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State of New Mexico  
Lea Soil and Water Conservation District

Independent Accountants' Report on  
Applying Agreed-Upon Procedures  
June 30, 2016

Sandra Rush  
Certified Public Accountant, PC

1101 E Llano Estacado  
Clovis, New Mexico 88101

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STATE OF NEW MEXICO  
LEA SOIL AND WATER CONSERVATION DISTRICT

Table of Contents  
For the Year Ended June 30, 2016

	<u>Page</u>
Table of Contents	i
Official Roster	ii
Independent Accountants' Report on Applying Agreed-Upon Procedures	1 - 4
Schedule of Revenues and Expenses - Budget and Actual (Non GAAP Basis)	5
Department of Finance and Administration Soil and Water Conservation District Quarterly Financial Report Fourth Quarter June 30, 2016	6 - 8
Findings and Responses	9 - 12
Exit Conference	12
Schedule of Findings and Responses	13

STATE OF NEW MEXICO  
LEA SOIL AND WATER CONSERVATION DISTRICT

Official Roster  
For the Year Ended June 30, 2016

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*

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*1101 E Llano Estacado Clovis, New Mexico*

*88101 575-763-2245*

## Independent Accountants' Report On Applying Agreed-Upon Procedures

Timothy Keller  
New Mexico State Auditor  
The Office of Management and Budget and  
The Governing Body  
John Norris, Chairperson  
Lea Soil and Water Conservation District  
and  
Lovington, New Mexico

I have performed the procedures enumerated below for the Lea Soil and Water Conservation District (LSWCD), for the year ended June 30, 2016. 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. Verify the local body's revenue calculation and tier determination on the form provided at [www.osanm.org](http://www.osanm.org) under "Tiered System Reporting Main Page."

Based on a review of the District's general ledger, total revenues for the fiscal year ending June 30, 2016 were \$150,573 and the District did not receive a capital outlay appropriation. Based on this information, the District was properly determined to be a Tier 4 entity for FY16 since their total revenues were between \$50,000 and \$250,000 and they did not receive a capital outlay appropriation.

## 2. **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. Random test of bank reconciliations revealed the reconciliations were performed timely and all bank statements were complete and on-hand.
- b) Random test of bank reconciliations revealed the reconciliations were accurate and agree with the QuickBooks general ledger but not with the quarterly financial reports submitted to DFA-LGD. 2013-004

- c) The bank account balance did not exceed uninsured limits as of June 30, 2016, therefore, pledged collateral was not required on the bank account at the end of the year.

The Edward Jones account was covered by SIPC. SIPC protects against the loss of cash and securities – such as stocks and bonds – held by customers at a financially - troubled SIPC-member brokerage firm. The limit of SIPC protection is \$500,000, which included a \$250,000 limit for cash. The District's account did not exceed the SIPC limit.

SIPC protection is limited. SIPC only protects the custody function of the broker dealer, which means that SIPC works to restore to customers their securities and cash that are in their accounts when the brokerage firm liquidation begins.

### 3. **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.

### 4. **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 was not possible since the budgeted revenue categories and the actual revenue categories are not the same.
- 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.

### 5. **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 four (4) checks totaling \$839 without supporting vendor invoices and two (2) checks totaling \$430 without purchase orders. 2016-001
- b) Test of disbursements revealed one (1) travel reimbursement in the amount of \$534 without supporting documentation, proper authorization, or approval required to comply with legal requirements and established policies and procedures. 2015-002
- 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).

**6. 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 my tests are as follows:

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

**7. 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 and DFA-LGD. The District did not adjust the original budget.
- 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 (I)(3)(C) NMAC.

**Findings**

No exceptions were found because of applying the procedures described above (regardless of materiality) indicating any fraud or illegal acts. However, an internal control deficiency was noted. 2016-002

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 CPA PC  
Clovis New Mexico  
August 26, 2016

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, 2016

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues</b>				
Annual funding	\$ -	\$ -	\$ 75,225	\$ 75,225
Interest	150	150	110	(40)
Inventory	-	-	119	119
Other	-	-	6,052	6,052
Rental	61,000	61,000	69,067	8,067
Budgeted revenue	<u>96,441</u>	<u>96,441</u>	<u>-</u>	<u>(96,441)</u>
Total revenues	157,591	157,591	150,573	(7,018)
Cash balance budgeted	<u>184,687</u>	<u>184,687</u>	<u>184,687</u>	<u>-</u>
Total revenues and cash balance budgeted	342,278	342,278	335,260	(7,018)
<b>Expenses</b>				
Advertising	3,000	3,000	240	2,760
Board	9,500	9,500	7,036	2,464
Building	55,925	55,925	21,499	34,426
Contract services	5,000	5,000	4,863	137
Noxious weed program	18,285	18,285	24,879	(6,594)
Education	2,250	2,250	870	1,380
Equipment / vehicles	14,575	14,575	5,519	9,056
Office	2,150	2,150	2,277	(127)
Employee	44,150	44,150	47,902	(3,752)
NM CRS	500	500	-	500
Debt service	<u>-</u>	<u>-</u>	<u>9,729</u>	<u>(9,729)</u>
Total expenses	<u>155,335</u>	<u>155,335</u>	<u>124,814</u>	<u>30,521</u>
Excess revenues and cash balance budgeted over (under) expenses	<u>\$ 186,943</u>	<u>\$ 186,943</u>	<u>\$ 210,446</u>	<u>\$ 23,503</u>
<b>Pass through</b>				
NMACH restoration program inflow	\$ 203,666	\$ 203,666	\$ 203,666	\$ -
NMACH restoration program outflow	<u>(202,434)</u>	<u>(202,434)</u>	<u>(200,170)</u>	<u>2,264</u>
Total pass through	<u>\$ 1,232</u>	<u>\$ 1,232</u>	<u>\$ 3,496</u>	<u>\$ 2,264</u>



DEPARTMENT OF FINANCE AND ADMINISTRATION (DFA)  
 LOCAL GOVERNMENT DIVISION (LGD)  
 BUDGET AND FINANCE BUREAU  
 SOIL AND WATER CONSERVATION DISTRICT  
 QUARTERLY YEAR TO DATE FINANCIAL REPORT

PLEASE 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.

Soil and Water Conservation District: Lea Soil and Water Conservation District  
 Period Ending: 6/31/16

YEAR TO DATE TRANSACTIONS PER BOOKS QUARTERLY REPORT

Fund #	FUND (1)	CASH BALANCE PER BOOKS July 1, 2015 (2)	REVENUES TO DATE (3)	NET TRANSFERS (4)	EXPENDITURES TO DATE (5)	BOOK BALANCE END OF PERIOD (6)	ADD: OUTSTANDING CHECKS (7)	LESS: DEPOSITS IN TRANSIT (8)	ADJUSTMENTS (9)	ADJUSTED BALANCE END OF PERIOD (10)	BALANCE PER BANK STATEMENTS (11)	DIFFERENCE (12)
101	GENERAL FUND	\$74,330.47	\$150,557.74	\$7,595.40	\$124,814.76	\$107,668.85	\$744.30			\$108,413.15	\$113,624.73	-\$5,211.58
218	INTERGOVERNMENTAL GRANTS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00				\$0.00	\$0.00	\$0.00
299	OTHER	\$10,599.13	\$203,666.00	-\$7,595.40	\$200,169.73	\$6,500.00				\$6,500.00	\$0.00	\$6,500.00
400	DEBT SERVICE	\$69,760.24	\$14.98	\$0.00	\$0.00	\$69,774.12				\$69,774.12	\$69,774.12	\$0.00
	<b>GRAND TOTAL</b>	<b>\$154,689.84</b>	<b>\$354,238.72</b>	<b>\$0.00</b>	<b>\$324,984.49</b>	<b>\$183,942.97</b>	<b>\$744.30</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$184,687.27</b>	<b>\$183,398.85</b>	<b>\$1,288.42</b>

NOTE: DETAIL PAGES will complete the Recap except for Cash Per Books on July 1.

\*USER NOTES: (Please describe what any reserve requirements are used for).

SWCD:

Lea Soil and Water Conservation District

Period Ending: 6/31/16

REVENUES	CURRENT QUARTER	YEAR TO DATE	APPROVED BUDGET	% OF BUDGET
<b>General Fund 101</b>				
Annual Funding	\$30,600.00	\$75,224.87	\$0.00	
Checking Interest	\$25.55	\$94.59	\$0.00	
Inventory Sold	\$38.00	\$119.00	\$0.00	
Other	\$0.00	\$6,051.89	\$0.00	
Rental Income	\$14,883.50	\$69,067.39	\$0.00	
	\$0.00	\$0.00	\$0.00	
	\$0.00	\$0.00	\$0.00	
<b>TOTAL GENERAL FUND REVENUES</b>	<b>\$45,547.05</b>	<b>\$150,557.74</b>	<b>\$0.00</b>	
<b>Intergovernmental Grants 218</b>				
State or University Grants				
Federal Grants				
State Grants				
Local Grants				
Private Grants				
Legislative Funding				
Miscellaneous (e.g. NMDA)				
<b>TOTAL GRANT REVENUES</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	
<b>Other 299</b>				
Contract Services				
Educational Income				
Charges for Services				
Capital Outlay Funded				
Project Income-Conservation & Environmental	\$0.00	\$203,666.00	\$203,666.00	1
Emergency Watershed Protection Program				
Project Income - Reloan Program				
Project Expenses Income				
Silent Auctions				
Miscellaneous				
<b>OTHER FUND 299 FROM DETAIL TAB</b>				
<b>TOTAL OTHER 299</b>	<b>\$0.00</b>	<b>\$203,666.00</b>	<b>\$ 203,666</b>	<b>1</b>
<b>Debt Service 400</b>				
<b>General Obligation Bonds</b>				
General Obligation - (Property Tax)				
Investment Income				
Other - Misc				
<b>Revenue Bonds</b>				
Bond Proceeds				
Revenue Bonds - GRT				
Investment Income				
Revenue Bonds - Other				
<b>Miscellaneous (NMFA, BOF, etc.)</b>				
Investment Income				
Loan Revenue				
<b>TOTAL DEBT SERVICE REVENUES</b>	<b>\$3.28</b>	<b>\$14.98</b>	<b>\$0.00</b>	
<b>GRAND TOTALS REVENUES- CURRENT QTR</b>	<b>45,550.33</b>	<b>354,238.72</b>	<b>203,666.00</b>	<b>1.74</b>

NOTE: If this report is for the first quarter YEAR TO DATE will be the same as the CURRENT QUARTER.



STATE OF NEW MEXICO  
LEA SOIL AND WATER CONSERVATION DISTRICT

Findings and Responses  
Year Ended June 30, 2016

Prior 2015-001	Anti Donation	Resolved
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2013-004	Cash and Investments - Significant Deficiency	Revised
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Condition

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

The District's July 1, 2015 beginning cash on the DFA report was \$154,690 and the QuickBooks balance was \$154,591, a difference of \$100.

The District's June 30, 2016 ending cash on the DFA report was \$184,687 and the QuickBooks balance was \$1184,015, a difference of \$672.

Criteria

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 should reconcile to the general ledger.

Agency response

The District Manager will verify the State Department of Finance and Administration, Local Government Division reports agree with the reconciled balances on QuickBooks beginning with the December 31, 2016 report.

STATE OF NEW MEXICO  
LEA SOIL AND WATER CONSERVATION DISTRICT

Findings and Responses  
Year Ended June 30, 2016

2015-002 Travel and Per Diem - Significant Deficiency

Revised

Condition

During the audit, I performed tests of travel and per diem expenditures. The sample size was two (2) transactions, which were selected throughout the fiscal year, and contained the following discrepancies. There was one incident without documentation to support the reimbursement. The incident occurred before the prior year's audit. After which time new procedures were put into place to insure proper documentation is obtained prior to paying reimbursements.

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 Manager is now monitoring travel and per diem expenditures to assure each board member and the district manager signs all travel vouchers.

STATE OF NEW MEXICO  
LEA SOIL AND WATER CONSERVATION DISTRICT

Findings and Responses  
Year Ended June 30, 2016

2016-001 Controls Over Disbursements - Compliance

Condition

During testing of transactions, the following control deficiency was noted related to disbursement testing:

Test of twenty-eight (28) transactions revealed four (4) checks totaling \$839 without supporting vendor invoices and two (2) checks totaling \$430 without purchase orders.

Criteria

Disbursements should be properly supported by an approved purchase order and a vendor invoice.

Cause

The District did not maintain adequate records supporting purchasing and receipt of merchandise or services.

Effect

There is an increased possibility of loss and an increased risk of misstatement due to fraud or error.

Recommendation

The District should maintain sufficient documentation to support the purchase and receipt of goods and services. Payments should not be made unless proper documentation is available.

Response

The District Manager agrees and from the date of fieldwork going forward payments will not be made if the required documentation is not available.

STATE OF NEW MEXICO  
LEA SOIL AND WATER CONSERVATION DISTRICT

Findings and Responses  
Year Ended June 30, 2016

2016-002 Budget Presentation - Compliance

Condition

The budget is not prepared with the same revenue and expenditure categories as is used in the general ledger.

The Budget is not presented on the DFA report.

Criteria

DFA requires the budget be presented along with the actual year to date revenues and expenditures.

Cause

Lack of understanding of the budget and DFA report guidelines.

Effect

When the same categories are not used for the budget and general ledger it is not possible to use the budget as a control. Nor is it possible to compare actual revenues with budgeted revenues.

The District is not in compliance with DFA requirements of reporting the budget on the DFA reports.

Recommendation

The budget should be prepared with the same categories as used on the general ledger. The budget should be reported as required on the DFA report.

Response

The District Manager agrees. Beginning with the December 31, 2016 quarter the budget will be reported on the DFA report.

EXIT CONFERENCE

The report contents were discussed at an exit conference held on August 26, 2016 with the following in attendance:

Lea Soil and Water Conservation District

John Norris, Chairperson

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, 2016

	<u>Type of Finding</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current year findings			
Disbursements	C, D	N/A	2016-001
Budget presentation	C, D	N/A	2016-002
Follow-up on prior year findings			
Revised	C, D	2013-004	2013-004
Revised	C, D	2015-002	2015-002

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