
State of New Mexico
Lea Soil and Water Conservation District

Independent Accountants' Report on
Applying Agreed-Upon Procedures
June 30, 2015

Sandra Rush
Certified Public Accountant, PC

1101 E Llano Estacado
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STATE OF NEW MEXICO
LEA SOIL AND WATER CONSERVATION DISTRICT

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For the Year Ended June 30, 2015

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STATE OF NEW MEXICO
LEA SOIL AND WATER CONSERVATION DISTRICT

Official Roster
For the Year Ended June 30, 2015

Board of Directors

John Norris
Jeremy Gonzales
Rhea Howe
J. W. Spears
Brent Van Dyke

Chairman
Vice Chairman
Secretary/Treasurer
Supervisor
Supervisor

Staff

Shay Hager

District Manager

Sandra Rush

Certified Public Accountant PC

1101 E Llano Estacado Clovis, New Mexico

88101 575-763-2245

Independent Accountants' Report On Applying Agreed-Upon Procedures

John Norris, Chairperson
Lea Soil and Water Conservation District
and
Honorable Timothy Keller
New Mexico State Auditor

I have performed the procedures enumerated below for the Lea Soil and Water Conservation District (LSWCD), for the year ended June 30, 2015. The LSWCD 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 LSWCD through the Office of the New Mexico State Auditor. The LSWCD'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. My 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 LSWCD has one checking account and one investment 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) Random test of bank reconciliations revealed the reconciliations were accurate and agreed with the QuickBooks general ledger but not with the quarterly financial reports submitted to DFA-LGD. 2014-001
- c) Bank account balances did not exceed uninsured limits as of June 30, 2015 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

LSWCD 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 a sample of the total 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 agrees 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 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.

- 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) Test of transactions revealed one (1) check for a donation. 2015-002
- b) Test of disbursements revealed reimbursement for travel was not properly authorized and approved in compliance with the legal requirements and established policies and procedures. 2015-003
- 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 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 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 LSWCD 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 LSWCD 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

- a) 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.
- b) Total actual expenditures did not exceed the final budget at the total fund level, the legal level of budgetary control.
- c) Schedule of Revenue and Expenses - Budget and Actual (Non GAAP Basis) page 5

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 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 Office of the State Auditor, the New Mexico Legislature, 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
Clovis New Mexico
August 20, 2015

STATE OF NEW MEXICO
LEA SOIL AND WATER CONSERVATION DISTRICT

Schedule of Revenues and Expenses - Budget and Actual (Non GAAP Basis)
For the Year Ended June 30, 2015

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Annual funding	\$ 52,300	\$ 52,300	\$ 14,741	\$ (37,559)
CWMA	28,000	28,000	0	(28,000)
Education and outreach	1,950	1,950	0	(1,950)
Grants	50,000	50,000	0	(50,000)
Interest	100	100	138	38
Inventory	9,500	9,500	9,179	(321)
Other	250	250	66	(184)
Rental	63,134	63,134	61,263	(1,871)
Special programs	502,829	502,829	37,283	(465,546)
Total revenues	708,063	708,063	122,670	(585,393)
Cash balance budgeted	135,462	135,462	135,462	-
Total revenues and cash balance budgeted	843,525	843,525	258,132	(585,393)
Expenses:				
Advertising	5,000	5,000	2,594	2,406
Board	7,500	7,500	10,351	(2,851)
Building	52,900	52,900	53,506	(606)
Contract services	6,200	6,200	5,573	627
Education	2,000	2,000	3,128	(1,128)
Equipment / vehicles	10,000	10,000	2,803	7,197
CWMA	28,000	28,000	11,212	16,788
Inventory purchases	11,500	11,500	7,098	4,402
Office	1,750	1,750	2,681	(931)
Employee	49,432	49,432	48,701	731
NM CRS	500	500	608	(108)
Other	20	20	14	6
Program	50,000	50,000	0	50,000
Special programs	50,000	50,000	26,684	23,316
Total expenses	274,802	274,802	174,953	99,849
Excess revenues and cash balance budgeted over (under) expenses	\$ 568,723	\$ 568,723	\$ 83,179	\$ (485,544)

DEPARTMENT OF FINANCE AND ADMINISTRATION
 LOCAL GOVERNMENT DIVISION
 BUDGET AND FINANCE BUREAU
SPECIAL DISTRICT FINANCIAL QUARTERLY REPORT FORM

SUBMIT TO LOCAL GOVERNMENT DIVISION NOT LATER THAN ONE MONTH AFTER THE CLOSE OF EACH QUARTER. I HEREBY CERTIFY THAT THE CONTENTS IN THIS REPORT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE.

Special District: Lees Soil and Water Conservation District
 Quarter Ending: 6/30/2015
 Prepared by: Shay Hager

(signature line)

QUARTERLY YEAR TO DATE TRANSACTIONS PER BOOKS

FUND TITLE	FUND NUMBER	UNAUDITED BEGINNING CASH BALANCE @ 7/1/2014	INVESTMENTS	REVENUES TO DATE	NET TRANSFERS	EXPENDITURES TO DATE	BOOK END BALANCE OF PERIOD	ADD: OUTSTANDING CHECKS	LESS: DEPOSITS IN TRANSIT	ADJUSTMENTS	ADJUSTED BALANCE END OF PERIOD	BALANCE PER BANK STATEMENTS	DIFFERENCE
GENERAL FUND - Operating (GF)	101	\$135,462.06	\$0.00	85,387.26	-	148,269.54	72,279.78	4,840.81	-	-	77,420.59	84,830.47	(7,409.88)
INTERGOVERNMENTAL GRANTS	218	\$0.00	\$0.00	-	-	-	-	-	-	-	-	-	-
OTHER	299	\$0.00	\$0.00	37,282.75	-	26,683.60	10,599.15	-	-	-	10,599.15	-	10,599.15
DEBT SERVICE	400	\$0.00	\$0.00	-	-	-	-	-	-	-	-	-	-
Grand Total		\$ 135,462.06	\$	\$ 122,669.99	\$	\$ 174,953.14	\$ 83,178.91	\$ 4,840.81	\$	\$	\$ 88,019.72	\$ 84,830.47	\$ 3,189.25

SPECIAL DISTRICT: Lea Soil and Water Conservation District
QUARTER ENDING: 30-Jun-15

REVENUES	CURRENT QUARTER	YEAR TO DATE	APPROVED BUDGET
General Fund 101 (enter items below)			
Annual Funding	737.04	14,740.81	52,300.00
Checking Interest	24.28	138.20	100.00
Education & Outreach	-	-	1,950.00
CWMA Income	-	-	28,000.00
Inventory Sold	-	9,178.85	9,500.00
Rental Income	15,896.00	61,263.50	63,134.00
Other Income	-	65.90	250.00
	-	-	-
	-	-	-
Subtotal General Fund Revenues	\$ 16,657.32	\$ 85,387.26	\$ 155,234.00
Other Financing Sources: Transfers In	-	-	-
Transfers Out	-	-	-
Total Transfers	\$ -	\$ -	\$ -
TOTAL GENERAL FUND REVENUES	\$ 16,657.32	\$ 85,387.26	\$ 155,234.00
Intergovernmental Grants 218 (enter items below)			
Proposed Grants	-	-	50,000.00
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
Subtotal Intergovernmental Grants Revenues	\$ -	\$ -	\$ 50,000.00
Other Financing Sources: Transfers In	-	-	-
Transfers Out	-	-	-
Total Transfers	\$ -	\$ -	\$ -
TOTAL INTERGOV. GRANT REVENUES	\$ -	\$ -	\$ 50,000.00
Other 299 (enter items below)			
Special Programs	-	37,282.73	502,829.45
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
Subtotal Other 299 Revenues	\$ -	\$ 37,282.73	\$ 502,829.45
Other Financing Sources: Transfers In	-	-	-
Transfers Out	-	-	-
Total Transfers	\$ -	\$ -	\$ -
TOTAL OTHER REVENUES	\$ -	\$ 37,282.73	\$ 502,829.45
Debt Service 400			
General Obligation Bonds	-	-	-
General Obligation - (Property tax)	-	-	-
Investment Income	-	-	-
Other - Misc	-	-	-
Revenue Bonds	-	-	-
Bond Proceeds	-	-	-
Revenue Bonds - GRT	-	-	-
Investment Income	-	-	-
Revenue Bonds - Other	-	-	-
Miscellaneous(NMFA, BOF, etc.)	-	-	-
	-	-	-
Subtotal Debt Service Fund Revenues	\$ -	\$ -	\$ -
Other Financing Sources: Transfers In	-	-	-
Transfers Out	-	-	-
Total Transfers	\$ -	\$ -	\$ -
TOTAL DEBT SERVICE REVENUES	\$ -	\$ -	\$ -
GRAND TOTAL REVENUES	\$ 16,657.32	\$ 122,669.99	\$ 708,063.45

STATE OF NEW MEXICO
LEA SOIL AND WATER CONSERVATION DISTRICT

Findings and Responses
Year Ended June 30, 2015

2013-004 (2013-4) Cash and Investments - Material Weakness

Condition

The District has one checking account and one Edward Jones account and utilizes Quick Books to record cash transactions.

The Edward Jones account was not reported on the June 30, 2015 DFA report. On August 20, 2015 the Edward Jones account was added to QuickBooks.

The District's July 1, 2014 beginning cash balance and June 30, 2015 ending cash balance are incorrect on the June 30, 2015 DFA report.

Criteria

Bank statements should be reconciled to the balance in the general ledger and subsidiary ledgers as required by 6-10-2 NMSA 1978. All bank and investment accounts should be included on the DFA report.

As the oversight agency, the Department of Finance and Administration Local Government Division (DFA-LGD) requires that the District maintain accurate accounting records and file accurate and timely reports to DFA-LGD pursuant to 6-6-3 NMSA 1978.

Cause

A lack of required record keeping knowledge, internal control, and policies and procedures designed to detect and correct such situations and conditions.

Effect

Errors and irregularities may not be detected in a timely manner.

Recommendation

All reports provided to the State Department of Finance and Administration, Local Government Division are now reconciled to the general ledger.

Agency response

The District agrees.

STATE OF NEW MEXICO
LEA SOIL AND WATER CONSERVATION DISTRICT

Findings and Responses
Year Ended June 30, 2015

2015-001 Anti-donation clause - Significant Deficiency

Condition

There was a check issued to Tatum Municipal Schools in the amount of \$500 as a donation.

Criteria

Article 9, Section 14 of the constitution of New Mexico. This provision prohibits the District from making direct grants of aid to entities or persons, despite the need or value of the project, unless the strict requirements of the provision are satisfied.

Cause

The District was unaware donations could not be made to non-profit organizations.

Effect

The District is not in compliance with Article 9, Section 14 of the constitution of New Mexico.

Recommendation

The District not make donations to anyone or any organization.

Response

The District is now monitoring budgeted expenditures to assure this does not happens again.

STATE OF NEW MEXICO
LEA SOIL AND WATER CONSERVATION DISTRICT

Findings and Responses
Year Ended June 30, 2015

2015-002 Travel and Per Diem - Significant Deficiency

Condition

During the course of the audit, we performed tests of travel and per diem expenditures. Our sample size was ten transactions, which were selected throughout the fiscal year, and contained the following discrepancies. There were ten instances where the employee failed to sign the form certifying the reimbursement was correct.

Criteria

The New Mexico Department of Finance and Administration (DFA) has issued regulations in the form of Title 2, Chapter 42, Part 2, *Travel and Per Diem Regulations Governing the Per Diem and Mileage Act* of the New Mexico Administrative Code. The rule was issued in accordance with Section 10-8-1 to 10-8-8 NMSA 1978.

Cause

The District did not understand and apply DFA regulations correctly. Travel requests were not reviewed properly prior to payment.

Effect

Non-compliance with the state of New Mexico Travel and Per Diem Act subjects officials and employees to penalties as required by state statutes.

Recommendation

The District should review the Mileage and Per Diem Act. Once a solid understanding of the Act is obtained, procedures should be reviewed and modified to ensure compliance with the Act.

Response

The District is now monitoring travel and per diem expenditures to assure each board member and district manager sign all travel vouchers.

Prior Year Finding
2013-004 (2013-4)

Cash and Investments - Material Weakness

Repeated

EXIT CONFERENCE

The report contents were discussed at an exit conference held on August 20, 2015 with the following in attendance:

Lea Soil and Water Conservation District
Rhea Howe, Treasurer
Shay Hager, District Manager

Audit 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, 2015

	<u>Type of Finding</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current year findings			
Cash and Investments	C, D	2014-001	2015-001
Anti-donation clause	C, D	N/A	2015-002
Travel and Per Diem	C, D	N/A	2015-003
Follow-up on prior year findings			
Repeated	C, D	2014-001	2015-001

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