
State of New Mexico
Lea Soil and Water Conservation District

Independent Accountants' Report on
Applying Agreed-Upon Procedures
June 30, 2019

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, 2019

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STATE OF NEW MEXICO
LEA SOIL AND WATER CONSERVATION DISTRICT

Official Roster
For the Year Ended June 30, 2019

Board of Supervisors

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

Chairman
Vice Chairman
Treasurer
Supervisor
Supervisor
Supervisor
Supervisor

Staff

Shay Hager

District Manager

Sandra Rush

Certified Public Accountant PC

1101 E Llano Estacado Clovis, New Mexico

88101 575-763-2

Independent Accountants' Report On
Applying of Tier 4 Agreed-Upon Procedures

Brian S. Colon
New Mexico State Auditor
Board of Supervisors
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, 2019. 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.

1. Revenue Calculation and Tier Determination

Procedure

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

Results of Procedures Performed

Verified the Association'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 reports 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.

Results of Procedures Performed

- a) The District has one checking account and one investment account and utilizes QuickBooks to record cash transactions. Random test of twelve (12) reconciliations revealed the reconciliations were performed timely and all bank statements were complete and on-hand.
- b) Random test of five (5) bank reconciliations 42%, revealed 1 (one) of the reconciliations did not agree with the QuickBooks general ledger and quarterly financial reports submitted to DFA-LGD. Difference \$1,345.05 the paycheck dated 7-4-2019 cleared the bank 6-26-19. Finding 2019-001

c) Bank account balances did not exceed uninsured limits as of June 30, 2019 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.

Results of Procedures Performed

The District maintains a capital assets inventory listing and performed 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.

Select a sample of revenue 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 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.

Results of Procedures Performed:

- 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 45% 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).

Results of Procedures Performed

- a) Test of 8 transactions, approximately 38% of the total expenditure amount for the fiscal year revealed that amounts recorded as disbursed agreed to the supporting documentation. The documentation agrees as to amount, payee, date and description agree to the vendor's invoice. No exceptions noted.
- 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. Test of 27 paychecks revealed 21 were cashed by the employee prior to the end of the pay period. 2019-001
- 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 13-1-199 NMSA 1978) and State purchasing regulations (1.41 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.12.2 NMAC). No exceptions noted.

5. Journal Entries Procedures

Test all non-routine journal entries, adjustment and reclassifications posted to the general ledger, for the following attributes:

- a) Journal entries appear reasonable and have supporting documentation.
- b) The local public body has policies and procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

Results of Procedures Performed

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 receipts or disbursements.

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

Results of Procedures Performed

- a) The District prepared and submitted an approved budget for approval to DFA-LGD for the year ended June 30, 2019. There were no subsequent budget adjustments.
- b) Determined that total actual expenditures did not exceed the final budget at the legal level of budgetary control for the District.
- c) A schedule of revenues and expenditures was prepared from the District's records on a cash budgetary basis. This schedule is included herein.

7. 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 findings must include the required content per Section 2.2.2.10(L) NMAC.

Results of Procedures Performed

The June 30, 2019 quarter report was not submitted to DFA-LGD by July 31, 2019 deadline. Nor did the report agree with the general ledger. Finding 2019-002

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. I was not engaged to, and did not conduct an examination or a review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Tier Verification, Cash, Capital Assets, Revenue, Expenditures, Journal Entries, Budget, or Other of the District as of and for the year ended June 30, 2019, included in the accompanying information provided to me by management of the Lea Soil and Water Conservation District. Accordingly, I do not express such an opinion or conclusion. 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 Lea Soil and Water Conservation District, the New Mexico State Auditor's Office and the Department of Finance and Administration, Local Government Division and the New Mexico Legislature and is not intended to be and should not be used by anyone other than the specified parties.

Sandra Rush CPA PC

Sandra Rush CPA PC

Clovis New Mexico

October 11, 2019

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, 2019

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Interest	\$ 400	\$ 400	\$ 594	\$ 194
Grass seed and tree sales	-	-	627	627
Conservation items sales	3,500	3,500	1,078	(2,422)
Annual funding	45,000	45,000	79,095	34,095
State funding	20,000	20,000	2,000	(18,000)
Miscellaneous	-	-	42	42
Rental	70,000	70,000	51,726	(18,274)
Total revenues	138,900	138,900	135,162	(3,738)
Cash balance budgeted	153,601	153,601	153,601	-
Total revenues and cash balance budgeted	292,501	292,501	288,763	(3,738)
Expenses				
Advertising	3,000	3,000	3,872	(872)
Board expense	13,000	13,000	5,246	7,754
Building	40,000	40,000	43,156	(3,156)
Contract services	-	-	5,626	(5,626)
Education	500	500	-	500
Equipment / vehicles	10,350	10,350	1,092	9,258
Salaries abds benefits	46,500	46,500	44,993	1,507
Miscellaneous	11,500	11,500	852	10,648
Office expense	4,700	4,700	2,867	1,833
Postage	-	-	50	(50)
Field supplies	8,900	8,900	-	8,900
Contract fees and other services	5,500	5,500	-	5,500
Brush control expense	20,000	20,000	875	19,125
Total expenses	163,950	163,950	108,629	55,321
Other sources and uses				
Administered federal sources	262,500	262,500	44,822	(217,678)
Note receivable	-	-	20,000	20,000
Note payable	-	-	(7,307)	(7,307)
Expended federal sources	(250,000)	(250,000)	(37,194)	212,806
	12,500	12,500	20,321	(7,821)
Excess revenues and cash balance budgeted over (under) expenses	\$ 141,051	\$ 141,051	\$ 200,455	\$ 59,404

DEPARTMENT OF FINANCE AND ADMINISTRATION (DEA)
 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: 12a
 Period Ending: 06/30/19

YEAR TO DATE TRANSACTIONS PER BOOKS QUARTERLY REPORT

Fund #	FUND (1)	CASH BALANCE PER BOOKS July 1, 2017 (2)	REVENUES TO DATE (3)	INVESTMENTS (4)	NET TRANSFERS (5)	EXPENDITURES TO DATE (6)	BOOK BALANCE END OF PERIOD (7)	ADD: OUTSTANDING CHECKS (8)	LESS: DEPOSITS IN TRANSIT (9)	ADJUSTMENTS (10)	ADJUSTED BALANCE END OF PERIOD (11)	BALANCE PER BANK STATEMENTS (12)	DIFFERENCE (13)
101	GENERAL FUND	118,644	199,695	-	-	153,130	165,209.00	4,128	-	(1,345)	167,992.00	167,992	(13)
218	INTERGOVERNMENTAL GRANTS	-	-	-	-	-	-	-	-	-	-	-	-
299	OTHER	34,957	289	-	-	-	35,246.00	-	-	-	35,246	35,246	-
400	DEBT SERVICE	-	-	-	-	-	-	-	-	(1,345)	203,238	203,238	-
	GRAND TOTAL	153,601	\$ 199,984	\$ -	\$ -	153,130	\$ 200,455	\$ 4,128	\$ -	\$ (1,345)	\$ 203,238	\$ 203,238	\$ -

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

REVENUES	CURRENT QUARTER	YEAR TO DATE	APPROVED BUDGET	% OF BUDGET
General Fund 101				
Total Property Tax Production To Date	0	0	0	
Total Interest From Bank Accounts and CDs	42	305	150	203.33%
Hazardous Fuels Income		0	0	
Grass Seed and or Tree Sales	0	627	0	
Book Sales		0	0	
Rent Revenue	13938	51726	70000	73.89%
Annual Funding	32500	79095	45000	175.77%
Noxious Weed Program	0	2000	20000	10.00%
Conservation Sale Items	0	1078	3500	30.80%
Contract Services		44822	262500	17.08%
Miscellaneous	0	42	0	
N/R LOAN REPAYMENT RECEIVED		20000	0	
		0	0	
	0	0	0	
TOTAL GENERAL FUND REVENUES	\$ 46,480	\$ 199,695	\$ 401,150	49.78%
Intergovernmental Grants 218				
State or University Grants	0	0	0	
Federal Grants	0	0	0	
State Grants	0	0	0	
Local Grants	0	0	0	
Private Grants	0	0	0	
Legislative Funding	0	0	0	
Miscellaneous (e.g. NMDA)	0	0	0	
TOTAL GRANT REVENUES	\$ -	\$ -	\$ -	
Other 299				
Contract Services	0	0	0	
Educational Income	0	0	0	
Charges for Services	0	0	0	
Capital Outlay Funded	0	0	0	
Project Income-Conservation & Environmental	0	0	0	
Emergency Watershed Protection Program	0	0	0	
Project Income - Reloan Program	0	0	0	
Project Expenses Income	0	0	0	
Silent Auctions	0	0	0	
Miscellaneous	0	0	0	
OTHER FUND 299 FROM DETAIL TAB	0	0	0	
TOTAL OTHER 299	\$ -	\$ -	\$ -	
Debt Service 400				
General Obligation Bonds	0	0	0	
General Obligation - (Property Tax)	0	0	0	
Investment Income	0	0	0	
Other - Misc	0	0	0	
Revenue Bonds	0	0	0	
Bond Proceeds	0	0	0	
Revenue Bonds - GRT	0	0	0	
Investment Income	0	289	250	
Revenue Bonds - Other	0	0	0	
Miscellaneous (NMFA, BOF, etc.)	0	0	0	
Investment Income	0	0	0	
Loan Revenue	0	0	0	
TOTAL DEBT SERVICE REVENUES	\$ -	\$ 289	\$ 250	115.60%
GRAND TOTALS REVENUES- CURRENT QTR	\$ 46,480	\$ 199,984	\$ 401,400	49.82%

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

SWCD:

Lea

Period Ending: 6/30/2019

EXPENDITURES	CURRENT QUARTER	YEAR TO DATE	APPROVED BUDGET	% OF BUDGET
GENERAL FUND 101				
Personnel Services, (Salaries and Benefits)	10,256	44,993	46,500	96.76%
Mileage and Per Diem		0	0	
Vehicle Expense (Insurance, gas, maintenance)	2,553	1,092	10,350	10.55%
Building Expenses (e.g. rent/maintenance)	5,263	35,374	40,000	88.44%
Utilities (Electricity, Natural Gas, Propane, Water, Sewer)	1,705	7,782	0	
Telephone		0	0	
Postage Expense		50	0	
Office Supplies and Other Expenses	910	2,867	4,700	61.00%
Office Furniture and Equipment		0	0	
Advertising and Public Relations (e.g. newsletter)		3,872	3,000	129.07%
Training, Workshops & Education expense		0	500	0.00%
Annual Audit/Financial Report Expenses		5,626	0	
Dues and Board Fees	148	5,246	13,000	40.35%
Election Expense		0	0	
Field Supplies & Equipment		0	8,900	0.00%
Cost Sharing Expense		0	0	
Brush Control Expenses		875	20,000	4.38%
Contractual Fees and Other Services (Comm. Proj.)		0	5,500	0.00%
GRT Taxes		0	0	
Miscellaneous (e.g. Meetings)	207	852	5,000	17.04%
Principal payment pickup		7,307	0	
Conservation and Environmental Control Expenses		37,194	250,000	14.88%
Total General Fund Expenditures	\$ 21,042	\$ 153,130	\$ 407,450	37.58%
Intergovernmental Grants Expenditures 218				
State or University Grants	0	0	0	
Federal Grants	0	0	0	
State Grants	0	0	0	
Local Grants	0	0	0	
Private Grants	0	0	0	
Legislative Funding	0	0	0	
Other	0	0	0	
Total Grant Expenditures	\$ -	\$ -	\$ -	
Other Expenditures 299				
Loan Payments	0	0	0	
Capital Outlay Expenses/Capital Projects	0	0	0	
Conservation and Environmental Control Expenses	0	0	0	
Bonding	0	0	0	
All Other Insurance	0	0	0	
Loan Program Expenses including Loan Repayments	0	0	0	
Miscellaneous Expenses	0	0	6,500	0.00%
OTHER FUND 299 FROM DETAIL TAB	0	0	0	
Total Other Expenditures	\$ -	\$ -	\$ 6,500	0.00%
Debt Service 400				
Bond Payments Principal	0	0	0	
Bond Payments- Interest	0	0	0	
Other Debt Service	0	0	0	
Total Debt Service Expenditures	0	0	0	
TOTAL EXPENDITURES Current Quarter	\$ 21,042	\$ 153,130	\$ 413,950	36.99%

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
Schedule of Findings and Responses
Year Ended June 30, 2019

Prior Year Finding None

Current Year Finding

2019-001 Payroll Procedures

Material Weakness

Condition

Test of expenditures revealed paychecks are distributed to the employee prior to the end of the pay period. Of the 27 paychecks issued 21 cleared the bank prior to the end of the pay period. The paycheck dated July 4, 2019 cleared the bank June 26, 2019. As a result, the employee is paid for services she has not rendered.

Criteria

The New Mexico Criminal Code makes it a fourth-degree felony for a public official to pay public money for services that have not been rendered. "Paying or receiving public money for services not rendered consists of knowingly making or receiving payment or causing payment to be made from public funds where such payment purports to be for wages, salary or remuneration for personal services which have not in fact been rendered." NMSA 1978, § 30-23-2.

Cause

The board signs the paychecks prior to the end of the pay period.

Effect

The employee is receiving payment for services not rendered. Paying wages before earned is a violation of NMSA 1978 30-23-2. If the employee terminates, the District may not recover the unearned wages.

Recommendation

Paychecks should not be signed or distributed until after the pay period ends.

Response

Paychecks in the future will not be signed or distributed until after the pay period ends.

Responsible for Implementation: District Manager
Time Frame: December 1, 2019

STATE OF NEW MEXICO
LEA SOIL and WATER CONSERVATION DISTRICT
Schedule of Findings and Responses
Year Ended June 30, 2019

2019-002 Department of Finance and Administration - Local Government Division Report

Other Non-Compliance

Condition

As of September 5, 2019 (the date of field work) the district had not submitted the June 30, 2019 quarterly report to the New Mexico Department of Finance and Administration - Local Government Division (DFA-LGD). Nor did the report agree with the general ledger. On October 10, 2019 a corrected report that agreed with the general ledger was submitted to (DFA-LGD).

Criteria

Department of Finance and Administration - Local Government Division (DFA-LGD); powers and duties: 6-6-2F NMSA 1978. requires periodic financial reports, at least quarterly, of local public bodies.

The districts duties per 6-6-3 NMSA 1978. Every local public body shall: A. keep all the books, records and accounts in their respective offices in the form prescribed by the local government division; B. make all reports as may be required by the local government division; and C. conform to the rules and regulations adopted by the local government division. The report was due July 31.

Effect

The District is not in compliance with 6-6-3 NMSA 1978.

Cause

The board has not held a regular meeting to sign the resolution accepting the 4th quarter DFA-LGD report.

Recommendation

Establish policy to review and approve the DFA-LGD quarterly reports and submit them timely.

Response

The Board reviewed and approved the DFA-LGD fourth quarter report on September 12, 2019, and they were submitted to DFA.

Responsible for Implementation: District Manager
Time Frame: December 1, 2019

STATE OF NEW MEXICO
LEA SOIL and WATER CONSERVATION DISTRICT
Exit Conference
Year Ended June 30, 2019

Exit Conference

The report contents were discussed at an exit conference held on September 5, 2019 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, 2019

<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>Original Finding Number</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	2019	AUP - No Opinion	2019-001	New	2019	2019-001	Material Weakness	Expenditures and Expenses - Advance Payments	Employee is cashing pay check before the pay period is over	n/a
8025	Lea Soil and Water Conservation District	Soil & Water Conservation Districts	2019	AUP - No Opinion	2019-001	New	2019	2019-02	Other Noncompliance	State Law Compliance - Other	Entity didn't file 4th quarter DFA report timely	n/a