

**REGIONAL COALITION OF LANL COMMUNITIES  
INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES  
FOR THE YEAR ENDED JUNE 30, 2015**

**REGIONAL COALITION OF LANL COMMUNITIES  
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**REGIONAL COALITION OF LANL COMMUNITIES  
OFFICIAL ROSTER  
JUNE 30, 2015**

**Board of Directors**

Alice Lucero – Chair

Andrew Gonzales – Vice Chair

Javier Gonzales – Secretary / Treasurer

Steve Girrens – Member

Henry Roybal – Member

Mark Gallegos – Member

Raymond Loretto – Member

Earl Salazar – Member

Kristen Henderson - Member

Barney Trujillo - Member

**Principal Employee (On Contract)**

Darien Cabral (July, 2014 – September, 2014)

Andrea Romero – Executive Director (September, 2014 – June, 2015)



## 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, 2014 through June 30, 2015. 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, 2015. 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, 2015**

**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, 2015. Upon further review, as documented in procedure7, 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.

**STATE OF NEW MEXICO  
REGIONAL COALITION OF LANL COMMUNITIES  
TIER 4 AGREED-UPON PROCEDURES  
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**PROCEDURES PERFORMED AND RELATED RESULTS**

**Results (Continued):**

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.

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.

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REGIONAL COALITION OF LANL COMMUNITIES  
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**PROCEDURES PERFORMED AND RELATED RESULTS**

**Procedures (Continued):**

- 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.

**Results:**

For FY 2015, one revenue transaction, representing 75% of the total dollars in the population, was selected for testwork.

- a) The Board-approved revenue budget for FY 2015 was \$139,788.
- b) For the item tested, the amount recorded in the general ledger agreed to the supporting documentation and the bank statement.
- c) For the item 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, 2015**

**PROCEDURES PERFORMED AND RELATED RESULTS**

**Results:**

A representative sample of four (4) expenditure transactions covering 32% of total expenditures for the year ended June 30, 2015 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 these instances of noncompliance:

- 1.) The four transactions selected were with the vendor JLH Media, LLC (JLH) for the contract Executive Director services. The total of the transactions was \$57,150. Of this total, 88% represented the agreed-upon monthly contract Executive Director fee of \$11,566 and 12% were "reimbursable expenses". The contract between RCLC and JLH addressed reimbursements as follows:

"...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."

This coupled with The vague language in the contracts addressing reimbursements allowed for these possible effects:

- The fact that there is no detailed budget associated with reimbursable expenses as required by the Contract with JLH makes it possible for RCLC to incur larger expenditures than intended when the contract was drafted.
- The fact that the contract does not clearly delineate what costs are reimbursable and which costs are not, coupled with the fact that there is no detailed budget that is monitored leaves open the likelihood that unallowed or otherwise, excessive costs are being paid for by RCLC.

See finding **2013-001** (Repeated and Modified).

- 2.) Our review of the receipts associated with these transactions showed meal reimbursements of \$664 that were supported by receipts that were not itemized. Without itemized receipts, we were unable to determine if the purchases complied with laws, regulations and/or policies. See finding **2015-002**.



**STATE OF NEW MEXICO  
REGIONAL COALITION OF LANL COMMUNITIES  
TIER 4 AGREED-UPON PROCEDURES  
FOR THE YEAR ENDED JUNE 30, 2015**

**PROCEDURES PERFORMED AND RELATED RESULTS**

**Results (Continued):**

- 3.) Our review of receipts for meals and travel that were submitted for reimbursement by the contract Executive Director noted multiple instances where meal and travel expenses for non-board members and/or non-employees were paid for by RCLC. These meal and travel expenses were then reimbursed to the contract Executive Director by RCLC. See finding **2018-001** (Repeated and Modified).
  
  - 4.) Our review of the financial records showed \$23,709 spent on travel in FY 2015. The travel policy limits travel expenses to \$20,000 per year (\$10,000 for the contract staff and \$10,000 for board members). See finding **2018-007**.
  
  - 5.) Our analysis showed that invoices submitted by JLH Media, LLC, included NM gross receipts tax on mileage as well as travel and per diem. New Mexico Gross Receipts Tax (NM GRT) is not calculated on reimbursements to the extent that it would equate to taxing an already imposed tax. See finding **2018-004**.
  
  - 6.) There were other instances of non-compliance. See findings **2018-006** and **2018-018**.
- c) In all cases, the bid process was followed and was accompanied by sufficient supporting documentation. We are satisfied that the transactions tested complied 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.

**STATE OF NEW MEXICO  
REGIONAL COALITION OF LANL COMMUNITIES  
TIER 4 AGREED-UPON PROCEDURES  
FOR THE YEAR ENDED JUNE 30, 2015**

**PROCEDURES PERFORMED AND RELATED RESULTS**

**Results:**

a) & b) There were no non-routine journal entries related to RCLC in FY 2015; therefore, these two procedures are not applicable.

**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."

Although RCLC was not required to submit their annual budget to DFA Local Government Division, it was determined the Board approved a budget for the year of \$139,788. However, it was found that expenditures for FY 2015 were \$188,709, exceeding the budget by \$48,921. See finding **2015-001**.

**STATE OF NEW MEXICO  
REGIONAL COALITION OF LANL COMMUNITIES  
TIER 4 AGREED-UPON PROCEDURES  
FOR THE YEAR ENDED JUNE 30, 2015**

**PROCEDURES PERFORMED AND RELATED RESULTS**

**Results (Continued):**

b) See a.

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

**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, 2015, was due to be submitted to the Office of the State Auditor by December 15, 2015. This did not occur. See finding **2013-003**.

All other 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, 2015**

	<u>Original Budget</u>	<u>Approved Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	
<b>Revenues and Other Financing Sources</b>					
Member Contributions	\$ 139,788	\$ 139,788	\$ 175,500	\$ 35,712	
Federal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<b>Total Revenues and Other Financing Sources</b>	<u>139,788</u>	<u>139,788</u>	<u>175,500</u>	<u>35,712</u>	
 <b>Expenditures and Other Financing Uses</b>					
Contractual Services - Executive Director	<u>139,788</u>	<u>139,788</u>	<u>188,709</u>	<u>(48,921)</u>	<b>Finding 2015-001</b>
<b>Total Budgeted Expenditures and Other Financing Uses</b>	<u>139,788</u>	<u>139,788</u>	<u>188,709</u>	<u>(48,921)</u>	
 <b>Excess (deficiency) of Revenues over (under) Expenditures and Other Financing Sources and Uses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13,209)</u>		

**REGIONAL COALITION OF LANL COMMUNITIES  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2015**

**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 JLH Media, LLC (JLH), for professional services. The defined reimbursable expenses as:

*“...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.”*

The fact that there is no limit associated with reimbursable expenses allows RCLC liability to incur larger expenditures than intended when the contract was drafted and executed.

Four (4) transactions totaling \$57,150 were tested. Reimbursements were \$6,599, or 12%.

*Management Progress:* The condition existed since fiscal year 2013.

**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 especially without an internal control such as a Board oversight of reimbursement limits.

**Effect:** Reimbursements are routinely approved by the Board, seemingly with no dollar limit.

**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 that 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, 2015**

**2013-003 – Late submission of report (Repeated)**

**Condition:** The Tier 4 Agreed Upon Procedures report for the year ended June 30, 2015, was not submitted by the due date of December 15, 2015.

*Management 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 15<sup>th</sup> 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 2015 until 2019.

**Effect:** The Agreed Upon Procedures report for the year ended June 30, 2015 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, 2015**

**2015-001 – Actual expenditures exceeded the Board approved budget**

**Condition:** The approved budget for FY 2015 was \$139,788. Actual expenditures were \$188,709. This is new finding in fiscal year 2015.

**Criteria:** Sound internal control procedures include monitoring actual expenditures with budgeted expenditures allowing the organization to know where they are financially at all times.

**Cause:** The Board did not monitor and where applicable, adjust the budget properly.

**Effect:** The actual expenditures exceeded the approved budget by \$48,921.

**KMA's Recommendation:** The Board should review the budget and the year to date actual expenditures at each meeting in order to identify projected shortfalls. This will allow them to

**Management's Response:** The RCLC concurs with the recommendation and has implemented a practice of reviewing a treasurer's report at each meeting including all actual expenditures, and the RCLC has contracted with an independent accountant to help track actual budget expenditures and to report their findings to the board.

**Responsible Party:** RCLC Board and Management.

**REGIONAL COALITION OF LANL COMMUNITIES  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2015**

**2015-002 – Reimbursements made for meals without itemized receipts (Repeated and Modified)**

**Condition:** Our testwork revealed multiple instances where restaurant bills were charged through contract reimbursement containing receipts that were not itemized. Out of the four (4) transactions totaling \$57,150 tested, \$664 was reimbursed without itemized receipts submitted by the contract Executive Director. There could have potentially been items reimbursed strictly prohibited by RCLC's Travel Policy that the Accountants could not determine. This was not a finding in the prior year.

**Criteria:** Requested reimbursements for meals are required to be itemized as per RCLC's *Travel Policy*.

**Cause:** Lack of Board oversight and confirmation of adherence to policies prior to reimbursement.

**Effect:** Restaurant bills were reimbursed routinely by the Board without confirming adherence to policies. Without itemized receipts it is possible that the *Travel Policy's* "Specifically Prohibited Expenses" were circumvented.

**KMA's Recommendation:** We recommend that the Board and/or Board Member responsible for approving reimbursements be thoroughly knowledgeable in allowable and unallowable expenses as permitted by law and policies prior to approving reimbursements.

**Management's Response:** The RCLC concurs with the recommendation and has adopted a policy eliminating reimbursements to contractors and board members. Also, the RCLC, in collaboration with the independent accountant, will develop and adopt training for all board officers and contracted staff to educate them on all allowable and unallowable expenses pursuant to 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, 2015**

**2018-001 – Reimbursement of expenses for other guests (third parties), prohibited by the Mileage and Per Diem Act and the Travel Policy (Repeated and Modified)**

**Condition:** Our testwork revealed multiple instances in which travel and meal reimbursements included charges for guests (third parties) who were not board members or employees of RCLC. Out of the four (4) transactions tested totaling \$57,150, \$1,669 was reimbursed to the contract Executive Director for meals with individuals who were not employees or Board Members of RCLC.

*Management Progress:* The conditions that were brought to light by the State Auditor's Special Audit existed in fiscal year 2015.

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

- Personal items, including personal grooming items
- Beverages and snacks, hotel mini bar charges
- Gifts
- Entertainment and recreation expenses, including hotel movie and health club activities
- Golf outings, fitness events and other "recreational" activities
- Alcoholic Beverages
- Expenses for spouses, guests or family

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:** Lack of Board oversight and confirmation of adherence to policies prior to reimbursement.

**Effect:** RCLC is not in compliance with their Travel Policy or New Mexico law.

**KMA's Recommendation:** We recommend that the Board and/or Board Member responsible for approving reimbursements thoroughly review the requests to determine if they are allowable under RCLC policy and/or New Mexico law.

**Management's Response:** The RCLC concurs with the recommendation and has changed its policies and procedures to ensure that it complies with the requirements of NMAC 2.42.2. The FY 2019 RCLC budget was amended to assume that the respective local governments handle all board member travel directly, and the FY 2020 budget adopted on June 7, 2019 continued this practice. In addition, the executive director services contract adopted in August 2018 assumes that the executive director's travel is handled directly by that vendor and not as a reimbursable expense. If there should be any instances where the RCLC board approves any exceptions and pre-approves any travel to be paid by the RCLC, the RCLC adopted a policy that requires the treasurer and the board to preapprove any such items. The new policy also mandates that all expenditures be reviewed for compliance with RCLC policy, local government procurement policy and state regulations, including the requirements of NMAC 2.42.2. In addition, the treasurer, an independent contracted accountant, and the board, will review and verify that any allocated funds are from appropriate accounts and authorized sources.

**Responsible Party:** RCLC Board and Management.

**REGIONAL COALITION OF LANL COMMUNITIES  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2015**

**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:** One out of four (4) invoices tested totaling \$57,150 submitted by JLH include charges for gross receipts taxes on mileage reimbursements totaling \$33.

*Management Progress:* The conditions that were brought to light by the State Auditor's Special Audit existed in fiscal year 2015.

**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. New Mexico Gross Receipts Tax (NM GRT) 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 governance did not adequately review invoices prior to payment, indicating that neither party complied with NM taxation regulations.

**Effect:** The contracted Executive Director claimed NMGRT on a mileage reimbursement request resulting in double taxation to the RCLC.

**KMA's Recommendation:** Invoices should be reviewed, approved and if necessary scrutinized for clerical or application errors prior to submission for 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.

**Responsible Party:** RCLC Board and Management.

**REGIONAL COALITION OF LANL COMMUNITIES  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2015**

**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. Of the four (4) transactions totaling \$57,150 tested, \$5,205 of invoices did not appear to be adequately reviewed.

*Management Progress:* The conditions that were brought to light by the State Auditor's Special Audit existed in fiscal year 2015.

**Criteria:** The 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.

**REGIONAL COALITION OF LANL COMMUNITIES  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2015**

**2018-007 - Travel expenditures in excess of board approved budget (Material Weakness)  
(Repeated and Modified)**

**Condition:** Of the four (4) transactions tested for fiscal year 2015, RCLC spent \$23,709 on travel. The Board expended \$3,709 more than their *Travel Policy* allows for.

*Management Progress:* The conditions that were brought to light by the State Auditor's Special Audit existed in fiscal year 2015.

**Criteria:** RCLC Travel Policy limits the total authorization for travel purposes to \$10,000 for contract staff and \$10,000 for Board Members, total of \$20,000 a year. The amount for 2015 exceeded the amount allowed by the *Travel Policy*.

**Cause:** This was caused by lack of oversight on the part of the contracted Executive Director and the Board making it impossible to monitor expenditures on a timely basis.

**Effect:** RCLC violated its *Travel Policy*.

**KMA's Recommendation:** Budget should be reviewed by the Board on a regular basis.

**Management's Response:** The RCLC concurs with the recommendation. The RCLC adopted areas of control, including that all current and future budgets assume that the respective local governments handle all board member travel directly. In addition, the executive director services contract adopted in July 2018 also assumes that the executive director's travel is handled directly by that vendor and not as a reimbursable expense. In addition, the RCLC has adopted policies and procedures for the processing of transactions so that the RCLC Treasurer approves only appropriate transactions, voted on by the RCLC Board, and reviewed by an independent accountant prior to payment processing by the fiscal agent.

**Responsible Party:** RCLC Board and Management.

**REGIONAL COALITION OF LANL COMMUNITIES  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2015**

**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 expenditures paid by the RCLC for meals, travel and/or entertainment on behalf of third parties (see finding **2018-001**). Of the four (4) transactions totaling \$57,150 tested, \$5,082 of invoices were identified as such.

*Management Progress:* The conditions that were brought to light by the State Auditor's Special Audit existed in fiscal year 2015.

**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  
STATUS OF PRIOR YEAR FINDINGS  
JUNE 30, 2015**

**\*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) ***Repeated and Modified***

2018-002 - The RCLC Board approved reimbursements to Andrea Romero Consulting, LLC or JLH, 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) ***Not identified from sample of items tested as existing in FY2015.***

2018-003 - The RCLC Board approved reimbursements to JLH 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 FY2015.***

2018-004 – JLH 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 FY2015.***

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) ***Repeated and Modified***

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 FY2015.***

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 FY2015.***

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 FY2015.***

2018-011 - Failure to comply with State Audit Act (Material Weakness) ***Not identified from sample of items tested as existing in FY2015.***

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 FY2015.***

**REGIONAL COALITION OF LANL COMMUNITIES  
STATUS OF PRIOR YEAR FINDINGS  
JUNE 30, 2015**

**\*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 FY2015.***

2018-014 - Improper reporting of contract labor (Material Weakness) ***Not identified from sample of items tested as existing in FY2015.***

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 FY2015.***

2018-016 - Management Could Not Provide All Requested Information (Material Weakness) ***Not identified from sample of items tested as existing in FY2015.***

2018-017 - Budget irregularities (Significant deficiency) ***Not identified from sample of items tested as existing in FY2015.***

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, 2015**

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