

STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
TIER 6 AGREED UPON PROCEDURES REPORT  
FOR THE YEAR ENDED JUNE 30, 2016

STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES  
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FOR THE YEAR ENDED JUNE 30, 2016

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STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
DIRECTORY OF OFFICIALS  
JUNE 30, 2016

**Village Council**

<b>NAME</b>	<b>TITLE</b>
Pennie Brown	Mayor
Terry McNabb	Village Councilor
Tristan McNabb	Village Councilor
Margaret O'Quinn	Village Councilor
Anahy Escobar	Village Councilor

**Village Officials**

Brisenth Doherty	Village Clerk/Treasurer
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# Beasley, Mitchell & Co.

Certified Public Accountants

Donald A. Beasley, CPA, Partner  
Christine Wright, CPA, Partner  
Beth Fant, EA, Partner  
Brad Beasley, CPA, Partner

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Timothy Keller, State Auditor  
and the Mayor and Village Council of the  
Village of Folsom, New Mexico

We have performed the procedures enumerated in the attached schedule of procedures and findings, which were agreed to by the Office of the State Auditor and the Village of Folsom, New Mexico, have specified, listed in the attached schedule, as require by Tier 6 of the Audit Act- Section 12-6-3B(6) NMSA 1978 and Section 2.2.2.16 NMAC for the year ended June 30, 2016. Village of Folsom, New Mexico's management is responsible for the Village's accounting records. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are included in the attached schedule of procedures, and findings.

This agreed-upon procedures engagement 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 subject matter of the Village of Folsom for the year ending June 30, 2016. Accordingly, the firm does 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 Village of Folsom, the New Mexico State Auditor's Office, Department of Finance Administration, New Mexico Legislature, and is not intended to be and should not be used by anyone other than those specified parties.

*Beasley Mitchell & Co LLP*  
Beasley, Mitchell & Co., LLP  
Las Cruces, New Mexico  
June 13, 2017

STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES  
SCHEDULE OF PROCEDURES AND RESULTS  
JUNE 30, 2016

**1. Revenue Calculation and Tier Determination**

**Procedure**

Verify the local public body's revenue calculation and tier determination documented on the form provided at [www.osa.org](http://www.osa.org) under "Tiered System Reporting Main Page."

**Results of Procedure**

The Village of Folsom had revenue of \$280,603; therefore, a Tier 6 agreed upon procedure engagement is required.

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

**Results of Procedures**

- a) We obtained the bank statements and corresponding reconciliations for all of the Village's accounts as of June 30, 2016. No exceptions were noted as a result of this procedure. Bank reconciliations were completed in a timely manner, and all bank statements and reconciliations are complete and on hand.
- b) It was noted that 4 out of 32 reconciliations tested did not tie to the general ledger with a total difference in cash of \$1,714. It was also noted that 16 out of 32 reconciliations did not tie to the financial reports submitted to the DFA with a total of \$35,244 (see finding 2012-001).

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**2. Cash (continued)**

**Results of Procedures (Continued)**

c) It was noted that the Village was properly collateralized.

**3. Capital Assets**

**Procedure**

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

**Results of Procedure**

The Village has no record of the last count and observation completed. (see finding 2012-002)

**4. Debt**

**Procedure**

If the local public body has any debt, verify that the required payments were made during the year. If the debt agreement requires reserves, verify that the local public body is in compliance with those requirements.

**Results of Procedure**

We obtained the annual debt statements, and verified that all payments were made during the year. The Village is in compliance with debt service requirements.

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**5. 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 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 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.

**Results of Procedures**

- a) Actual revenue compared to budgeted revenue for the fiscal year is reasonable and within expectations. The variance analysis for the budgets to actual may be noted in the budgetary analysis in page 12 - 16.
- b) A sample of 5 revenues totaling \$112,989 were tested. No exceptions were noted as a result of this procedure. Amounts recorded in the general ledger agreed with supporting documents and with the corresponding bank account.
- c) A sample of 5 revenues totaling \$112,989 were tested. No exceptions were noted as a result of this procedure. Amounts were properly recorded on a cash basis as to classification, amount and period per review of supporting documentation.

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**6. 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, contact 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 orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

**Results of Procedures**

- a) 25 expenditures totaling \$81,150 were tested. Two out of the 25 samples tested did not include an invoice totaling \$6,387 as noted in finding (2013-001). All other amounts recorded as disbursed agreed to supporting documentation: amount paid, payee date and description agreed with the vendor's invoice, purchase order, contract, and cancelled check, as appropriate.
- b) 25 expenditures totaling \$81,150 were tested. No exceptions were noted as result of this procedure. The disbursements were properly authorized and approved in compliance with the budget, legal requirements, and established policies and procedures, except as otherwise noted in finding (2011-001).
- c) 25 expenditures totaling \$81,150 were tested. No exceptions were noted as a result of this procedure. The bid process (or request for proposal process, if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico 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).



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**7. 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 of Procedures**

- a) Per inquiry with management and scan through the general ledger, the Village did not record any adjusting journal entries.
- b) Per inquiry with management, the Village does not have a review process for adjusting journal entries (see finding 2012-003).

**8. 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 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 budgets 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, accrual or modified accrual basis) for each individual fund.

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**8. Budget (Continued)**

**Results of Procedures**

- a) The review of board minutes and letter from the State indicated that the budget and budget adjustments were approved by the board and the DFA.
- b) Total actual expenditures from the general ledger exceeded budgeted amounts by \$37,777 as disclosed in the variance analysis for budget to actual on pages 12 - 16 (see finding 2011-001).
- c) A schedule of revenue and expenses - budget and actual were prepared from the Village records on cash budgetary basis on pages 12 - 16.

**9. Capital Outlay Appropriations**

**Procedures**

Request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay award funds expended by the recipient during the fiscal year. Test all capital outlay expenditures during the fiscal year to:

- a) Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee date and description agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.
- b) Determine that the cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established policies and procedures.
- c) Determine that the bid process (or request for proposal process is applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).

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**9. Capital Outlay Appropriations (Continued)**

**Procedures (Continued)**

- d) Determine the physical existence (by observation) of the capital asset based on expenditures to date.
- e) Verify that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with the general ledger and other supporting documentation.
- f) If the project was funded in advance, determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.
- g) If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and agreement with the grantor.
- h) Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is non-interest bearing if so required by the capital outlay award agreement.
- i) Determine whether reimbursement requests were properly supported by costs incurred by the recipient. Determine whether the costs were paid by the local public body prior to the request for reimbursement.

**Results of Procedures**

- a) No exceptions were noted as a result of this procedure. There were no capital asset appropriations noted.
- b) No exceptions were noted as a result of this procedure. There were no capital asset appropriations noted.

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**9. Capital Outlay Appropriations (Continued)**

**Results of Procedures (Continued)**

- c) No exceptions were noted as a result of this procedure. There were no capital asset appropriations noted.
- d) No exceptions were noted as a result of this procedure. There were no capital asset appropriations noted.
- e) No exceptions were noted as a result of this procedure. There were no capital asset appropriations noted.
- f) No exceptions were noted as a result of this procedure. There were no capital asset appropriations noted.
- g) No exceptions were noted as a result of this procedure. There were no capital asset appropriations noted.
- h) No exceptions were noted as a result of this procedure. There were no capital asset appropriations noted.
- i) No exceptions were noted as a result of this procedure. There were no capital asset appropriations noted.

**10. Other**

**Procedure**

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

**Results of Procedure**

Please refer to the schedule of findings and responses on pages 17 - 23.

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SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Taxes	\$ 13,100	\$ 13,100	\$ 26,285	\$ 13,185
Intergovernmental income	90,000	90,000	95,325	5,325
Interest income	20	20	148	128
Miscellaneous	2,000	2,000	1,567	(433)
Charges for services	<u>2,500</u>	<u>2,500</u>	<u>2,300</u>	<u>(200)</u>
Total revenues	107,620	107,620	125,625	18,005
EXPENDITURES:				
General government	57,000	57,000	42,225	14,775
Public works	7,500	7,500	6,141	1,359
Miscellaneous	<u>4,000</u>	<u>4,000</u>	<u>-</u>	<u>4,000</u>
Total expenditures	<u>68,500</u>	<u>68,500</u>	<u>48,366</u>	<u>20,134</u>
Net changes in fund balance	39,120	39,120	77,259	38,139
Fund balance - beginning of the year	<u>187,212</u>	<u>187,212</u>	<u>187,212</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 226,332</u>	<u>\$ 226,332</u>	<u>\$ 264,471</u>	<u>\$ 38,139</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 77,259</u>	
Net change in fund balance GAAP basis			<u>\$ 77,259</u>	

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SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
SPECIAL REVENUE FUND - FIRE FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental income - state	\$ 134,528	\$ 134,528	\$ 149,426	\$ 14,898
Interest income	100	100	213	113
Total revenues	134,628	134,628	149,639	15,011
EXPENDITURES:				
Public safety	80,000	80,000	116,334	(36,334)
Total expenditures	80,000	80,000	116,334	(36,334)
Net changes in fund balance	54,628	54,628	33,305	(21,323)
Fund balance - beginning of the year	231,858	231,858	231,858	-
Fund balance - end of the year	\$ 286,486	\$ 286,486	\$ 265,163	\$ (21,323)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 33,305	
Net change in fund balance GAAP basis			\$ 33,305	

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SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
SPECIAL REVENUE FUND - EMS FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Interest income	\$ -	\$ -	\$ 22	\$ 22
Miscellaneous revenue	<u>5</u>	<u>5</u>	<u>3</u>	<u>(2)</u>
Total revenues	5	5	25	20
EXPENDITURES:				
Public safety	<u>1,000</u>	<u>1,000</u>	<u>2,443</u>	<u>(1,443)</u>
Total expenditures	<u>1,000</u>	<u>1,000</u>	<u>2,443</u>	<u>(1,443)</u>
Net changes in fund balance	(995)	(995)	(2,418)	(1,423)
Fund balance - beginning of the year	<u>30,840</u>	<u>30,840</u>	<u>30,840</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 29,845</u>	<u>\$ 29,845</u>	<u>\$ 28,422</u>	<u>\$ (1,423)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ (2,418)</u>	
Net change in fund balance GAAP basis			<u>\$ (2,418)</u>	

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SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
SPECIAL REVENUE FUND - ROAD FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Charges for services	\$ 5,000	\$ 5,000	\$ 5,205	\$ 205
Miscellaneous revenue	<u>25</u>	<u>25</u>	<u>-</u>	<u>(25)</u>
Total revenues	5,025	5,025	5,205	180
EXPENDITURES:				
Public works	<u>5,033</u>	<u>5,033</u>	<u>3,282</u>	<u>1,751</u>
Total expenditures	<u>5,033</u>	<u>5,033</u>	<u>3,282</u>	<u>1,751</u>
Net changes in fund balance	(8)	(8)	1,923	1,931
Fund balance - beginning of the year	<u>87,584</u>	<u>87,584</u>	<u>87,584</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 87,576</u>	<u>\$ 87,576</u>	<u>\$ 89,507</u>	<u>\$ 1,931</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 1,923</u>	
Net change in fund balance GAAP basis			<u>\$ 1,923</u>	



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SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
SPECIAL REVENUE FUND - RECREATION FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Miscellaneous revenue	\$ 3	\$ 3	\$ 109	\$ 106
Total revenues	3	3	109	106
EXPENDITURES:				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balance	3	3	109	106
Fund balance - beginning of the year	<u>1,130</u>	<u>1,130</u>	<u>1,130</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 1,133</u>	<u>\$ 1,133</u>	<u>\$ 1,239</u>	<u>\$ 106</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 109</u>	
Net change in fund balance GAAP basis			<u>\$ 109</u>	

STATE OF NEW MEXICO  
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FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016

PRIOR YEAR FINDINGS:

2007-003	Late Audit Report - Material Weakness	Repeated
2011-001	Actual Expenditures Exceed the Approved Budgets - Material Weakness	Revised and Repeated
2012-001	Cash - Significant Deficiency	Revised and Repeated
2012-002	Capital Assets - Other Noncompliance	Repeated
2012-003	Journal Entries - Significant Deficiency	Repeated
2013-001	Lack of Supporting Documentation for Expenditures - Significant Deficiency	Revised and Repeated

CURRENT YEAR FINDINGS:

None Noted

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**Late Audit Report - Compliance and Internal Control (2007-003) - Material Weakness**

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<b>CONDITION</b>	The audit report was not submitted to the Office of the State Auditor by the December 15th deadline. The Village has contracted accounting firm to assist in catching up with all the required agreed upon procedures. A plan has been set forth to submit the 2017 report on time.
<b>CRITERIA</b>	Village audits are to be submitted to the State Auditor by December 15 as required by NMAC 2.2.2.9A.
<b>CAUSE</b>	Due to change in personnel and elected officials the audit process had fallen behind. Village hired IPA to catch up the Village with no success. Contact with the IPA became vary scarce to non-existent.
<b>EFFECT</b>	Those relying on the financial statements including but not limited to the NM Department of Finance and Administration (DFA) and Local Government Division (LGD) did not have audited financial statements to facilitate their oversight function.
<b>RECOMMENDATION</b>	We recommend for the Village to catch up on all audits prior to the due date of the next upcoming audit.
<b>RESPONSE</b>	Management has contracted a new accounting firm to assist the Village to catch up. Field work for the 2017 agreed upon procedures has been scheduled and is expected to be submitted by December 15, 2017.

**EXPECTED COMPLETION DATE:** December 15, 2017  
Clerk

**EMPLOYEE RESPONSIBLE:** Village

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**Actual Expenditures Exceeded the Approved Budgets (2011-001) - Material Weakness**

**CONDITION** The actual expenditures incurred in several funds were greater than the budgeted expenditures. The Village did not submit a corrected budget. No progress has been noted in correcting the issue.

<u>Fund</u>	<u>Budget Expenses</u>	<u>Actual Expenses</u>	<u>Difference</u>
Fire Fund	\$ 80,000	\$ 116,334	\$ 36,334
EMS Fund	<u>1,000</u>	<u>2,443</u>	<u>1,443</u>
Totals	<u>\$ 81,000</u>	<u>\$ 118,777</u>	<u>\$ 37,777</u>

**CRITERIA** The local government is required to make corrections, revisions and amendments to the proposed budgets to meet the requirements of the law. (NMSA 1978 Section 6- 6-2-0).

**CAUSE** Village personnel have not had training in the use of controls and reconciliations to ensure accuracy in budgetary control processes.

**EFFECT** The Village is at risk of unknowingly exceeding the approved budget.

**RECOMMENDATION** We recommend that the Village provide accounting personnel with training in the use of controls and reconciliation's to accurately monitor the approved budget.

**RESPONSE** Management is in the process of implementing procedures that include the of review of budgets to actuals in order to allow time to amend budgets reported to the DFA in a timely fashion.

**EXPECTED COMPLETION DATE:** June 30, 2017

**EMPLOYEE RESPONSIBLE:** Village Clerk

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**Cash (2012-001) - Significant Deficiency**

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<b>CONDITION</b>	<p>It was noted that 4 out of 32 bank reconciliations tested did not tie to the general ledger with a total difference in cash of \$1,714. It was also noted that 16 out of 32 reconciliations did not tie to the financial reports submitted to the DFA with a total \$35,244.</p> <p>Upon further analysis it was noted that the ending 2015 balance of cash per the DFA report, did not roll forward correctly to the beginning cash balances of 2016.</p> <p>The Village plans to address the issue in the current year. There has been no progress made from the prior year reports as the previous report was recently issued and not enough time has elapsed for the Village to address this and the other findings noted in this report.</p>
<b>CRITERIA</b>	<p>Per Section 6-10-2 NMSA 1978, it is the duty of every public official or agency of this state that receives or disburses public money to maintain a cash record in which is entered daily, in detail, all items of receipts and disbursements of public money. The cash record shall be balanced daily so as to show the balance of public money on hand at the close of each day's business.</p>
<b>CAUSE</b>	<p>Village failed to maintain accurate reconciliations, resulting from being understaffed.</p>
<b>EFFECT</b>	<p>Incorrect reconciliations may result in increase risk for error, fraud, waste, or abuse.</p>
<b>RECOMMENDATION</b>	<p>It is recommended that the Village review the reconciliation process, and establish internal controls to mitigate the risk of error. Reconciliations should be reviewed and approved by management.</p>
<b>RESPONSE</b>	<p>The Village is reviewing the process to ensure reconciliations are completed.</p>

**EXPECTED COMPLETION DATE:** June 30, 2017

**EMPLOYEE RESPONSIBLE:** Village Clerk

STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES  
FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016

**Capital Assets (2012-002) - Other Noncompliance**

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<b>CONDITION</b>	The Village has no records of any fixed asset listing or of the last inventory count. There has been no progress made from the prior year report as the previous report was recently issued and not enough time has elapsed for the Village to address this and the other findings noted in this report.
<b>CRITERIA</b>	<p>NMSA 1978, Section 12-6-10 states "the governing authority of each agency shall, at the end of each fiscal year, conduct a physical inventory of movable chattels and equipment costing more than \$5,000 and under the control of the governing authority. This inventory shall include all movable chattels and equipment procured through the capital program fund under Section 15-3B-16 NMSA 1978, which are assigned to the agency designated by the director of the facilities management division of the general services department as the user agency. The inventory shall list the chattels and equipment and the date and cost of acquisition. Upon completion the inventory shall be certified by the governing authority as to correctness".</p> <p>GASB 34 requires movements to report general infrastructure assets in the Statement of Net Position. State law requires an annual inventory of capital assets be performed. Section 12-6-10, NMSA 1978, requires each agency to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year.</p>
<b>CAUSE</b>	The Village failed to conduct an inventory count.
<b>EFFECT</b>	Lack of inventory counts can cause an incorrect representation of capital assets.
<b>RECOMMENDATION</b>	It is recommended that the Village conduct a capital asset inventory count yearly.
<b>RESPONSE</b>	The Village plans to do physical observation of inventory on a yearly basis.

**EXPECTED COMPLETION DATE:** June 30, 2017

**EMPLOYEE RESPONSIBLE:** Village Clerk

STATE OF NEW MEXICO  
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FOR THE YEAR ENDED JUNE 30, 2016

**Journal Entries (2012-003) - Significant Deficiency**

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<b>CONDITION</b>	During journal entry testwork performed, it was noted that the Village does not have a review and approval process in place for the recording of manual journal entries. The Village is attempting to hire an employee that can prepare journal entries in order to have the Village Clerk review and approve journal entries. There has been no progress made from the prior year report as the previous report was recently issued and not enough time has elapsed for the Village to address this and the other findings noted in this report.
<b>CRITERIA</b>	NMAC 2.20.5.8 states that each local body shall establish and maintain an internal control structure to provide management with reasonable assurance that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP. The internal control structure shall include written administrative controls. The entity should establish sufficient internal controls over journal entries and other adjustments.
<b>CAUSE</b>	The Village has limited staffing resources, thus has not implemented an approval process over adjustments to mitigate the risk of management override.
<b>EFFECT</b>	There may be unauthorized adjustments made, leaving room for error and management override.
<b>RECOMMENDATION</b>	We recommend that the Village implement a review and approval process for journal entries and other adjustments to mitigate the risk of management override or financial statement manipulation.
<b>RESPONSE</b>	The Village will implement policies and procedures over the accounting process including adjusting journal entries.

**EXPECTED COMPLETION DATE:** June 30, 2017

**EMPLOYEE RESPONSIBLE:** Village Clerk

STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
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**Lack of Supporting Documentation for Expenditures (2013-001) - Significant Deficiency**

<b>CONDITION</b>	During our test of details/test of controls, supporting documentation, such as an invoice, could not be provided for 2 out of 25 expenses tested for a total of \$6,387. The Village plans to address the issue in the current year. There has been no progress made from the prior year report as the previous report was recently issued and not enough time has elapsed for the Village to address this and the other findings noted in this report.
<b>CRITERIA</b>	The Auditing Standards (AU) Section 325 Exhibit B lists the following circumstance as a possible control deficiency, significant deficiency, or material weakness: "inadequate documentation of the components of internal control."
<b>CAUSE</b>	The Village did not keep proper records and supervision to ensure all supporting documentation was properly filled for retention.
<b>EFFECT</b>	Lack of adequate documentation of disbursements increases the risk of preventing or detecting errors or irregularities on a timely basis.
<b>RECOMMENDATION</b>	We recommend that the Village implement a process to ensure that supporting documentation for all expenditures is retained and readily available.
<b>RESPONSE</b>	The Village will review current procedures to ensure controls are in place to mitigate the missplacement of documentation.

**EXPECTED COMPLETION DATE:** June 30, 2017

**EMPLOYEE RESPONSIBLE:** Village Clerk



STATE OF NEW MEXICO  
VILLAGE OF FOLSOM  
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES  
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An entrance conference was conducted March 6, 2017 in a closed meeting of the Village of Folsom pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

**New Mexico Office of the State Auditor**

Sanjay Batka  
Antonio Medina

Deputy State Auditor  
Procurement Officer

**Village of Folsom**

Penny Brown  
Terry McNabb  
Barbara Scoonover  
Derek Karr  
Brisenth Doherty

Mayor  
Village Councilor  
Village Councilor  
Village Councilor  
Village Clerk/Treasurer

**Beasley, Mitchell & Co., LLP**

Dahlia Garcia, CPA

Senior, Audit Department

An exit conference was conducted April 12, 2017 in a closed meeting of the Village of Folsom pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

**Village of Folsom**

Pennie Brown  
Barbara Scoonover  
Brisenth Doherty

Mayor  
Village Councilor  
Village Clerk/Treasurer

**Beasley, Mitchell & Co., LLP**

Juan Garcia

Staff II, Audit Department