
State of New Mexico
Lea Soil and Water Conservation District

Independent Accountants' Report on
Applying Agreed-Upon Procedures
June 30, 2010

Sandra Rush
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1101 E Llano Estacado
Clovis, New Mexico 88101

STATE OF NEW MEXICO
LEA SOIL AND WATER CONSERVATION DISTRICT

Official Roster
For the Year Ended June 30, 2010

Board of Directors

John Norris
Jeremy Gonzales
Rhea Howe
Brent Van Dyke
J W Spears
Ron Glass
Mark Daugherty

Chairman
Vice Chairman
Secretary/Treasurer
Supervisor
Supervisor
Supervisor
Supervisor

STATE OF NEW MEXICO
LEA SOIL AND WATER CONSERVATION DISTRICT

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Independent Accountants' Report On Applying Agreed-Upon Procedures

John Norris, Chairperson
Lea Soil and Water Conservation District
and
Honorable Hector H Balderas
New Mexico State Auditor

I have performed the procedures enumerated below for the Lea Soil and Water Conservation District (Lea SWCD), for the year ended June 30, 2010. The Lea SWCD was determined to be a Tier 4 entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC. The procedures were agreed to by the Lea SWCD through the Office of the New Mexico State Auditor. The Lea SWCD's management is responsible for the organization's accounting records. 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, I 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 as follows.

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.
- 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).
- 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

- a) The Lea SWCD has one checking account and one Edward Jones account and utilizes QuickBooks to record cash transactions. All bank reconciliations are performed on a timely basis and all bank statements were complete and on-hand for the entire year.
- b) All bank reconciliations in a sample of 6 were accurate and agreed to the QuickBooks general ledger. The cash balance on June 30, 2010 did not agree with the balance submitted to DFA-LGD.

- c) Bank account balances did not exceed uninsured limits as of June 30, 2010 and, therefore, pledged collateral was not required on any bank account at the end of the year.

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

Lea SWCD does maintain a capital assets inventory listing and, did perform an annual inventory as required by Section 12-6-10 NMSA 1978.

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.

Test 50% of the total amount of revenues for 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

- a) Analytical review and test of actual revenue compared to budgeted revenue for the year for each revenue type revealed no exceptions.
- b) Amounts recorded on QuickBooks general ledger did agree with deposit tickets, other supporting documentation provided and the bank statements, without any exceptions.
- c) Amounts were properly recorded on cash basis as to classification, amount and period per review of supporting documentation.

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 check clearing amount (cancelled checks not returned), 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).

Findings

- a) Tests of transactions revealed that amounts recorded as disbursed agreed to supporting documentation, with no exceptions. Amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and check clearing amount, as appropriate.
- b) Disbursements were properly authorized and approved in compliance with the legal requirements and established policies and procedures.
- c) 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 (1.4.4 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

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 attribute:

- 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 Lea SWCD utilizes QuickBooks to record cash transactions. The results of our tests are as follows:

- a) No journal entries were made for the year.
- b) The Lea SWCD has procedures that require journal entries to be reviewed.

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

- 1) Reviewed the minutes and correspondence, to verify that the original budget and subsequent budget adjustments were approved by the local public body’s governing body and DFA-LGD. Determined there were no subsequent budget adjustments.
- b) Total actual expenditures did exceed the final budget \$63,794 at the total fund level, the legal level of budgetary control.

Other

Procedures

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

Findings

No exceptions were found as a result of applying the procedures described above (regardless of materiality) indicating any fraud, illegal acts, or any internal control deficiencies.

I was not engaged to, and did not conduct an audit of financial statements or any part thereof, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the information and use of the Lea Soil and Water Conservation District, the New Mexico State Auditor’s Office and the DFA-LGD and is not intended to be and should not be used by anyone other than those specified parties.

Sandra Rush
Sandra Rush, CPA, PC
November 8, 2012

STATE OF NEW MEXICO
LEA SOIL AND WATER CONSERVATION DISTRICT

Schedule of Revenues and Expenses - Budget and Actual (Modified Accrual Basis)
For the Year Ended June 30, 2010

	Budgeted Amounts		Actuals	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Sales				
Calendar sales	\$ -	\$ -	\$ 1,484	\$ 1,484
Plants	2,000	2,000	893	(1,107)
Seed	-	-	486	486
Rental				
Building lease	60,000	60,000	49,140	(10,860)
Grain drill	-	-	1,621	1,621
Skid steer	-	-	490	490
Interest	69	69	69	-
Lea County				
Funding	80,000	80,000	72,500	(7,500)
Noxious weed grant	-	-	7,500	7,500
Government contracts	9,057	9,057	9,056	(1)
Government grants	21,900	21,900	21,900	-
Miscellaneous	2,247	2,247	1,095	(1,152)
Total revenues	175,273	175,273	166,234	(9,039)
Cash balance budgeted	-	-	-	-
Total revenues and cash balance budgeted	175,273	175,273	166,234	(9,039)
Expenditures				
Advertising	7,325	7,325	6,703	622
Board	1,667	1,667	7,932	(6,265)
Building	14,809	14,809	49,676	(34,867)
Chemical	-	-	3,500	(3,500)
Contract services				
Accounting fees	9,000	9,000	1,265	7,735
Audit fees	3,000	3,000	7,200	(4,200)
Other	-	-	43	(43)
Cost of goods sold	-	-	1,233	(1,233)
Dues / registrations	3,000	3,000	3,017	(17)
Educational outreach	1,419	1,419	1,791	(372)
Gross receipts tax	-	-	228	(228)
Insurance				
Medical	-	-	417	(417)
Auto and property	3,500	3,500	3,176	324
Lea County Noxious weed program				
Advertising	-	-	225	(225)
Chemical for spraying	-	-	19,513	(19,513)
Miscellaneous	-	-	3,146	(3,146)
Office supplies	9,808	9,808	6,395	3,413
Payroll				
Liability	-	-	3,797	(3,797)
Wages	28,000	28,000	26,065	1,935

STATE OF NEW MEXICO
 LEA SOIL AND WATER CONSERVATION DISTRICT

Schedule of Revenues and Expenses - Budget and Actual (Modified Accrual Basis)
 For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actuals</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Total expenditures	<u>81,528</u>	<u>81,528</u>	<u>145,322.00</u>	<u>(63,794)</u>
Excess revenues over (under) expenses	<u>\$ 93,745</u>	<u>\$ 93,745</u>	<u>\$ 20,912</u>	<u>\$ (72,833)</u>

STATE OF NEW MEXICO
LEA SOIL AND WATER CONSERVATION DISTRICT
Findings and Responses
Year Ended June 30, 2010

2010-1 Budget - Internal Control & Compliance - Material Weakness

Condition

The District actual expenditures exceeded the budget \$63,794.

Criteria

Sound financial management and state regulation 6.20.2.9 (A), NMAC and state statutes 22-8-5 through 22-8-12.2, NMSA 1978, require that budgets not be exceeded at the legal level of control. The fund level is the legal level of control.

Cause

Unknown

Effect

As a result, the district is in non compliance with New Mexico law, and the control established by the use of budgets has been compromised. Continued over-expenditure of budgeted balances may result in unnecessary usage of operating funds.

Recommendation

The District must establish a policy of budgetary review when purchases are authorized and make necessary budget adjustments.

Response

The District will be watching budgets closely in the future and monitoring for these occurrences in order to make budget adjustments in a timely manner.

STATE OF NEW MEXICO
LEA SOIL AND WATER CONSERVATION DISTRICT
Findings and Responses
Year Ended June 30, 2010

2010-2 Agreed Upon Procedure Report Filed Late – Compliance and Internal Control – Material Weakness

Condition

The June 30, 2010 agreed upon procedure report was submitted to the State Auditor's office December 1, 2012 which was not timely.

Criteria

According to State Auditor Rule NMAC 2.2.2.9.A, the agreed upon procedure reports are due by December 1 of the fiscal year audited.

Cause

The agreed upon procedure report was not submitted to the New Mexico State Auditor on or before December 1, 2010.

Effect

The District is not in compliance with State Auditor Rule 2.2.2.9.A for the fiscal year ended June 30, 2010.

Recommendation

The audit needs to be submitted timely.

Agency response

The District agrees.

EXIT CONFERENCE

The report contents were discussed at an exit conference held on November 8, 2012 with the following in attendance:

Lea Soil and Water Conservation District

Rhea Howe, Board of Supervisors member
Laura Offutt, District Manager

Accounting Firm

Sandra Rush, CPA

STATE OF NEW MEXICO
 LEA SOIL AND WATER CONSERVATION DISTRICT

Schedule of Findings and Responses
 For the Year Ended June 30, 2010

	<u>Type of Finding</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current year findings			
Budget	C, D		2010-1
Agreed Upon Procedure Report Filed Late	C, D		2010-2
Follow-up on prior year findings			
None	N/A		N/A

- * Legend for findings
- A. Fraud
 - B. Illegal act(s)
 - C. Internal control deficiency(ies)
 - D. Noncompliance

