCLC Board and Management.

**REGIONAL COALITION OF LANL COMMUNITIES
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014**

2018-002 – Reimbursement of expenses of non-entitled personnel (Repeated and Modified)

Condition: For two (2) transactions, a total of \$4,139 in airfare was submitted for reimbursement by JLH for two (2) individuals. One was identified as the contracted Executive Director at that time. The other individual was identified as the Principal of JLH. We were unable to determine why the portion of the expenditure related to the Principal of JLH (\$1,804) was reimbursed since JLH was already receiving a monthly contract fee for the Executive Director.

Management's Progress: The conditions that were brought to light by the State Auditor's Special Audit existed in fiscal year 2014.

Criteria: Section VIII of the Travel Policy states, "Prohibited expenses include, but are not limited to, the following:

1. Personal items, including personal grooming items
2. Beverages and snacks, hotel mini bar charges
3. Gifts
4. Entertainment and recreation expenses, including hotel movie and health club activities
5. Golf outings, fitness events and other "recreational" activities
6. Alcoholic Beverages
7. Expenses for spouses, guests or family members

NMAC 2.42.2.1 et seq. does not contain any provisions that allow for payment of travel and per diem rates to persons who are not public officers or employees.

Cause: The Board gave insufficient scrutiny to reimbursement requests related to travel prior to approving them for reimbursement.

Effect: Reimbursements may have been made for expenses incurred by non-entitled personnel; i.e.: persons who were not board members or employees where allowable.

KMA's Recommendation: The Board should review all reimbursement requests carefully to ensure that the related expenditures were incurred by eligible individuals on RCLC business.

Management's Response: The RCLC concurs with the recommendation and has implemented policies and contractual provisions that eliminate reimbursement to contractors, and board members for travel purposes. Policies have also been adopted to require a multi-tiered review of any reimbursement requests, including review by the treasurer, an independent contracted accountant, and the board to ensure that any reimbursement complies with the requirements of NMAC 2.42.2.

Responsible Party: RCLC Board and Management.

**REGIONAL COALITION OF LANL COMMUNITIES
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014**

2018-004 - JLH Media, LLC charged NM gross receipts tax on mileage and travel and per diem expenditures resulting in double taxation to the RCLC. (Repeated and Modified)

Condition: The invoices submitted by JLH include charges for gross receipts taxes on reimbursements mileage and reimbursements totaling \$556 for three transactions (check #'s 323951, 324995, 330355) The total of the transactions tested was \$45,216.

Management's Progress: The conditions that were brought to light by the State Auditor's Special Audit existed in fiscal year 2014.

Criteria: DFA 95-1 permits the reimbursement of mileage and actual receipts for expenditures up to \$30 per day (in state) and \$45 per day (out of state) excluding lodging. NM Gross Receipts tax is not calculated on reimbursements to the extent that it would equate to taxing an already imposed tax.

Cause: JLH did not consider taxation regulations when compiling expenditures and mileage to be included in the monthly billing and the Fiscal Agent did not adequately review invoices prior to payment, indicating that neither party understands NM taxation regulations.

Effect: The contracted Executive Director claimed NM gross receipts tax on mileage and travel and per diem expenditures resulting in double taxation to the RCLC.

KMA's Recommendation: Invoices should be scrutinized for clerical or application errors prior to payment by the fiscal agent.

Management's Response: The RCLC concurs with the recommendation. The RCLC has contracted with an independent accountant that began serving the organization in July 2019. Components of the controls and delineation of duties includes the independent accountant reviewing all invoices for expenditures, prior to review by the Treasurer and subsequent authorization for the fiscal agent to make payment.

**REGIONAL COALITION OF LANL COMMUNITIES
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014**

2018-006 The RCLC Governing Board not exercising control over finances in accordance with the Joint Powers Agreement Act, § 11-1-5(D), NMSA 1978 (Repeated and Modified)

Condition: The RCLC Board approved reimbursement requests for travel and per diem expenditures that did not appear to be adequately reviewed against the RCLC's Travel Policy, the Per Diem and Mileage Act, and NMAC 2.42.2.1. Three (3) transactions totaling \$47,063 were tested.

Management's Progress: The conditions that were brought to light by the State Auditor's Special Audit existed in fiscal year 2014.

Criteria: RCLC Board's responsibility for control over their finances is set forth in the Joint Powers Agreement Act § 11-1-4(D) and Section 9 of the Joint Powers Agreement which formed the RCLC. Both the statute and the Agreement provide that the RCLC Board is "strictly accountable" for all receipts and disbursements of the entity.

Cause: The RCLC failed to follow the requirements of the Joint Powers Agreement.

Effect: The RCLC improperly expended public funds in violation of state law.

KMA's Recommendation: In order to ensure that each party is fulfilling its statutory duties and fiduciary responsibilities to the RCLC, the contract Executive Director and RCLC's Board should implement and formalize policies and procedures for the processing of transactions. Additionally, the RCLC Board should provide training to all members and contractors. Only payments reviewed in accordance with the policies and procedures and related laws and regulations should be approved by the Board prior to processing by the fiscal agent.

Management's Response: The RCLC concurs with the recommendation and will be normalizing and implementing appropriate policies and procedures for the processing of transactions so that only appropriate transactions are approved by the RCLC Treasurer prior to payment processing by the fiscal agent.

The RCLC Board will also provide training to all members and contractors. These updated policies and procedures will also be reflected in a future version of the RCLC enabling Joint Powers Agreement and a future fiscal agent agreement.

Responsible Party: RCLC Board and Management.

**REGIONAL COALITION OF LANL COMMUNITIES
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014**

2018-018 Failure to comply with the State Constitutions Anti-Donation of Public Monies Act Article IX (Repeated and Modified)

Condition: During our testwork, we identified \$5,509 in expenditures reimbursed to the contract Executive Director by the RCLC for meals, travel and/or entertainment on behalf of third parties. The total of transactions testes was \$32,140.

Management's Progress: The conditions that were brought to light by the State Auditor's Special Audit existed in fiscal year 2014.

Criteria: Article IX, Section 14 of the New Mexico Constitution (the Anti-Donation Clause) prohibits any donation to or in aid of any person, association or public or a private corporation.

Cause: The contract Executive Director submitted, to the fiscal agent, previously paid invoices and receipts for reimbursement by the RCLC. Many of these reimbursement requests did included payments for meals, travel and/or entertainment of third parties.

Effect: The improper payments may have constituted an unwarranted donation of public funds to private individuals in violation of the Anti-Donation Clause.

KMA's Recommendation: RCLC should clearly identify and document acceptable items subject to reimbursement. The Board shall then review each reimbursement request against that specific criteria prior to reimbursement.

Management's Response: The RCLC concurs with the recommendation has changed its policies and procedures to ensure that appropriate reviews and approval of invoices for compliance with all applicable regulations occur prior to authorizing the fiscal agent to make payments. Furthermore, the RCLC has adopted policy that no current and future contracts allow reimbursements resolving this weakness.

Responsible Party: RCLC Board and Management.

REGIONAL COALITION OF LANL COMMUNITIES
SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2014

***Prior Year Audit Findings:**

2018-001 - The RCLC Board approved reimbursements to Andrea Romero Consulting, LLC or JLH Media, LLC for meals, alcoholic beverages or entertainment expenses for Board members who would not have been entitled to receive per diem and mileage themselves, in violation of the Per Diem and Mileage Act and NMAC 2.42.2.1 (Material Weakness) ***Not identified from sample of items tested as existing in FY2014.***

2018-002 - The RCLC Board approved reimbursements to Andrea Romero Consulting, LLC or JLH Media, LLC, which included expenses for other guests, which is prohibited by both the Travel Policy Section VIII and the Per Diem and Mileage Act (Material Weakness) ***Repeated and Modified***

2018-003 - The RCLC Board approved reimbursements to JLH Media, LLC or Andrea Romero Consulting, LLC for expenditures for alcoholic beverages, personal expenses and entertainment and recreation expenses, in violation of the Travel Policy and state law. (Material Weakness) ***Not identified from sample of items tested as existing in FY2014.***

2018-004 - JLH Media, LLC charged NM gross receipts tax on mileage and travel and per diem expenditures resulting in double taxation to the RCLC. (Significant deficiency) ***Repeated and Modified***

2018-005 - Duplicate billing of mileage by Contractor (Significant deficiency) ***Not identified from sample of items tested as existing in FY2014.***

2018-006 - The RCLC Governing Board not exercising control over finances in accordance with the Joint Powers Agreement Act, § 11-1-5(D), NMSA 1978 (Material Weakness) ***Repeated and Modified***

2018-007 - Travel expenditures in excess of board approved budget (Material Weakness) ***Not identified from sample of items tested as existing in FY2014.***

2018-008 - Potential non-compliance with the Department of Energy Grant Award with regard to explicitly prohibited lobbying (Material Weakness) ***Not identified from sample of items tested as existing in FY2014.***

2018-009 - Potential violations of (Executive Order 12674) Fourteen Principals of ethical Conduct for Federal employees' item 4 related to the solicitation or acceptance of gifts. (Material Weakness) ***Not identified from sample of items tested as existing in FY2014.***

2018-010 - Breach of Fiduciary Duty by the Fiscal Agent – Los Alamos County (Material Weakness) ***Not identified from sample of items tested as existing in FY2014.***

2018-011 - Failure to comply with State Audit Act (Material Weakness) ***Not identified from sample of items tested as existing in FY2014.***

2018-012 - Fiscal Agent combined RCLC monies with Los Alamos County's pooled cash account resulting in a lack of transparency (Material Weakness) ***Not identified from sample of items tested as existing in FY2014.***

**REGIONAL COALITION OF LANL COMMUNITIES
SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2014**

***Prior Year Audit Findings (continued):**

2018-013 - miscoding of expenditures and using a pooled cash account, resulted in the RCLC paying for expenditures of Los Alamos County (Material Weakness) ***Not identified from sample of items tested as existing in FY2014.***

2018-014 - Improper reporting of contract labor (Material Weakness) ***Not identified from sample of items tested as existing in FY2014.***

2018-015 - Improper accounting for reimbursements, including the netting of reimbursements with expenditures. (Significant deficiency) ***Not identified from sample of items tested as existing in FY2014.***

2018-016 - Management Could Not Provide All Requested Information (Material Weakness) ***Not identified from sample of items tested as existing in FY2014.***

2018-017 - Budget irregularities (Significant deficiency) ***Not identified from sample of items tested as existing in FY2014.***

2018-018 - Failure to comply with the State Constitutions Anti-Donation of Public Monies Act Article IX (Material Weakness) ***Repeated and Modified***

**All findings for 2018 are a result of a Special Audit performed by the New Mexico State Auditor's Office and reported on August 7, 2018, prior to this engagement. Therefore, all findings were considered during our engagement.*

**REGIONAL COALITION OF LANL COMMUNITIES
EXIT CONFERENCE
JUNE 30, 2014**

An exit conference was held on August 16, 2019 to discuss the agreed upon procedures.

Attending were the following:

Harry Burgess, Los Alamos County Manager

Henry Roybal, Chair, RCLC

Darien Fernandez, Vice Chair, RCLC

Sara Scott, Alternate, RCLC

Peter Ives, RCLC

Daniel O. Trujillo, CPA, CFE, CGFM, CGMA, Audit Partner, Kubiak Melton & Associates, LLC