
State of New Mexico
Lea Soil and Water Conservation District

Independent Accountants' Report on
Applying Agreed-Upon Procedures
June 30, 2017

Sandra Rush CPA PC
1101 E Llano Estacado
Clovis, New Mexico 88101

STATE OF NEW MEXICO
LEA SOIL AND WATER CONSERVATION DISTRICT

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For the Year Ended June 30, 2017

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STATE OF NEW MEXICO
LEA SOIL AND WATER CONSERVATION DISTRICT

Official Roster
For the Year Ended June 30, 2017

Board of Directors

John Norris	Chairman
Jeremy Gonzales	Vice Chairman
Rhea Howe	Treasurer
J. W. Spears	Supervisor
Brent Van Dyke	Supervisor
Waylon Crozier	Supervisor
Mark Daugherty	Supervisor

Staff

Shay Hager	District Manager
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Sandra Rush

Certified Public Accountant PC

1101 E Llano Estacado Clovis, New Mexico

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Independent Accountants' Report On Applying Agreed-Upon Procedures

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

I have performed the procedures enumerated below for the Lea Soil and Water Conservation District (the District), for the year ended June 30, 2017. The District 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 District through the Office of the New Mexico State Auditor. The District'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.

Procedures

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

Finding

Verified the District's revenue calculation and tier determination. No exceptions noted.

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) Test at least 30% of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reporting submitted to DFA-Local Government Division.
- 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 District has one checking account and one investment account and utilizes QuickBooks to record cash transactions. Random test of four (4) bank reconciliations revealed the reconciliations were performed timely and all bank statements were complete and on-hand.
- b) Random test of four (4) bank reconciliations revealed the reconciliations were accurate and agree with the QuickBooks general ledger and quarterly financial reports submitted to DFA-LGD.

c) Bank account balances did not exceed uninsured limits as of June 30, 2017, therefore, pledged collateral was not required on the bank account at the end of the year.

3. Capital Assets

Procedures

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

Finding

The District does maintain a capital assets inventory listing and performed an annual inventory as required by Section 12-6-10 NMSA 1978, however, the District failed to obtain a certification from the board as required by state statute. Finding 2017-001

4. Revenue

Procedures

Identify the nature and amount of revenue from all 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.

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.

Select a sample of revenues equal to at least 30% of the total dollar amount and test the following attributes:

b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statements.

c) Proper recording of classification, amounts, 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) An analytical review of prior year to current year revenue revealed no unexplained or unusual variations. The test of actual revenue compared to budgeted revenue for the year for each type of revenue revealed no exceptions.

b) Traced 16 deposits (approximately 91% of the total revenues) on the district's financial records and agreed to the supporting documentation (deposit slips and bank statements). No exceptions noted.

c) Amounts were properly recorded on a cash basis as to classification, amount and period on the District's general ledger. No exceptions noted.

5. Expenditures

Procedures

Select a sample of cash disbursements equal to at least 30% of the total dollar amount 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 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 order, 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 35 transactions for approximately 63% of the total expenditure amount for the fiscal year revealed four (4) disbursements totaling \$6,136 where the purchase order was dated after the invoice, three (3) disbursements totaling \$4,459 without supporting documents, two (2) disbursements totaling \$5,216 without a purchase order. Finding 2016-001

b) District disbursements were authorized disbursements for the operations of the District and approved in compliance with budget, legal requirements and established policies and procedures.

c) District maintained documentation for all its purchases to demonstrate compliance with the bid process (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 purchase regulations.

6. Journal Entries Procedures

Test all non-routine journal entries, adjustment and reclassification posted to the general ledger, 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.

Finding

The District maintained its financial records (QuickBooks) on the cash basis. The District did not post any journal entries to adjust or reclassify any of its receipt or disbursements.

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 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 whether 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, actual or modified accrual basis) for each individual fund.

Findings

a) The District prepared and submitted an approved budget by the District for approval to DFA-LGD for the year ended June 30, 2017. Subsequent budget adjustments were approved by the board.

b) Determined that total actual expenditures did exceed the final budget at the legal level of budgetary control for the District. Finding 2017-002

c) A schedule of revenues and expenditures was prepared from the District's records on a cash budgetary basis. This schedule is included herein. The District submitted quarterly report to DFA-LGD for the fiscal year.

8. Other Procedures

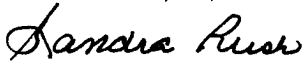
If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The finding must include the required contents per Section 2.2.2.10(L) NMAC.

Findings

No exceptions or information were noted because of applying the procedures described above (regardless of materiality) indicating fraud or illegal acts.

I was not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion in accordance with AT-C 215.35. 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, DFA-Local Government Division and Legislative Finance Committee 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
November 22, 2017

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, 2017

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Annual funding	\$ 49,700	\$ 49,700	\$ 45,900	\$ (3,800)
State funding	-	-	13,014	13,014
Interest	165	165	142	(23)
Inventory	750	750	24,542	23,792
Other	-	-	-	-
Rental	55,000	55,000	78,473	23,473
CWMA	20,000	20,000	8,445	(11,555)
Total revenues	125,615	125,615	170,516	44,901
Cash balance budgeted	183,943	183,943	183,943	-
Total revenues and cash balance budgeted	309,558	309,558	354,459	44,901
Expenses				
Advertising	3,000	3,000	3,709	(709)
Board expense	11,000	11,000	8,431	2,569
Building	41,500	41,500	32,122	9,378
Contract services	5,000	5,000	5,121	(121)
Noxious weed program	20,000	20,000	-	20,000
Education	500	500	1,178	(678)
Equipment / vehicles	26,450	26,450	80,067	(53,617)
Inventory	5,000	5,000	18,583	(13,583)
Employee	48,500	48,500	45,225	3,275
NM CRS	250	250	-	250
Office expense	3,000	3,000	3,217	(217)
Postage	200	200	-	200
ehicvle	-	-	2,088	(2,088)
Cost share	6,500	6,500	3,000	3,500
CWMA	-	-	4,302	(4,302)
Total expenses	170,900	170,900	207,043	(36,143)
Excess revenues and cash balance budgeted over (under) expenses	\$ 138,658	\$ 138,658	\$ 147,416	\$ 8,758

Lea Soil and Water Conservation District

Profit & Loss

Cash Basis

July 2016 through June 2017

Jul '16 - Jun '17

Income

101 Annual Funding		
Lea County Commission Funding	45,900.00	
State Funding / Point System	13,014.01	
Total 101 Annual Funding		58,914.01
101 Checking Interest		
Edward Jones	20.32	
Western Commerce	122.02	
Total 101 Checking Interest		142.34
101 CWMA.		8,445.05
101 Inventory Sold		
Chemical	3,150.00	
Trees / Plants / Seeds	21,391.77	
Total 101 Inventory Sold		24,541.77
101 Rental Income		
Building Lease	46,039.50	
Equipment Rental	8,875.00	
101 Rental Income - Other	23,558.60	
Total 101 Rental Income		78,473.10
Total Income		170,516.27

Expense

101 Advertising		3,708.98
101 Board Expense		
Dues / Fees	5,928.72	
Mileage / Per Diem	1,656.81	
Reg/ Conf.	845.00	
Total 101 Board Expense		8,430.53
101 Building Expense		
Building / Grounds Maintenance	22,546.87	
Insurance / Surety Bond	1,976.00	
Utilities		
Electric	4,256.04	
Internet	776.31	
Telephone	959.94	
Water	1,606.38	
Total Utilities	7,598.67	
Total 101 Building Expense		32,121.54
101 Contract Services		
Audit Fee	5,000.00	
Professional Fees	120.66	
Total 101 Contract Services		5,120.66
101 CWMA		
Advertising	172.90	
Chemical / Spraying	4,129.13	
Total 101 CWMA		4,302.03
101 Education		1,178.16
101 Employee Expense		
Conference Registration	225.00	
Milage / Travel / Per Diem	338.13	
Payroll Expenses	44,592.18	
Professional Development	70.00	

**Lea Soil and Water Conservation District
Profit & Loss**

Cash Basis

July 2016 through June 2017

	Jul '16 - Jun 17
Total 101 Employee Expense	45,225.31
101 Equipment	
Equipment Maintenance	6,693.13
Insurance	1,562.00
101 Equipment - Other	71,811.63
Total 101 Equipment	80,066.76
101 Inventory Purchased	18,583.13
101 Office Expense	
Postage	72.95
Supplies	3,142.31
Total 101 Office Expense	3,215.26
101 Vehicle	
Insurance	897.00
Fuel	1,023.26
Maintenance	168.18
Total 101 Vehicle	2,088.44
299 Special Programs.	
Cost Share	3,000.00
Total 299 Special Programs.	3,000.00
66900 · Reconciliation Discrepancies	2.04
Total Expense	207,042.84
Net Income	<u>-36,526.57</u>

STATE OF NEW MEXICO
 LEA SOIL AND WATER CONSERVATION DISTRICT
 Schedule of Findings and Responses
 Year Ended June 30, 2017

Prior Year Finding

2013-004	Cash and Investments	Significant Deficiency	Resolved
2015-002	Travel and Per Diem	Significant Deficiency	Resolved
2016-001	Controls Over Disbursements	Compliance	Revised & Repeated
2016-002	Budget Presentation	Compliance	Resolved

Current Year Finding

2016-001 Controls Over Disbursements Material Weakness / Compliance

Condition

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

Test of 35 transactions for approximately 63% of the total expenditure amount for the fiscal year revealed four (4) disbursements totaling \$6,136 where the purchase order was dated after the invoice, three (3) disbursements totaling \$4,459 without supporting documents, two (2) disbursements totaling \$5,216 without a purchase order. Limited progress has been made.

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

Starting immediately the District Manager, will analyze the procedure for controls over disbursements and correct the process so that sufficient documentation is on file.

STATE OF NEW MEXICO
LEA SOIL AND WATER CONSERVATION DISTRICT
Schedule of Findings and Responses
Year Ended June 30, 2017

2017-001 Annual Inventory Certification

Significant Deficiency / Compliance

Condition

The District performed a physical inventory of capital assets for the year ended June 30, 2017, however, the District failed to obtain a certification from the board as required by state statute.

Criteria

According to 2.2.2.10 W (2) of the State Audit Rule agencies shall conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year in accordance with the requirements of 12-6-10 NMSA 1978. The agency shall certify the correctness of the inventory after the physical inventory. This certification shall be provided to the agency's auditors. The IPA shall audit the inventory listing for correctness and compliance with the requirements of the Audit Act

Effect

The District is not in compliance with 12-6-10 NMAC 1978 regarding their annual capital asset certification.

Cause

The District's procedures did not have the capital asset inventory certified by the school board, due to management not being aware of this requirement.

Recommendation

The District should implement procedures to have the annual capital asset inventory certified by the District Council. The District reports created during the annual physical inventory should be compiled to be certified by the school board.

Response

The District Manager will submit the asset list to board at the meeting on December 14, 2017, and it will be approved. In the future the asset list will be on the July meeting agenda.

STATE OF NEW MEXICO
LEA SOIL AND WATER CONSERVATION DISTRICT
Schedule of Findings and Responses
Year Ended June 30, 2017

2017-002 Budget Over Expended

Material Weakness / Compliance

Condition

The District is in violation of New Mexico State Statute 6.6.6 pertaining to expenditures exceeding the budget at the control level. The expenditures exceeded the budget by \$36,143.

Criteria

6-6-6. Approved budgets; claims or warrants in excess of budget; liability.

When any budget for a local public body has been approved and received by a local public body, it is binding upon all officials and governing authorities, and no governing authority or official shall allow or approve claims in excess thereof, and no official shall pay any check or warrant in excess thereof, and the allowances or claims or checks or warrants so allowed or paid shall be a liability against the officials so allowing or paying those claims or checks or warrants, and recovery for the excess amounts so allowed or paid may be had against the bondsmen of those officials.

Effect

The District is in violation of New Mexico State Statute 6.6.6.

Cause: There was inadequate monitoring of budgeting procedures at year end.

Recommendation

I recommend the District fund, be budgeted and approved by the Board. Once adopted, the budgets must be monitored for compliance with state statute and adjustments made as necessary. Budget adjustment requests should be approved by the Board and DFA (when required) to receive approval to make necessary changes to the budget at year end

Response

The District Manager, will immediately start analyzing the budget more closely to ensure that this problem does not occur again.

Exit Conference

The report contents were discussed at an exit conference held on November 20, 2017 with the following in attendance:

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

Audit Firm

Sandra Rush, CPA

STATE OF NEW MEXICO
LEA SOIL AND WATER CONSERVATION DISTRICT

Schedule of Summary of Findings
For the Year Ended June 30, 2017

<i>Agency Number</i>	<i>Agency Name</i>	<i>Agency Type</i>	<i>Audit Fiscal Year</i>	<i>Financial Statement Opinion</i>	<i>Finding Number</i>	<i>New or Repeat Finding</i>	<i>Year Finding Originated</i>	<i>Classification of Finding</i>	<i>Category of Finding</i>	<i>Summary of Finding (250 characters max.)</i>	<i>If the Finding is attributable to a Component Unit, Name of Component Unit</i>
8025	Lea Soil and Water Conservation District	Soil & Water Conservation Districts	2017	AUP - No Opinion	2016-001	Repeat	2016	Material Weakness	Expenditures and Expenses - Lack of Documentation	Purchase order dated after invoice, or no purchase order lack supporting documents	
8025	Lea Soil and Water Conservation District	Soil & Water Conservation Districts	2017	AUP - No Opinion	2017-001	New	2017	Significant Deficiency	Inventory	Physical inventory of capital assets was performed, but district failed to have board certify it	
8025	Lea Soil and Water Conservation District	Soil & Water Conservation Districts	2017	AUP - No Opinion	2017-001	New	2017	Material Weakness	Budgetary Compliance	Expenditures exceeded the budget at the control level	