

STATE OF NEW MEXICO
CABALLO SOIL AND WATER CONSERVATION DISTRICT

Tier 5 of the Audit Act Report

Year Ended June 30, 2016

STATE OF NEW MEXICO
CABALLO SOIL AND WATER CONSERVATION DISTRICT
Garfield, New Mexico
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STATE OF NEW MEXICO
CABALLO SOIL AND WATER CONSERVATION DISTRICT
Garfield, New Mexico
Official Roster

Hector Mendoza	Chairman
Harvey Morrow	Vice-Chair
Samantha Gillis	Secretary/Treasurer
Dee Wear	Member
Frank Garay	Member
Casey McGuire	Member
Slim Whitlock	Member



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

Hector Mendoza, Chairman
and Members of the Board of Supervisors
Caballo Soil and Water Conservation District
and Timothy Keller, New Mexico State Auditor

We have performed the procedures enumerated below, which were agreed to by Caballo Soil and Water Conservation District (District) on performing an agreed-upon procedures engagement for Tier 5 of the Audit Act (Section 12-6-1 et seq., NMSA 1978) for the year ended June 30, 2016. The procedures were agreed to by the District through the Office of the New Mexico State Auditor. The management of the Caballo Soil and Water Conservation District is responsible for the company'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 associated findings are as follows:

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

We verified Caballo Soil and Water Conservation District's revenue calculation and tier determination documented on the form provided at www.osanm.org under "Tier System Reporting Main Page" and it was determined that Caballo Soil and Water Conservation District falls under Tier 5.

2. Cash

- 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.

The District has four bank accounts. Reconciliations for three bank accounts were performed on a timely basis, and bank statements for the fiscal year were complete and on-hand for those three bank accounts.

Reconciliations for its fourth bank account, i.e. Ralph watershed bank account were performed on a quarterly basis because of its inactive status.

- 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 Department of Finance and Administration - Local Government Division (DFA-LGD).

Random tests of bank reconciliations revealed there were reconciliation variances for three bank accounts for the bank reconciliations performed on June 30, 2016. The variance for General fund, Ralph Watershed and Underwood watershed account were \$27.22, \$5.32 and \$6.00 respectively. See finding 2016-001.

The district submitted a complete quarterly financial report to Department of Finance and Administration (DFA) for the first three quarters of the fiscal year 2016. However, the district submitted an itemized revenue and expense report to DFA instead of a complete quarterly financial report for its fourth quarter of 2016 because of a change in district's software. As per DFA, this submission was accepted. The submitted itemized revenue and expense report did not include an ending cash balance as of June 30, 2016. Consequently, total revenues and expenses included in the itemized revenue and expense report were added and subtracted respectively from the beginning balance of cash at July 1, 2015 to obtain ending balance of cash at June 30, 2016. There was a difference of \$17,865.98 between this ending cash balance and cash balance obtained from district's general ledger. See finding 2016-002

- 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.

The district's deposits were properly collateralized as required by Section 6-10-17 NMSA 1978, NM Public Money Act.

3. Capital assets

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

The District performed a yearly inventory as required by Section 12-6-10 NMSA 1978.

4. Revenue

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.

Analytical review and test of actual revenue compared to budgeted revenue for the year for each type of revenue revealed no exceptions.

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.

Amounts recorded in the general ledger agreed 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.

Transactions were properly recorded on a cash basis as to amount, classification, and period as determined by the review of supporting documentation.

5. Expenditures

Select a sample of cash disbursements based on auditor judgment and test 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 cancelled check, as appropriate.

Amounts recorded as disbursed agreed to supporting documentation. Amount paid, payee, date and description agree with the vendor's invoice, purchase order, contract and cancelled check as appropriate.

- b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

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).

Supporting documentation was not provided for the purchase of Capital Outlay totaling \$154,867.81 that confirms the vendor used was a state approved vendor. The district did not provide notice to the state purchasing agent to distribute RFPs to prospective offerors. See finding 2016-004.

6. Journal Entries

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

- a) Journal entries appear reasonable and have supporting documentation.

The District uses Quicken to record transactions on a cash basis, no journal entries were prepared.

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

The District uses Quicken to record transactions on a cash basis, no journal entries were prepared.

7. Budget

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.

A review of the minutes and correspondence revealed that the original budget was approved by the District board and DFA-LGD.

- b) Determine if the total actual expenditures exceed the final budget at the legal level of budgetary control; if so, report a compliance finding.

Total actual expenditures did not exceed the final budget at the total fund level, the legal level of budgetary control.

- 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.

Schedules of revenues and expenditures – budget to actual, cash basis, were prepared for the general fund and the watershed fund.

8. Capital Outlay Appropriations

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.

The amount recorded as disbursed agrees to adequate supporting documentation. The 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.

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 if 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. I NMAC).

Supporting documentation was not provided for the purchase of Capital Outlay totaling \$154,867.81 that confirms the vendor used was a state approved vendor. The district did not provide notice to the state purchasing agent to distribute RFPs to prospective offerors. See finding 2016-004.

- d) Determine the physical existence (by observation) of the capital asset based on expenditures to date.

The physical existence of capital asset was observed 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.

Status reports were submitted to the state agency per terms of agreement.

- 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.

The project was not funded in advance. The funding is based on reimbursement from New Mexico State University (NMSU). The district incurs expenditures and then provides NMSU accounts payable with invoices and supporting documents for reimbursement. Not applicable.

- 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.

As of April 12, 2017, the project was not totally completed. Not applicable.

- 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.

The funding is based on reimbursement from New Mexico State University (NMSU). The district incurs expenditures and then provides NMSU accounts payable with invoices and supporting documents for reimbursement.

- 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.

Reimbursement requests were properly supported by costs incurred by the recipient. The costs were paid by the local public body prior to the request for reimbursement

9. Other

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(l) (3) (C) NMAC.

The Agreed Upon Procedures report for the fiscal year ending 2016 was not submitted to the Office of the State Auditor by the December 15 deadline. See finding 2016-003.

No other information indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies was identified.

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 audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records. 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 Caballo Soil and Water Conservation District, the New Mexico State Auditor's Office, Department of Finance and Administration, Local Government Division, and the 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

May 8, 2017

STATE OF NEW MEXICO
 CABALLO SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (CASH BASIS)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Mil levy	\$ 55,000	\$ 55,000	\$ 77,857	\$ 22,857
Seeding program	2,000	2,000	1,019	(981)
State funding	13,700	13,700	14,674	974
Capital Outlay (Garfield)	300,000	300,000	89,903	(210,097)
Interest Income	50	50	156	106
Total revenues	370,750	370,750	183,609	(187,141)
Expenditures				
PERSONNEL SERVICE				
Salaries	21,000	21,000	12,255	8,745
Totals	21,000	21,000	12,255	8,745
ADMINISTRATIVE				
Dues and subscriptions	1,000	1,000	1,175	(175)
Professional services	3,100	3,100	3,000	100
Per diem	1,700	1,700	2,008	(308)
Totals	5,800	5,800	6,183	(383)
OPERATIONAL				
Building expenses	3,700	3,700	2,223	1,477
Conservation Education	2,500	2,500	1,213	1,287
Office expenses	750	750	1,012	(262)
Capital Outlay	330,000	330,000	179,053	150,947
Bonding Expenses	1,200	1,200	1,389	(189)
Utilities	3,800	3,800	3,750	50
Employee Training	500	500	212	288
Quarterly Taxes	-	-	1,611	(1,611)
Cost Sharing	1,000	1,000	-	1,000
Miscellaneous	2,650	2,650	587	2,063
Totals	346,100	346,100	191,049	155,051
Total expenditures	\$ 372,900	\$ 372,900	\$ 209,488	\$ 163,412
Excess revenues over expenditures			\$ (25,878)	\$ (350,553)

STATE OF NEW MEXICO
 CABALLO SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (CASH BASIS)
 WATERSHED FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Mil levy	\$ -	\$ -	\$ 125	\$ 125
Interest income	-	-	14	14
Total revenues	-	-	139	139
Expenditures				
Administrative	-	-	-	-
Miscellaneous	-	-	-	-
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess revenues over expenditures			<u>\$ 139</u>	<u>\$ 139</u>

STATE OF NEW MEXICO
 CABALLO SOIL AND WATER CONSERVATION DISTRICT
 CAPITAL OUTLAY SUMMARY
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Capital Outlay Award No.	Amount Awarded	Amount received	Amount expended	Remaining balance	Actual Legislation	Effective dates
1	\$ 175,000	\$ -	\$ 64,965.21	\$ 110,034.79	Pursuant to FY 2013 Senate Bill 60, Section 42, Paragraph 3: to construct the rehabilitation of the Garfield watershed structure for the Caballo soil and water Conservation District in Dona Ana County	Through June 30, 2016
2	\$ 90,000	\$ 89,902.60	\$ 89,902.60	\$ 97.40	Pursuant to Senate Bill 1, Section 39, Paragraph 3: to remove sediment from the Garfield dam and to plan, design, and construct a road to the sediment dump site for the Caballo soil and water conservation district in Dona Ana County.	Through June 30, 2016

Itemized Categories - Last year
7/1/2015 through 6/30/2016 (Cash Basis)

8/26/2016

Date	Account	Num	Description	Memo	Tag	Clr	Amount
INCOME							183,748.32
Uncategorized							1,019.00
4/11/2016	General Fund	DEP	Seedling Prog...			R	606.00
4/14/2016	General Fund	DEP	Seedling Prog...			R	250.00
4/20/2016	General Fund	DEP	Seedling Prog...			R	50.00
5/10/2016	General Fund	DEP	Seedling Prog...			R	113.00
Gen fnd int inc							156.03
Mil levy							77,857.17
NMDA Capitol Outlay							89,902.60
State Funding							14,674.44
Underwood mil levy							125.12
wtrshd int inc							13.96
EXPENSES							-209,487.54
Uncategorized							0.00
Adm Fees							-1.34
audit							-3,000.00
Awards & pres							-135.79
Bonding							-1,389.00
Building expenses							-5,973.14
repairs and maintenance							-654.03
State land lease							-773.00
Utilities							-3,750.11
Other Building expenses							-796.00
Conservation proj							-1,213.00
dues & subscrip							-1,175.00
Jornada RC&D							-200.00
NACD							-200.00
NM Dam Owners Coalition							-100.00
Other dues & subscrip							-675.00
Employee per diem & mileage							-1,512.52
Employee Training							-211.92
Meeting exp							-373.89
Miscellaneous							-75.55
O&M for dams							-48,100.00
O&M for dams Garfield							-130,952.88
Office expenses							-1,012.15

125.12
13.96
other fund

STATE OF NEW MEXICO
CABALLO SOIL AND WATER CONSERVATION DISTRICT
Schedule of Findings and Responses
Year ended June 30, 2016

STATUS OF PRIOR YEAR FINDING

No prior year findings.

CURRENT YEAR FINDINGS

2016-001 Variances in Reconciliation (Material Weakness)

2016-002 Differences in the cash balances submitted to DFA (Material Weakness)

2016-003 Late Agreed Upon Procedures (AUP) Report (Significant Deficiency)

2016-004 Lack of supporting documents for procurement (Significant Deficiency)

STATE OF NEW MEXICO
CABALLO SOIL AND WATER CONSERVATION DISTRICT
Schedule of Findings and Responses
Year ended June 30, 2016

Variances in Reconciliation (2016-001)- Material Weakness

Condition: Random tests of bank reconciliations revealed there were reconciliation variances for the three bank accounts for the bank reconciliations performed on June 30, 2016. The variance for General fund, Ralph Watershed and Underwood watershed were \$27.22, \$5.32 and \$6.00 respectively.

Criteria: Per Section 6-6-3 NMSA 1978, every local public body shall:

- 1) Keep all the books, records, and accounts in their respective offices in the form prescribed by the local government division;
- 2) Make all reports as may be required by the local government division; and
- 3) Conform to the rules and regulations adopted by the local government division.

Within Title 2, Chapter 20, Part 5, Public Finance Accounting by Governmental Entities of the New Mexico Administrative Code, The Department of Finance and Administration requires all accounting systems, including subsidiary systems, record transactions timely, completely, and accurately.

Cause: There was an oversight because of the change in accounting software in fiscal year 2016.

Effect: Cash balances of the district is misstated.

Recommendation: The district should make sure the cash balances from bank reconciliations match with the cash general ledger.

Response: The district will ensure that the cash balances from bank reconciliations matches with the cash general ledger.

Expected Completion Date: 09/01/2017 **Employee Responsible:** Administrative Assistant

STATE OF NEW MEXICO
CABALLO SOIL AND WATER CONSERVATION DISTRICT
Schedule of Findings and Responses
Year ended June 30, 2016

Differences in the cash balances submitted to DFA (2016-002)- Material Weakness

Condition: The district submitted a complete quarterly financial report to Department of Finance and Administration (DFA) for the first three quarters of the fiscal year 2016. However, the district submitted an itemized revenue and expense report to DFA instead of a complete quarterly financial report for its fourth quarter of 2016 because of a change in district's software. As per DFA, this submission was accepted. The submitted itemized revenue and expense report did not include an ending cash balance as of June 30, 2016. Consequently, total revenues and expenses included in the itemized revenue and expense report were added and subtracted respectively from the beginning balance of cash at July 1, 2015 to obtain ending balance of cash at June 30, 2016. There was a difference of \$17,865.98 between this ending cash balance and cash balance obtained from district's general ledger.

Criteria: Per Section 6-6-3 NMSA 1978, every local public body shall:

- 1) Keep all the books, records, and accounts in their respective offices in the form prescribed by the local government division;
- 2) Make all reports as may be required by the local government division; and
- 3) Conform to the rules and regulations adopted by the local government division.

Within Title 2, Chapter 20, Part 5, Public Finance Accounting by Governmental Entities of the New Mexico Administrative Code, The Department of Finance and Administration requires all accounting systems, including subsidiary systems, record transactions timely, completely, and accurately.

Cause: There was an oversight because of the change in accounting software in fiscal year 2016.

Effect: Cash balances of the district is misstated.

Recommendation: The district should make sure the cash balance reported in the DFA report, and bank reconciliation matches with the cash general ledger.

Response: The district will ensure that the cash balances reported in the DFA report, and bank reconciliation matches with the cash general ledger.

Expected Completion Date: 09/01/2017 **Employee Responsible:** Administrative Assistant

STATE OF NEW MEXICO
CABALLO SOIL AND WATER CONSERVATION DISTRICT
Schedule of Findings and Responses
Year ended June 30, 2016

Late AUP Report (2016-003) – Significant Deficiency

Condition: The AUP report was not submitted to the Office of the State Auditor by the December 15 deadline.

Criteria: The district's AUP reports are to be submitted to the State Auditor by December 15 as required by NMAC 2.2.2.9A.

Cause: Because of the lack of management oversight, the district did not contract IPA for its AUP engagement by May 15 deadline, resulting in late AUP report submission to the Office of the State Auditor.

Effect: 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 an AUP report to facilitate their oversight function.

Recommendation: We recommend for the district to catch up on fiscal year 2016 AUP engagement prior to the due date of the next upcoming AUP engagement.

Response: Management has contracted accounting firm to assist the district to catch up.

Expected Completion Date: 09/01/2017 **Employee Responsible:** Administrative Assistant

STATE OF NEW MEXICO
CABALLO SOIL AND WATER CONSERVATION DISTRICT
Schedule of Findings and Responses
Year ended June 30, 2016

Lack of Supporting documents for Procurement (2016-004) – Significant Deficiency

Condition: The district purchased capital outlay totaling \$154,867.81 in fiscal year 2016 without the use of competitive sealed bids or competitive sealed proposals. Purchase agreements or any other supporting documentation confirming exception to this requirement were not provided.

Criteria: As per the Regulations Governing the Procurement Code Regulations (1.4.1.1 NMAC) the district should be requesting 'request for proposals' or 'invitation for bid' from multiple providers and select the bidder based on price, capability and other considerations of the provider.

Cause: The district was not aware of the State Purchasing regulations.

Effect: Because the district is not compliant with the Regulations Governing the Procurement Code Regulations (1.4.4.1 NMAC), fraud waste and abuse could possibly take place.

Recommendation: The district should begin complying with the Procurement Code Regulations.

Response: The district will become more knowledgeable with the Procurement Code Regulations.

Expected Completion Date: 09/01/2017 **Employee Responsible:** Administrative Assistant

STATE OF NEW MEXICO
CABALLO SOIL AND WATER CONSERVATION DISTRICT
Schedule of Findings and Responses
Year ended June 30, 2016

EXIT CONFERENCE

An exit conference was held on April 12, 2017 with James Whitlock, Board Member, Caballo Soil and Water Conservation District and Susan Downs, Administrative Assistant. Representing Beasley, Mitchell & Co., LLP was Avi Chetry, Staff Accountant.