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McKinley Soil & Water Conservation District

Independent Accountant's Report on Applying Agreed-Upon Procedures

For the Fiscal Year Ended June 30, 2016

McKinley Soil & Water Conservation District
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Fiscal Year Ended June 30, 2016

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McKinley Soil & Water Conservation District
Official Roster
Fiscal Year Ending June 30, 2016

Board of Supervisors

Dudley Byerley, Chairman

Larry Winn, Vice-Chairman

Gerald Henke, Supervisor

Herb Mosher, Supervisor

Vacant, Supervisor

Vacant, Supervisor

Vacant, Supervisor

Administrative Staff

Betsy Branson, District Clerk

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P.O. Box 24164
Santa Fe, NM 87502
Office: 505.920.4024
nmauditors@gmail.com

Independent Accountant's Report on Applying Agreed-Upon Procedures

Dudley Byerley, Chairman
Mckinley Soil & Water Conservation District
and
Tim Keller, New Mexico State Auditor

I have performed the procedures enumerated below for the McKinley Soil & Water Conservation District (District) for the fiscal year ending June 30, 2016, solely to assist in determining compliance with the provisions of the Audit Act for a Tier 3 entity per Section 12-6-3 B (4) NMSA 1978, Section 2.2.2.16 NMAC and Section 6-6-2 (A) NMSA 1978. The procedures were agreed to by the Association through the New Mexico Office of the State Auditor. The District's management is responsible for its accounting records and the subject matter. 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 the parties specified in this report. Consequently, we 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. 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."

Based on a review of the District's general ledger, total revenues (excluding grants and the capital outlay appropriation) for the fiscal year ending June 30, 2016 were \$23,831. Therefore, the District was properly determined to be a Tier 3 entity for FY16 since their revenues were between \$10,000 and \$50,000 and they fully expended a \$119,624 capital outlay appropriation during the fiscal year.

2. Test all state-funded capital outlay expenditures:
 - a. Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.

The cash disbursements for the capital award project were tested. The amounts disbursed agreed with the supporting documentation. The amount, payee, date and description of the purchase agreed with the purchase order, vendors' invoices and canceled checks.

- b. Determine that cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established policies and procedures.

The cash disbursements tested were properly authorized and approved in accordance with the project budget, legal requirements and the District's procurement 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 and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).

The District obtained quotes for the purchase of farm equipment in accordance with its procurement policies and applicable state laws and regulations.

- d. Determine the physical existence (by observation) of the capital asset based on expenditures to date.

The farming equipment purchased by the District was observed on October 26, 2016.

- e. Verify that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with the general ledger and other supporting documentation.

The status reports were submitted in accordance with the grant agreement. The amounts in the status reports agreed with the general ledger and the supporting documentation.

- f. If the project was funded in advance, determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.

The project was not funded in advance. The District was required to submit invoices and supporting documentation to New Mexico State University, Department of Agriculture (NMSU/NMDA) to obtain funding for the purchase of farming equipment.

- g. If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and agreement with the grantor.

The capital outlay appropriation for the purchase of farming equipment was fully expended as of June 30, 2016. See the Schedule of Capital Outlay Awards on p. 6.

- h. Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is non-interest bearing if so required by the capital outlay award agreement.

The cash received from NMSU/NMDA was deposited in the District's checking accounts at Pinnacle Bank and Washington Federal in Gallup, New Mexico. The capital outlay award agreement did not require a separate fund or separate non-interest bearing bank account to deposit the amounts received.

- i. Determine whether reimbursement requests were properly supported by costs incurred by the recipient. Determine whether the costs were paid by the local public body prior to the request for reimbursement.

During the fiscal year ending June 30, 2016, the District submitted six reimbursement requests totaling \$119,624 to NMSU/NMDA for the purchase of the following farming equipment: a 20" Tree Shear, 96" Grader Attachment, Mounting Kit and Bucket, Side by Side ATV, PS200 Trailer, 200 Gallon Tank, 25 Gallon Sprayer, a John Deere 5075E Tractor, Loader, Rotary Tiller and Rotary Cutter. The reimbursement requests were supported by six invoices totaling \$123,194.47 for the farming equipment. The invoices were paid by the District prior to the reimbursement requests.

- 3. The agreed-upon procedures report shall include the capital outlay amount awarded, amount received, amount expended, the remaining balance, and the actual legislation and effective dates for each capital outlay appropriation that meets the Tier 3 criteria.

See the Schedule of Capital Outlay Awards on p. 6.

4. Other

- a. 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 (I)(3)(C) NMAC.

No indications of fraud, illegal acts, noncompliance or internal control deficiencies were noted during the performance of the agreed-upon procedures.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the Tier 3 agreed upon procedures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management and others with the District, the New Mexico State Auditor, Department of Finance and Administration – Local Government Division, NMSU/NMDA and the State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Accounting & Auditing Services, LLC

Accounting & Auditing Services, LLC

Santa Fe, New Mexico

October 31, 2016

**McKinley Soil & Water Conservation District
Schedule of Findings and Responses
Fiscal Year Ending June 30, 2016**

Status of Prior Year Findings

Not applicable.

Current Year Findings

None.

**McKinley Soil and Water Conservation District
 Schedule of Capital Outlay Awards
 For the Fiscal Year Ending June 30, 2016**

	1
Amount Awarded for Project	\$ 119,624.00
Amount Received and Expended in FY16	<u>(119,624.00)</u>
Remaining Balance	<u><u>\$ -</u></u>

Agreement Provisions

**1 - Grant Agreement Between the New Mexico Department of Agriculture and the
 McKinley Soil and Water Conservation District
 Fund 15-0999 Capital Appropriation Project**

Legislative Authority: NM Laws of 2015, SB1, Chapter 39, Paragraph 11

Date of Agreement: July 1, 2013

Project Description: To purchase farming equipment for the McKinley Soil and Water Conservation
 District in Gallup in McKinley County.

Estimated Project Cost: \$119,624

State Grant Amount: \$119,624

Agreement Termination/Reversion Date: June 30, 2018

**McKinley Soil & Water Conservation District
Exit Conference
Fiscal Year Ended June 30, 2016**

On October 31, 2016, an exit conference was held with the following individuals to discuss the results of the agreed upon procedures and the contents of this report:

McKinley Soil & Water Conservation District

Dudley Byerley, Chairman
Betsy Branson, District Clerk

Accounting & Auditing Services, LLC

Steve B. Archibeque, CPA, Engagement Manager

