

**STATE OF NEW MEXICO  
VILLAGE OF VIRDEN  
Independent Accountants' Report on  
Applying Agreed-Upon Procedures  
For the Year Ended  
June 30, 2012**

**Harshwal & Company LLP  
Certified Public Accountants  
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**STATE OF NEW MEXICO**

**VILLAGE OF VIRDEN**

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**STATE OF NEW MEXICO**

**VILLAGE OF VIRDEN**

**OFFICIAL ROSTER**

**YEAR ENDED JUNE 30, 2012**

**Name**

**Title**

---

**Board of Directors**

Archie W. Payne  
Rulene Jensen  
Carl Crotts  
Kent Clouse  
Roy Corona

Mayor  
Mayor Pro Tem  
Councilor  
Councilor  
Councilor

**Staff**

Nelda Potter

Clerk/Treasurer

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

**To: Archie W. Payne, Mayor  
Village of Virden  
and  
Honorable Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico**

We have performed the procedures enumerated below which were agreed to by Village of Virden (Village) and New Mexico State Auditor (the specified parties), solely to users in evaluating the Village's financial reporting relating to its Cash, Capital Assets, Revenue, Expenditures, Journal Entries, and Budget information and its compliance with Section 12-6-3B (4) NMSA 1978 and Section 2.2.2.16 NMAC as of and for the year ended June 30, 2012. The Village's management is responsible for its financial reporting to the State Auditor as described above. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no 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.

In accordance with Tier 4 of the Audit Act - Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC, we performed the following procedures:

### **1. 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. For purposes of performing our procedures, "timely" means completion of the bank reconciliations within one month after the last day of the reporting month and "complete" means that statements for bank and investment accounts are all accounted for by the Village.

b) Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division (DFA-LGD). For purposes of performing our procedures "accuracy" means that reconciling items agree to deposit slips and subsequent bank or investment statements.

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.

### **Findings**

The Village has three checking bank accounts and one saving account. We noted that the saving and general fund checking bank account were not tied with general ledger, which has been noted as finding 10-1 on page 14 of this report.

## **2. CAPITAL ASSETS**

### **Procedures**

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

### **Findings**

The Village did not perform a yearly inventory as required by Section 12-6-10 NMSA 1978 and has not been maintaining capital asset listing. This has been noted as finding 10-2 on page 15 of this report.

## **3. 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.

### **Findings**

For One of thirty cash receipts reviewed amounting \$36,000, inappropriate classification of transaction was made. This has been noted as finding 12-1 on page 17 of this report.

## **4. EXPENDITURES**

### **Procedures**

Select a sample of cash disbursements and test at least 25 transactions and 50% of the total amount of expenditures for the following attributes:

- a) Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and canceled check, as appropriate.
- b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures. For purposes of performing our procedures, disbursements were considered to be properly authorized if they contained evidence of review such as sign off on invoices or approval through correspondence.
- 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 ).

### **Findings**

None.

## **5. 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.

### **Findings**

The Village does not have any procedure for reviewing and approving the journal entries. This has been noted as finding 12-2 on page 18 of this report.

## **6. 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 budget at the legal level of budgetary control; if so, report a compliance finding.
- c) From the original and final approved budgets and general ledger, prepare a schedule of revenues and expenditures – budget and actual on the budgetary basis used by the local public body (cash, accrual or modified accrual basis) for each individual fund.

**Findings**

Total actual expenditures exceeded the final budget at the total fund level, the legal level of budgetary control for the water fund. This has been noted as finding 12-3 on page 19 of this report.

**OTHER**

**Procedures**

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

**Findings**

The agreed-upon procedures report for the year ending June 30, 2012 was not submitted by the deadline of December 1, 2012. The village is not in compliance with Section 2.2.2.16 H of the NMAC, Audit Rule 2012. This has been noted as finding 10-4 on page 16 of this report.

The IPA Recommendation Form for Tiered Systems of Local Public Bodies and agreed upon procedures contract was not submitted to the State Auditor prior to the due date of July 1, 2012. Paragraph (6) or Subsection G of 2.2.2.8 NMAC violated. This has been noted as finding 12-4 on page 20 of this report.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the Village's financial reporting to the State Auditor as described above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Village, the New Mexico Office of the State Auditor, and the Department of Finance and Administration, Local Government Division and is not intended to be and should not be used by anyone other than those specified parties.

**Harshwal & Company LLP**  
**Certified Public Accountants**

*Harshwal & Company LLP*

**Albuquerque, New Mexico**  
**December 2, 2013**

**SCHEDULE OF REVENUES &  
EXPENDITURES - BUDGET AND  
ACTUAL (NON GAAP BASIS)**



**STATE OF NEW MEXICO**

**VILLAGE OF VIRDEN**

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON GAAP BASIS)**

**GENERAL FUND**

**YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>REVENUES</b>				
Taxes:				
Property current	\$ 1,625	\$ 1,625	\$ 1,347	\$ (278)
Gross receipts	6,231	6,231	6,771	540
Intergovernmental				
Gas tax [0.01 cent]	5,004	5,004	5,004	
County gas tax	16	16		(16)
MVD	357	357	429	72
Small city assistance	35,000	35,000	44,280	9,280
Licenses and permits	42	42	318	276
Charges for services	7,649	7,649	7,531	(118)
Refund and other income	700	700	1,348	648
Interest	<u>283</u>	<u>283</u>	<u>38</u>	<u>(245)</u>
<b>Total Revenues</b>	<u>56,907</u>	<u>56,907</u>	<u>67,066</u>	<u>10,159</u>
<b>EXPENDITURES</b>				
Administrative - legislative	35,551	37,109	33,560	3,549
Culture and recreation	10,103	12,491	13,421	(930)
Finance and administration	8,000	8,000		8,000
Election	338	338	294	44
Street utilities	<u>1,598</u>	<u>2,334</u>	<u>2,545</u>	<u>(211)</u>
<b>Total Expenditures</b>	<u>55,590</u>	<u>60,272</u>	<u>49,820</u>	<u>10,452</u>
<b>Net change in fund balances</b>	1,317	(3,365)	17,246	20,611
Fund balances, beginning of year	<u>0</u>	<u>0</u>	<u>156,408</u>	<u>156,408</u>
<b>Fund balances, end of year</b>	<u><u>\$ 1,317</u></u>	<u><u>\$ (3,365)</u></u>	<u><u>\$ 173,654</u></u>	<u><u>\$ 177,019</u></u>

**STATE OF NEW MEXICO**

**VILLAGE OF VIRDEN**

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON GAAP BASIS)**

**SPECIAL REVENUE FUNDS**

**YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>FIRE FUND</b>				
<b>REVENUES</b>				
State fire allotment	\$ 53,476	\$ 52,129	\$ 52,129	\$ 0
Fire department interest	<u>66</u>	<u>293</u>	<u>300</u>	<u>7</u>
<b>Total revenues</b>	<u>53,542</u>	<u>52,422</u>	<u>52,429</u>	<u>7</u>
<b>EXPENDITURES</b>	<u>48,705</u>	<u>62,212</u>	<u>48,478</u>	<u>13,734</u>
<b>Net change in fund balances</b>	4,837	(9,790)	3,951	13,741
Fund balances, beginning of year	<u>0</u>	<u>0</u>	<u>23,104</u>	<u>23,104</u>
<b>Fund balances, end of year</b>	<u>\$ 4,837</u>	<u>\$ (9,790)</u>	<u>\$ 27,055</u>	<u>\$ 36,845</u>

**STATE OF NEW MEXICO**

**VILLAGE OF VIRDEN**

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON GAAP BASIS)**

**ENTERPRISE FUND**

**YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>WATER FUND</b>				
<b>REVENUES</b>				
Utility services	\$ 15,533	\$ 15,533	\$ 16,440	\$ 907
Connection	235	350	350	0
Reconnect	<u>45</u>	<u>45</u>	<u>15</u>	<u>(30)</u>
<b>Total revenues</b>	<u>15,813</u>	<u>15,928</u>	<u>16,805</u>	<u>877</u>
<b>EXPENDITURES</b>	<u>11,306</u>	<u>13,973</u>	<u>18,314</u>	<u>(4,341)</u>
<b>Net change in fund balances</b>	4,507	1,955	(1,509)	(3,464)
Fund balances, beginning of year	<u>0</u>	<u>0</u>	<u>41,886</u>	<u>41,886</u>
<b>Fund balances, end of year</b>	<u>\$ 4,507</u>	<u>\$ 1,955</u>	<u>\$ 40,377</u>	<u>\$ 38,422</u>

**STATE OF NEW MEXICO**

**VILLAGE OF VIRDEN**

**YEAR-END FINANCIAL REPORT SUBMITTED TO DFA**

**YEAR ENDED JUNE 30, 2012**

State Finance Report Village of Virden GL Period: 06/12 Summary Report										Page: 1 Nov 21, 2013 12:19pm	
Fund Title	Fund No	Beginning Cash	Revenue	Expense	Balance Sheet Changes	Ending Cash	Outstanding Deposits	Outstanding Checks	Total	Ending Bank Balance	Difference
Group 1											
General Fund	101	\$ 64,825	\$ 8,008	\$ 49,820	\$ 158	\$ 117,970	\$ 400	\$ 4,298	\$ 121,868	\$ 121,403	465
<b>Group 1 Totals:</b>		<b><u>64,825</u></b>	<b><u>8,008</u></b>	<b><u>49,820</u></b>	<b><u>158</u></b>	<b><u>117,970</u></b>	<b><u>400</u></b>	<b><u>4,298</u></b>	<b><u>121,868</u></b>	<b><u>121,403</u></b>	<b><u>465</u></b>
Group 2											
Fire Fund	209	26,808	52,429	48,479	0	30,759	0	136	30,894	30,894	0
<b>Group 2 Totals:</b>		<b><u>26,808</u></b>	<b><u>52,429</u></b>	<b><u>48,479</u></b>	<b><u>0</u></b>	<b><u>30,759</u></b>	<b><u>0</u></b>	<b><u>136</u></b>	<b><u>30,894</u></b>	<b><u>30,894</u></b>	<b><u>0</u></b>
Group 3											
Water Fund	500	45,455	16,805	15,810	1,513	48,185	421	187	47,950	47,950	0
<b>Group 3 Totals:</b>		<b><u>45,455</u></b>	<b><u>16,805</u></b>	<b><u>15,810</u></b>	<b><u>1,513</u></b>	<b><u>48,185</u></b>	<b><u>421</u></b>	<b><u>187</u></b>	<b><u>47,950</u></b>	<b><u>47,950</u></b>	<b><u>0</u></b>
<b>Grand Totals:</b>		<b><u>\$137,088</u></b>	<b><u>\$ 77,242</u></b>	<b><u>\$ 114,109</u></b>	<b><u>\$ 1,671</u></b>	<b><u>\$ 196,914</u></b>	<b><u>\$ 821</u></b>	<b><u>\$ 4,621</u></b>	<b><u>\$ 200,712</u></b>	<b><u>\$ 200,247</u></b>	<b><u>465</u></b>

**STATE OF NEW MEXICO**

**VILLAGE OF VIRDEN**

**YEAR-END FINANCIAL REPORT SUBMITTED TO DFA**

**YEAR ENDED JUNE 30, 2012**

State Finance Report Village of Virden								Page: 1	
GL Period: 06/12								Nov 21, 2013 12:19pm	
Detail Report									
Receipts	Fund No	Line Item	Qtr. Reporting	Year to Date Total	Approved Budget	Resolutions Adj. Budget	Adjusted Budget	Budget Balance	Budget % Received
<b>Group 1</b>									
Property Current	101	30	\$ 446	\$ 1,347	\$ 1,625	\$ 0	\$ 1,625	\$ 278	82.89
Bus License/Reg	101	32	0	0	42	0	42	42	0.00
Rent	101	33	2,460	43,531	7,649	0	7,649	(35,882)	569.11
Gross Receipts	101	311	1,276	6,771	6,231	0	6,231	(540)	108.67
Gas Tax (.01 cent)	101	312	1,251	5,004	5,004	0	5,004	0	100.00
County Gas Tax	101	313	0	0	16	0	16	16	0.00
MVD	101	314	104	429	357	0	357	(72)	120.17
Small City Assistance	101	315	0	44,280	35,000	0	35,000	(9,280)	127.00
Savings Account Interest	101	10080	(38)	(94,741)	0	0	0	94,741	0.00
Interest Income - Savings	101	70100	38	38	283	0	283	245	13.43
Reimburse/Refund	101	70280	1,800	1,348	700	0	700	(648)	192.57
<b>General Fund Totals:</b>			<u>7,337</u>	<u>8,007</u>	<u>56,907</u>	<u>0</u>	<u>56,907</u>	<u>48,900</u>	<u>14.07</u>
<b>Group 1 Totals:</b>			<u>7,337</u>	<u>8,007</u>	<u>56,907</u>	<u>0</u>	<u>56,907</u>	<u>48,900</u>	<u>14.07</u>
<b>Group 2</b>									
State Fire Allot	209	70130	0	52,129	53,476	(1,347)	52,129	0	100.00
Fire Department Interest	209	70140	7	300	66	227	293	(7)	102.00
<b>Fire Fund Totals:</b>			<u>7</u>	<u>52,429</u>	<u>53,542</u>	<u>(1,120)</u>	<u>52,422</u>	<u>(7)</u>	<u>100.00</u>
<b>Group 2 Totals:</b>			<u>7</u>	<u>52,429</u>	<u>53,542</u>	<u>(1,120)</u>	<u>52,422</u>	<u>(7)</u>	<u>100.00</u>
<b>Group 3</b>									
Util Services	500	70	50	90	0	0	0	(90)	0.00
Connect	500	70120	4,733	16,350	15,533	0	15,533	(817)	105.26
Re-Connect	500	70130	100	350	235	115	350	0	100.00
Re-Connect	500	70140	0	15	45	0	45	30	33.00
<b>Group 3 Totals:</b>			<u>4,883</u>	<u>16,805</u>	<u>15,813</u>	<u>115</u>	<u>15,928</u>	<u>(877)</u>	<u>106.27</u>
<b>Grand Totals:</b>			<u>\$ 12,227</u>	<u>\$ 77,241</u>	<u>\$126,262</u>	<u>\$ (1,005)</u>	<u>\$ 125,257</u>	<u>\$ 48,016</u>	<u>61.18</u>

**STATE OF NEW MEXICO**

**VILLAGE OF VIRDEN**

**YEAR-END FINANCIAL REPORT SUBMITTED TO DFA**

**YEAR ENDED JUNE 30, 2012**

State Finance Report Village of Virden									Page: 2	
GL Period: 06/12									Nov 21, 2013 12:19pm	
Detail Report										
Disbursements	Fund No	Line Item	Qtr. Reporting	Year to Date Total	Year to Date Encumbrances	Approved Budget	Resolutions Adj. Budget	Adjusted Budget	Budget Balance	Budget % Received
Water Fund Totals:			\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0.00
Group 1										
Administrative										
Legislative	101	90	6,459	33,560	0	35,551	1,558	37,109	3,549	94.40
Culture and Recreation	101	91	3,023	13,421	0	10,103	2,388	12,491	(930)	107.45
Finance and Administration	101	93	0	0	0	8,000	0	8,000	8,000	0.00
Election	101	94	0	294	0	338	0	338	44	86.98
Street Utilities	101	95	713	2,545	0	1,598	736	2,334	(211)	109.04
General Fund Totals:			10,195	49,820	0	55,590	4,682	60,272	10,452	89.62
<b>Group 1 Totals:</b>			<b>10,195</b>	<b>49,820</b>	<b>0</b>	<b>55,590</b>	<b>4,682</b>	<b>60,272</b>	<b>10,452</b>	<b>89.62</b>
Group 2										
Expenditure	209	90	10,429	48,479	0	48,705	13,507	62,212	13,733	77.93
<b>Group 2 Totals:</b>			<b>10,429</b>	<b>48,479</b>	<b>0</b>	<b>48,705</b>	<b>13,507</b>	<b>62,212</b>	<b>13,733</b>	<b>77.93</b>
Group 3										
Expenditures	500	90	6,341	15,810	0	11,306	2,667	13,973	(1,837)	113.15
<b>Group 3 Totals:</b>			<b>6,341</b>	<b>15,810</b>	<b>0</b>	<b>11,306</b>	<b>2,667</b>	<b>13,973</b>	<b>(1,837)</b>	<b>113.15</b>
<b>Unclassified Expenditure Totals:</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>
<b>Grand Totals:</b>			<b>\$ 26,965</b>	<b>\$ 114,109</b>	<b>\$ 0</b>	<b>\$ 115,601</b>	<b>\$ 20,856</b>	<b>\$ 36,457</b>	<b>\$ 22,348</b>	<b>83.62</b>

**STATE OF NEW MEXICO**

**VILLAGE OF VIRDEN**

**SCHEDULE OF FINDINGS AND RESPONSES**

**YEAR ENDED JUNE 30, 2012**

**1. Current Year Findings**

	<u>Type of Finding</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Bank Reconciliation	D	10-1	10-1
Physical Inventory and Capital Listing	D	10-2	10-2
Inappropriate Classification	C	N/A	12-1
Lack of Internal Control Over Journal Entries	C	N/A	12-2
Budget Overages	D	N/A	12-3
Late Submission of the Agreed Upon Procedures Report	D	10-4	10-4

<b><u>Follow-up on Prior Year Findings:</u></b>	<u>Type of Finding</u>	<u>Prior Year Finding Number</u>	<u>Status</u>
Bank Reconciliation	D	10-1	Repeated
Physical Inventory and Capital Listing	D	10-2	Repeated
Unsupported Cash Receipts	C	11-1	Resolved
Late Submission of the Agreed Upon Procedures Report	D	10-4	Repeated

**\* Legend for Findings:**

- A. Fraud
- B. Illegal Act(s)
- C. Internal Control Deficiency(ies)
- D. Noncompliance

**STATE OF NEW MEXICO**

**VILLAGE OF VIRDEN**

**SCHEDULE OF FINDINGS AND RESPONSES**

**YEAR ENDED JUNE 30, 2012**

**10-1 Bank Reconciliations**

**Condition:** Bank reconciliations during the fiscal year were not properly reconciled. The Village did not reconcile the saving and general fund checking account on a monthly basis at June 30, 2012. Our testwork revealed a difference of \$1,543 in saving account and \$465 in general fund checking account, between the reconciled balance and the general ledger balance.

**Criteria:** Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC requires each local public body to perform bank reconciliations in a timely manner and maintain bank and investment statements as part of entity's records.

**Effect:** The Village has not complied with Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC requirement.

**Cause:** The Village does not have a procedure for tracking bank accounts to ensure that all are captured on the general ledger and reconciled.

**Recommendations:** We recommend that the Village maintain bank statements and reconcile the bank, per NMAC requirement.

**Agency Response:** The new staff is working to reconcile the bank statements as soon as they come in.



**STATE OF NEW MEXICO**

**VILLAGE OF VIRDEN**

**SCHEDULE OF FINDINGS AND RESPONSES**

**YEAR ENDED JUNE 30, 2012**

**10-2 Physical Inventory and Capital Listing**

**Condition:** During the year ended June 30, 2012, the entity's capital asset listing was not kept in accordance with the Section 12-6-10 NMSA 1978 requirements. In addition, an adequate physical inventory has not been completed.

**Criteria:** Capital asset records and yearly inventory should be maintained in accordance with Section 12-6-10 NMSA 1978. The records should be detailed enough that program management is able to adequately and efficiently identify and locate any and all items.

**Effect:** The Village has not complied with Section 12-6-10 NMSA 1978 requirements.

**Cause:** The entity does not have controls in place to ensure that all capital asset additions and disposals are captured by the accounting system in a timely manner.

**Recommendations:** We recommend the Village to perform physical inventory count of capital assets and maintain documentation of the inventories at hand.

**Agency Response:** The Village plans to do a complete inventory and produce a capital assets listing.

**STATE OF NEW MEXICO**  
**VILLAGE OF VIRDEN**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED JUNE 30, 2012**

**10-4 Late Submission of the Agreed Upon Procedures Report**

**Condition:** The agreed-upon procedures report for the year ending June 30, 2012 was not submitted by the deadline of December 1, 2012.

**Criteria:** 2.2.2 NMAC, Audit Rule 2012, specifies the deadline for submission of agreed-upon procedures report. Section 2.2.2.16 H stipulates that Village reports are due no later than December 1. Further, Section 2.2.2.9 A (2) requires that submission of a late report shall be reported as current year audit finding in the audit report.

**Effect:** The Village is not in compliance with Section 2.2.2.16 H of the NMAC, Audit Rule 2012..

**Cause:** There was a delay in submitting the IPA recommendation form and contract to the State Auditor's Office.

**Recommendations:** Management should ensure that contract be executed on a timely manner to ensure that report will be submitted on or before the deadline.

**Agency Response:** Going forward the Village will make every effort to have the Audit done and submitted by the deadline.

**STATE OF NEW MEXICO**  
**VILLAGE OF VIRDEN**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED JUNE 30, 2012**

**12-1 Inappropriate Classification**

**Condition:** The transaction amounting \$36,000 related to sale of land and old building of the Village has been wrongly classified as rent receipt and posted in rent account.

**Criteria:** Systems of internal control with the most favorable designs include procedures designed to prevent or detect errors due to misclassification of transactions in the accounting records.

**Effect:** The Village's books and records are at risk of containing material misstatements as errors may not be detected in a timely manner.

**Cause:** The Village does not have a system in place to prevent or detect errors due to misclassifications.

**Recommendations:** The Village design procedures to prevent potential errors and implement procedures to monitor system output. This could include review by knowledgeable and responsible parties and timely follow up on discrepancies noted.

**Agency Response:** The Village does not have a line item in the budget for the selling of property. The Village staff will carefully review the budget line items and add where needed and approved by the council.

**STATE OF NEW MEXICO**

**VILLAGE OF VIRDEN**

**SCHEDULE OF FINDINGS AND RESPONSES**

**YEAR ENDED JUNE 30, 2012**

**12-2 Lack of Internal Control Over Journal Entries**

**Condition:** The Village did not have adequate internal controls for reviewing and approving the journal entries entered into accounting system.

**Criteria:** Good accounting practices state that journal entries should be completed by knowledgeable staff and then reviewed and approved by someone other than the person initiating the journal entry.

**Effect:** Without proper review and approval of these journal entries, errors or irregularities could go undetected. The Village may be at risk for fraudulent activity without a proper review and approval process over journal entries.

**Cause:** Due to small nature of operation and limited number of business office staff, the Village does not have a formal system of review and approval process of journal entries.

**Recommendations:** The Village should update their policies and procedures manual for review and approval of journal entries and implement a procedure to insure the journal entries are reviewed, approved and supported.

**Agency Response:** The Village will implement a procedure to ensure journal entries are reviewed and approved by the council.

**STATE OF NEW MEXICO**

**VILLAGE OF VIRDEN**

**SCHEDULE OF FINDINGS AND RESPONSES**

**YEAR ENDED JUNE 30, 2012**

**12-3 Budget Overages**

**Condition:** During our analysis of budget to actual reports for the year ended June 30, 2012, we noted the total expenditures exceeded the total budgeted amounts resulting in water fund with over expended budgets totaling \$4,341.

**Criteria:** State Statute 6-6-6 NMSA 1978 requires that local government spending does not exceed budgeted amounts at the fund level, unless the Commission approves a budget adjustment.

**Effect:** The Village has not complied with the requirement to ensure adequate cash is available for budgeted expenditures. Therefore, they could be budgeting cash that is not available and be in violation of 6.20.2.9 NMAC.

**Cause:** The Village did not follow proper internal control procedures. The Village may have lost valuable resources.

**Recommendations:** We recommend the Village develops and adheres to a system that tracks the budget effectively to ensure budgetary compliance.

**Agency Response:** The Village will track the budget more closely.

**STATE OF NEW MEXICO**

**VILLAGE OF VIRDEN**

**SCHEDULE OF FINDINGS AND RESPONSES**

**YEAR ENDED JUNE 30, 2012**

**12-4 Late Submission of IPA Recommendation Form and AUP Contract**

**Condition:** The IPA Recommendation Form for Tiered Systems of Local Public Bodies and agreed upon procedures contract was not submitted to the State Auditor prior to the due date of July 1, 2012. The contract was prepared on November 1, 2013 and received by the State Auditor's office on March 10, 2014. The contract was approved by the State Auditor on April 21, 2014.

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

**Effect:** The Village has not complied with the State Auditor Rule Requirements of completing and submitting the IPA Recommendation Form for the Tiered System of Local Public Bodies and the agreed upon procedures contract by the due date. Paragraph (6) or Subsection G of 2.2.2.8 NMAC violated.

**Cause:** The Village management was unaware of the deadline.

**Recommendations:** The Village should contract with approved auditor timely and should comply with the NMAC contract submission requirements.

**Agency Response:** The 2012 audits for the Village of Virden were done the at the same time as the 2013 audits in November of 2013. During the beginning of 2013 the Village of Virden had to make some drastic changes due to illness of the previous Clerk. The Assistant Clerk/Treasurer was left with little or no knowledge of what needed to be done for the end of the year. With little training provided by the previous clerk the new clerk did the best she could. Here financials training was through Caselle Software and was in contact with the State Finance Department and the year end financials and Audits were discussed. The Agency will provide all employees training in every aspect of the office work and reports for that are mandated for the Audits. We will do our best to bring our Audits up to the standards that are expected of us.

**STATE OF NEW MEXICO**

**VILLAGE OF VIRDEN**

**EXIT CONFERENCE**

**YEAR ENDED JUNE 30, 2012**

The report contents were discussed at an exit conference held on November 22, 2013 with the following in attendance:

**Village of Virden**

Archie W. Payne, Mayor  
Zoann Adams, Clerk/Treasurer  
Bridget Payne, Clerk

**Harshwal & Company LLP**

Nash Nachiappan, CPA