

STATE OF NEW MEXICO
GRANT SOIL AND WATER CONSERVATION DISTRICT

Tier 3 of the Audit Act Report

Year Ended June 30, 2011

STATE OF NEW MEXICO
GRANT SOIL AND WATER CONSERVATION DISTRICT
Silver City, New Mexico
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STATE OF NEW MEXICO
GRANT SOIL AND WATER CONSERVATION DISTRICT
Silver City, New Mexico
Official Roster

David McCauley	Hurley, New Mexico	Chair
Johnny Reed	San Lorenzo, New Mexico	Vice-Chair
William Woodward	Tyrone, New Mexico	Secretary/Treasurer
Ty Bays	Silver City, New Mexico	Member
Duston Hunt, Jr.	Silver City, New Mexico	Member
David Ogilvie	Silver City, New Mexico	Member
Alex Thal	Silver City, New Mexico	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

To the Board of Directors and Management of
Grant Soil and Water Conservation District

We have performed the procedures enumerated below, which were agreed to by Grant Soil and Water Conservation District and the New Mexico State Auditor's Offices, (the specified parties), solely to assist in evaluating the requirements of the state-funded capital outlay award for the fiscal year ended June 30, 2011. Grant Soil and Water Conservation District's management is responsible for the accounting for the state-funded capital outlay award. 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.

The procedures performed and the associated results are included in the accompanying supplemental attachment.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accompanying Statement of State-Funded Capital Outlay Award of Grant Soil and Water Conservation District. 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 management of Grant Soil and Water Conservation District, the New Mexico State Auditor, the Department of Finance and Administration, and the New Mexico State 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 11, 2013

STATE OF NEW MEXICO
GRANT SOIL AND WATER CONSERVATION DISTRICT
Capital Outlay Award
June 30, 2011

State Agency: New Mexico Energy, Minerals and Natural Resources Department

EMNRS Contract No. 04-521-0486-0055

Amount awarded to Grant Soil and Water Conservation District: as of the year ended June 30, 2011	\$ 145,000.00
Amount received by Grant Soil and Water Conservation District: as of the year ended June 30, 2011	\$ 134,264.34
Amount expended by Grant Soil and Water Conservation District: as of the year ended June 30, 2011	\$ 134,264.34
Remaining balance of award as of June 30, 2011:	\$ 10,735.66

Actual legislation: 2008 Severance Tax Bond Projects, Section 12.

Effective dates for this capital outlay appropriation:

According to the Notice to Proceed letter dated May 20, 2010 from New Mexico Energy, Minerals and Natural Resources Department to Grant Soil and Water Conservation District, the Department of Finance and Administration approved the encumbrance for the project effective May 19, 2010, with a proposed completion date of December 1, 2011.

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The following procedures were performed in accordance with the requirements of Tier 3 of the Audit Act – Section 12-6-3 B(3) NMSA 1978 and section 2.2.2.16 NMAC.

1. Test all state-funded capital outlay expenditures for the following:
 - a. Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payer, date, and description agree to the purchase order, contract, vendor's invoice, and canceled check, as appropriate.

Result: Amount disbursed agrees to supporting documentation.

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

Result: Disbursements were properly authorized and approved.

- 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 1.4.1 NMAC).

Result: The bid process was in accordance with the New Mexico Procurement Code.

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

Result: Due to the late date of our being engaged to perform these procedures we were not able to perform an observation of the capital asset. However, the agreement between Grant Soil and Water Conservation District and the New Mexico Energy, Minerals and Natural Resources Department required progress reports based on physical observation by a United States Forest Service employee, and we observed those reports in the project file.

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Agreed-Upon Procedures
June 30, 2011

- 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.

Result: Status reports were properly submitted, and amounts agree to the general ledger and other supporting documentation.

2. 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.

Result: The project was funded on a reimbursement basis.

3. If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and agreement with the grantor.

Result: The project was not complete as of June 30, 2011.

4. 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 award agreement.

Result: There was no requirement in the capital award agreement to maintain cash received in a separate non-interest bearing account.

5. 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.

Result: Reimbursement requests were properly supported by costs incurred by Grant Soil and Water Conservation District.

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Schedule of Findings and Responses
June 30, 2011

11-01 Late Tier 3 Report

Condition:

The District submitted their Tier 3 report to the State Auditor after December 1, 2011. The State Auditor received the initial report on December 1, 2012. Based on direction from the State Auditor the report was revised and resubmitted on June 11, 2013.

Criteria:

2.2.2.16 H NMAC (State Auditor Rule) outlines due dates for local public bodies with a June 30 fiscal year-end. The report due date is December 1.

Effect:

The District is not in compliance with state statute.

Cause:

The initial delay was because the District was unable to locate an independent public accountant to perform the engagement.

The second delay was due to questions as to where funding was allocated on an agreement with New Mexico Energy, Minerals and Natural Resources Department. Clarification was requested from the Department to ensure proper treatment of capital outlay funds expended by the District that were received from the Department.

Recommendation:

We recommend the District seek bids for future engagements well in advance of the year-end to ensure the District will be able to locate an independent public accountant to perform the required engagement type.

We recommend the District obtain specific information as to the source of funds provided to the District by New Mexico agencies to ensure the proper treatment and reporting of those funds in the future.

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Management Response:

Grant SWCD diligently sought out independent accounts but was unable to find one who was willing to perform services for the District by the required due date. Because this has been such a difficult task, the District realizes the importance of being proactive in searching for an accountant well in advance of the year end. The project coordinator will be responsible for informing the board frequently on the status of acquiring an auditor to perform the required services for each fiscal year.

The grant agreement stipulated the funding came from severance tax bonds, it did not state it was capital outlay funds. The project coordinator asked EMNRD personnel if this meant they were classified as state funds, it was noted to classify as state funds from EMNRD. The District will be more diligent in obtaining documented information regarding the sources of funds provided by New Mexico agencies to ensure proper treatment and reporting of those funds.

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Exit Conference
June 30, 2011

The contents of this report were discussed at an exit conference held on June 7, 2013. The following were in attendance: Johnny Reed, Director and Rebecca Benavidez, Project Coordinator of Grant Soil and Water Conservation District and Clark Goding, CPA, of Beasley, Mitchell & Co., LLP.